# 2020 ANNUAL REPORT

[ PEOPLE • TECHNOLOGY • SERVICE ]

ZENITH BANK
*...in your best interest*

PEOPLE • TECHNOLOGY • SERVICE

# TABLE OF CONTENTS


01 Corporate information
03 Financials at a Glance
04 Financial Highlights
06 Corporate Profile & Strategy
09 Branch/Agency Network
12 Products & Services
15 Correspondent Banks
17 Board of Directors
18 Report of the Directors
21 Chairperson's Message
25 Executive Management
27 Chief Executive Officer's Review
32 Corporate Governance Report
36 Independent Auditor's Report
41 Statement of Comprehensive Income
42 Statement of Financial Position
43 Statement of Changes in Equity
44 Statement of Cash Flows
45 Notes to the Financial Statements
104 Valued Added Statement
105 Corporate Events and Corporate Social Responsibilities


ZENITH BANK
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# Corporate Information

**BOARD OF DIRECTORS**

Freda Duplan (Chairperson)
Anthony A. Ogunranti
Gabriel Ukpeh
Anthony Oteng -Gyasi
Dennis Olisa
Dr. Juliette Tuakli
Kwasi Agyeman Boatin - *(Appointed 25 March 2020)*

**SECRETARIES**

Michael O. Otu
Daniel Agamah

**AUDITOR**

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

**SOLICITORS**

Corporate Legal Concepts
Rehoboth Place
No.1 North Labone Estates
Accra

**REGISTERED OFFICE**

Zenith Heights
No. 37 Independence Avenue
PMB CT 393
Accra

**BANKERS**

Citibank N.A., London
Citibank New York
Ghana International Bank Plc.
Zenith Bank (UK) Limited
Standard Chartered Bank - Germany
Standard Chartered Bank - China
Commerzbank AG
JP Morgan Chase Bank NA
Sumitomo Mitsui Banking Corporation Europe Ltd.
Deutsche Bank AG
Bank of Beirut (UK) Limited
Rand Merchant Bank
Ghana Commercial Bank
Zenith Bank Plc

*Thinking of banking in Africa...*

# Think Zenith

*Zenith Bank Ghana, a subsidiary of Zenith Bank PLC*

*Financials*

# At a Glance

*All amounts are in thousands of Ghana Cedis*

### Net Profit before tax

| | |
|---|---|
| 2020 | 466,873 |
| 2019 | 352,787 |

### Profit after Tax

| | |
|---|---|
| 2020 | 338,126 |
| 2019 | 246,467 |

### Gross earning

| | |
|---|---|
| 2020 | 1,012,658 |
| 2019 | 946,632 |

### Net Interest Income

| | |
|---|---|
| 2020 | 578,138 |
| 2019 | 468,019 |

### Trading Income

| | |
|---|---|
| 2020 | 74,214 |
| 2019 | 80,945 |

### Customer Deposit

| | |
|---|---|
| 2020 | 5,799,266 |
| 2019 | 4,457,056 |

### Total Assets

| | |
|---|---|
| 2020 | 8,034,580 |
| 2019 | 6,691,004 |

### Total Equity

| | |
|---|---|
| 2020 | 1,456,794 |
| 2019 | 1,118,668 |

### Loans and advances

| | |
|---|---|
| 2020 | 1,057,205 |
| 2019 | 648,250 |

### NPL

| | |
|---|---|
| 2020 | 6.15% |
| 2019 | 16.49% |

*Financials*

# At a Glance

*All amounts are in thousands of Ghana Cedis*

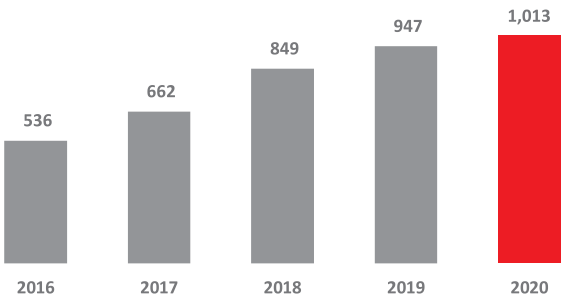
| 5 YEAR FINANCIAL SUMMARY | | | | | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| Gross Income | 535,501 | 661,959 | 848,565 | 946,632 | 1,012,658 |
| Interest Income | 437,250 | 546,336 | 695,268 | 766,551 | 849,155 |
| Non-Interest Income | 98,250 | 115,623 | 153,297 | 153,541 | 154,048 |
| Operating Income | 357,915 | 425,243 | 570,305 | 621,560 | 732,186 |
| Profit Before Tax | 202,590 | 250,534 | 281,844 | 352,787 | 466,873 |
| Profit After Tax | 140,265 | 172,549 | 185,885 | 246,467 | 338,126 |
| Loans to customers | 1,012,055 | 804,676 | 733,084 | 648,250 | 1,057,205 |
| Total Assets | 3,403,745 | 4,670,895 | 5,572,475 | 6,691,004 | 8,034,580 |
| Customer Deposits | 2,637,944 | 3,473,416 | 3,407,542 | 4,457,056 | 5,799,266 |
| Stated Capital | 61,221 | 122,021 | 400,000 | 400,000 | 400,000 |
| Shareholders' funds | 574,786 | 747,335 | 872,201 | 1,118,668 | 1,456,794 |
| Capital Adequacy Ratio | 21.98% | 24.98% | 34.66% | 31.36% | 43.17% |

*Financial*

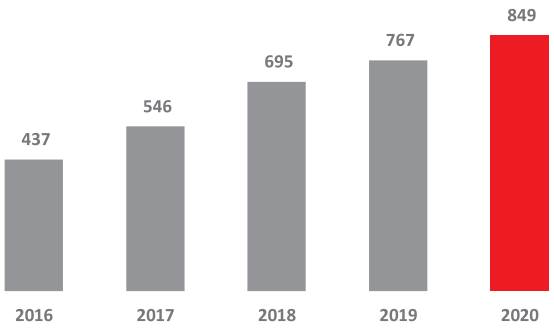
# Highlights

*All amounts are in million of Ghana Cedis*

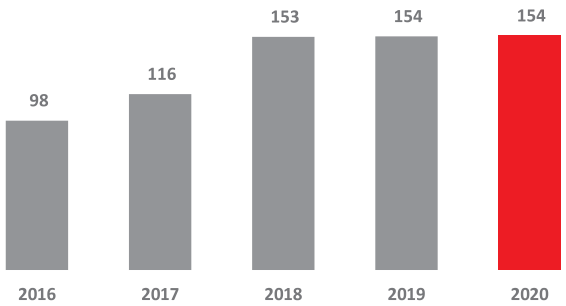
**Gross Income**



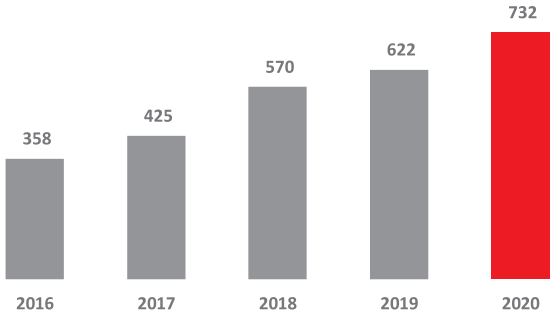

**Interest Income**




**Non-Interest Income**



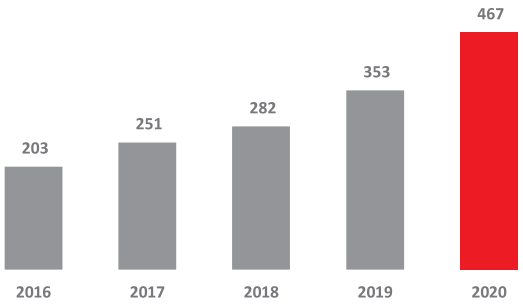

**Operating Income**



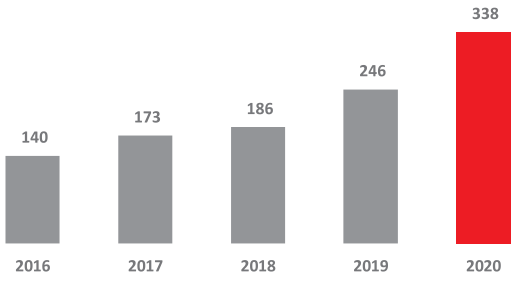
# Financial Highlights (cont'd)

*All amounts are in million of Ghana Cedis*

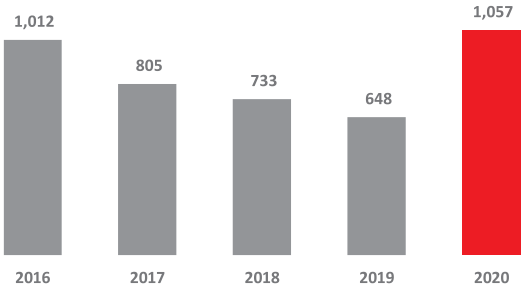
### Profit Before Tax



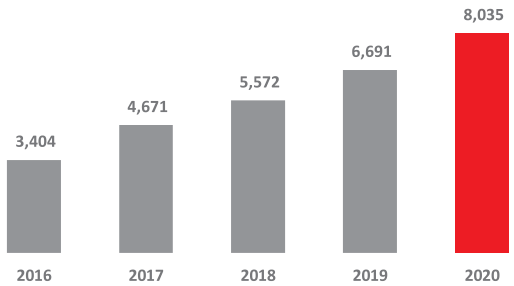

### Profit After Tax



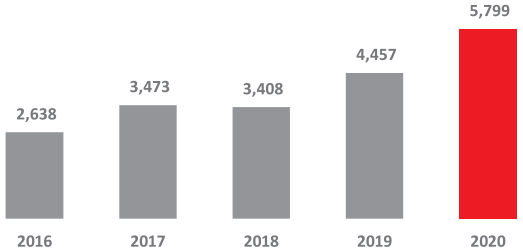

### Loans to customers



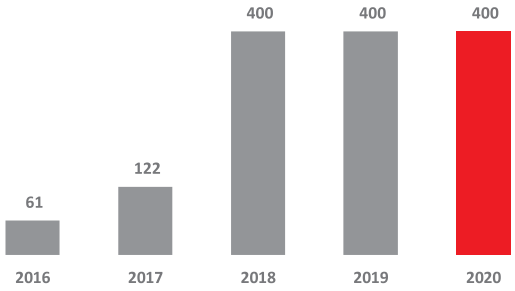

### Total Assets



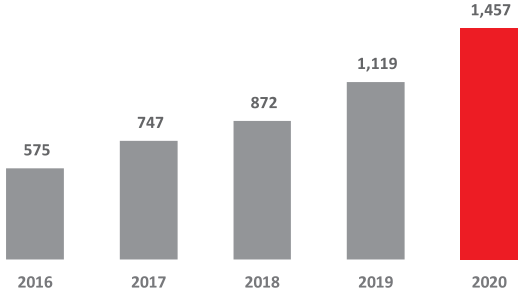

### Customer Deposits



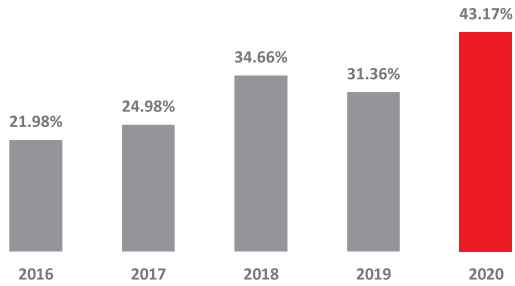

### Stated Capital




### Shareholders' funds




### Capital Adequacy Ratio



Corporate
# Profile & Strategy

## HISTORICAL BACKGROUND

Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc was incorporated in April 2005 under the Companies Code, 1963 (Act 179) as a private limited liability company and licenced by the Bank of Ghana in September 2005 under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) to provide banking services. The bank's parent, Zenith Bank Plc, has built a reputation as one of Nigeria's strongest banking brands and one of the country's largest banks by market capitalization, profitability and total assets.

Zenith Bank Ghana has followed sturdily in the footprints of its parent and is currently one of the strongest and most profitable banks in Ghana. Zenith is also one of the largest banks by asset size in the country. The Bank's branding has been anchored on continuous investment in people, technology, and excellent customer service.

The Bank currently has thirty eight (38) business locations (branches and agencies) in Ghana. Other service delivery channels include the numerous ATMs and Point of Sales terminals strategically located in various cities and towns countrywide. The bank also offers mobile and internet banking services which enable customers to access banking services on-the-go. Zenith's main objective for deploying these state-of–the-art delivery channels is to bring banking services closer to its customers while ensuring the service is faster, easier and better than anything customers have ever experienced.

Over the last fifteen years, Zenith has improved its capacity, size, market share, and industry rankings in all parameters. The Bank has built financial, structural and technological muscle and has established its presence across the country. Today, Zenith Bank (Ghana) Limited is an epitome of a stable and strong organization with a brand and customer service which is the envy of its peers.

The Bank's performance in 2020 received local and international recognition in the areas of exceptional financial performance, banking excellence, excellence in customer service, superior technology solutions, responsible corporate citizenship, etc.

In addition to many others, the Bank was adjudged:

- Bank of the Year Ghana – Ghana Business Awards
- Best Bank for Financial Inclusion - 10th Ghana Information Technology and Telecom Awards 2020
- Best Banking Group 2020 – Ghana – Bank by World Finance Magazine
- Best Customer Service Bank Ghana – 2020 - Bank by International Finance Magazine
- Most Customer Centric Bank – Ghana, 2020 - Bank by Global Business Outlook Magazine
- Outstanding Bank of the Year – 2020 - Ghana Business Standard Awards.

### Vision and Strategic Objectives

The vision of the Bank is "to be a reference point in the provision of prompt, flawless and innovative banking services in the Ghanaian banking industry". In pursuance of this vision, the Bank has been set out to distinguish itself in the banking industry through its service quality and drive for the provision of unique customer experience. As a result, the Bank is easily associated with the following attributes:

- Innovation
- A stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of ICT
- Strategic distribution channels
- Good asset quality
- Excellent financial performance

The strategic objective of the Bank includes the continuous improvement of its capacity to meet the customers' increasing and dynamic banking needs as well as sustain high quality growth in a volatile business environment through:

- Investment and deployment of state of the art technology and ICT platform
- Recruitment, motivation and retention of the best human resource
- Investment in training and re-training of our personnel
- Investment in branch network expansion and thus bringing quality banking services to our teaming existing and potential customer base

Corporate
# Profile & Strategy (cont'd)

- Investment in new product development with the aim of addressing customers' changing lifestyles, the need for convenience and improving customer banking experience

## Customer Service

Throughout the past decade, Zenith has become a customer focused bank which basks in the delight of its customers. Recognizing that the Bank is in business because of the invaluable support and patronage of customers, Zenith continues to ensure that customer satisfaction remains at the centre of its service provision.

## Customer Base

Zenith Bank has re-defined banking on many other fronts. Through immense investments, we have acquired the ability to stay in the forefront of such fast-growing services such as internet banking, mobile banking, electronic payments, Visa payment systems, MasterCard, China Union Payments as well as many other key programs that provide customers with greater speed, accuracy and options. The result has been a nationwide, well-connected bank developed to the specifications of its customers and other stakeholders and thus giving them great value. The bank's service offerings cover most aspects of banking and are tailored to the banking needs of our customers with emphasis on the following major market segments and lines of business:

- Corporate Banking
- Multilaterals
- Public Sector
- Financial Institutions
- Telecoms & Fintechs
- Construction & Real Estate
- Retail Banking
- Transaction Banking
- Mining & Exports
- Energy

## Growth Areas and New Product lines

Zenith Bank believes that strategic development and deployment of e-Business products and platforms are key competitive factors in the banking industry. The Bank's target therefore is to dominate the market by continuously introducing innovative banking products for specific industries/customers. Zenith will continue to focus on the following markets and products:

- Corporate Customers
- Retail Customers/SMEs and the Unbanked population
- Zenith GlobalPAY
- Card Services
- Online, mobile and in-shop payment solutions
- Third party collaborations
- Agency Banking

The Bank's growth and marketing plans will seek to optimize our strengths to maximize available opportunities, minimize identified threats while taking steps to mitigate the effects of observed weaknesses.

Given the Bank's commitment to service excellence, a robust IT platform, the resourcefulness of its work force as well as its huge balance sheet size and sound financial ratios, Zenith Bank is in a good position to sustain and consolidate its growth trajectory and market share as well as take advantage of the emerging opportunities in the economy.

Zenith Bank is confident that it's overall strategic objectives and envisaged financial growth would be achieved and that the Bank would remain in the forefront amongst banks in the country in terms of profitability, size, assets quality and all other performance parameters.

# An African bank providing global banking services.

## Zenith Bank operates internationally in...

West Africa • Middle East • Far East • Europe

With

**38**

business locations in GHANA

+

A digital presence across the country.

## Bank safe...

Use our electronic banking channels.

USSD Banking

Zenith Cards

Bank2Wallet
*Mobile Money*

PoS

iBanking

Scan To Pay

ZMobile

# Branch/ Agency Network

## Head Office
Zenith Bank (Ghana) Limited
Zenith Heights, No. 37 Independence Avenue, Accra
P.M.B. CT 393, Accra-Ghana
Tel: +233 302 680884 / 302 611500 / 542 000111
Email: info@zenithbank.com.gh
Website: www.zenithbank.com.gh

## Achimota Branch
C26/30 Adjacent Neoplan
Accra – Nsawam Road
Achimota
Tel: (+233) 307 020175-6 / 020178-79
Fax: (+233) 577 900001

## Adum Branch
Plot 176, Old Town
Section B, Bogyawe Road
Adum – Kumasi
Tel: (+233) 3220 49513 - 5
Fax: (+233) 3220 49511

## Akosombo Branch
Church Ridge
P. O. Box AB 270
Akosombo
Tel: (+233) 343 021742
Fax: (+233) 343 021741

## Cape Coast Branch
Cafeteria Road
UCC New Site
University of Cape Coast
Tel: (+233) 303 966086
Fax: (+233) 343 021741

## East Legon Branch
Lagos Street
East Legon, Accra
Tel: (+233) 302 522170 / 302 522173
Fax: (+233) 302 522172

## Graphic Road Branch
Tamakloe House
45 Ring Road Industrial Estates
South Extension
Tel: (+233) 302 253376 / 302 253381
Fax: (+233) 302 253385

## Ho Branch
V Block
Ho Polytechnic Campus
Tel: (+233) 3620 25582 / 3620 25608
Fax: (+233) 3620 25676

# Branch/ Agency Network (cont'd)

**Koforidua Branch**
No. OG/A 37 Oguaa
Koforidua, Eastern Region
Tel: (+233) 3420 – 23382 / 25557

**Kojo Thompson Road Branch**
Dakmak House, Accra
Tel: (+233) 302 – 688682
Fax: (+233) 302 681966

**Kumasi Main Branch**
Plot No. 22, Block T
Ahodwo Road
Adiebeba
Tel: (+233) 3220 83241-2
Fax: (+233) 3220 83269

**Labone Branch**
House No. F166-6
North Labone, Accra
Tel: (+233) 302 784179
Fax: (+233) 302 782663

**North Industrial Area Branch**
32 Kakatsofa Street
Kaneshie, Accra
Tel: (+233) 302 255158 – 60
Fax: (+233) 302 255156

**Patrice Lumumba Branch**
Plot No. A.229
Patrice Lumumba Road
Airport Residential Area
Tel: (+233) 302 774090
Fax: (+233) 302 774345

**Premier Towers Branch**
Liberia Road, Accra
Tel: (+233) 307 011386 / 307-011397

**Sakaman**
House No. H/202, Winneba Road
Sakaman-Accra
Tel: (+233) 302 337737

**Spintex Road Branch**
18 Ayiku Lane
Spintex Road
Tel: (+233) 302 815593 / 302 815595
Fax: (+233) 302 815594

**Suame Branch**
Plot 53 A
Tarkwa Makro, Suame
Tel: (+233) 322 046122
Fax: (+233) 3220 46123

**Sunyani Branch**
Former GNTC Building
Plot No. 54, Sunyani
Tel: (+233) 3520 25888
Fax: (+233) 3520 23016

**Takoradi Harbour Branch**
No. 49A Nzema Road
Opposite European Hospital
Takoradi
Tel: (+233) 312 023363 / 312 023589
Fax: (+233) 3120 21744

