ANNUAL REPORT 2021

ZENITH BANK
...in your best interest

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ZENITH

Corporate Information

BOARD OF DIRECTORS	Freda Duplan (Chairperson) Anthony A. Ogunranti (Managing Director / CEO) Gabriel Ukpeh (Non executive director) Anthony Oteng-Gyasi (Independent Non Executive Director) Dr. Juliette Tuakli (Independent Non Executive Director) Kwasi Agyeman Boatin (Independent Non Executive Director) Henry Onwuzurigbo (Executive Director) - *Appointed 20 August 2021* Dennis Olisa (Non Executive Director) - *Resigned 5 November 2021*
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	Bank of Beirut (UK) Limited Citibank N.A., London Citibank New York Commerzbank AG Deutsche Bank AG Ghana Commercial Bank Ghana International Bank Plc. JP Morgan Chase Bank NA Rand Merchant Bank Standard Chartered Bank - China Standard Chartered Bank - Germany Sumitomo Mitsui Banking Corporation Europe Ltd. Zenith Bank Plc Zenith Bank (UK) Limited

An African bank providing global banking services.

Zenith Bank operates internationally in...

West Africa • Middle East • Far East • Europe

With

40

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

GhQR

Scan To Pay

ZMobile

Financials
At A Glance
(All amounts are in thousands of Ghana cedis)

Net Profit before Tax
2021
334,204
2020
466,873

Profit after Tax
2021
220,105
2020
338,126

Gross Earning
2021
958,377
2020
1,012,658

Net Interest Income
2021
640,978
2020
578,138

Trading Income
2021
-91,365
2020
74,214

Customer Deposit
2021
6,391,081
2020
5,799,266

Total Assets
2021
8,864,266
2020
8,034,580

Total Equity
2021
1,554,137
2020
1,456,794

Loans and Advances
2021
1,498,900
2020
1,057,205

NPL
2021
4.40%
2020
6.15%

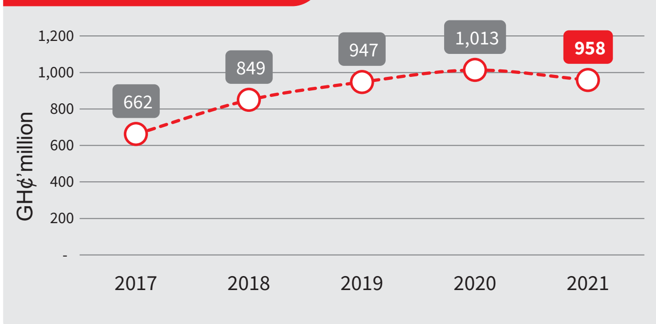
Financials
At A Glance (contd.)

All amounts are in millions of Ghana cedis

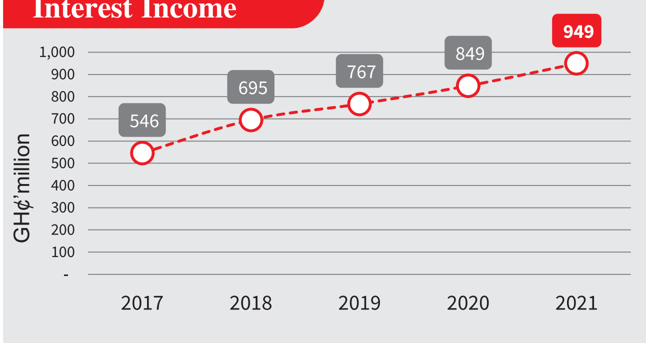
5 YEAR FINANCIAL SUMMARY	2017	2018	2019	2020	2021
Gross Income	662	849	947	1,013	**958**
Interest Income	546	695	767	849	**949**
Non-Interest Income	116	153	154	154	**(4)**
Operating Income	425	570	622	732	**637**
Profit Before Tax	251	282	353	467	**334**
Profit After Tax	173	186	246	338	**220**
Loans to Customers	805	733	648	1,057	**1,499**
Total Assets	4,671	5,572	6,691	8,035	**8,864**
Customer Deposits	3,473	3,408	4,457	5,799	**6,391**
Stated Capital	122	400	400	400	**400**
Shareholders' Funds	747	872	1,119	1,457	**1,554**
Capital Adequacy Ratio	25%	35%	31%	43%	**45%**