**Takoradi Market Circle**
Market Circle, Takoradi
Tel: (+233) 312 021124
Fax: (+233) 3120 21142

**Tamale Branch**
Central Market, Tamale
Tel: (+233) 3720 27420 –21
Fax: (+233) 3720 27422

**Tarkwa Branch**
St. Matthew's Roman Catholic Park
Tarkwa Abosso Rd
Tarkwa
Tel: (+233) 3123 21298 - 99
Fax: (+233) 3123 21293

**Tema Community 1 Branch**
Meridian Drive
Community One, Tema
Tel: (+233) 303 201252 / 201243
Fax: (+233) 303 201248

**Tema Free Zones Branch**
Plot A
Tema Export Processing Zone
Kpone
Tel: (+233) 307 079368-71
Fax: (+233) 307 079373

# Branch/ Agency Network (cont'd)

**Tema Industrial Area Branch**
Plot No. Ind/A/23/1
Heavy Industrial Area, Tema
Tel: (+233) 307 010513 - 5
Fax: (+233) 307 308755

**Tema Metropolitan Assembly Branch**
Tema Metropolitan Assembly Work Yard
Market Road
Tema Community One
Tel: (+233) 307 021087

**Trade Fair Branch**
Burma Camp Road
La-Accra
Tel: (+233) 302 781421 / 302 781424
Fax: (+233) 302 781445

**Bui Agency**
H/No. BJA/JRC/ 046, Jama
Northern Region
Tel: (+233) 0266 362944

**GREL Agency**
Main Building, Ghana Rubber Estate Ltd.
Abora-Takoradi
Tel: (+233) 020-6578722

**Kantamanto Agency**
Tarzan House
Mamleshie Road
Accra - Central
Tel: (+233) 0577 690909
Fax: (+233) 302 671874

**KNUST Agency**
SF 5, Jubilee Mall Complex
Commercial Area – KNUST
Kumasi
Tel: (+233) 576220850 - 51

**Kotoka International Airport Agency**
Arrival Hall
Kotoka International Airport
Tel: (+233) 307 020193

**Kotokuraba Market Agency**
Shop Number CGS02
Kotokuraba Market Complex
Cape Coast
Tel: (+233) 578 171699 / 578 172077

**Kumasi Polytechnic Agency**
O.A. Transport Street
Tel: (+233) 3220 48249 / 3220 48251
Fax: (+233) 3220 48252

**Tamale Polytechnic Agency**
GETFUND Hostel-Tamale Polytechnic
Tamale Tel:
(+233) 577 690894

**UDS Agency**
G035 Block C-UDS Intentional Conference Centre
Tamale
(+233) 577 690893

**Winneba Agency**
Co-operative Credit Union Complex
University of Education - Winneba
Tel: (+233) 3370 10056 / 3370 10057

# Products & Services

## GlobalPay

GlobalPay is an on-line market place/ platform where merchants can display or advertise their products or merchandise and customers can make purchases directly.
It is secured by world class security software and enables customers to pay directly into merchants account.

Some of its key benefits include, online real time access to all transactions, increase in sales and cashless transactions, no queues at customers' shops/offices and the opportunity to conduct an audit trail of all transactions.

GlobalPay essentially enables merchants to accept card payments for goods or services online. It allows customers to use their cards to make payments for goods and services displayed on the merchant's website or the Bank's storefront. The cardholders may either be Zenith Bank customers or from a domestic or foreign bank.

**GlobalPay is made up of two modules:**

- Where a merchant has a website already developed, the Bank will facilitate the acceptance of card payments on the merchant's website by providing a payment platform integration.
- Where the merchant has no website, the Bank provides the merchant with a storefront where the merchant's products will be displayed and payments made online.

## ZMobile

Zmobile, the Zenith Mobile Banking App enables you effect instant interbank transfers, set up beneficiaries, top up investments, pay utility bills and so much more right from your mobile phone.

## Zenith Scan To Pay

Zenith Scan to Pay enables you to make and receive payments in stores, restaurants and other retail locations by simply scanning a quick response code (QR code) with your mobile phone.

### Automatic Direct Payment System (ADPS)

This is an online real-time banking service for corporate customers. ADPS allows customers to process transactions via the internet through a secured banking portal. The service allows various signatories of an account to approve transactions no matter their location. Our aim for this service is to facilitate transactions of our customers in a more conducive and secured manner without interrupting their busy schedules. Benefits of this product include:

- View Real Time Online Account Balances.
- View, download and consolidate account statements.
- Receive email & mobile phone notifications of all transactions.

# Products & Services (cont'd)

- Eliminates errors associated with generating manual cheques.
- Limitless transfers.
- 24-hour Access.
- Euro Master Visa (EMV) Card compliant.
- Reduction in cost of handling cash.
- 24/7 availability with uninterrupted back-up power source.

## Point of Sale Terminal (POS)

The Bank's POS terminals allow customers to process card transactions electronically on real-time basis. It allows verification of transactions either by biometric /PIN/signature. Some benefits of this product include:

- Real- time settlement.
- VISA, MasterCard & Zenith Proprietary card enabled.

## Platinum Banking

Zenith Bank's Platinum Banking service offers personalized solutions as well as an exclusive bouquet of electronic banking products and services to high net worth individuals. Customers are assured of a first class private banking experience and the highest quality of service.

## Visa Cards

The Bank issues four (4) VISA cards to make business transactions easier, timely and safer.

- Zenith Platinum Debit Visa Card
- Zenith Classic Credit Visa Card
- Zenith Classic Debit Visa Card
- Zenith Classic Prepaid Visa Card

## MasterCard

The Bank issues six (6) MasterCards which allow holders to withdraw cash or pay for goods and services worldwide.

- Zenith MasterCard Debit Card
- Zenith MasterCard Credit Card
- Zenith MasterCard Prepaid Card
- Zenith MasterCard Corporate Debit Card
- Zenith MasterCard Corporate Prepaid Card
- Zenith MasterCard Platinum Prepaid Card

# Products & Services (cont'd)

### Cruz -Card
This is a multipurpose card issued to staff and students of academic institutions. While it serves as a photo ID and access control card, it is also a Visa-enabled stored value card. It is globally accepted on any Visa channel, which adds to its convenience and ease of use.

### Global Travel Wallet Card
This is an instant Visa prepaid foreign currency denominated card, issued to travellers by Zenith Bank in partnership with participating foreign exchange bureaux. Among other benefits, the card eliminates the risk of exchange rate fluctuations.

### Bank Direct
A product that enables visa card holders to receive and send money into their bank accounts instantly.

### Other e-Business Products
- Automated Cheque Writing Solution (ACWS)
- Sal-Pay
- Z-Prompt (Transaction Notification)
- EazyPay & ATM Services (EazyCash)
- Collection Solution (School, airlines, etc.)
- Reconciliation Tool
- E-Ticketing
- Draft Issuance Service (DIS)

### Zenith Children's Account t (ZECA)
ZECA is a special savings account which seeks to nurture savings behaviour in minors up to the age of eighteen (18) and provides guardians with a financial management tool.

### Zenith Children's Account Plus (ZECA Plus)
ZECA Plus is a specialized top of the range savings product for children between 0-12 years. With ZECA Plus, you earn high interest and enjoy fantastic benefits.

### Zenith Investment Plan Account (ZIPA)
ZIPA is an investment instrument designed to build up adequate financial resources for future use. It has been packaged for corporate bodies, associations, fund managers and investment clubs. ZIPA is ideal for managed funds and welfare funds.

### Zenith Society Account (Z-Society)
An investment account designed for clubs, societies, associations and social organizations to offer funds management services at very attractive interest rates.

### Custodian Services
The Bank's Custodian Services is run in line with global best practice with the aim of being the benchmark for excellence in the Custodian Services industry in Ghana. Services provided include:
- Safekeeping
- Settlement
- Cash Management
- Pensions
- Mutual Funds

## OTHER BANKING SERVICES

### Domestic Account
Current Account
Savings Account
Clubs/Public/Partnership Current Account
Sole Proprietorship Current Account

### Foreign Account
Foreign Currency Account
Foreign Exchange Account

### Treasury
Treasury Bills Investment
Zenith Investment Savings Account (ZISA)
Zenith Investment Retirement Account (ZIRA)
Commercial Paper (CP)
Bankers Acceptance (BA)

### Trade
Letters of Credit
Bills for Collection
Export Finance
Structured Short Term Loans
Bonds & Guarantees

# Correspondent Banks

**Zenith Bank (UK) Limited**
London, EC3V 3NU
39 Cornhill Road

**Citibank N. A, London**
Citigroup Center
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Canary Wharf
London E14 5LB

**Citibank N.Y.**
111 Wall Street
New York, N.Y. 10005
Swift: CITIUS33

**Deutsche Bank AG**
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London EC2N 2DB
Tel: +44 (0) 20 75477946

**Bank of Beirut (UK) Limited**
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London (West End) W1J 5HS
England, UK

**JP Morgan Chase Bank NA**
Global Implementation Project Management
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Bournemouth
Dorset
Bh7 7DA
UK

**Commerz Bank**
Aktiengesellschaft,
60261
Frankfurt am Main
Germany

**Sumitomo Mitsui Banking Corporation Europe Ltd.**
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London EC4V 4EH
United Kindom

**Ghana International Bank**
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# Board of Directors

**Freda Duplan**
Chairperson

**Anthony A. Ogunranti**
Managing Director/CEO

**Gabriel Ukpeh**
Non-Executive Director

**Anthony Oteng-Gyasi**
Independent Non-Executive Director

**Dennis Olisa**
Non-Executive Director

**Kwasi Agyeman Boatin**
Independent Non-Executive Director

**Juliette Tuakli**
Independent Non-Executive Director

# Report of the Directors

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2020 report as follows:

## Directors' Responsibility Statement

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

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

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

## Financial results and dividend

The financial results of the Bank for the year ended 31 December 2020 are set out in the attached financial statements, highlights of which are as follows:

| 31 December | 2020<br>*GH¢'000* | 2019<br>*GH¢'000* |
|---|---|---|
| Profit before taxation is | 466,873 | 352,787 |
| from which is deducted taxation of | (128,747) | (106,320) |
| giving a profit after taxation for the year of | 338,126 | 246,467 |
| less net transfer to statutory reserve fund and other reserves of | (92,603) | (64,693) |
| leaving a balance of | 245,523 | 181,774 |
| to which is added a balance brought forward on retained earnings of | 388,014 | 206,240 |
| leaving a balance of | 633,537 | 388,014 |

In accordance with Section 34(1) (b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of *GH¢84,531,709* (2019: GH¢61,616,817) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to *GH¢*389,872,709 (2019: 305,340,523) at the year end.

The Directors do not recommend the payment of a dividend (2019: Nil).

## Nature of Business

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

## Holding Company

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

## Interest in other Body Corporates

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

## Corporate Social Responsibilities

The Bank spent a total of *GH¢*1,572,000 on corporate social responsibilities during the year. These are mainly in the form of educational scholarship for needy children, sponsorships of major social events and donations to support the fight against Covid-19.

# Report of the Directors (cont'd)

## Audit fee payable
Audit fee for the year ended 31 December 2020 is disclosed in Note 12 to the financial statements.

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

## Directors
The names of the directors who served during the year are provided on page 1. No director had any interest at any time during the year, in any contract of significance, other than a service contract with the Bank. No director had interest in the shares of the Bank.

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

## Approval of the Financial Statements
The financial statements of the Bank were approved by the Board of Directors on 12 February 2021 and were signed on their behalf by:

**Freda Duplan** (Chairperson)

**Anthony A. Ogunranti** (Managing Director/CEO)

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- Land Registration Fees

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- Tourism Levies

**MINISTRY OF FOREIGN AFFAIRS & REGIONAL INTEGRATION**
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**REGISTRAR-GENERAL'S DEPARTMENT**
- Business set-up fees, etc.

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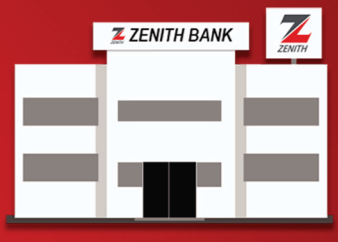


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Chairperson's
# Message

## FREDA DUPLAN
Chairperson

### INTRODUCTION
*Honourable Shareholders of this great institution, members of the Board of Directors, Distinguished Ladies and Gentlemen, good afternoon. It is a great honour to welcome you to the 15th Annual General Meeting of this Bank and to present to you the financial statements and annual report for the year ended December 31, 2020.*

### ECONOMIC AND MARKET ENVIRONMENT
We are experiencing one of the most challenging times in human history. The outbreak of the novel Coronavirus (Covid-19) pandemic has impacted economies as well as human life on an unparalleled scale. The pandemic, according to the John Hopkins University, USA, has claimed over 2.3 million lives as at February 6, 2021 with the world's leading economies being the worst hit. The imposition of restrictions to contain the spread of the virus stifled economic activities in several countries, thereby contributing to a contraction in global output. The resurgence of infections and emergence of new variants of the virus in the last quarter of 2020 resulted in the re-imposition of restrictions in some economies and this is expected to slow down global economic growth in early 2021

The Ghanaian economy, likewise, was not spared the complications associated with the pandemic. The Bank of Ghana's Summary of Financial and Economic Data for January 2021 recorded an adverse trend for metrics such as; GDP, inflation, and budget deficit for the 2020 fiscal year. Government had to roll out several measures such as the imposition of a partial lockdown in parts of the country, the provision of fiscal and monetary incentives to households and corporations, to ease the social and economic impact of the pandemic.

As a bank, our focus during the pandemic has been to secure the lives of our staff, customers and all stakeholders who patronize our services and facilities by providing and enforcing strict adherence to the Covid-19 protocols. We have also leveraged our strong balance sheet position to cushion the financial impact on households and businesses, mainly through the provision of credit, and the deployment of E-commerce platforms to enable our customers undertake their banking transactions.

# Chairperson's Message (cont'd)

## FINANCIAL PERFORMANCE

The year 2020 was a great year financially for Zenith Bank (Ghana) Limited, notwithstanding the challenging social and economic environment created by the pandemic. I am delighted to report that our Bank has delivered another record performance in the year 2020. Highlights of our performance are as follows:

i. Total assets grew by 20 percent from GH¢6.7 billion in 2019 to GH¢8 billion in 2020.
ii. Shareholders' fund grew by 30 percent from GH¢ 1.12 billion in 2019 to GH¢1.46 billion in 2020.
iii. Profit after taxation increased by 37 percent from GH¢ 246 million in 2019 to GH¢ 338 million in 2020.
iv. Profit before taxation rose by 32 percent from GH¢ 353 million in 2019 to GH¢ 467 million.

The growth in total assets was on the back of a 30 per cent growth in deposits from GH¢4.49 billion in 2019 to GH¢5.82 billion in 2020. Profit after tax leaped from GH¢ 246 million in December 2019 to GH¢ 338 million in December 2020, an increase of 37 percent. This impressive performance led to a 30 percent growth in shareholders' fund from GH¢ 1.12 billion in 2019 to GH¢1.46 billion in 2020. The bank's earnings per share in 2020 is GH¢0.80, up from GH¢0.60 in 2019. Overall, the bank's return on equity improved from 25 percent in 2019 to 26 percent in 2020.

The Board's focus remains one of consistent value addition to shareholders through prudent management of their investment in the bank.

## DIVIDEND

The Board intends to propose to shareholders, in the course of the year and subject to regulatory approval, an amount of GH¢122.8 million as dividend based on the results of the 2020 financial year. If approved by the Bank of Ghana and the shareholders, this will be the first time the bank will be paying dividend to its owners, after sixteen years of operations.

## BOARD OF DIRECTORS

During the year, Mr. Kwasi Agyeman Boatin was appointed to the Board as an Independent Non-Executive Director. He joins the Board with a worth of experience in both the private and public sectors and the Board hopes to draw from this vast experience in the execution of its mandate.

## CORPORATE GOVERNANCE

The Board engaged in a number of programmes and activities in 2020 to promote transparency, accountability as well as equipping the Directors with the relevant knowledge and skills to discharge their responsibilities as prescribed in the Corporate Governance Directive. Specifically, the following key activities were undertaken during the year:

- **Independent External Evaluation:** In accordance with Section 47 and 48 of the Corporate Governance Directive, PricewaterhouseCoopers (PwC) was engaged to carry out an extensive evaluation / assessment of the Board. The scope of the engagement included roles and responsibilities, competencies, structure and composition, processes and relationships, and other key governance issues.
- **Conflict of Interest Register:** A Conflict of Interest Register was approved by the Board during the year 2020. The document covered areas such as duties, disclosures, responsibilities, reviews, and approval process for directors in relation to activities that could result in conflict of interest.
- **Capability Matrix:** The Board also approved a capability matrix, a document that sets out the required skills and competencies of all Board members.
- **Directors' Appointment Process:** A Directors' Appointment Process was approved by the Board to guide and govern the process of appointments and other like matters.
- **Training programme:** Relevant training and capacity building programs, facilitated by the Ghana Banking College and the Bank of Ghana, were conducted during the year to enable the directors discharge their duties. Many of the directors have been certified for attending such training during the year.

## OUTLOOK

The second wave of the Corona Virus and the new variants is beginning to erode the socio-economic gains made by the country over the past one year. The gradual re-introduction of restrictions announced by the

# Chairperson's Message (cont'd)

President in his last address to the nation on the pandemic signals the beginning of another round of difficult times for individuals and businesses. The Board is keenly monitoring government's response and actions towards containing and mitigating the impact of the pandemic. This will then shape the Bank's own strategies in line with the national agenda.

## CONCLUSION

As witnessed during the first round of the pandemic, the Board's pre-occupation is to continue to roll out measures that will guarantee the safety of our staff and customers. However, it is imperative to note that the pandemic has also brought along with it new opportunities and initiatives. The Covid-19 pandemic is not all gloomy. The Bank will continue to identify opportunities presented by the pandemic to offer mutually beneficial services to our customers.

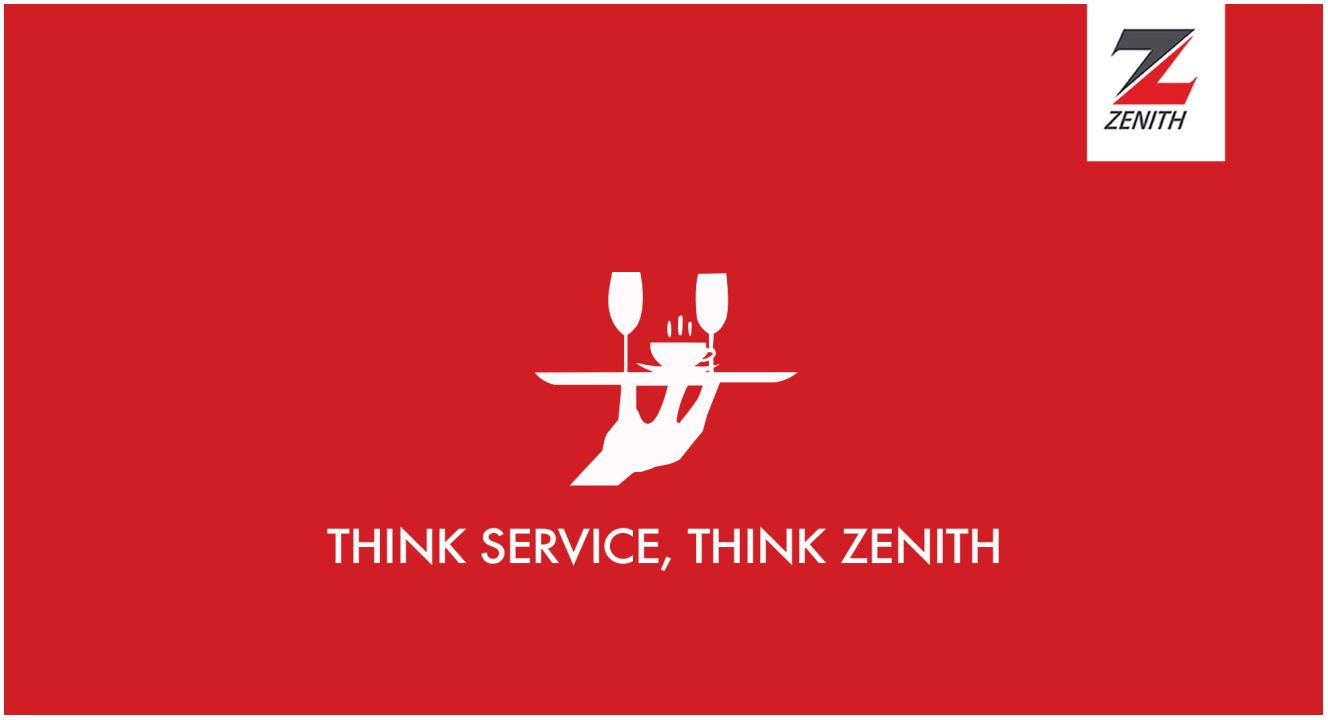
It is important to specially acknowledge the contribution of our customers, who gave us the opportunity to serve their business needs during this difficult period. The Bank's performance in 2020, and the earlier years, could not have been possible without your loyalty and support. We look forward to more fruitful business relationships in the years ahead. My colleagues on the Board deserve commendation for all their sacrifices in carrying out their responsibilities in the wake of the pandemic. The Board had to adopt innovative ways of discharging its mandate and it is my expectation that we will continue to put our experience and knowledge at the disposal of the Bank in 2021. The Management team and staff, who have been at the forefront of the charge to meet the needs of our customers while taking personal responsibilities for their safety, have once again demonstrated that, we achieve greater results when we work together as a team. They therefore deserve the commendation of the Board for a very impressive performance despite the very difficult operating environment in 2020.

Let me end by reminding all stakeholders to continue to observe all the Covid-19 protocols and ensure personal safety.

Please stay safe, Covid-19 is real!

Thank you.

Freda Duplan
Board Chair



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# Executive Management

**Anthony A. Ogunranti**
*Managing Director/CEO*

**Maebelle Nortey**
*General Manager, Marketing*

**Abiodun Durosinmi**
*General Manager, Operations*

**Daniel Agamah**
*Divisional Head, Business Support & Company Secretary*

**George Blavo**
*Divisional Head, Marketing*

**Kwame Adadey**
*Divisional Head, Marketing*

**James Wiafe Akenten**
*Divisional Head, Marketing*

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Chief Executive
# Officer's Review

## ANTHONY A. OGUNRANTI
Managing Director/CEO

### INTRODUCTION
***I have the utmost pleasure in presenting to you the bank's performance for the year 2020. The bank performed well and delivered outstanding results over the previous year's performance. The strong position the bank finds itself is the outcome of consistent implementation of strategies that reflect sound leadership by the Directors and Management, with notable support from all employees who have served loyally during the period under review.***

In 2020, we demonstrated our resilience and strength by combining excellent customer service, robust technological platforms, and highly committed staff to navigate the competitive banking environment amidst the challenging circumstances associated with the Covid-19 pandemic. A review of the bank's performance and the operating environment within which the bank operated in 2020 are summarised below.

### ECONOMIC AND MARKET ENVIRONMENT
Provisional figures from the World Economic Outlook (WEO) has revealed that the global economy contracted by 3.5 percent due to the adverse effects of the Covid-19 pandemic. This estimate is, however, 0.9 percentage better than the 4.4 percent estimated in October 2020 and reflects stronger recovery in many countries in the second half of 2020. Inflation remained stable at 0.7 percent in Advanced Economies, and 5.0 percent in Developing and Emerging economies due to weak demand. The approvals of some vaccines have ignited hopes of subduing the pandemic and stimulating growth later this year with provisional 2021 growth pegged at 5.5 percent.

Locally, government's policy interventions and the lifting of earlier imposed restrictions resulted in economic recovery in the third quarter of 2020. According to provisional data released by the Ghana Statistical Service, the economy contracted by 1.1 percent in the third quarter of 2020 compared to 3.2 percent in the second quarter.

The Cedi depreciated cumulatively against the USD by 3.9 percent in 2020 as against 12.9 per cent in 2019. It also depreciated against the British Pound and Euro by 7.1 percent and 12.1 percent in 2020, compared to 15.7 percent and 11.2 per cent, respectively, in 2019. The Cedi ended the year at GH¢5.7602 to the USD, GH¢7.8742 to the GBP and GH¢7.0643 to the Euro.
Inflation ended the year at 10.4 percent, primarily driven by increases in food prices. The rate is, however, above

# Chief Executive Officer's Review (cont'd)

the government's initial 2020 and medium-term targets of 8 percent and 8±2 percent respectively. The rate is also lower than the revised 2020 inflation target of 11.1 percent, following the onset of Covid-19, and higher than the 7.9 percent recorded in 2019.

Interest rates have generally trended downwards in response to policy measures introduced by government in the wake of Covid-19. The Monetary Policy Rate was reduced from 16 percent in December 2019 to 14.50 percent in March 2020 and has since been maintained for the rest of the year. The weighted average interbank rate also declined from 15.2 percent in December 2019 to 13.56 percent in December 2020, reflecting improved liquidity conditions on the market and the reduction in the monetary policy rate. Interest rates on short-term government securities also declined in line with the general downward trend in rates.

The country's gross international reserves improved from US$8.42 billion (4 months of import cover) at the end of December 2019 to US$8.62 billion (4.1 month of import cover) in December 2020 thereby contributing to the positive performance of the local currency.

## BANKING SECTOR DEVELOPMENTS

### Industry Performance

The banking industry has been resilient in the wake of the pandemic with growth in key profitability and balance sheet parameters. The total assets of the banking sector increased by 15.8 percent from GH¢129 billion in 2019 to GH¢149.3 billion in 2020. Industry deposits grew from GH¢83.5 billion in 2019 to GH¢103.8 billion in 2020. Credit to households and businesses witnessed a marginal growth of 6 percent from GH¢45.2 billion in 2019 to GH¢47.8 billion in 2020. The capital adequacy ratio (CAR) of 19.8 percent is above the regulatory limit of 13 percent and the 17.5 percent recorded in 2019. The industry's non-performing loan ratio (NPL) deteriorated marginally from 14.3 percent in 2019 to 14.8 percent in 2020 as a result of repayment challenges experienced by businesses affected by the pandemic. Industry profit before tax increased by 27.2 percent from GH¢4.8 billion in 2019 to GH¢6.1 billion in 2020 compared to 34.7 percent growth last year.

### Industry Reforms

Earlier in the year, the Bank of Ghana established a new Fintech and Innovation Office to push forward the cash-lite and digitization agenda. This new office is responsible for oversight and licensing of dedicated electronic money issuers (mobile money operators), payment service providers (PSPs), closed loop payment products and other emerging forms of payment delivered by non-bank entities.

The Chartered Institute of Bankers, Ghana (CIB) in collaboration with the Bank of Ghana (BoG) and the Ghana Association of Bankers (GAB) launched the Ghana Banking Code of Ethics and Business Conduct. This forms part of efforts to reduce the number of fraud cases perpetrated by employees within the banking industry.

## ZENITH BANK'S PERFORMANCE

### Financial Performance

The bank posted a record profitability in 2020 despite the impact of Covid-19 on the financial landscape. The strong performance demonstrates the efficiency, resilience and sound risk management practices adopted by management.

A summary of the Bank's performance for the year ended December 31, 2020 is as follows:

| Key Performance Indicator | 2020 | 2019 | Growth | |
|---|---|---|---|---|
| | GH¢' million | GH¢' million | % | Trend |
| Deposits | 5,821 | 4,493 | 30 | ↑ |
| Profit Before Tax (PBT) | 467 | 353 | 32 | ↑ |
| Profit After Tax (PAT) | 338 | 246 | 37 | ↑ |
| Total Assets | 8,032 | 6,691 | 20 | ↑ |
| Net Loans and Advances | 1,057 | 648 | 63 | ↑ |
| Shareholders' Funds | 1,455 | 1,119 | 30 | ↑ |
| Cost to Income Ratio (%) | 34 | 42 | -19 | ↓ |
| Loan to Deposit Ratio (%) | 20 | 15 | 33 | ↑ |

# Chief Executive Officer's Review (cont'd)

The bank's total assets grew by 20 percent from GH¢6.7 billion in December 2019 to GH¢8 billion in December 2020 as a result of a 30 percent growth in deposits from GH¢4.5 billion in December 2019 to GH¢5.8 billion in December 2020, and a 30 percent growth in shareholders' fund from GH¢1.1 billion in December 2019 to GH¢1.5 billion in December 2020.
Net loans and advances increased by 63 percent from GH¢648 million in December 2019 to GH¢1 billion in December 2020, largely due to some significant disbursements of quality new loans during the financial year ended 31 December 2020. Notable among these is the growth of the Bank's Retail Loan Scheme from GH¢ 1.97 million in December 2019 to GH¢ 26 million at year-end 2020. The Bank also disbursed several facilities to customers in the telecom and sanitation sectors, whose businesses were not negatively impacted by the Covid-19 pandemic.

Overall, PBT and PAT grew by 32 percent and 37 percent from GH¢353 million in December 2019 to GH¢467 million in December 2020, and from GH¢246 million in December 2019 to GH¢338 million in December 2020 respectively. Shareholders' funds increased from GH¢1.12 billion in December 2019 to GH¢1.46 billion in December 2020 due to growth in profitability.

This result was achieved through a carefully crafted set of strategies in the wake of the pandemic. Specifically, various digital platforms were deployed to assist customers conduct their businesses without much difficulty. The Bank also supported some of its customers with credit facilities to enable them meet increased demand for their products and services as a result of the pandemic. A retail drive targeted at individuals, and small and medium enterprises led to the launched of customised products and services to address the needs of this segment of the market. These interventions culminated in the results posted by the bank for the year under review.

The bank continues to remain well capitalised with a capital adequacy ratio of 43 percent as at end of year 2020. This is significantly above the prudential limit of 13 percent and industry average of 19.8 percent. The non-performing loans ratio of the bank also improved significantly to 6.15 percent from 16.5 percent in 2019.

### Operational Review

In the wake of Covid-19 and in response to the bank's drive towards electronic banking and digitalisation, the bank rolled out three products in 2020. These products are the "Contactless Zenith Visa Cards", "Eazypay GH Dual Card" (which combines the e-zwich and Gh-Link functions powered by the Ghana Interbank Payment and Settlement Systems) and the "GHQR" on USSD Code (*966#). These electronic products were developed to enable customers effect quick and easy card payments at various merchant stores throughout the country.

The bank was presented with six awards by reputable institutions in recognition of its outstanding financial and non-financial performance. These awards are "Most Customer Centric Bank – Ghana, 2020" (Global Business Outlook), "Best Customer Service Bank – Ghana, 2020" (International Finance Magazine), "Best Banking Group 2020, Ghana" (World Finance Magazine), "Outstanding Bank of the Year" (Ghana Business Standards Awards), "Bank of the Year" (Ghana Business Awards) and "Best Bank for Financial Inclusion" (10th Ghana Information Technology and Telecom Awards).

### The Bank's Response to Covid-19

The Bank rolled out several measures to secure the lives of staff and customers following the outbreak of the virus. Specifically, the Bank implemented a staff rotational system with only 50 percent of the workforce coming to the office in a week, while the others work from home. In order to encourage staff to undertake periodic testing, the Bank provided free Covid-19 testing services to all staff who are interested in being tested. The Bank also provided free Covid-19 consumables such as face masks, hand sanitizers, infrared thermometer, among others, to minimize the transmission of the virus. Finally, as part of its corporate social responsibilities, the Bank made a total of GH¢1.5 million to the government and other stakeholders to fight the pandemic.

## OUTLOOK

The prospects of 2021 are bright. According to the World Economic Outlook (WEO), global economic growth is estimated at 5.5 percent and 4.2 percent for 2021 and 2020 respectively.

*Chief Executive*

# Officer's Review *(cont'd)*

These projected recoveries, however, depend on the severity of the health crisis, extent of domestic disruptions, the effectiveness of policy support to limit persistent damage and the successful roll-out of vaccines.

On the local front, the IMF projects that Ghana's economy will grow by 4.2 percent in 2021. This is consistent with Moody's 4 percent and Fitch Solutions 4.8 percent forecasts, but in sharp contrast with the World Bank's 1.4 percent. However, the renewed threat from the second wave of the pandemic could impede the recovery process.

The government is in the process of developing a budget and policy document for the 2021 fiscal year. It is expected that the document will outline policy measures to contain the second wave of Covid-19 as well as stimulate economic growth.

A successful and peaceful resolution of the election petition, currently before the Supreme Court, is expected to boost investor confidence and might attract investments into the country this year.

## CONCLUSION

In conclusion, Management is focused on the task ahead in 2021 and is poised to leveraging on the bank's robust technological and human capital capabilities to pursue growth in the midst of the challenges envisaged in the year.

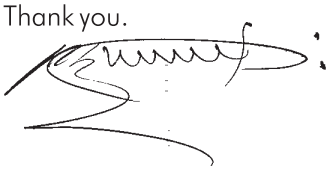
Management will continue to enforce strict adherence to all the Covid-19 protocols. A staff rotational policy, which allows for some staff to work from home has since been implemented to promote social distancing in the offices.

The Board has been of tremendous support during these trying times and I will like to use this opportunity to sincerely express my profound gratitude to the Board of Directors for their immense contributions and direction during the year. The management team and the entire staff of the Bank deserve special mention for navigating through the difficult environment to deliver these impressive results. We owe our performance to our loyal customers, who have supported the bank throughout these trying times and over the years.

In 2021, I look forward to a continued commitment and dedication from all stakeholders as we aspire to even greater heights and better results.

I wish you all a Happy 2021!

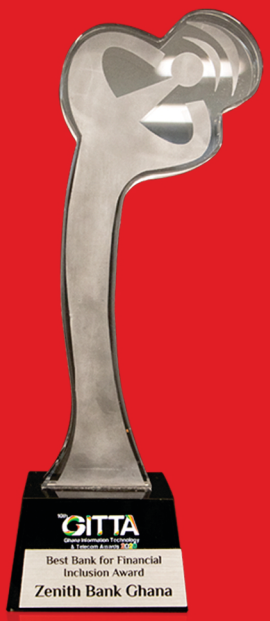
Thank you.



**Anthony A. Ogunranti**
MD/CEO

ZENITH BANK GHANA
is
# BANK
of the
# YEAR
2020

## Other awards won



# Corporate Governance Report

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

At Zenith Bank (Ghana) Limited, conscious of our enviable place in the market, we have in place a robust system of corporate governance bearing in mind our core values of Belief in God, Integrity and Keeping the Service Promise. We also pay key attention to elements of honesty, trust, openness, and accountability.

## The Board and Board Committees

The Board of Directors is made up of a Non-Executive Chairman, five (5) other Non-Executive Directors and one (1) Executive Director.
The Board comprises of persons of mixed skills with experience in different fields of human endeavour. The Directors are conscious of their statutory responsibilities as well as their responsibilities to shareholders and other stakeholders. The Board is responsible for the strategic direction of the Bank.
The Managing Director/Chief Executive Officer is responsible for the day-to-day running of the Bank assisted by the Executive Committee. The roles of Chairman and Managing Director are separate with a clear division of responsibilities between them.

## Responsibilities of the Board

The Board is responsible for:

- Review and provision of strategic direction for the Bank including major plans of action and risk policy;
- Review and approval of annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance;
- Overseeing major capital expenditures, acquisitions and divestiture;
- Monitoring the effectiveness of the corporate governance practices under which the Bank operates and making appropriate changes as necessary;
- Ensuring the integrity of the Bank's accounting and financial reporting systems;
- Ensuring that appropriate systems of control and risk monitoring are in place; and
- Establishment of the various Committees of the Bank including the terms of reference and review of reports of such Committees to address key areas of the Bank's business.
  The Board meets at least once every quarter but may hold extraordinary sessions as the business of the Bank demands.

## Committees

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

## Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, one (1) other Non-Executive Director and one (1) Executive Director as members. The Board Credit Committee is chaired by a Non-Executive Director who is well versed in credit matters. All loan applications above the level of Management Credit Committee are sent to the Committee for consideration and approval.

The composition of the Committee is as follows:

| Name of Director | Position |
|---|---|
| Mr. Dennis Olisa | Chairman |
| Dr. Juliette Tuakli | Member |
| Mr. Anthony A. Ogunranti | Member |

## Board Audit Committee

The Committee is made up of a Non-Executive Chairman and three (3) other Non-Executive Directors.The Audit Committee has oversight responsibility for the overall internal audit function and creates a comprehensive approach to anticipate, identify, prioritize and manage material risks to the Bank's business objectives. The Bank recognizes the Committee as the "guardian of public interest" and reflects this both in the composition and calibre of its membership.

# Corporate Governance Report (cont'd)

The Head of Internal Audit and the Chief Compliance Officer have access to this Committee and make quarterly presentations for the consideration of the Committee.

Members of the Committee are:

| Name of Director | Position |
|---|---|
| Mr. Kwasi Agyeman Boatin | Chairman |
| Mr. Gabriel Ukpeh | Member |
| Dr. Juliette Tuakli | Member |
| Mr. Anthony Oteng-Gyasi | Member |

## Board Risk, Cyber and Information Security Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and one (1) Executive Director. The Board Risk, Cyber and Information Security Committee assists the board by creating a comprehensive approach to anticipate, identify, prioritize, and manage material risks to the Bank's business objectives. The Chief Risk Officer and the Chief Information Security Officer have access to this committee and make quarterly presentations for the consideration of the committee.

Members of the Committee are as follows:

| Name of Director | Position |
|---|---|
| Mr. Anthony Oteng-Gyasi | Chairman |
| Mr. Kwasi Agyeman Boatin | Member |
| Mr. Gabriel Ukpeh | Member |
| Mr. Anthony A. Ogunranti | Member |

## Board Governance, Nominations and Remuneration Committee

The Committee is made up of a Non-Executive Chairman and two (2) other Non-Executive Directors. The purpose is to seek and nominate qualified candidates for appointment to Zenith's Board of Directors. The Committee is scheduled to meet every quarter and at such times that the need arises.

Members of the Committee are as follows:

| Name of Director | Position |
|---|---|
| Mr. Gabriel Ukpeh | Chairman |
| Mr. Anthony Oteng-Gyasi | Member |
| Mr. Dennis Olisa | Member |

## Board Finance and General-Purpose Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and one (1) Executive Director. The purpose of the Board Finance and General Purpose committee is to assist the board to discharge its obligations relating to capital expenditure, capital structure, tax planning, financial strategy, dividend policy, branch expansion, performance targets for executive directors and other senior staff and the working conditions of the Bank's employees. The Committee is scheduled to meet every quarter and at such times that the need arises.

Members of the Committee are as follows:

| Name of Director | Position |
|---|---|
| Mr. Gabriel Ukpeh | Chairman |
| Mr. Anthony Oteng-Gyasi | Member |
| Dr. Juliette Tuakli | Member |
| Mr. Anthony A. Ogunranti | Member |

## Schedule of attendance at Board Committee Meetings

Below is the schedule of attendance at Board Committee meetings during the year.

| Directors | BC | FGPC | CC | GNRC | AC | RCISC |
|---|---|---|---|---|---|---|
| Gabriel Ukpeh | 5 | 3 | N/A | 3 | 3 | 3 |
| Anthony Oteng-Gyasi | 5 | 3 | N/A | 3 | 3 | 3 |
| Dennis Olisa | 5 | N/A | 3 | 3 | N/A | N/A |
| Freda Duplan | 5 | N/A | N/A | N/A | N/A | N/A |
| Dr. Juliette Tuakli | 5 | 3 | 3 | N/A | 3 | 3 |
| Anthony A. Ogunranti | 5 | 3 | 3 | N/A | N/A | 3 |
| Kwasi Agyeman Boatin | 4 | N/A | N/A | N/A | 2 | 2 |

# Corporate Governance Report (cont'd)

*Board Committee (BC), Finance and General-Purpose Committee (FGPC), Credit Committee (CC), Governance, Nominations and Remuneration Committee (GNRC), Audit Committee (AC), Risk, Cyber and Information Security Committee (RCISC).
N/A as used above implies 'Not applicable' that is, the Director in question was not a member of the stated committee and hence could not have been expected to attend the Committee meeting.