Financial
Highlights 2017 - 2021

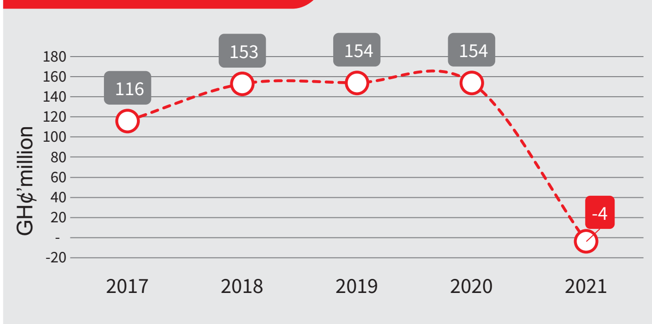
Gross Income



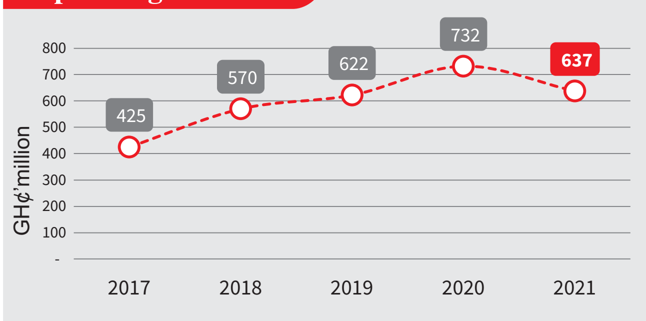
Interest Income



Non-Interest Income

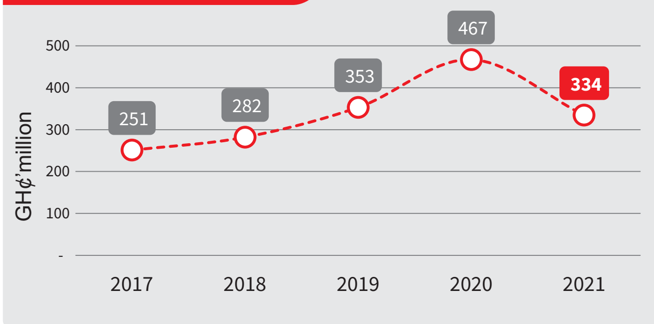


Operating Income

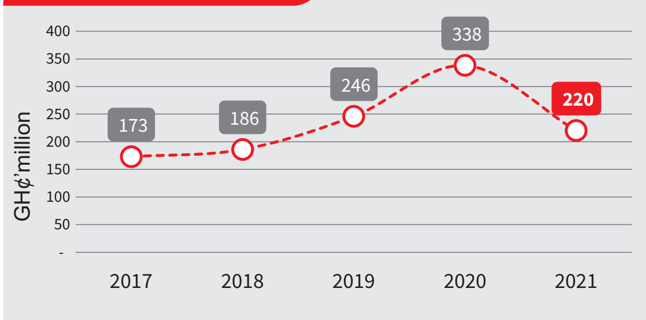


Financial
Highlights 2017 - 2021

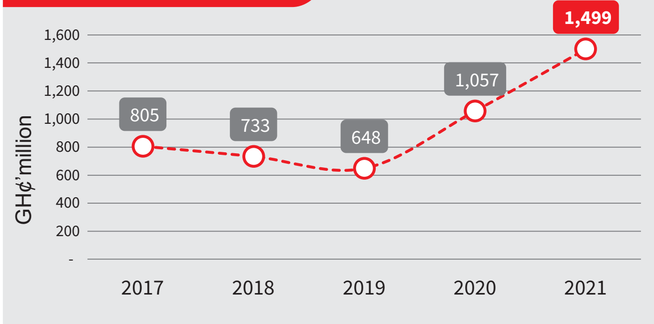
Profit Before Tax



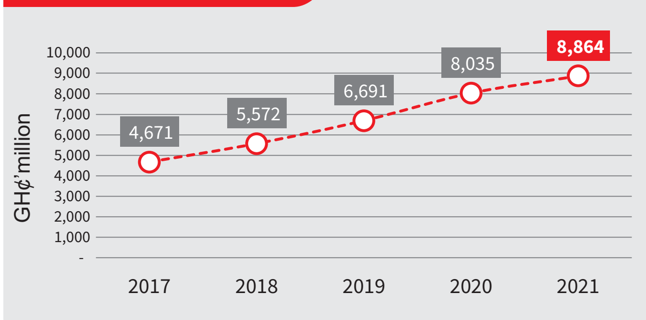
Profit After Tax



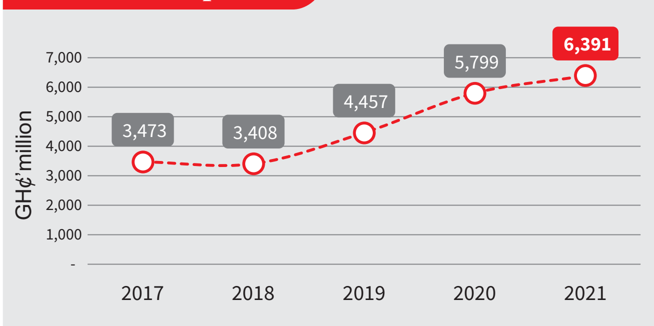
Loans to customers



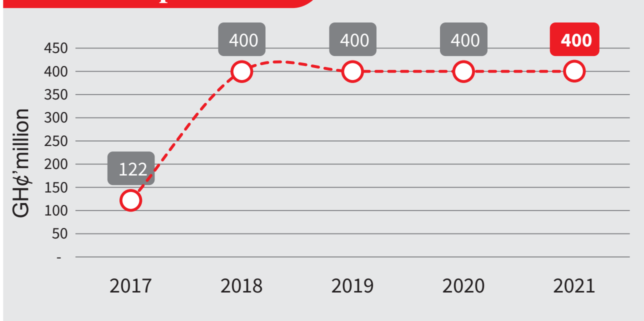
Total Assets



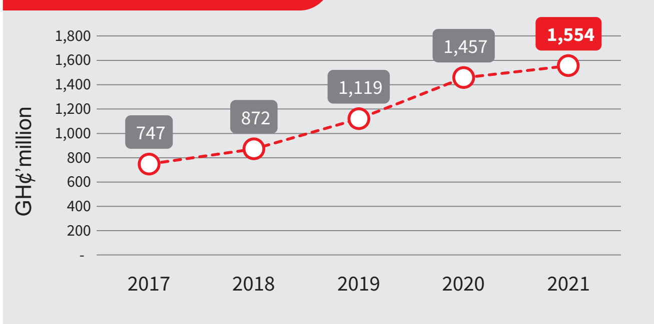
Customer Deposits



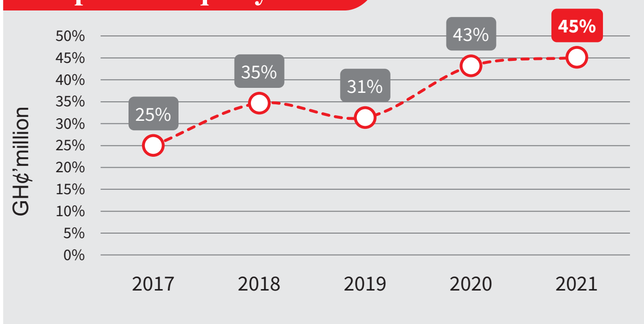
Stated Capital



Shareholders' Funds



Capital Adequacy Ratio



ZENITH

Thank you our cherished customers for making us

OUTSTANDING BANK OF THE YEAR IN 2021

OTHER AWARDS WON

WE ARE COMMITTED TO SERVING YOU BETTER.

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 licensed 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 financial services under a Universal Banking License.

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 forty (40) business locations (branches and agencies) in Ghana. Other service delivery channels include the numerous Automated Teller Machines 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 sixteen (16) 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 2021 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:

- Best Banking Group Ghana 2021 – World Finance Magazine
- Outstanding Bank of the Year 2021 – Ghana West Africa Business Excellence Awards
- Best Trade Finance Provider 2021 – Global Finance Magazine
- Best Foreign Exchange Provider Award 2021 – Global Finance Magazine
- Best Corporate Bank Ghana 2021 – International Business Awards.
- Best Internet Banking Service Provider 2021 – Ghana – Acquisition International Magazine
- Best Bank in Promoting Cashless Society – Instinct Business Finance Innovation Awards 2021
- Platinum Economic Pillar – Pillar of Modern Ghana Awards 2021
- Excellence in Customer Service Award -4th Ghana Business Awards 2021
- Innovative Card Product of the Year (Eazypay GH Dual Card) – 11th GITTA Awards 2021
- Best Bank for Financial Inclusion – 11th GITTA Awards 2021
- Outstanding Customer Service Award – Banking – Ghana Accountancy and Finance Awards
- Most Corporate Governance Compliant – Universal Banks Category – 4th IoD-Gh Corporate Governance Excellence Awards 2021
- 5 – Stars in Service Quality CIMG-CSI, 2021 – Chartered Institute of Marketing Ghana (CIMG) Awards
- 5 – Stars in Customer Satisfaction CIMG-CSI, 2021

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 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
- Stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of ICT

Corporate Profile & Strategy (contd.)

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

Customer Service

Zenith is 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 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
- Aviation & Hospitality
- 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
- 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.

ZENITH

Yes!

You can bank with US.

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 611500 / 302 680884 / 0307086370
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

Bolgatanga Branch
Tanzui, N10 Road,
P.O. Box BG 447
Bolgatanga

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 (contd.)

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

Kojo Thompson Road Branch
S.Malawi Building, Tudu-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

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

Takyi Plaza Branch
Plot 40 Spintex Road,
Ledzokuku
Tel: (+233) 307001230 / 307001231

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
Aboabo 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

Branch/ Agency Network (contd.)

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

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

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
Tel: (+233) 577-690893

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

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- Zenithbank_gh
- Zenith Bank Ghana Limited
- Zenith Bank Ghana Limited

Follow us today!

Products & Services

Zenith Aspire Account

The Zenith Aspire Account has been designed to focus on and enhance the lifestyle of students in tertiary institutions. The Aspire account provides a platform for students to experience the amazing benefits of being Zenith Bank account holders. Account holders enjoy 50% reduction on all regular bank charges for the use of any Zenith e-banking channels and exclusive discounts on selected eateries in Accra, Kumasi, Tamale and Cape Coast.

Zenith Timeless Account

The Zenith Timeless account is a free banking account designed for senior citizens aged 55 years and above. The account is an interest-bearing current account and account holders are given priority banking without charges.
Some account benefits include priority service, zero charges, interest-bearing and access to pension loans to help meet one's financial commitments.

Zeepay Mobile Money (Partnership Launch)

The Bank rolled out its partnership with ZeePay for the provision of Zeepay Mobile Money services at all branches of the Bank.

Z-Woman

The Z-Woman is a lifestyle service that focuses on females and female owned businesses. The service is dedicated to improving the financial literacy and economic growth of women who have a Zenith Bank Account or seek to open a Zenith Bank Account.
Some benefits of the service include:

- Exclusive discounts for platinum card holders
- Key partnerships
- Periodic webinars for the Z-Woman on health & beauty, entrepreneurship, financial planning etc
- Credit Facilities for entrepreneurs

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.

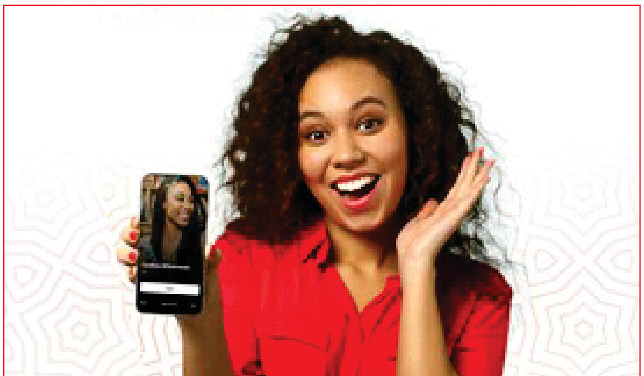
Some of its key benefits include, online real time access to all transactions, increase in sales and cashless transactions, no queues at customers' shops/offices and the opportunity to conduct an audit trail of all transactions.

Products &
Services (contd.)

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 cards issued by other domestic or foreign banks.

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 customers effect instant interbank transfers, set up beneficiaries, top up investments, pay utility bills and so much more right from their 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.
- Eliminates errors associated with generating manual cheques.
- Limitless transfers.
- 24-hour Access.