## Other Committees

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

## Executive Committee (EXCO)

The Bank has in place an Executive Committee which has oversight responsibility for the implementation of strategies approved by the Board. It is chaired by the Managing Director/Chief Executive Officer. It meets once every week to discuss and adopt policy decisions. It also provides direction for the staff of the Bank and ensures effective and efficient use of the Bank's resources.

The Executive Committee is made up of the following members:

| Name of Member | Position |
|---|---|
| Mr. Anthony A. Ogunranti | Chairman |
| Mrs. Maebelle Nortey | Member |
| Mr. Abiodun Durosinmi | Member |
| Mr. Daniel Agamah | Member |
| Mr. George Blavo | Member |
| Mr. Kwame Adadey | Member |
| Mr. James Wiafe Akenten | Member |

## Asset and Liability Committee (ALCO)

The purposes of ALCO are formation of an optimal structure of the Bank's balance sheet to provide the maximum profitability, limiting the possible risk level; control over the capital adequacy and risk diversification; execution of the uniform interest policy; determination of the Bank's liquidity management policy; control over the state of the current liquidity ratio and resources of the Bank. The Committee is chaired by the MD/CEO and consists of all the members of EXCO in addition to other senior staff members. This Committee meets every week.

## Management Committee

This Committee is chaired by the Managing Director/Chief Executive Officer. It meets weekly to deliberate on issues affecting the Bank. Membership includes EXCO members, Heads of Departments and Branch Heads, at and above the grade of Assistant Manager.

## Systems of Internal Control

The Bank has well-established internal control systems for identifying, managing, and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations.
The Internal Control and Audit function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

## Code of Business Ethics

Management has communicated the principles in the Staff Handbook to its employees in the discharge of their duties. This handbook sets the professionalism and integrity required for business operations which covers compliance with the law, conflict of interest, bribery, and strict adherence to these principles so as to eliminate the potential for illegal practice.

## Oath of Confidentiality

Pursuant to the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Board of Directors swear an oath of confidentiality before a judge of the High Court to keep the matters of the Bank confidential and not to disclose such except when lawfully required to do so by a court of law or under any enactment.

## Shares of the Bank held by Directors and other related parties

No Director or related party held shares as at 31 December 2020.

# Corporate Governance Report (cont'd)

## Independent External Evaluation of the Board

In accordance with Section 47 and 48 of the Corporate Governance Directive, PricewaterhouseCoopers (PwC) was engaged during the year 2020 to carry out an extensive evaluation / assessment of the Board. The scope of the engagement included roles and responsibilities, competencies, structure and composition, processes and relationships, and other key governance issues. The Bank is currently reviewing a draft report issued by PwC on their findings.

## Conflict of Interest

A Conflict of Interest Register was approved by the Board during the year 2020. The document covered areas such as duties, disclosures, responsibilities, reviews, and approval process for directors in relation to activities that could result in conflict of interest.

## Capability Matrix

In 2020, the Board approved a capability matrix document, which sets out the required skills and competencies of all board members.

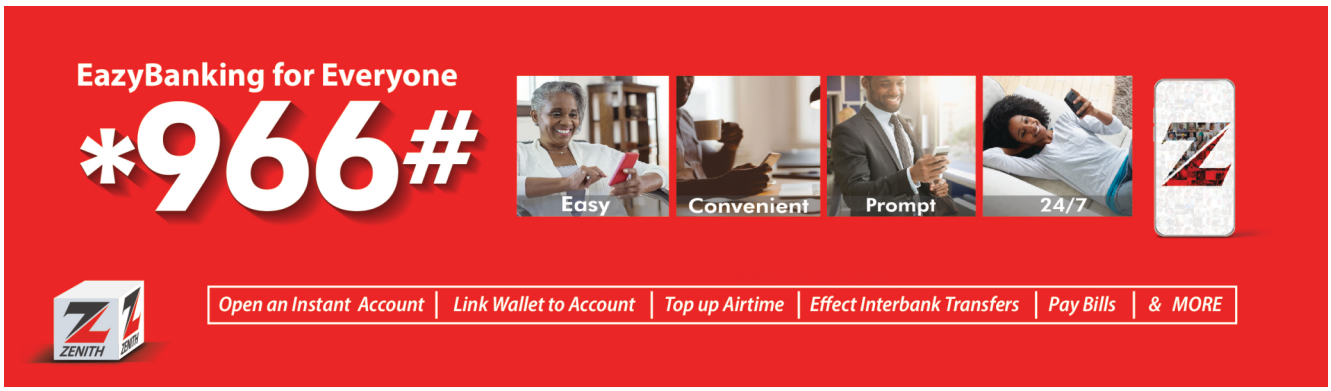
## Directors' Appointment Process

A Directors' Appointment Process was approved by the Board to guide and govern the process of appointments and other like matters.

## Other Directorship Positions

Other directorship positions held by the Board members as at 31 December 2020 are as follows:

| Name | Name of Company |
|---|---|
| Anthony A. Ogunranti | 1. Governing Council, National Banking College<br>2. Executive Council, Ghana Association of Bankers |
| Gabriel Ukpeh | Zenith Bank Plc |
| Anthony Oteng Gyasi | 1. Tropical Cable & Conductor Limited<br>2. Western Rod & Wire Limited<br>3. Electronic Supplies & Engineering Services Limited<br>4. Ghana Integrated Aluminium Industry Dev't Corp. |
| Dennis Olisa | Zenith Bank Plc |
| Dr. Juliette Tuakli | 1. Mercy Ships<br>2. United Way Worldwide |
| Freda Duplan | ZEN Petroleum Limited |
| Kwasi Agyeman Boatin | Secure Pensions Trust Ltd |



# *Independent Auditor's Report to the*
# *Members of Zenith 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 Zenith Bank (Ghana) Limited (the "Bank") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

*What we have audited*

We have audited the financial statements of Zenith Bank (Ghana) Limited for the year ended 31 December 2020.

The financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

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

*Independence*

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

### Key audit matters

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

# Independent Auditor's Report to the Members of Zenith Bank (Ghana) Limited

## Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of financial assets**<br><br>At 31 December 2020, the Bank's financial assets and respective impairment, where applicable, were as follows:<br><br>The impairment of these financial assets was determined on an expected credit loss basis under IFRS 9. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation. These judgements were key in the development of the models which have been built and implemented to measure the expected credit losses on relevant financial assets measured at amortised cost.<br><br>The level of data inputs required by the IFRS 9 models increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.<br><br>Expected credit losses (ECLs) are required to incorporate forward-looking information, reflecting management's view of potential future economic environment. The complexity involved requires management to develop new methodologies involving the use of significant judgements. | We obtained an understanding of and evaluated controls supporting management's estimates, judgements and assumptions.<br><br>We tested selected key controls focusing on the completeness and accuracy of data used as input to the models including the transfer of data between source systems and the impairment models.<br><br>We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date and formed our own judgement.<br><br>We tested data used in the ECL calculation by reconciling to source systems to check data quality.<br><br>We assessed the reasonableness of forward-looking information incorporated into the impairment calculations by challenging the multiple economic scenarios chosen and the weighting applied to capture non-linear losses. |

| Financial assets measured at amortised cost | Carrying amount | Impairment |
|---|---|---|
| | GH¢'000 | GH¢'000 |
| Cash and cash equivalents | 1,489,323 | - |
| Investment securities | 4,505,323 | 12,600 |
| Investments other than securities | 176,077 | 510 |
| Loans and advances to customers | 1,057,205 | 35,716 |
| Off balance sheet exposures | 1,026,213 | 10,736 |

# Independent Auditor's Report to the *Members of Zenith Bank (Ghana) Limited*

## Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias:<br><br>- Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank<br><br>- Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank<br><br>- Probability of Default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon)<br><br>- Exposure At Default - EAD - (amount expected to be owed the Bank at the time of default)<br><br>- Loss Given Default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default)<br><br>- Credit Conversion Factor - CCF (chance of off-balance sheet credit risk exposures becoming on balance sheet items)<br><br>- Forward looking economic information and scenarios used in the models<br><br>- Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations.<br><br>The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.10, 3.2.2, 9, 17, 18, 19 and 27 to the financial statements. | We assessed the measurement decisions and the ECL models developed by the Bank which include challenging management's determination of:<br><br>- significant increase in credit risk,<br>- definition and identification of default,<br>- probability of default,<br>- exposure at default,<br>- loss given default, and<br>- credit conversion factors.<br><br>We re-performed certain model calculations to evaluate the inputs and risk parameter outputs.<br><br>We tested the underlying disclosures on IFRS 9 and compared these to underlying accounting records. |

# Independent Auditor's Report to the Members of Zenith Bank (Ghana) Limited

## Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Corporate Governance Report, and the Value Added Statement but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Overview Report, Our Business Report, Chairman's Statement, Chief Executive Officer's Review Report, Executive Management Report and the Corporate Events & Social Responsibility Report, which are expected to be made available to us after that date.

Our opinion on the 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 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 the Overview Report, Our Business Report, Chairman's Statement, Chief Executive Officer's Review Report, Executive Management Report and the Corporate Events & Social Responsibility Report, and 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 financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

# Independent Auditor's Report to the Members of Zenith Bank (Ghana) Limited

- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
iii) the Bank's statement of financial position and the Bank's statement of comprehensive income are in agreement with the books of account.

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

i) the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;
ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor;
iii) the Bank's transactions were within its powers; and
iv) the Bank has, in all material respects, complied with the provisions of this Act.

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

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

**PricewaterhouseCoopers (ICAG/F/2021/028)**
**Chartered Accountants**
**Accra, Ghana**
**12 February 2021**

pwc

# Statement of Comprehensive Income

*All amounts are in thousands of Ghana Cedis*

| | Note | For the Year Ended 31 December 2020 | 2019 |
|---|---|---|---|
| Interest income | 5 | 849,155 | 766,551 |
| Interest expense | 5 | (271,017) | (298,532) |
| **Net interest income** | | 578,138 | 468,019 |
| Fees and commission income | 6 | 89,289 | 80,537 |
| Fees and commission expense | 6 | (9,455) | (7,941) |
| **Net fees and commission income** | | 79,834 | 72,596 |
| Net trading income | 7(a) | 53,209 | 91,647 |
| Net income - financial instruments carried at fair value | 7(b) | 19,414 | (18,599) |
| Other income | 8 | 1,591 | 7,897 |
| **Net trading and other income** | | 74,214 | 80,945 |
| **Operating income** | | 732,186 | 621,560 |
| Impairment loss on financial assets | 9 | (14,308) | (10,093) |
| Personnel expenses | 10 | (133,795) | (142,732) |
| Depreciation and amortisation | 20(a) | (21,528) | (21,178) |
| Other expenses | 12 | (95,682) | (94,770) |
| **Profit before income tax** | | 466,873 | 352,787 |
| Income tax expense | 13 | (128,747) | (106,320) |
| **Profit after tax attributable to equity holders of the Bank** | | 338,126 | 246,467 |
| **Other comprehensive income, net of tax** | | - | - |
| **Total comprehensive income attributable to equity holders of the Bank** | | 338,126 | 246,467 |
| **Earnings per share - Basic & Diluted** | 14 | 0.08 | 0.06 |

The notes on pages 45 to 103 are an integral part of these financial statements.

# Statement of Financial Position

*All amounts are in thousands of Ghana Cedis*

| | | As at 31 December | |
|---|---|---|---|
| **Assets** | **Note** | **2020** | 2019 |
| Cash and bank balances | 15 | 1,489,323 | 1,017,077 |
| Non-pledged trading assets | 16(a) | 98,097 | 312,686 |
| Pledged trading assets | 16(b) | 263,801 | 197,839 |
| Investment securities | 17 | 4,505,323 | 3,616,610 |
| Investments (other than securities) | 18 | 176,077 | 538,918 |
| Current tax receivable | 13 | 3,017 | 25,733 |
| Derivative financial instruments | 32 | 31,175 | - |
| Loans and advances to customers | 19 | 1,057,205 | 648,250 |
| Property, plant and equipment | 20 | 162,001 | 162,424 |
| Intangible assets | 21 | 5,928 | 4,422 |
| Right of use assets | 11 | 91,871 | 88,290 |
| Deferred tax assets | 22 | 17,903 | 8,780 |
| Other assets | 23 | 132,859 | 69,975 |
| **Total assets** | | 8,034,580 | 6,691,004 |
| **Liabilities** | | | |
| Deposits from banks and non-bank financial institutions | 24 | 21,361 | 36,249 |
| Deposits from customers | 25 | 5,799,266 | 4,457,056 |
| Borrowings | 26 | 289,079 | 701,818 |
| Other liabilities | 27 | 365,093 | 284,682 |
| Lease liabilities | 11 | 93,629 | 84,326 |
| Deferred tax liabilities | 22 | 9,358 | 8,205 |
| **Total liabilities** | | 6,577,786 | 5,572,336 |
| **Equity** | | | |
| Stated capital | 28(a) | 400,000 | 400,000 |
| Statutory reserve | 28(b) | 389,873 | 305,341 |
| Credit risk reserve | 28(b) | 33,384 | 25,313 |
| Retained earnings | 28(b) | 633,537 | 388,014 |
| **Total equity** | | 1,456,794 | 1,118,668 |
| **Total equity and liabilities** | | 8,034,580 | 6,691,004 |

**Freda Duplan (Chairperson)**

**Anthony A. Ogunranti (Managing Director/CEO)**

The financial statements of the Bank on pages 41 to 103 were approved by the Board of Directors on 12 February 2021. The notes on pages 45 to 103 are an integral part of these financial statements.

# Statement of Changes In Equity

*All amounts are in thousands of Ghana Cedis*

| Year ended 31 December 2020 | Stated Capital | Statutory Reserve | Credit risk Reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2020 | 400,000 | 305,341 | 25,313 | 388,014 | 1,118,668 |
| Profit for the year | - | - | - | 338,126 | 338,126 |
| Total comprehensive income | - | - | - | 338,126 | 338,126 |
| Regulatory and other reserve transfers | | | | | |
| Transfer to credit risk reserve | - | - | 8,071 | (8,071) | - |
| Transfer to statutory reserve | - | 84,532 | - | (84,532) | - |
| Net transfers to reserves and transactions with owners | - | 84,532 | 8,071 | (92,603) | - |
| Balance at 31 December 2020 | 400,000 | 389,873 | 33,384 | 633,537 | 1,456,794 |

| Year ended 31 December 2019 | Stated Capital | Statutory Reserve | Credit risk Reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2019 | 400,000 | 243,724 | 22,237 | 206,240 | 872,201 |
| Profit for the year | - | - | - | 246,467 | 246,467 |
| Total comprehensive income | - | - | - | 246,467 | 246,467 |
| Regulatory and other reserve transfers | | | | | |
| Transfer to credit risk reserve | - | - | 3,076 | (3,076) | - |
| Transfer to statutory reserve | - | 61,617 | - | (61,617) | - |
| Net transfers to reserves and transactions with owners | - | 61,617 | 3,076 | (64,693) | - |
| Balance at 31 December 2019 | 400,000 | 305,341 | 25,313 | 388,014 | 1,118,668 |

The notes on page 45 to 103 are an integral part of these financial statements.

# Statement of Cash Flows

*All amounts are in thousands of Ghana Cedis*

| | Note | Year ended 31 December 2020 | 2019 |
|---|---|---|---|
| Profit before tax | | 466,873 | 352,787 |
| *Adjustments for:* | | | |
| Depreciation and amortisation | 20(a) | 21,528 | 21,178 |
| Net impairment loss on financial assets | 9 | 14,308 | 10,093 |
| Net interest income | 5 | (578,138) | (468,019) |
| Profit on disposal of property, plant and equipment | 20(b) | - | 96 |
| Unrealised exchange difference on borrowings | 26 | (7,783) | 13,423 |
| Fair value changes recognised in profit or loss | 7(b) | (19,414) | 18,599 |
| | | (102,626) | (51,843) |
| *Changes in:* | | | |
| Investments (0ther than securities) | 18 | 326,126 | (239,627) |
| Non-pledged trading assets | 16(a) | 214,589 | (200,615) |
| Pledged trading assets | 16(b) | (65,962) | 11,270 |
| Investments securities | 17 | (1,010,857) | (881,571) |
| Mandatory cash reserve | 15 | (153,141) | (104,820) |
| Loans and advances to customers | 19 | (408,955) | 84,834 |
| Other assets | 23 | (62,884) | 23,087 |
| Deposits from banks and non-bank financial institutions | 24 | (14,888) | 9,541 |
| Deposits from customers | 25 | 1,342,210 | 1,049,514 |
| Other liabilities | 27 | 75,917 | 20,359 |
| | | 242,155 | (228,028) |
| Interest received | 5 | 849,155 | 766,551 |
| Interest paid | 5 | (271,017) | (298,532) |
| Corporate taxes refund received | 13 | 7,265 | - |
| Corporate taxes paid | 13 | (121,266) | (142,436) |
| Net cash flow generated from operating activities | | 603,666 | 45,712 |
| **Cash flow from investing activities** | | | |
| Acquisition of property, plant and equipment | 20 | (14,949) | (12,984) |
| Proceeds from disposal of property, plant and equipment | 20(b) | - | 16,319 |
| Acquisition of intangible assets | 21 | (3,763) | (4,013) |
| Net cash flow used in investing activities | | (18,712) | (678) |
| **Cash flow from financing activities** | | | |
| Finance lease payments | 11 | (5,291) | (1,054) |
| Drawdown on borrowings | 26 | 224,394 | 9,331,271 |
| Repayment on borrowings | 26 | (643,695) | (9,684,936) |
| Net cash flow used in financing activities | | (424,592) | (354,719) |
| **Net increase/(decrease) in cash and cash equivalents** | | 160,362 | (309,685) |
| Balance at beginning | 15 | 936,574 | 1,213,467 |
| Cash and cash equivalents at 31 December | | 1,096,936 | 903,782 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | | (116) | 32,792 |
| **Cash and cash equivalents at 31 December** | 15 | 1,096,820 | 936,574 |

The notes on page 45 to 103 are an integral part of these financial statements.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 1. REPORTING ENTITY

Zenith Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The registered office is Zenith Heights, No 31 Independence Avenue, PMB CT 393, Accra. The Bank commenced universal banking operations in September 2005 and operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The Bank is a subsidiary of Zenith Bank Plc, a bank incorporated in the Federal Republic of Nigeria.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements were authorised for issue by the Board of Directors on 12 February 2021.

These financial statements have been prepared under the historical cost convention, except for pledged and non-pledged trading assets which are measured at fair value.

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

### 2.1.1 Changes in accounting policies and disclosures

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

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020:

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

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

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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

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

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

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

#### (b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Bank. These standards are not

# Notes

*All amounts are in thousands of Ghana Cedis*

expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

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

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

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

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

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

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

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

## (b) Standards issued but not yet effective

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

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

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

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

### (iv) Annual Improvements to IFRS Standards 2018 - 2020

The following improvements were finalised in May 2020:

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

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

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

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### 2.2 Foreign currency translation

### (a) Functional and presentation currency

The financial statements are presented in Ghana Cedi, which is the Bank's functional currency. Except as indicated, financial information presented in Ghana Cedi has been rounded to the nearest Ghana Cedi.

### (b) Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the closing inter-bank mid rates at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition.

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

All foreign exchange gains and losses recognised in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

### 2.3 Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

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

### 2.4 Fees and commission income

Fees and commissions are recognised on an accrual basis when the related services are performed, and the performance obligations associated with the contracts are delivered. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognised on a straight-line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

### 2.5 Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realised and unrealised fair value changes, interest and foreign exchange differences.