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.
- Euro Master Visa (EMV) Card compliant.
- Reduction in cost of handling cash.
- 24/7 availability with uninterrupted back-up power source.
- Mobile money transactions

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) types of 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

Products &
Services (contd.)

MasterCard
The Bank issues six (6) types of 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

Cruz -Card
This is a multipurpose card issued to staff and students of partner 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 & Services
- 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 (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:

- Settlement
- Cash Management
- Pensions
- Mutual Funds

OTHER BANKING SERVICES

Domestic Account
Current Account (Individual and Corporate)
Savings Account
Clubs/Public/Partnership Current Account
Sole Proprietorship Current Account

Foreign Account
Foreign Currency Account
Foreign Exchange Account

Treasury
Treasury Bills Investment/Government Bonds
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

Bank of Beirut
17A Curzon Street, London W1J 5HS

Citibank London
Citigroup Center
25 Canada Square, Canary Wharf
London E14 5LB

Citibank New York
111 Wall Street,
New York, N.Y. 10002

Commerzbank
Commerzbank Aktiengesellschaft, 60261,
Frankfurt am Main, Germany

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Winchester House
1Great Winchester Street
London EC2N 2DB

Ghana International Bank
69 Cheapside
P.O. Box 77
London EC2P

JP Morgan Chase
Global Implementation Project Management
1Chaseside, Bournemouth, Dorset, Bh77DA UK

Standard Chartered Bank Germany
87 Independence Avenue
P.O. Box 768
Accra

Standard Chartered Bank China
87 Independence Avenue
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Accra

Stanbic Bank, Cote D'Ivoire
Blvd Valery Giscard d'Estaing (VGE), Immeuble
Stanbic, 26 BP 701 Abidjan 26

Sumitomo Mitsui Banking Corporation Europe Ltd
99 Queen Victoria St,
London EC4V 4EH
United Kingdom

Zenith Bank UK
39 Cornhill, London EC3V 3ND,
United Kingdom.


ZENITH
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Board of
Directors

Freda Duplan
Chairperson

Anthony A. Ogunranti
Managing Director/CEO

Henry Chinedu Onwuzurigbo
Executive Director

Gabriel Ukpeh
Non-Executive Director

Anthony Oteng-Gyasi
Independent 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 2021 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 2021, 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 2021 are set out in the attached financial statements, highlights of which are as follows:

31 December	2021 GH¢'000	2020 GH¢'000
Profit before tax is	334,204	466,873
from which is deducted tax of	(114,099)	(128,747)
giving a profit after tax for the year of	220,105	338,126
less net transfer to statutory reserve fund and other reserves of	(41,081)	(92,603)
leaving a balance of	179,024	245,523
less dividend paid of	(122,762)	-
to which is added a balance brought forward on retained earnings of	633,537	388,014
leaving a balance of	689,799	633,537

In accordance with Section 34(1) (b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of GH¢55,026,124 (2020: GH¢84,531,709) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢444,898,833 (2020: GH¢389,872,709) at the year end.

The Directors recommend the payment of a dividend of GH¢0.038 per share amounting to GH¢152,000,000 for the year ended 31 December 2021. A dividend of GH¢0.03 per share amounting to GH¢122,762,000 was recommended and paid for the year ended 31 December 2020.

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.

Report of
The Directors (contd.)

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¢974,627 (2020: GH¢ 1,572,000) on corporate social responsibilities during the year. These are mainly in the form of educational scholarship for needy children and sponsorships of the Ghana Black Stars and major social events.

Audit fee payable

Audit fee for the year ended 31 December 2021 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. All 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 **11 February 2022** and were signed on their behalf by:

Freda Duplan (Chairperson)

Anthony Akindele Ogunranti (MD/CEO)

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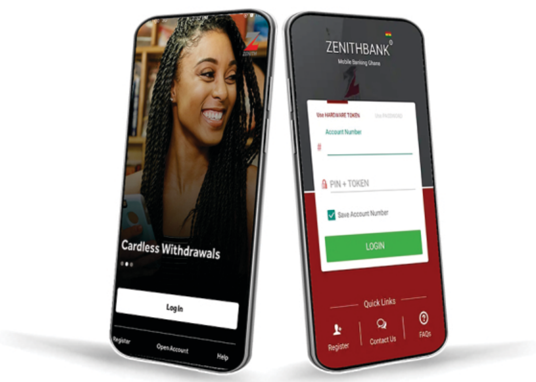

Chairperson's

Message

FREDA DUPLAN

Chairperson

INTRODUCTION

Cherished Shareholders, Fellow Board Members, Distinguished Ladies and Gentlemen, I am very much pleased to welcome you to the 2021 Annual General Meeting of our Bank and to present to you the annual report and financial statements for the 2021 financial year.