### 2.6 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-derivative financial assets held for trading. It includes all realised and unrealised fair value changes, interest, dividends, and foreign exchange differences.

### 2.7 Dividend income

Dividend income is recognised when the right to receive income is established.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2.8 Leases

The Bank leased various offices, branches, and other premises under non-cancellable lease arrangements. The lease typically ran for a period of up to two years with an option to renew the lease after that date.

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

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

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

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

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

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

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

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Income tax

#### Current income tax

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

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

#### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax

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

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

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

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

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

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Income tax (continued)

### Deferred tax (continued)

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

### 2.10 Financial assets and liabilities

### 2.10.1 Financial assets

*Measurement methods*

*Amortised cost and effective interest rate*

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

### Initial recognition and measurement

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

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

# Notes

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

### (i) Classification and subsequent measurement

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

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

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

### Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

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

### The above classifications are done using:

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

# Notes

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together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

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

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

### Equity instruments

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

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

### (ii) Impairment

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

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

### (iii) Modification of loans

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

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

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in 2.

# Notes

*All amounts are in thousands of Ghana Cedis*

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets and liabilities (continued)
### 2.10.1 Financial assets (continued)

circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

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

#### (iv) De-recognition other than on a modification

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

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

#### Financial guarantee contracts and loan Commitment

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

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

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

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

### 2.10.2 Financial Liabilities

#### i) Classification

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

#### ii) Measurement

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

#### iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by

# Notes

*All amounts are in thousands of Ghana Cedis*

another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.10.3 Fair value measurement

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

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

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

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

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

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

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

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

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

### 2.10.4 Repurchase and reverse repurchase agreements

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

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets and liabilities (continued)

### 2.10.5 Cash and cash equivalents

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

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

### 2.10.6 Loans and advances

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

Loans and advances to customers include:

- those classified as loans and receivables; and
- finance lease receivables.

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

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

### 2.10.7 Investments

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

### 2.10.8 Non pledged and pledged trading assets

The non-pledged trading assets portfolio comprises debt securities purchased with the intent of short-term profit taking. The Bank values these securities with reference to quoted prices in active markets for identical assets.

These securities are designated at fair value, with fair value changes recognized immediately in profit or loss.

### 2.10.9 Offsetting financial instruments

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

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

### 2.10.10 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

### 2.11 Collateral

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2.12 Property, plant and equipment

### (i) Recognition and measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognised in other income/other expenses in profit or loss.

### (ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and corresponding periods are as follows:

| | |
|---|---|
| Leasehold land and buildings | 50 years |
| Leasehold improvements | 5 years |
| Furniture, fittings and equipment | 4 - 5 years |
| Computers | 3 years |
| Motor vehicles | 4 years |

## 2.13 Leasehold property

Leasehold property is initially recognised at cost. Subsequent to initial recognition, leasehold property is amortised over the lease term of the property. The amortisation is recognised in profit or loss.

## 2.14 Intangible assets

### *Computer software*

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

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

## 2.15 Impairment of non-financial assets

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 2.15 Impairment of non-financial assets (continued)

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2.16 Deposits and borrowings

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

## 2.17 Employee benefits

### *(i) Defined contribution plans*

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

### (ii) Provident fund

The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 12.5%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

## 2.18 Stated capital and reserves

### *(i) Stated capital*

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

### (ii) Share issue costs

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

### (iii) Dividend on ordinary shares

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

## 2.19 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Introduction and overview

The Bank's activities expose the business to risks. These risks are managed in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

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

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

### 3.1.1 Risk management framework

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

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

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

### 3.2 Credit risk

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

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

#### Settlement risk

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

### 3.2.1 Credit risk management

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

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

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and

# Notes

*All amounts are in thousands of Ghana Cedis*

industry sector are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice.

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

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

### 3.2.2 Expected credit loss measurement

#### Significant increase in credit risk (SICR)

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

#### Quantitative criteria:

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

#### Qualitative criteria

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

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow or liquidity problems such as delay in servicing of trade creditors/loans. The assessment of SICR incorporates forward-looking information and is performed on a weekly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

#### Backstop

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

#### Low Credit Risk Exemption

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

#### Definition of default and credit-impaired assets

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

#### Quantitative criteria

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

#### Qualitative criteria

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

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

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.2.2 Expected credit loss measurement (continued)

The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

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

### Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

### Forward-looking information incorporated in the ECL models

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

# Notes

*All amounts are in thousands of Ghana Cedis*

### Economic Variable Assumptions

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

| Scenario | Weight % | GDP Growth % | Consumer Price Index % |
|---|---|---|---|
| Base Case | 40 | 0.9 | 10.6 |
| GDP up; CPI up | 17 | 1.0 | 10.7 |
| GDP down; CPI down | 10 | 0.8 | 10.5 |
| GDP up; CPI down | 8 | 1.0 | 10.5 |
| GDP down; CPI up | 25 | 0.8 | 10.7 |

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

1. GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
2. Consumer price index (CPI) – CPI is used due to its influence on monetary policy and on interest rates. Interest rate has an impact on borrowers' likelihood of default. Forward looking information is incorporated by using the expected change in inflation rates for the next three quarters.

### 3.2.3 Maximum exposure to credit risk before collateral held

| Maximum exposure to credit risk | 2020 | 2019 |
|---|---|---|
| Credit risk exposures relating to on balance sheet assets are as follows: | | |
| Balances with Bank of Ghana | 673,732 | 585,782 |
| Investment securities | 4,517,923 | 3,624,464 |
| Balances with banks | 654,169 | 324,895 |
| Non pledged trading assets | 98,097 | 312,686 |
| Pledged trading assets | 263,801 | 197,839 |
| Investments other than securities | 176,587 | 539,535 |
| Loans and advances to customers | 1,092,921 | 681,031 |
| Other assets (excluding non-financial assets) | 92,131 | 33,028 |
| Credit risk exposures relating to off balance sheet items are as follows: | | |
| Financial guarantees and letters of credit | 1,026,213 | 961,220 |
| At year end | 8,595,574 | 7,260,480 |

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2020, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Bank, 13% (2019: 9%) of the total maximum exposure is derived from loans and advances and investment securities and trading assets represent 57% (2019: 57%).

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

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

The Bank's loans and advances were categorized by the Bank of Ghana prudential guidelines as follows:

- Exposures that are neither past due nor impaired;
- Exposures that are past due but not impaired; and
- Individually impaired facilities.

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Maximum exposure to credit risk** | | | |
| Carrying amount | 19 | 1,057,205 | 648,250 |
| Amount committed/guaranteed | 30 | 1,026,213 | 961,220 |
| Grade 1–3: Low–fair risk – Current | | 1,025,112 | 562,377 |
| Grade 4–5: Low–watch list | | 639 | 6,371 |
| Grade 6: Substandard | | 1,419 | 94,352 |
| Grade 7: Doubtful | | 13,783 | 9,455 |
| Grade 8: Loss | | 51,968 | 8,476 |
| Total gross amount | | 1,092,921 | 681,031 |
| Allowance for impairment (individual and collective) | | (35,716) | (32,781) |
| Net carrying amount | | 1,057,205 | 648,250 |
| **Off balance sheet - Maximum exposure** | | | |
| Letters of credit - Grade 1–3: Low – fair risk | | 552,420 | 614,926 |
| Financial guarantees - Grade 1–3: Low – fair risk | | 473,793 | 346,294 |
| Total exposure | | 1,026,213 | 961,220 |
| **Loans with renegotiated terms** | | | |
| Gross carrying amount | | 63,237 | 73,077 |
| Allowance for impairment | | (1,374) | (7,869) |
| Net carrying amount | | 61 863 | 65,208 |
| **Stage 1 (performing) loans and advances** | | | |
| Grade 1–3: Low – fair risk | | 1,025,112 | 562,377 |
| **Stage 2 (underperforming) loans and advances** | | | |
| Grade 4-5: Watch list | | 639 | 6,371 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

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

| Stage 3 (impaired or non-performing) loans and advances | 2020 | 2019 |
|---|---|---|
| 90-180 days - Substandard | 1,419 | 94,352 |
| 180-360 days - Doubtful | 13,783 | 9,455 |
| 360 days + - Loss | 51,968 | 8,476 |
| | 67,170 | 112,283 |
| Allowance for impairment | | |
| Individual | (14,060) | (20,570) |
| Collective | (21,656) | (12,211) |
| | (35,716) | (32,781) |

### Stage 1 (performing) loans and advances

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

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

This category is made up as follows:

| December 2020 | Term loans | Overdrafs | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 826,572 | 177,904 | 20,636 | 1,025,112 |

| December 2019 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 387,371 | 159,725 | 15,281 | 562,377 |

### Stage 2 (under-performing) loans and advances

Loans and advances graded internally as current and OLEM may be past due but are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

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

| December 2020 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Past due but not impaired | 639 | - | - | 639 |
| **Total** | 639 | - | - | 639 |

| December 2019 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Past due but not impaired | 3,943 | 2,428 | - | 6,371 |
| Total | 3,943 | 2,428 | - | 6,371 |

**Stage 3 (impaired or non-performing) loans and advances**

The breakdown of the gross amount of loans and advances individually impaired by class, along with the fair value of related collateral held by the Bank as security, are as follows:

| 31 December 2020 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Individually impaired loans | 11,368 | 55,802 | - | 67,170 |
| Specific impairment allowance | (303) | (13,757) | - | (14,060) |
| Net amount | 11,065 | 42,045 | - | 53,110 |
| Fair value of collateral | 17,438 | 47,838 | - | 65,276 |

| 31 December2019 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Individually impaired loans | 9,032 | 103,251 | - | 112,283 |
| Specific impairment allowance | - | (20,570) | - | (20,570) |
| Net amount | 9,032 | 82,681 | - | 91,713 |
| Fair value of collateral | 20,989 | 112,465 | - | 133,454 |

At 31 December 2020, the Bank's loans and advances were categorised under IFRS 9 as follows:

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

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

| | At 31 December 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Bank balances | 1,327,901 | - | - | 1,327,901 |
| Investment Securities | 4,517,923 | - | - | 4,517,923 |
| Investments other than securities | 176,587 | - | - | 176,587 |
| Loans and advances to customers | 1,025,112 | 639 | 67,170 | 1,092,921 |
| Other assets (less non-financial assets) | 92,131 | - | - | 92,131 |
| Gross carrying amount | 7,139,654 | 639 | 67,170 | 7,207,463 |
| Loss allowance | (34,657) | (110) | (14,060) | (48,827) |
| Carrying amount | 7,104,997 | 529 | 53,110 | 7,158,636 |

| | At 31 December 2019 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Bank balances | 910,677 | - | - | 910,677 |
| Investment Securities | 3,624,464 | - | - | 3,624,464 |
| Investments other than securities | 539,535 | - | - | 539,535 |
| Loans and advances to customers | 562,377 | 6,371 | 112,283 | 681,031 |
| Other assets (less non-financial assets) | 33,028 | - | - | 33,028 |
| Gross carrying amount | 5,670,081 | 6,371 | 112,283 | 5,788,735 |
| Loss allowance | (25,136) | (1,624) | (20,570) | (47,330) |
| Carrying amount | 5,644,945 | 4,747 | 91,713 | 5,741,405 |

The impairment on investment securities and investments other than securities are disclosed in 17 and 18 respectively. All other financial assets of the Bank with credit risk exposure are neither past due (underperforming) nor impaired (non-performing).

### 3.2.4 Collaterals and other credit enhancements

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

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

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

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

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.2.4 Collaterals and other credit enhancements (continued)

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are shown in note 3.2.3 above.

During the year, the Bank repossessed collaterals valued at nil (2019: GH¢30 million).

### 3.2.5 Concentration of credit risk

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

| | Loans and advances to customers | |
|---|---|---|
| | 2020 | 2019 |
| *Carrying amount* | 1,057,205 | 648,250 |
| Concentration by product: | | |
| Overdrafts | 234,345 | 248,937 |
| Term loans | 832,485 | 416,738 |
| Staff loans | 20,636 | 15,282 |
| Finance leases | 5,455 | 74 |
| Gross loans and advances | 1,092,921 | 681,031 |
| Less: Impairment | (35,716) | (32,781) |
| | 1,057,205 | 648,250 |
| Concentration by industry: | | |
| Financial institutions | 17,431 | 8,503 |
| Manufacturing | 393,018 | 283,887 |
| Public sector | 97,690 | 135 |
| Retail and consumer | 137,632 | 118,831 |
| Energy | 40,019 | 43,639 |
| Telecom | 103,397 | 52,087 |
| Mining and construction | 84,463 | 69,552 |
| Others | 219,271 | 104,397 |
| Gross loans and advances | 1,092,921 | 681,031 |
| Less: allowance for impairment | (35,716) | (32,781) |
| Net loans and advances | 1,057,205 | 648,250 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.2.6 Key ratios on loans and advances

i. Loan loss provision ratio is 3.27 % (2019: 4.81%)

ii. Percentage of gross non – performing loans with respect to Bank of Ghana Prudential Norms (individually impaired) to total gross loans and advances is 6.15% (2019: 16.49%)

iii. Ratio of fifty (50) largest exposure (gross funded) to total exposure is 65% (2019: 78%).

### 3.3 Liquidity risk

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

### 3.3.1 Management of liquidity risk

The Bank maintains liquidity limit imposed by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets. The Bank aims to be in a position to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments.

Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports on the liquidity position of the Bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO on monthly basis.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Liquidity risk (continued)

### 3.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk

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

| At 31 December 2020 | Less than 3 months | 3 - 6 months | 6-12 months | 1 to 5 years | More than 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Deposits from customers | 3,205,482 | 364,492 | 2,519,100 | - | - | 6,089,074 | 5,799,266 |
| Deposits from banks | 3,836 | 149 | 19,770 | - | - | 23,755 | 21,361 |
| Borrowings | - | 293,542 | - | - | - | 293,542 | 289,071 |
| Other liabilities | 51,393 | 306,935 | 6,765 | - | - | 365,093 | 365,093 |
| **Total liabilities (contractual maturity date)** | 3,260,711 | 965,118 | 2545,635 | - | - | 6,771,464 | 6,474,791 |
| **Assets** | | | | | | | |
| Cash and bank balances | 1,489,323 | - | - | - | - | 1,489,323 | 1,489,323 |
| Non-pledged trading assets | - | - | 98,097 | - | - | 98,097 | 98,097 |
| Pledged trading assets | - | - | 263,801 | - | - | 263,801 | 263,801 |
| Investment (other than securities) | 118,369 | 57,708 | - | - | - | 176,077 | 176,077 |
| Investment securities | 454,944 | 124,310 | 1,822,787 | 1,983,224 | 120,058 | 4,505,323 | 4,505,323 |
| Loans and advances to customers | 366,977 | 167,012 | 116,101 | 387,526 | 19,589 | 1,057,205 | 1,057,205 |
| Other assets (less non-financial assets) | 88,295 | 1,254 | 2,582 | - | - | 92,131 | 92,131 |
| **Total assets held for managing liquidity risk (contractual maturity date)** | 2,517,908 | 350,284 | 2,303,368 | 2,370,750 | 139,647 | 7,681,957 | 7,681,957 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Liquidity risk (continued)

### 3.3.2 Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

| At 31 December 2019 | Less than 3 months | 3 - 6 months | 6-12 months | 1 to 5 years | More than 5 years | Total | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Deposits from customers | 2,265,308 | 249,405 | 2,071,436 | - | - | 4,586,149 | 4,457,056 |
| Deposits from banks | 18,926 | 4,085 | 15,101 | - | - | 38,112 | 36,249 |
| Borrowings | 118,186 | 619,706 | - | - | - | 737,892 | 701,818 |
| Other liabilities | 154,803 | 123,717 | 6,162 | - | - | 284,682 | 284,682 |
| **Total liabilities (contractual maturity date)** | 2,557,223 | 996,913 | 2,092,699 | - | - | 5,646,835 | 5,479,805 |
| **Assets** | | | | | | | |
| Cash and bank balances | 1,017,077 | - | - | - | - | 1,017,077 | 1,017,077 |
| Non-pledged trading assets | - | - | 312,686 | - | - | 312,686 | 312,686 |
| Pledged trading assets | - | - | 197,839 | - | - | 197,839 | 197,839 |
| Investment (other than securities) | 222,550 | 205,466 | 110,902 | - | - | 538,918 | 538,918 |
| Investment securities | 199,388 | 10,024 | 1,969,800 | 1,437,398 | - | 3,616,610 | 3,616,610 |
| Loans and advances to customers | 251,782 | 77,898 | 69,795 | 60,887 | 187,888 | 648,250 | 648,250 |
| **Other assets (less non-financial assets)** | 23,026 | 10,002 | - | - | - | 33,028 | 33,028 |
| **Total assets held for managing liquidity risk (contractual maturity date)** | 1,713,823 | 303,390 | 2,661,022 | 1,498,285 | 187,888 | 6,364,408 | 6,364,408 |

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued) perusal

### 3.3 Liquidity risk (continued)

#### *3.3.3 Exposure to liquidity risk*

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to volatile liabilities.

For this purpose, 'liquid assets' include cash, cash reserve ratio, balances with the Central Bank, balances with banks, bills purchased/discounted up to 1 year, investments up to one year, swap funds (sell/ buy) up to one year and tradable Government notes and bonds. 'Volatile liabilities' includes demand deposits, District Assembly Common Funds (DACF) and all Governments instruments which could be called at short notice, etc.

Details of the reported Bank ratio of liquid assets to volatile liabilities at the reporting date and during the reporting period were as follows:

| | 2020 % | 2019 % |
|---|---|---|
| At period end | 136 | 172 |
| Average for the year | 149 | 184 |
| Maximum for the year | 193 | 196 |
| Minimum for the year | 135 | 165 |

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with the Central Bank (these amounts are referred to as the 'Bank's liquidity reserves).

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

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

There was no default in statutory liquidity or non-compliance with any prudential requirements in 2020 (2019: nil). Also, there was no sanction for statutory liquidity breaches or non-compliance with any prudential requirements in 2020 (2019: nil).

The table below sets out the availability of the Bank's financial assets to support future funding.

| 31 December 2020 | Note | Encumbered Pledged as collateral | *Other | Unencumbered Available as collateral | Other | Total |
|---|---|---|---|---|---|---|
| Cash and bank balances | 15 | - | 598,659 | 890,664 | - | 1,489,323 |
| Non-pledged trading Assets | 16a | - | - | 98,097 | - | 98,097 |
| Pledged trading assets | 16b | 263,801 | - | - | - | 263,801 |
| Investment securities | 17 | 5,100 | - | 4,500,223 | - | 4,505,323 |
| Investments (other than securities) | 18 | - | - | 176,077 | | |
| | | 268,901 | 598,659 | 5,665,061 | - | 6,532,621 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.3 Liquidity risk (continued)

#### *3.3.3 Exposure to liquidity risk (continued)*

#### 31 December 2019

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash and bank balances | 15 | - | 445,518 | 571,559 | - | 1,017,077 |
| Non-pledged trading Assets | 16a | - | - | 312,686 | - | 312,686 |
| Pledged trading assets | 16b | 197,839 | - | - | - | 197,839 |
| Investment securities | 17 | 15,060 | - | 3,601,550 | - | 3,616,610 |
| Investments (other than securities) | 18 | - | - | 538,918 | - | 538,918 |
| | | 212,899 | 445,518 | 5,024,713 | - | 5,683,130 |

*Mandatory reserve deposits with the Central Bank (refer to Note 15).

### 3.4 Market risks

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

### 3.4.1 Management of market risks

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank's exposure to market risk arises principally from customer driven transactions.

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.4 Market risks (continued)

#### *3.4.1 Management of market risks (continued)*

The table below sets out the allocation of assets and liabilities subject to market risk.

| | Note | Market risk measure | |
|---|---|---|---|
| | | Carrying amount | Unencumbered portfolios |
| **31 December 2020** | | | |
| Assets subject to market risk | | | |
| Cash and bank balances | 15 | 1,489,323 | 890,664 |
| Non-pledged trading assets | 16a | 98,097 | - |
| Pledged trading assets | 16b | 263,801 | - |
| Investment securities | 17 | 4,505,323 | 4,500,223 |
| Investments (Other than securities) | 18 | 176,077 | 176,077 |
| Derivative financial instruments | 32 | 31,175 | - |
| Loans and advances to customers | 19 | 1,057,205 | 1,057,205 |
| | | 7,621,001 | 6,624,169 |
| **Liabilities subject to market risk** | | | |
| Borrowings | 26 | 289,079 | 289,079 |
| Deposits from customers | 25 | 5,799,266 | 5,799,266 |
| Deposit- Banks and NBFI | 24 | 21,361 | 21,361 |
| | | 6,109,706 | 6,109,706 |
| **31 December 2019** | | | |
| **Assets subject to market risk** | | | |
| Cash and bank balances | 15 | 1,017,077 | 571,559 |
| Non-pledged trading assets | 16a | 312,686 | - |
| Pledged trading assets | 16b | 197,839 | - |
| Investment securities | 17 | 3,616,610 | 3,601,550 |
| Investments (Other than securities) | 18 | 538,918 | 538,918 |
| Loans and advances to customers | 19 | 648,250 | 648,250 |
| | | 6,331,380 | 5,360,277 |
| **Liabilities subject to market risk** | | | |
| Borrowings | 26 | 701,818 | 701,818 |
| Deposits from customers | 25 | 4,457,056 | 4,457,056 |
| Deposit- Banks and NBFI | 24 | 36,249 | 36,249 |
| | | 5,195,123 | 5,195,123 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.4 Market risks (continued)

*Exposure to interest rate risk – non-trading portfolios*

The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

| 31 December 2020 | Note | Carrying amount GH¢ | Less than 3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | 1-5 years GH¢ | Over 5 years GH¢ |
|---|---|---|---|---|---|---|---|
| Cash and bank balances | 15 | 1,489,323 | 1,489,323 | - | - | - | - |
| Investments (Other than securities) | 18 | 176,077 | 118,369 | 57,708 | - | - | - |
| Investment securities | 17 | 4,505,323 | 454,944 | 124,310 | 1,822,787 | 1,983,224 | 120,058 |
| Loans and advances to customers | 19 | 1,057,205 | 366,977 | 167,012 | 116,101 | 387,526 | 19,589 |
| **Total assets** | | 7,227,928 | 2,429,613 | 349,030 | 1,938,888 | 2,370,750 | 139,647 |
| Borrowings | 26 | (289,079) | - | (289,079) | - | - | - |
| Deposits from customers | 25 | (5,799,266) | (2,207,931) | (364,492) | (3,226,843) | - | - |
| Deposits- Banks and NBFIs | 24 | (21,361) | (3,724) | (141) | (17,496) | - | - |
| **Total liabilities** | | (6,109,706) | (2,211,655) | (653,712) | (3,244,339) | - | - |
| | | 1,118,222 | 217,958 | (304,682) | (1,305,451) | 2,370,750 | 139,647 |
| **31 December 2019** | | | | | | | |
| Cash and bank balances | 15 | 1,017,077 | 1,017,077 | - | - | - | - |
| Investments (Other than securities) | 18 | 538,918 | 222,550 | 205,466 | 110,902 | - | - |
| Investment securities | 17 | 3,616,610 | 199,388 | 10,024 | 1,969,800 | 1,437,398 | - |
| Loans and advances to customers | 19 | 648,250 | 251,782 | 77,898 | 69,795 | 60,887 | 187,888 |
| **Total assets** | | 5,820,855 | 1,690,797 | 293,388 | 2,150,497 | 1,498,285 | 187,888 |
| Borrowings | 26 | (701,818) | (112,408) | (589,410) | - | - | - |
| Deposits from customers | 25 | (4,457,056) | (2,249,675) | (237,212) | (1,970,169) | - | - |
| Deposits- Banks and NBFIs | 24 | (36,249) | (18,001) | (3,885) | (14,363) | - | - |
| **Total liabilities** | | (5,195,123) | (2,380,084) | (830,507) | (1,984,532) | - | - |
| **Total interest re-pricing gap** | | 625,732 | (689,287) | (537,119) | (165,965) | 1,498,285 | 187,888 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.4 Market risks (continued)

***Exposure to interest rate risk – non-trading portfolios* (continued)**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50-basis point (b.p.) parallel fall or rise in market interest rates.

An increase of a 50 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

| | 2020 | 2019 |
|---|---|---|
| **Sensitivity of projected net interest income** | | |
| At 31 December | 2,891 | 2,340 |
| **Sensitivity of reported equity to interest rate movements** | | |
| At 31 December | 2,168 | 1,755 |

Interest rate movements affect reported equity in the following ways:

- retained earnings – increases or decreases in net interest income and in fair values of derivatives reported in profit or loss;

Overall, non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities.A decrease of a 50 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

**Exposure to currency risk – non-trading portfolios**

As at the reporting date net currency exposures for major currencies of the Bank are as follows:

| | USD | GBP | EURO | Other | Total |
|---|---|---|---|---|---|
| **31 December 2020 Net foreign currency exposure:** | | | | | |
| Assets | 785,078 | 31,339 | 87,449 | 1,658,821 | 2,562,687 |
| Liabilities | (2,441,783) | (31,340) | (87,448) | (1,788) | (2,562,359) |
| Net on balance sheet position | (1,656,705) | (1) | 1 | 1,657,033 | 328 |
| Line facilities for LCs and Bonds and Guarantees | 884,737 | - | 2,972 | - | 887,709 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.4 Market risks (continued)

### Exposure to currency risk - non-trading portfolios

### 31 December 2019

| Net foreign currency exposure: | | | | | |
|---|---|---|---|---|---|
| Assets | 423,604 | 15,085 | 14,224 | 2,128,610 | 2,581,523 |
| Liabilities | (1,793,301) | (23,801) | (51,134) | - | (1,868,236) |
| Net on balance sheet position | (1,369,697) | (8,716) | (36,910) | 2,128,610 | 713,287 |
| Line facilities for LCs and Bonds and Guarantees | 800,852 | - | 6,278 | - | 807,130 |

The following mid inter-bank exchange rates were applied during the year:

| | Average rate | | Reporting rate | |
|---|---|---|---|---|
| GH¢ to | 2020 | 2019 | 2020 | 2019 |
| USD 1 | 5.5954 | 5.2149 | 5.7602 | 5.5337 |
| GBP 1 | 7.182 | 6.6571 | 7.8742 | 7.3164 |
| EURO 1 | 6.393 | 5.8366 | 7.0643 | 6.2114 |
| Naira 1 | 68.284 | 69.4761 | 69.4993 | 65.871 |

A 5% weakening of the cedi against foreign currencies at 31 December 2020 would have impacted equity and profit/(loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

| | Assets | Liabilities | 2020 Total | Assets | Liabilities | 2019 Total |
|---|---|---|---|---|---|---|
| Profit/(loss) | (33,715) | (128,024) | (161,739) | (78,714) | (93,417) | (172,131) |
| Equity | (33,715) | (128,024) | (161,739) | (78,714) | (93,417) | (172,131) |

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.5 Capital management

#### Regulatory capital

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

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

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

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

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

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

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

#### Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 13% is to be maintained. The ratio was temporarily reduced to 11.5% as part of covid-19 mitigation measures by the Bank of Ghana in 2020.

The table below summarises the composition of regulatory capital and ratios of the Bank based on the Capital Requirement Directive (CRD) guidelines.

# Notes

*All amounts are in thousands of Ghana Cedis*

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Common Equity Tier 1(CET1) Capital** | | | |
| Ordinary share capital | 28(a) | 400,000 | 400,000 |
| **CET 1 Reserves** | | | |
| Statutory reserve | 28 (b) | 389,873 | 305,341 |
| Retained earnings | 28 (b) | 633,537 | 388,014 |
| **Total CET 1 Reserves** | | 1,023,410 | 693,355 |
| **CET1 Capital before Deductions/Adjustments** | | 1,423,410 | 1,093,355 |
| Less: Regulatory Adjustment to CET1 Capital | | | |
| Intangibles | | (25,202) | (11,946) |
| **CET1 Capital after Deductions** | | 1,398,208 | 1,081,409 |
| Additional Tier1 (AT1) Capital | | - | - |
| **Tier 1 Capital** | | 1,398,208 | 1,081,409 |
| Tier 2 Regulatory Capital | | - | - |
| **Total Regulatory Capital (Tier1 + Tier 2)** | | 1,398,208 | 1,081,409 |
| | | | |
| **Risk Profile** | | | |
| **Credit Risk** | | | |
| On-Balance Sheet RWA | | 1,348,520 | 1,513,769 |
| Off-Balance Sheet RWA | | 319,502 | 488,269 |
| On & Off-Balance Sheet Trading Book RWA | | 168,726 | 252,530 |
| Credit Risk Reserve (CRR) | | (33,384) | (25,313) |
| **Total Credit Risk Equivalent Weighted Assets** | | 1,803,364 | 2,229,255 |

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# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.5 Capital management (continued)

### Capital adequacy ratio (continued)

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Operational Risk** | | | |
| Total Operational Risk Capital Charge | | 121,947 | 101,967 |
| **Total Operational Risk Equivalent Weighted Assets** | | 1,219,475 | 1,019,672 |
| | | | |
| **Market Risk** | | | |
| Interest Rates | | 9,041 | 12,892 |
| Foreign Exchange | | 8,260 | 3,130 |
| Total Market Risk Charge | | 17,301 | 16,022 |
| **Total Market Risk Equivalent Weighted Assets** | | 216,266 | 199,900 |
| | | | |
| Total for Credit Risk, Operational Risk and Market Risk | | | |
| **Total RWA** | | 3,239,105 | 3,448,827 |
| | | | |
| **Risk Ratios** | | | |
| **Risk-based Capital Ratios** | | | |
| Common Equity Tier 1/RWA | | 43.17% | 31,36% |
| Tier 1/RWA | | 43.17% | 31.36% |
| Tier 2/RWA | | - | - |
| Capital Adequacy Ratio (CAR) | | 43.17% | 31.36% |
| | | | |
| **Minimum Capital Requirement** | | | |
| Minimum Capital Requirement | | 10% | 10% |
| Prudential Minimum (with Capital Conservation Buffer) | | 13% | 13% |
| **Surplus Minimum Capital** | | | |
| Surplus/Deficit to Minimum Capital | | 33.17% | 21.36% |
| Surplus/Deficit to Prudential Minimum Capital | | 30.17% | 18.36% |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.5 Capital management (continued)

#### Capital adequacy ratio (continued)

| | 2020 | 2019 |
|---|---|---|
| **Tier 1 Leverage Ratio** | | |
| Off-Balance Sheet Exposures | 1,194,522 | 1,153,357 |
| On-Balance Sheet Exposures | 8,034,580 | 6,691,004 |
| Less: Intangibles | (25,202) | (11,946) |
| | 8,009,378 | 6,679,058 |
| **Total Exposures** | 9,203,900 | 7,832,415 |
| **Leverage Ratio** | 15.19% | 13.81% |

#### Capital allocation

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

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

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

### 3.6 Fair values of financial instruments

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

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

#### (a) Valuation models

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.6 Fair values of financial instruments (continued)

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

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

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

### (b) Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the 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.

| | Note | Level 1 2020 | Level 2 2020 | Level 1 2019 | Level 2 2019 |
|---|---|---|---|---|---|
| Non-pledged trading assets | 16a | 98,097 | - | 312,686 | - |
| Pledged trading assets | 16b | 263,801 | - | 197,839 | - |
| Derivative financial instruments | 32 | - | 31,175 | - | - |
| | | 361,898 | 31,175 | 510,525 | - |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.6 Fair values of financial instruments (continued)

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

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

| | Note | Level 2 2020 | Level 3 2020 | Level 2 2019 | Level 3 2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and bank balances | 15 | 1,489,323 | - | 1,017,077 | - |
| Investments (Other than securities) | 18 | 176,077 | - | 538,918 | - |
| Investment securities | 17 | 4,505,323 | - | 3,616,610 | - |
| Loans and advances to customers | 19 | - | 1,057,205 | - | 648,250 |
| | | 6,170,723 | 1,057,205 | 5,172,605 | 648,250 |
| **Liabilities** | | | | | |
| Borrowings | 26 | 289,079 | - | 701,818 | - |
| Deposits from customers | 25 | 5,799,266 | - | 4,457,056 | - |
| Deposit - Bank and NBFIs | 24 | 21,361 | - | 36,249 | - |
| | | 6,109,706 | - | 5,195,123 | - |

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

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

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

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

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.7 Credit risk reserve reconciliation

This note represents a reconciliation between the Bank of Ghana provision and the IFRS impairment.

**IFRS Impairment**

| | 2020 | 2019 |
|---|---|---|
| Loans and Advances | 35,716 | 32,781 |
| Off balance sheet exposure | 10,736 | 6,078 |
| **Total** | 46,452 | 38,859 |

**Bank of Ghana Provision**

| | | |
|---|---|---|
| Loans and Advances | 69,574 | 57,263 |
| Off-Balance Sheet | 10,262 | 9,612 |
| **Total** | 79,836 | 66,875 |

**Credit Risk Reserve**

| | | |
|---|---|---|
| Balance at 1 January | 25,313 | 22,237 |
| Transfer to Credit Risk Reserve | 8,071 | 3,076 |
| **Balance at 31 December** | 33,384 | 25,313 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.8 Geographical concentration of assets and liabilities and off balances sheet items

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | In Ghana | Outside Ghana | In Ghana | Outside Ghana |
| **Assets** | | | | |
| Cash and cash equivalents | 955,184 | 534,139 | 751,473 | 265,604 |
| Non-pledged trading assets | 98,097 | - | 312,686 | - |
| Pledged trading assets | 263,801 | - | 197,839 | - |
| Investment securities | 2,863,397 | 1,641,926 | 1,652,874 | 1,963,736 |
| Derivative financial instruments | - | 31,175 | - | - |
| Investments (other than securities) | 118,879 | 57,198 | 428,016 | 110,902 |
| Loans and advances to customers | 1,057,205 | - | 648,250 | - |
| Other assets | 132,859 | - | 69,975 | - |
| | 5,489,422 | 2,264,438 | 4,061,113 | 2,340,242 |
| **Liabilities** | | | | |
| Borrowings | 115,492 | 173,587 | - | 701,818 |
| Deposits from customers | 5,799,266 | - | 4,457,056 | - |
| Deposits from other banks | 21,361 | - | 36,249 | - |
| Other liabilities | 365,093 | - | 289,176 | - |
| **Total liabilities** | 6,301,212 | 173,587 | 4,782,481 | 701,818 |
| **Off balance sheet items** | | | | |
| Letters of credit | 92,760 | 459,660 | - | 614,926 |
| Guarantees and indemnities | 473,793 | - | 346,294 | - |
| | 566,553 | 459,660 | 346,294 | 614,926 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 3. FINANCIAL RISK MANAGEMENT (continued)

### 3.9 Operational risk

Operational risk' is the risk of direct or indirect loss that the Bank will suffer due to an event or action resulting from the failure of its internal processes, people and systems, or from external events. Key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Bank manages its operational risk at three distinct levels, each with clearly defined roles and responsibilities as follows:

### 3.9.1 Business Units and Support Functions

Business Units and Support Functions own and are responsible for understanding the operational risk inherent in their material products, activities, processes and systems. They are responsible for the consistent implementation of the operational risk management framework in their area of responsibility on a day-to day basis. This includes identifying the risks, establishing controls, and managing the risks in accordance with the Bank's overall risk tolerance and operational risk policies.

### 3.9.2 Operational Risk Management (ORM)

The ORM function has direct responsibility for formulating and implementing the Bank's ORM framework including methodologies, policies and procedures approved by the Board. ORM function works with the Business Units and Support Functions to ensure that the day-to-day operations of the Bank are in line with the approved ORM policies. The unit provides trainings and workshops to facilitate interpretation and implementation of the various ORM programs. The unit continuously monitors the effectiveness and the quality of the controls and risk mitigation tools.

### 3.9.3 Internal Audit

The mission of Internal Audit is to provide an independent assurance of the design and effectiveness of internal controls over the risks to the Bank's business performance. In carrying out this function, Internal Audit provides specific recommendations for improving the governance, risk & control framework. The role of the Internal Audit function is to conduct regular independent evaluation and review of the Bank's policies, procedures and practices in relation to the ORM Policy Framework and report the results to the Board.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### (a) Measurement of the expected credit loss allowance

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

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

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

Refer to Note 2.10 and 3.2.2 for further details on these estimates and judgements.

The fair value of a financial instrument is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 2.10.3 for further details on these estimates and judgements.

### (c) Income taxes

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

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

### (d) Hold to collect financial assets

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

# Notes

*All amounts are in thousands of Ghana Cedis*

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

### (e) Lease term

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

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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

# Notes

*All amounts are in thousands of Ghana Cedis*

| 5. Net interest income | 2020 | 2019 |
|---|---|---|
| **Interest income** | | |
| Loans and advances to customers | 124,284 | 124,960 |
| Placement with other banks | 12,400 | 17,317 |
| Investments securities | 712,471 | 624,274 |
| **Total interest income** | 849,155 | 766,551 |
| **Interest expense** | | |
| Current accounts | 8,494 | 4,275 |
| Savings accounts | 2,769 | 2,293 |
| Time and other deposits | 195,318 | 196,341 |
| Overnight and other borrowings | 58,143 | 89,464 |
| Lease liabilities | 6,293 | 6,159 |
| **Total interest expense** | 271,017 | 298,532 |
| **Net interest income** | 578,138 | 468,019 |

| 6. Net fees and commission income | | |
|---|---|---|
| **Fees and commission income** | | |
| Fees on loans and advances | 17,195 | 12,248 |
| Customer account servicing fees | 23,464 | 22,544 |
| Electronic and card product fees | 11,624 | 12,071 |
| Money transfer services fees | 723 | 760 |
| Letters of credit and trade services fees | 36,283 | 32,914 |
| **Total fees and commission income** | 89,289 | 80,537 |
| **Fees and commission expense** | | |
| Visa Charges | 4,920 | 4,424 |
| MasterCard Charges | 4,535 | 3,517 |
| Total fees and commission expense | 9,455 | 7,941 |
| **Net fees and commission income** | 79,834 | 72,596 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 7. Net trading income

| | 2020 | 2019 |
|---|---|---|
| (a) Foreign exchange gain | 53,209 | 91,647 |
| (b) Net income from other financial instruments carried at fair value | 19,414 | (18,559) |

## 8. Other income

| | | |
|---|---|---|
| Loss on disposal of property and equipment- Note 20 (b) | - | (96) |
| Loan recoveries | 552 | 5,125 |
| Sundry income | 5,474 | 2,868 |
| Modification loss on loans with renegotiated terms | (4,435) | - |
| | 1,591 | 7,897 |

Sundry income comprises mainly of brokerage commission on treasury bills.

## 9. Net impairment losses on financial assets

| | | |
|---|---|---|
| Loans and advances | 2,935 | 5,522 |
| Off balance sheet exposure | 4,657 | (324) |
| Investment securities | 4,747 | 387 |
| Interbank placements | (108) | (92) |
| Loans written off | 2,077 | 4,600 |
| Net impairment loss on financial assets | 14,308 | 10,093 |

## 10. Personnel expenses

| | | |
|---|---|---|
| Wages and salaries | 94,147 | 88,951 |
| Compulsory social security obligations | 2,819 | 2,778 |
| Contribution to defined contribution plan | 2,730 | 2,680 |
| Other staff cost | 34,099 | 48,323 |
| | 133,795 | 142,732 |

The number of persons employed by the Bank at the end of the year was 695 (2019: 696).