Last year was a very challenging one for the bank in the wake of instability in the macroeconomic environment and Covid-19 related pressures. It is, therefore, important to briefly review the economic environment under which the bank operated in 2021.

ECONOMIC AND MARKET ENVIRONMENT

Since our last Annual General Meeting held in February 2021, the world has continued to suffer from the negative repercussions of the Covid-19 pandemic and its attendant effects on human life and economic activities. Reports of the emergence of various waves of the virus, swift transmission of new variants, vaccine apathy in developed countries, and inadequate supply of vaccines to developing countries have hampered the fight against the pandemic. Despite these emerging challenges, the global economy is gradually recovering from the recession and experts are projecting growth in 2021. The Economic Intelligence Unit is already estimating a growth of 5.2 percent in global output.

The Ghanaian economy, likewise, is recovering from the ravaging effect of the COVID-19 pandemic with the increased vaccine roll-out campaigns. For instance, Ghana's provisional gross domestic products (GDP) grew by 5.3 percent in the first three quarters of 2021. However, annual inflation fell outside the government's medium target of 8±2 percent.

In the wake of these difficulties, the bank continued to leverage on its internal strength of excellent customer service, robust information technology platforms and resourceful human capital to support our clients' businesses to generate value for stakeholders.

Chairperson's Message (contd.)

FINANCIAL PERFORMANCE

As noted earlier, the challenges in the local and global economic environment impacted the bank's 2021 financial performance in different folds.

In 2021, the bank's total assets grew by 10 percent from GH¢8 billion in 2020 to GH¢8.8 billion. This growth was on the back of a 10 per cent growth in deposits from GH¢5.82 billion in 2020 to GH¢6.41 billion in 2021. Shareholders' fund also increased by 7 percent from GH¢ 1.46 billion in 2020 to GH¢1.55 billion in 2021. Gross income, however, declined by 5 percent from GH¢1,013 million in 2020 to GH¢958 million in 2021. This resulted in a dip of 28 percent in profit before tax from GH¢ 467 million in 2020 to GH¢ 334 million in 2021. Consequently, profit after tax declined by 35 percent from GH¢ 338 million in 2020 to GH¢ 220 million in 2021. Return on equity was 14 percent in 2021 compared with 26 percent in 2020 mainly because of the drop in profit after tax. Earnings per share for 2021 was GH¢0.06 compared with GH¢0.08 in 2020.

DIVIDEND

In a clear demonstration of our commitment to consistently deliver superior returns to our valued shareholders, and notwithstanding the performance challenges the bank experienced during the year under review, we hereby propose a dividend of GH¢0.038 per share. If approved by the shareholders and the Bank of Ghana, the total dividend payable will be GH¢152.17 million for the year ended December 31, 2021.

BOARD OF DIRECTORS

The following changes occurred on the Board during the year under review. Mr. Dennis Olisa retired from the Board on November 5, 2021, after three and half years of serving on the Board of the Bank. On behalf of the Board, Management, and all shareholders of this great institution, I wish to thank him for his unwavering commitment, dedication, and very insightful contributions at our Board meetings. I wish him great success in his future endeavours. Mr. Henry Onwuzurigbo was appointed to the Board as an Executive Director from August 20, 2021. He joins the Board with decades of in-depth experience and expertise from the parent company (Zenith Bank Plc) and Zenith Bank UK, where he served as an Executive Director.

CORPORATE GOVERNANCE

Sound corporate governance practices remain an integral part of the Board's responsibilities to shareholders, regulators, customers, and other stakeholders. In November 2021, the Bank of Ghana issued an exposure draft of the Corporate Governance Disclosure Directive for review by stakeholders. The Directive is aimed at enhancing transparency and market discipline, promoting public confidence and trust, enhancing accountability, and among others. The Board, together with management, is familiarising itself with the provisions of this Directive.