# Notes

*All amounts are in thousands of Ghana Cedis*

## 11. Leases

*Amounts recognised in the statement of financial position*

| | 2020 | 2019 |
|---|---|---|
| *Right of use assets* | | |
| Buildings | 91,871 | 88,290 |
| *Lease liabilities* | | |
| Current | 5,725 | 7,429 |
| Non-current | 87,904 | 76,897 |
| | 93,629 | 84,326 |
| *Amounts recognised in profit or loss* | | |
| Depreciation charge of right of use of assets - Buildings | (3,899) | (3,076) |
| Interest expense on lease liabilities | (6,293) | (6,159) |
| *Expense relating to short term and low value assets leases (included in adm inistrative expenses)* | (2,257) | (347) |

Additions to the right of use assets during the year was GH¢7,479 (2019: GH¢6,628) and to lease liabilities was GH¢12,502 (2019: GH¢5,339) liabilities. The total cash outflow for leases in 2020 was GH¢5,291 (2019: GH¢1,054)

## 12. Other expenses

| | 2020 | 2019 |
|---|---|---|
| Advertising and marketing expenses | 2,029 | 3,268 |
| Administrative expenses | 80,244 | 84,686 |
| Director's emoluments | 1,128 | 3,403 |
| Auditor's remuneration | 872 | 815 |
| Donations and sponsorship (Corporate Social Responsibilities) | 1,572 | 188 |
| Insurance premium – Deposit Protection | 9,837 | 2,410 |
| | 95,682 | 94,770 |

## 13. Income tax expense

| | | |
|---|---|---|
| Amounts recognised in profit or loss | 136,717 | 103,426 |
| Current year income tax expense – See Note 13(a) | (7,970) | 2,894 |
| Deferred tax (credit)/expense – See Note 22 (a) | 128,747 | 106,320 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 13. Income tax expense (continued)

### (a) Income tax

| 31 December 2020 | Balance at 1/1/2020 | Charge for the year | Payments during the year | Refunds received during the year | Balance at 31/12/2020 |
|---|---|---|---|---|---|
| *Income tax* | | | | | |
| 2019 | (24,741) | (6,985) | (280) | 7,265 | (24,741) |
| 2020 | - | 120,358 | (97,162) | - | 23,196 |
| | (24,741) | 113,373 | (97,442) | 7,265 | (1,545) |
| National stabilisation levy | | | | | |
| 2019 | (992) | - | - | - | (992) |
| 2020 | - | 23,344 | (23,824) | - | (480) |
| | (992) | 23,344 | (23,824) | - | (1,472) |
| Total | (25,733) | 136,717 | (121,266) | 7,265 | (3,017) |

| 31 December 2019 | Balance at 1/1/2019 | Charge for the year | Payments during the year | Balance at 31/12/2019 |
|---|---|---|---|---|
| *Income tax* | | | | |
| 2018 | 13,158 | - | (13,158) | - |
| 2019 | - | 85,787 | (110,528) | (24,741) |
| | 13,158 | 85,787 | (123,686) | (24,741) |
| National stabilisation levy | | | | |
| 2018 | 119 | - | (119) | - |
| 2019 | - | 17,639 | (18,631) | (992) |
| | 119 | 17,639 | (18,750) | (992) |
| Total | 13,277 | 103,426 | (142,436) | (25,733) |

### (b) Reconciliation of effective tax rate

| | 2020 % | 2020 | 2019 % | 2019 |
|---|---|---|---|---|
| Profit before tax | | 466,873 | | 352,787 |
| Income tax using domestic tax rate | 25.00 | 116,718 | 25.00 | 88,197 |
| National stabilisation levy | 5.00 | 23,344 | 5.00 | 17,639 |
| Non-deductible expenses | 0.25 | 1,169 | 0.82 | 2,893 |
| Origination and reversal of temporary differences | (1.18) | (5,499) | (0.68) | (2,409) |
| Change in prior year estimate | (1.5) | (6,985) | - | - |
| | 27.57 | 128,747 | 30.14 | 106,320 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 14. Earnings per share

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2020 was based on the profit attributable to ordinary shareholders of GH¢338,126 (2019: GH¢246,467) and a weighted average number of ordinary shares outstanding of 4,000,000, (2019: 4,000,000,) calculated as follows:

| | 2020 | 2019 |
|---|---|---|
| Net profit for the year attributable to equity holders of the Bank | 338,126 | 246,467 |
| Weighted average number of ordinary shares | 4,000,000 | 4,000,000 |
| Basic and diluted earnings per share | 0.08 | 0.06 |

## 15. Cash and bank balances

| | | |
|---|---|---|
| Cash on hand | 161,422 | 106,400 |
| Balances with Bank of Ghana | 673,732 | 585,782 |
| Balances with other local Banks | 355 | 1,220 |
| Balances with other foreign Banks | 534,139 | 265,604 |
| Items in course of collection | 119,675 | 58,071 |
| | 1,489,323 | 1,017,077 |

Included in the balances with Bank of Ghana is an amount of GH¢598,659 (2019:GH¢445,518) representing the mandatory cash reserve as per the weekly Banking Supervision Department (BSD1) returns for the week ended 30 December 2020 (2019: 25 December 2019). This reserve represents and complies with the mandatory minimum of 10% (2019: 10%) of the Bank's total deposits and is not available for use in the Bank's day-to-day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

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

| | 2020 | 2019 |
|---|---|---|
| Cash and bank balances | 1,489,323 | 1,017,077 |
| Investment other than securities maturing within 90 days | 118,369 | 155,084 |
| Treasury bills maturing within 90 days | 87,787 | 209,931 |
| | 1,695,479 | 1,382,092 |
| Less mandatory cash reserve | (598,659) | (445,518) |
| | 1,096,820 | 936,574 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 16a Non-pledged trading assets

| | 2020 | 2019 |
|---|---|---|
| Government bonds | 86,966 | 321,865 |
| Fair value gain/(loss) | 11,131 | (9,179) |
| | 98,097 | 312,686 |
| Current | 98,097 | 312,686 |
| Non-current | - | - |

## 16b Pledged trading assets

| | | |
|---|---|---|
| Government bonds | 263,601 | 198,550 |
| Fair value gain/(loss) | 200 | (711) |
| | 263,801 | 197,839 |
| Current | 263,801 | 197,839 |
| Non-current | - | - |

## 17. Investment securities

| | Pledged 2020 | Non-pledged 2020 | Total 2020 | Pledged 2019 | Non-pledged 2019 | Total 2019 |
|---|---|---|---|---|---|---|
| Government bonds | 5,100 | 2,215,497 | 2,220,597 | - | 1,352,338 | 1,352,338 |
| Treasury bills | - | 2,297,326 | 2,297,326 | 15,060 | ,257,066 | 2,272,126 |
| Impairment | - | (12,600) | (12,600) | - | (7,854) | (7,854) |
| Total | 5,100 | 4,500,223 | 4,505,323 | 15,060 | 3,601,550 | 3,616,610 |
| Current | | | 2,402,041 | | | 2,179,212 |
| Non-current | | | 2,103,282 | | | 1,437,398 |

Investments are treasury bills and bonds issued by the Government of Ghana and the Government of Nigeria. These are measured at amortised cost.

### Collateral accepted as security for assets

At 31 December 2020, the Bank had pledged GH¢268,701 (2019: *GH¢*213,610) of its investments in Government securities. The Bank has not received collateral that it is permitted to sell or re-pledge in case of default by counterparty.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 18. Investments (other than securities)

| | 2020 | 2019 |
|---|---|---|
| Zenith Bank Plc | 57,729 | 110,902 |
| FBN Bank Ghana Ltd | 30,011 | - |
| Standard Chartered Bank | - | 205,446 |
| Guaranty Trust Bank | - | 70,032 |
| Stanbic Bank | - | 50,022 |
| Barclays Bank | - | 20,008 |
| Access Bank | 28,825 | 16,618 |
| Fidelity Bank | - | 55,429 |
| United Bank for Africa | 30,011 | 11,078 |
| GCB Bank Ltd | 30,011 | - |
| | 176,587 | 539,535 |
| Impairment | (510) | (617) |
| | 176,077 | 538,918 |

Investments (other than securities) are all current. They are short-term lending attracting average interest at 13.57% and 4.71% on the Ghana Cedi and United States Dollar lending respectively.

## 19. Loans and advances to customers

| | | |
|---|---|---|
| Loans and advances to customers at amortised cost | 1,087,466 | 680,957 |
| Finance leases | 5,455 | 74 |
| | 1,092,921 | 681,031 |
| Less allowance for impairment | (35,716) | (32,781) |
| Loans and advances to customers at amortised cost | 1,057,205 | 648,250 |
| Current | 650,090 | 460,362 |
| Non-Current | 407,115 | 187,888 |

### (a) Loans and advances to customers at amortised cost

| | Gross amount 2020 | Impairment allowance 2020 | Carrying amount 2020 | Gross amount 2019 | Impairment allowance 2019 | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| Individual customers | 42,199 | (2,376) | 39,823 | 37,226 | (2,631) | 34,595 |
| Corporate customers | 1,050,722 | (33,340) | 1,017,382 | 643,805 | (30,150) | 613,655 |
| Total loans and advances | 1,092,921 | (35,716) | 1,057,205 | 681,031 | (32,781) | 648,250 |

### (b) Allowances for impairment

| | 2020 | 2019 |
|---|---|---|
| Balance at the beginning of the reporting year | 32,781 | 88,086 |
| Allowances no longer required and written off | - | (60,827) |
| Charge for the year | 2,935 | 5,522 |
| Total allowances for impairment | 35,716 | 32,781 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 19. Loans and advances to customers (continued)

### (c) Finance lease receivables

The table below provides an analysis of finance lease receivables for leases of certain property, plant and equipment in which the Bank is the lessor:

| | 2020 | 2019 |
|---|---|---|
| Gross investment in finance leases, receivable: | | |
| Less than one year | 4,457 | 91 |
| Between one and five years | 1,909 | - |
| | 6,366 | 91 |
| Unearned finance lease income | (911) | (17) |
| Net investment in finance lease | 5,455 | 74 |
| Net investment in finance leases, receivable: | | |
| Less than one year | 3,723 | 74 |
| Between one and five years | 1,732 | - |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 20. Property, plant and equipment

| | Leasehold Property | Leasehold improvements | Furniture and equipment | Computers | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balances at 1 January 2019 | 140,744 | 15,431 | 26,843 | 29,389 | 20,442 | 18,765 | 251,614 |
| Acquisitions | - | 464 | 1,260 | 839 | 6,247 | 4,174 | 12,984 |
| Transfers | - | 536 | - | - | | (589) | (53) |
| Disposals | - | - | (65) | - | (1,589) | (15,464) | (17,118) |
| **Balance at 31 December 2019** | 140,744 | 16,431 | 28,038 | 30,228 | 25,100 | 6,886 | 247,427 |
| Balance at 1 January 2020 | 140,744 | 16,431 | 28,038 | 30,228 | 25,100 | 6,886 | 247,427 |
| Acquisitions | - | 529 | 1,256 | 4200 | 2,915 | 6,049 | 14,949 |
| Transfers | - | 274 | 247 | - | - | (891) | (370) |
| Disposals | - | (10,964) | (14,405) | (28,445) | (12,798) | - | (66,612) |
| **Balance at 31 December 2020** | 140,744 | 6,270 | 15,136 | 5,983 | 15,217 | 12,044 | 195,394 |
| **Depreciation** | | | | | | | |
| Balances at 1 January 2019 | 4,299 | 12,468 | 17,012 | 21,905 | 13,623 | - | 69,307 |
| Depreciation for the year | 2,815 | 1,133 | 3,542 | 5,061 | 3,848 | - | 16,399 |
| Disposals | - | - | 53) | - | (650) | - | (703) |
| Balance at 31 December 2019 | 7,114 | 13,601 | 20,501 | 26,966 | 16,821 | - | 85,003 |
| Balance at 1 January 2020 | 7,114 | 13,601 | 20,501 | 26,966 | 16,821 | - | 85,003 |
| Depreciation for the year | 2,815 | 1,257 | 3,338 | 3,391 | 4,201 | - | 15,002 |
| Disposals | - | (10,964) | (14,405) | (28,445) | (12,798) | - | (66,612) |
| Balance at 31 December 2020 | 9,929 | 3,894 | 9,434 | 1,912 | 8,224 | - | 33,393 |
| **Carrying amounts** | | | | | | | |
| Balances at 1 January 2019 | | | | | | | |
| Balance at 31 December 2019 | 133,630 | 2,830 | 7,537 | 3,262 | 8,279 | 6,886 | 162,424 |
| **Balance at 31 December 2020** | 130,815 | 2,376 | 5,702 | 4,071 | 6,993 | 12,044 | 162,001 |

There was no indication of impairment of property, plant and equipment held by the Bank at 31 December 2020 (2019: Nil). None of the property, plant and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property, plant and equipment at the reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2019: Nil).

# Notes

*All amounts are in thousands of Ghana Cedis*

## 20. Property, plant and equipment (continued)

| (a) Depreciation and amortisation expense | 2020 | 2019 |
|---|---|---|
| Right of use assets (Note 11) | 3,899 | 3,076 |
| Property, plant and equipment (Note 20) | 15,002 | 16,399 |
| Intangible assets (Note 21) | 2,627 | 1,703 |
| | 21,528 | 21,178 |

| (b) Profit on disposal | | |
|---|---|---|
| Cost | 66,612 | 17,118 |
| Accumulated depreciation | (66,612) | (703) |
| Carrying amount | - | 16,415 |
| Proceeds from disposal | - | (16,319) |
| Loss on disposal | - | 96 |

## 21. Intangible assets

| Cost | | |
|---|---|---|
| Balance at 1 January | 11,921 | 7,855 |
| Acquisitions | 3,763 | 4,013 |
| Transfer from work-in-progress | 370 | 53 |
| Disposal | (6,800) | - |
| Balance at 31 December | 9,254 | 11,921 |
| **Amortisation** | | |
| Balance at 1 January | 7,499 | 5,796 |
| Amortisation for the year | 2,627 | 1,703 |
| Disposal | (6,800) | - |
| Balance at 31 December | 3,326 | 7,499 |
| **Carrying amount** | | |
| Balance at 1 January | 4,422 | 2,059 |
| Balance at 31 December | 5,928 | 4,422 |

Intangible assets represent licenses for computer software. There was no indication of impairment of intangible assets held by the Bank at reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2019: Nil). There were no proceeds from the disposal of intangible assets during the year and thus no profit or loss was realised.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 22. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | Liabilities | 2020 Net | Assets | Liabilities | 2019 Net |
|---|---|---|---|---|---|---|
| PPE and intangibles | - | (9,358) | (9,358) | - | (7,197) | (7,197) |
| Modification loss on loans | 1,109 | - | 1,109 | - | - | - |
| Staff Loans fair valuation | 832 | - | 832 | - | - | - |
| Right of use assets | 1,072 | - | 1,072 | - | (1,008) | (1,008) |
| Allowances for loan losses | 14,890 | - | 14,890 | 8,780 | - | 8,780 |
| Net tax assets/(liabilities) | 17,903 | (9,358) | 8,545 | 8,780 | (8,205) | 575 |

### (a) Movements in temporary differences during the year

| | Balance at 1 January | Recognised in profit or loss | Recognised in other comprehensive income | Balance at 31 December |
|---|---|---|---|---|
| **For the year ended 31 December 2020** | | | | |
| PPE and intangibles | (7,197) | (2,161) | - | (9,358) |
| Right of use of assets | (1,008) | 2080 | - | 1,072 |
| Modification loss on loan restructuring | - | 1,109 | - | 1,109 |
| Fair value changes on staff loans | - | 832 | - | 832 |
| Allowances for loan losses | 8,780 | 6,110 | - | 14,890 |
| | 575 | 7,970 | - | 8,545 |
| **For the year ended 31 December 2019** | | | | |
| PPE and intangibles | (5,522) | (1,675) | - | (7,197) |
| Right of use of assets | - | (1,008) | - | (1,008) |
| Allowances for loan losses | 8,991 | (211) | - | 8,780 |
| | 3,469 | (2,894) | - | 575 |

### Recognised deferred tax assets

Recognition of deferred tax assets of *GH¢17,903* (2019: *GH¢*8,780) is based on management's profit forecasts (which are based on available evidence, including historical levels of profitability), which indicated that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 23. Other assets

| | 2020 | 2019 |
|---|---|---|
| Prepayments | 10,728 | 6,947 |
| Collateral taken over | 30,000 | 30,000 |
| Mobile money drawers | 74,808 | 19,749 |
| Others | 17,323 | 13,279 |
| | 132,859 | 69,975 |
| Current | 102,859 | 39,455 |
| Non-current | 30,000 | 30,520 |

Collateral taken over represents repossessed property recovered as part of a settlement agreement with a defaulting customer. The Bank intends to dispose of this property.

## 24. Deposits from banks and non-banks financial institutions

| | 2020 | 2019 |
|---|---|---|
| Financial institutions (regulated) | 21,361 | 36,249 |

Deposits from banks and non-banks financial institutions are current.

## 25. Deposits from customers

| | | |
|---|---|---|
| Demand deposits | 3,226,843 | 2,249,675 |
| Term deposits | 2,207,931 | 1,970,169 |
| Savings deposits | 364,492 | 237,212 |
| | 5,799,266 | 4,457,056 |

### Analysis by type of depositors

| | | |
|---|---|---|
| Individual and other private enterprises | 5,605,589 | 4,432,772 |
| Public enterprises | 193,677 | 24,284 |
| | 5,799,266 | 4,457,056 |
| Current | 5,799,266 | 4,457,056 |
| Non-Current | - | - |
| Ratio of 20 largest depositors to total deposits | 28.52% | 28.77% |

## 26. Borrowings

| | | |
|---|---|---|
| Balances due to other banks and financial institutions | 289,079 | 701,818 |
| Current | 289,079 | 701,818 |
| Non-current | - | - |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 26. Borrowings (continued)

The Bank obtained loans from the under listed institutions with details as follows:

| Institution | Currency | Amount (GH¢'000) | Interest Rate (%) |
|---|---|---|---|
| Europe Ltd Sumitomo Mitsui Banking Corp | USD | 55,989 | 5.44 |
| Zenith Bank UK – ZB UK | USD | 112,408 | 5.04 |
| Standard Chartered Bank - SCB | USD | 115,492 | 3.75 |
| Ghana International Bank | USD | 115,863 | 2.45 |
| International Finance Corporation - IFC | USD | 57,724 | 4.49 |

A portion of these amounts were on-lended to Zenith Bank Plc. The movement in borrowings is shown below:

| At 31 December 2020<br>Lenders | At 1 January | Draw downs | Interest | Repayments | Exchange difference | At 31 December |
|---|---|---|---|---|---|---|
| Sumitomo | 55,868 | - | 709 | (56,340) | (237) | - |
| ZB - UK | 112,409 | - | 1,084 | (109,137) | (4,356) | - |
| SCB | 422,565 | 114,284 | 4,715 | (413,858) | (12,214) | 115,492 |
| IFC | 110,976 | - | 5,265 | (62,365) | 3,848 | 57,724 |
| Ghana Int. Bank | - | 110,110 | 2,572 | (1,995) | 5,176 | 115,863 |
| | 701,818 | 224,394 | 14,345 | (643,695) | (7,783) | 289,079 |
| At 31 December 2019 | | | | | | |
| Sumitomo | - | 54,034 | 501 | - | 1,333 | 55,868 |
| ZB - UK | 96,755 | 211,864 | 5,869 | (205,692) | 3,613 | 112,409 |
| SCB | 242,967 | 933,897 | 15,898 | (779,407) | 9,210 | 422,565 |
| IFC | 145,031 | 242,672 | 9,807 | (285,801) | (733) | 110,976 |
| FBN | - | 35,415 | 48 | (35,463) | - | - |
| Consolidated | - | 63,621 | 141 | (63,762) | - | - |
| Fidelity | - | 262,226 | 262 | (262,488) | - | - |
| GHL | - | 26,500 | 101 | (26,601) | - | - |
| Republic | - | 10,207 | 5 | (10,212) | - | - |
| Ecobank | - | 724,878 | 2,707 | (727,585) | - | - |
| First Rand | 196,832 | 258,760 | 10,094 | (465,686) | - | - |
| Ghana Int. Bank | 98,149 | 104,004 | 4,041 | (206,194) | - | - |
| Cargill | 36,268 | - | 915 | (37,184) | - | - |
| First Atlantic Bank | 24,136 | 172,645 | 211 | (196,992) | - | - |
| Guaranty Trust Bank | 72,466 | 328,548 | 1,422 | (402,436) | - | - |
| SSNIT | 70,297 | 1,637,000 | 4,128 | (1,711,425) | - | - |
| Others | - | 4,265,000 | 3,009 | (4,268,009) | - | - |
| | 982,901 | 9,331,271 | 59,159 | (9,684,936) | 13,423 | 701,818 |

# Notes

*All amounts are in thousands of Ghana Cedis*

## 27. Other liabilities

| | 2020 | 2019 |
|---|---|---|
| Accruals and other payables | 70,165 | 33,761 |
| Impairment on off-balance sheet exposures | 10,736 | 6,078 |
| Deferred income | 5,867 | 6,162 |
| Obligation on investment held for customers | 278,325 | 238,681 |
| | 365,093 | 284,682 |
| Current | 365,093 | 284,682 |
| Non-current | - | - |

Obligation on investment held for customers relate to funds received from customers and invested in sale and buy back products of the Bank.

## 28. Capital and reserves

### (a) Stated capital

| | 2020 No. of Shares | 2020 Proceeds | 2019 No. of Shares | 2019 Proceeds |
|---|---|---|---|---|
| Authorised Ordinary Shares of no-par value ('000) | 4,500,000 | - | 4,500,000 | - |
| Issued Ordinary Shares of no-par value ('000) | 4,000,000 | 400,000 | 4,000,000 | 400,000 |

### Issued and fully paid

| | 2020 | 2019 |
|---|---|---|
| Issued for cash consideration | | |
| At 1 January | 400,000 | 400,000 |
| Transfer from income surplus account | - | - |
| | 400,000 | 400,000 |

There were no calls or instalments unpaid at the reporting date. There were no shares held in treasury at year-end.

### (b) Nature and purpose of reserves

#### Statutory reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and guidelines from the Central Bank.

#### Credit risk reserve

This reserve represents the cumulative balance of amounts transferred from/to retained profits to meet excess of impairment allowances based on Bank of Ghana's provisioning guidelines and IFRS.

Retained earnings

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

# Notes

*All amounts are in thousands of Ghana Cedis*

## 29. Dividend

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2020 (2019: Nil).

## 30. Contingencies

### (a) Claims and litigation

The Bank is defending legal actions brought by various persons for claims. No provision in relation to these claims has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise (2019: Nil).

### (b) Contingent liabilities and commitments

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

### Nature of instruments

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

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

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

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

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

| | 2020 | 2019 |
|---|---|---|
| Contingent liabilities: Bonds and guarantees | 473,793 | 346,294 |
| Commitments: Clean line facilities for letters of credit | 552,420 | 614,926 |
| | 1,026,213 | 961,220 |
| Undrawn loan commitments | 168,309 | 192,137 |

### (c) Commitments for capital expenditure

At 31 December 2020, the Bank's commitment for capital expenditure was nil (2019: nil).

# Notes

*All amounts are in thousands of Ghana Cedis*

## 31. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes members of the Zenith Bank Group, key management personnel and the close members of their family.

### (a) Parent

The parent company, which is also the ultimate parent company, is Zenith Bank Plc. Transactions between Zenith Bank Plc. and subsidiaries also meet the definition of related party transactions. The parent company incurred expenditures in the normal course of business, mainly in the form of salary payments to seconded staff from the Parent Company and licence fees, which were recharged to the Bank at cost. During the year ended 31 December 2020, the Bank transacted the following business with the related parties:

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Transactions during the year with the parent company** | | | |
| - Salaries and allowances for expatriate staff | | 2,760 | 2,335 |
| **Balances due from parent company at year end** | | | |
| Balances on nostro account | | 2,506 | 174,046 |
| Placements | 18 | 57,729 | 110,902 |
| Derivative asset – Currency forward contracts | 32 | 26,367 | - |

At 31 December 2020, the Bank also held Government of Nigeria bills amounting to GH¢ 1.65 billion (2019: GH¢1.96 billion) via Zenith Nominees Limited, an affiliate entity.

### (b) Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive, non-executive directors and members of the executive committee (EXCO) of the Bank. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with Zenith Bank (Ghana) Limited.

| Transactions with key management personnel during the year: | 2020 | 2019 |
|---|---|---|
| Personal emoluments and directors fees | 3,421 | 5,554 |
| Loans and advances disbursed during the year | 180 | 930 |
| Interest earned on loans and advances | 45 | 91 |
| Balances with key management personnel at year end: | | |
| Loans and advances | 1,048 | 1,212 |

Interest rates charged on balances outstanding are at concessionary rates and lower than the rates that would be charged in an arm's length transaction. The loans granted are secured over real estate and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end. These balances have, however, been collectively impaired as part of the portfolio impairment assessment for unidentified loans and advances.

# Notes

*All amounts are in thousands of Ghana Cedis*

## 31. Related parties (continued)

### (c) Other related parties

Balances with associated companies as at reporting period were:

| | 2020 | 2019 |
|---|---|---|
| Bank balances with Zenith Bank (UK) (Nostros) | 41,497 | 34,333 |
| Borrowing balance due to Zenith Bank (UK) | - | 112,409 |
| Derivative asset – Zenith Bank UK | 4,808 | - |

### (d) Shareholding

| No. | Name | 2020 hare No. of shares held | 2020 Percentage shareholding | 2019 No. of shares held | 2019 Percentage shareholding |
|---|---|---|---|---|---|
| 1. | Zenith Bank PLC | 3,976,800 | 99.42% | 3,976,800 | 99.42% |
| 2. | Equatorial Cross Acquisitions | 23,200 | 0.58% | 23,200 | 0.58% |
| | | 4,000,000 | 100% | 4,000,000 | 100% |

## 32. Derivative financial instruments

| | 2020 | 2019 |
|---|---|---|
| Forward currency contracts | 31,175 | - |
| Current | 31,175 | - |
| Non-current | - | - |
| Forward currency contracts – Zenith Bank Plc - Assets | 26,367 | - |
| Forward currency contracts – Zenith Bank UK - Assets | 4,808 | - |
| | 31,175 | - |

Derivative financial instruments relate to receivables on non-deliverable forward contracts the Bank entered into with Zenith Bank Plc for purposes of managing foreign currency risks in relation to its investments in the Federal Government of Nigeria bills. They also include forward contracts the Bank entered into with Zenith Bank UK to manage its net open positions.

The foreign currency forward balance is from an underlying receivable of GH¢1.8 billion from Zenith Bank Plc and GH¢1.77 billion payable to Zenith Bank Plc. Under the terms of the agreements, the amounts payable by the Bank are offset against receivables from the Zenith Bank Plc and only the net amounts are settled. The receivable and payable amounts have therefore been presented on a net basis in the statement of financial position.

## 33. Subsequent events

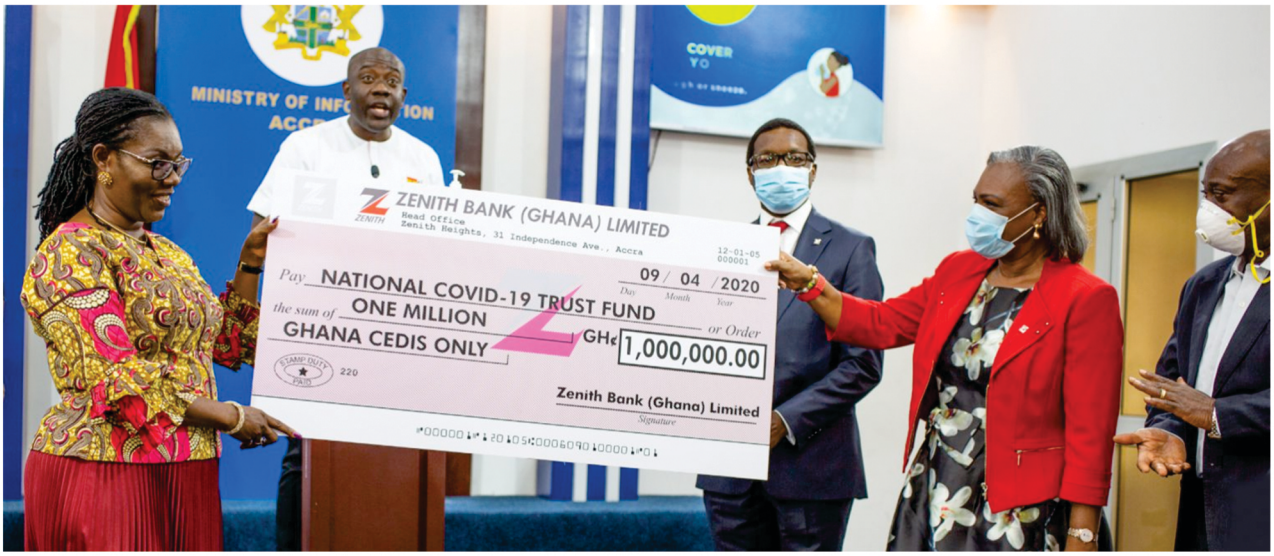
Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events after the reporting date of 31 December 2020.

# Value added statement for the year ended 31 December

*All amounts are in thousands of Ghana Cedis*

| | Note | 2020 | 2019 |
|---|---|---|---|
| Interest earned and other operating income | | 1,011,067 | 920,136 |
| Direct cost of services and other costs | | (375,026) | (397,840) |
| Value added by banking services | | 636,041 | 522,296 |
| Non-banking income | 8 | 1,591 | 7,897 |
| Impairments | 9 | (14,308) | (10,093) |
| Value added | | 623,324 | 520,100 |
| **Distributed as follows:** | | | |
| **To employees** | | | |
| Directors (without executives) | 12 | (1,128) | (3,403) |
| Executive directors | | (1,219) | (709) |
| Other employees | | (132,576) | (142,023) |
| Total | | (134,923) | (146,135) |
| **To Government** | | | |
| Income tax | 13 | (128,747) | (106,320) |
| **To providers of capital** | | | |
| Dividends to shareholders | | - | - |
| **To expansion and growth** | | | |
| Depreciation and amortisation | 20(a) | (21,528) | (21,178) |
| Retained earnings | | 338,126 | 246,467 |

# ZENITH BANK SUPPORTS COVID-19 FUND WITH GHS1,000,000




**From right to left**: Mr. Anthony Oteng-Gyasi (Board Member of Zenith Bank), Mrs. Freda Duplan (Board Chair of Zenith Bank, Mr. Akindele Ogunranti (Managing Director/CEO of Zenith Bank), Hon. Kojo Oppong Nkrumah (Minister for Information) and Hon. Ursula Owusu-Ekuful (Minister for Communications)

Zenith Bank Ghana Limited has donated One Million Ghana Cedis (GHS1,000,000) to the COVID-19 Fund established by the government of Ghana to complement Government's fight against the virus, and to assist in the welfare of the needy and the vulnerable in society. Officials of the Bank presented the amount at the Ministry of Information press briefing on Tuesday April 14, 2020.

The donation was made by Board Chair of Zenith Bank, Mrs. Freda Duplan; Board member, Mr. Anthony Oteng-Gyasi; the Managing Director/CEO of Zenith Bank, Mr. Akindele Ogunranti and Board Secretary, Mr. Daniel Agamah. This gesture is in addition to an earlier contribution made by Zenith Bank to the ten million cedis (GHS10,000,000) donation earlier presented by the Ghana Association of Bankers (GAB) to the COVID-19 Fund.

Speaking at the presentation, the Board Chair of Zenith Bank, Mrs. Freda Duplan said, "Covid-19 has re-emphasised the need for all of us; government, corporate entities, private sector and individuals to work together for the common and greater good of our dear nation, Ghana. Solidarity has never been more critical to overcoming challenges than in this period. Our donation to the National Covid-19 Fund is therefore reflective of the Bank's mission as a corporate organisation to invest in our environment to underscore our commitment to achieving customer enthusiasm."

On his part, the Managing Director/CEO of Zenith Bank, Mr. Akindele Ogunranti noted, "These unprecedented times require every segment of the society to contribute their quota to support government's efforts towards mitigating the impact of the Coronavirus".
We are grateful for His Excellency, the President of Ghana's timely intervention and the measures put in place to combat the spread of the Coronavirus in Ghana.

Meanwhile as part of measures to ensure that the Bank's staff comply with set protocols in combatting the spread of the coronavirus, Zenith Bank has reduced its workforce by 50% through the creation of a shift system i.e. rotating staff nationwide. In addition, certain categories of staff (such as pregnant staff, nursing mothers, staff with medical conditions, etc.) have been granted leave to stay at home to protect them from any COVID-19 exposure risk. Moreover, the bank has provided individual sanitizers to all staff and to teams to ensure they constantly observe the precautionary measures instituted by the Ghana Health Service. Furthermore, Zenith bank is strictly implementing a 3-step process of washing hands, sanitising and temperature checks before staff, customers and visitors are granted entry into the bank's buildings.

There has also been the appointment of hygiene champions in all departments and units to ensure all team members are reminded to wash their hands at scheduled times. Also, there has been the implementation of a distance of 2 meters in the workplace to observe the social distance precautionary measure. In addition, a maximum number of ten (10) customers are allowed entry into the banking halls at any point in time.

As people are encouraged to conduct their transactions using digital channels during this period, Zenith Bank has also ensured full functionality of its electronic channels (e.g. zenith cards, ZMobile app, Internet Banking, Bank2Wallet – mobile money, USSD code – *966#, GlobalPAY, etc.) to enable customers carry out their banking transactions from the comfort of their homes.

To this effect, customers are guaranteed a safe and secure banking experience via Zenith Bank's electronic channels. Some incentives which have been granted include; the waiving of all interbank transfer fees on the bank's digital platforms; mobile wallet transactions below Ghs100 also do not attract any charges.

It is the Bank's fervent prayer that the pandemic will be short-lived and that sooner than later, life as we all know it shall return to normal.

# Zenith Bank records another 1st in Digital Banking with the introduction of the GH Dual Card in partnership with GhIPSS

(L-R) Mr. Akindele Ogunranti, MD/CEO of Zenith Bank Ghana & Mr. Archie Hesse, CEO of GhIPSS

Zenith Bank (Ghana) Limited has introduced the Eazypay GH Dual Card (Eazypay Card), which combines the e-zwich and Gh-Link functions, powered by the Ghana Interbank Payment and Settlement Systems (GhIPSS).

The Eazypay GH Dual Card was launched on Friday August 28, 2020 during a brief ceremony at the Bank's Head Office on the Independence Avenue, where the new card was successfully issued and tested at the Bank's ATM on the premises.

At the ceremony, the Chief Executive Officer of GhIPSS, Mr. Archie Hesse noted that Zenith Bank had ticked all the boxes for the roll-out of the GH Dual Card and has become the first Bank in the country to do so. Mr. Hesse commended the Bank for championing the nation's cashlite agenda.

The Managing Director/Chief Executive Officer (MD/CEO) of Zenith Bank, Mr. Ogunranti noted that, "the innovation by GhIPSS to merge the two cards gives customers the opportunity to experience the 'Power of two in one'. This means that, this single card can now perform functions that hitherto were done using two cards".

He further encouraged GhIPSS to continue to come up with more innovative digital products and services for the benefit of the Ghanaian populace. He added that Zenith Bank remains committed to partnering with GhIPSS on the roll out of future projects.

The Zenith Eazypay card is targeted at the Bank's customers who rely heavily on either the e-zwich or gh-link cards or both.

The card which forms part of the local electronic payment ecosystem has a myriad of benefits to users. Customers can use this card on all local bank ATMs, POS terminals and Hybrid terminals on the Gh-link platform as well as on local ecommerce platforms in Ghana. The card comes with a 3D secure authentication that provides additional security for payments made with the Gh-link option of the card only. It also comes with relatively lower transaction fees.

It is chip and pin enabled and has a validity period of 2 years. Customers also have the option of personalizing their card if they so desire.

Users of the Zenith Eazypay card are assured of the ease and convenience that comes with using any e-product of the Bank and can have 24/7 access to their funds. Customers using the card are entitled to a default daily limit of GHS 5,000 on all local ATMs while POS/WEB services offers a daily transaction limit of GHS 3,000.

In addition to the Eazypay Card, Zenith Bank also provides top notch card products that are powered by Visa and Mastercard. Some of the cards issued by the Bank are the Visa/Mastercard Debit, Credit and Prepaid cards designed for both individuals and Corporates. These cards allow for easy withdrawal of cash and, or payment for goods and services both locally and internationally, directly from traditional bank accounts or prepaid card accounts.

For high net-worth customers, the Zenith Visa Platinum cards are available in debit and credit options to cater to their banking needs. The Bank has also partnered with several institutions for the issuance of customized cards to patrons of their services.

Zenith Bank is encouraging its customers with e-zwich and Gh-link cards to visit any of its branches nationwide to apply for the Zenith Eazypay GH Dual card. The Card is issued instantly at all the Bank's locations, it is fully activated and can be used on all ATMs, POS terminals in Ghana displaying the gh-link logo as well as used for online purchases within Ghana. It is convenient, secure and very safe owing to the integration of the security features for both the e-zwich card and the gh-link card.

The Zenith Eazypay GH Dual card is the 'Power of two in one' and truly guarantees "Eazy banking for everyone".

Zenith Bank Ghana has a reputation for developing highly innovative banking products and services in line with its vision ***"to be the reference point in the provision of prompt, flawless and innovative banking products and services in the Ghanaian banking industry".***

# Zenith Bank, celebrating 15 years of customer-centric banking

# ZENITH BANK STAFF EMBARK ON A 15TH ANNIVERSARY CSR DONATION DRIVE

In commemoration of Zenith Bank's 15th Anniversary celebration, staff of the Bank undertook a CSR donation of COVID-19 hygiene products (such as sanitisers, hand soap, face masks, etc) and other items to public hospitals, health agencies and orphanages in localities in which the Bank operates.

The staff-led initiative which was under the theme 'United against COVID-19, aimed to support beneficiaries' efforts towards succesful defeat of the Coronvirus. The donation was also reflective of the Bank's mission of investing in the environment in which the Bank operates operates to underscore its commitment to achieving customer enthusiasm.

**Ho** - Children's Ward of Ho Municipal Hospital, Ho

**Accra** - Ghana Health Service, Accra

**Koforidua** - Akwadum Christian Village Orphanage Home, Koforidua

**Cape Coast** - Human Service Trust, Abura

**Sunyani** - Kwartire Polyclinic, Sunyani

**Takoradi** - Father's Home Orphanage, Takoradi

**Tarkwa** - Angels of Hope Centre, Tarkwa

**Tamale** - Shekhinah Clinic for the Poor and Destitute, Tamale

**Kumasi**- Charity Home, Kumasi

**Akosombo** - Nectar Foundation Orphanage, Nuaso

**Tema** - Don Bosco Child Protection Centre, Tema

ZENITH BANK
CELEBRATING
15
YEARS
OF CUSTOMER-CENTRIC BANKING

# 2020 ZENITH EXCELLENCE AWARDS

**In line with the Bank's tradition, the Zenith Excellence Awards 2020 was organized to recognize and reward members of staff, sectors and branches in marketing and operations whose outstanding performance contributed significantly to the Bank's bottom line.**

**During the event, which had Executive Management of the Bank in attendance, the MD/CEO, Mr. Akin Ogunranti, noted that "the year 2020 saw the outbreak of the Covid-19 pandemic that caused a lot of uncertainty all over the world, Ghana inclusive. However, this was also a year when members of staff rallied together to ensure that the bank performed exceptionally well. Therefore, an event such as this was necessary to acknowledge and appreciate the efforts of staff who have made the bank proud". He also used the opportunity to encourage all staff members to raise their game and ensure that they contribute their quota to the bank's bottom-line.**

**Members of staff who received awards on the day were thrilled and appreciative that their efforts had been recognized. They extended their profound gratitude to members of Executive Management and pledged to continue to give off their best in the discharge of their duties.**

ZENITH

# 2020 ZENITH EXCELLENCE AWARDS

# *Enjoy the finer things in life with Zenith Platinum cards today!*

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