During the period under review, the Board engaged in a couple of programmes and activities intended at enhancing the corporate governance framework of the bank as follows:

- Five-Year Strategic Plan (2022-2026): The Board reviewed and approved the bank's five-year (5) Strategic Plan, spanning the period 2022 – 2026, following the expiration of the last plan in December 2021. The approved plan provides strategic direction, programmes, and activities of the Bank in line with the overall corporate vision and mission. The Board will continue to provide the required support to management and staff in the implementation of this plan.
- Independent External Evaluation: As required by Sections 47 and 48 of the Corporate Governance Directive, PricewaterhouseCoopers (PwC), who was engaged by the Board in 2020 to undertake an extensive review and appraisal of the performance of the Board, Directors, and subcommittees, concluded and submitted its report to the Board, and the Board has since implemented the recommendations.
- Training programme: The bank organised various training programs and refresher courses for members of the Board. These trainings were facilitated by the National Banking College, Bank of Ghana, and other facilitators. The aim of the trainings is to equip the Directors with the requisite skill and knowledge to discharge these responsibilities in line with the Corporate Governance Directive. All the directors who completed the full programme were duly certified.

Chairperson's **Message** (contd.)

CORPORATE SOCIAL RESPONSIBILITY

The bank spent a total of GH¢974,627 on corporate social responsibility during the year. These were mainly in the form of educational scholarship for needy children and sponsorships of the National Football team, the Black Stars.

OUTLOOK

The COVID vaccines roll-out by government and the risk of new variant is expected to shape economic growth. Government will continue to inoculate the citizenry to secure lives while implementing policies aimed at stimulating and sustaining economic growth. Government is projecting to grow the economy to pre-pandemic levels and the bank is ready to purposefully collaborate with the government and the private sector to execute the economic growth agenda.

However, mounting sovereign debt, downgrading of Ghana's sovereign credit ratings, twenty percent reduction of government expenditure for the first quarter of 2022, suspension of reversal of benchmark values, and the government proposition to impose a levy of 1.75 percent tax on selected mobile money and electronic banking transfers remain key issues of concern that will directly affect the economy and the banking landscape. The bank will continue to monitor developments in this space and devise appropriate strategies to remain competitive.

APPRECIATION

The bank's performance in 2021, amid the challenges, were made possible by various stakeholders. I wish, therefore, to commend our frontline staff who continue to risk their lives in serving our customers throughout this pandemic.

The Board also extends a heartfelt gratitude to our cherished customers for maintaining the bank as your bank of choice and partner in these difficult times. If we have remained in business, it is due to your patronage! We would like to encourage Management to continue to steer the affairs of the bank towards superior performance. To my fellow colleagues on the Board who have supported me during this era of uncertainty, I appreciate your dynamic leadership and oversight in weathering the headwinds.

CONCLUSION

The mutating nature of the Covid-19 virus projects an era of uncertainty. These uncertainties affect us as individuals and an institution. The Board will continue to explore initiatives that will propel this bank to continued excellent performance.

I welcome you to the 2022 financial year. May God bless the works of our hands!

Thank you

Freda Duplan
Board Chair

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Executive Management

Anthony A. Ogunranti
Managing Director/CEO

Henry Chinedu Onwuzurigbo
Executive Director

Maebelle Nortey
General Manager, Marketing

Abiodun Durosinmi
General Manager, Operations

Daniel Agamah
Divisional Head, Business Support & Company Secretary

Kwame Adadey
Divisional Head, Marketing

James Wiafe Akenten
Divisional Head, Marketing

George Imbrah
Divisional Head, Marketing

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Chief Executive
Officer's Review

ANTHONY A. OGUNRANTI

Managing Director/CEO

INTRODUCTION

It gives me great pleasure to welcome you, our cherished shareholders, to the 16th Annual General Meeting of our great bank. In 2021, the world continued to endure the devastation brought by the Covid-19 pandemic despite the emergence of vaccines. However, through collective resilience and perseverance, the world witnessed the relentless efforts of governments and other stakeholders to secure the lives of people and stimulate economic growth. In stark contrast to its predecessor, 2021 brought about renewed hope in the socio-economic space, on the back of worldwide vaccine rollout programme, although the outbreak of more infectious variants of the virus threatened to derail this optimism.

Here in Zenith Bank, the team had to confront the challenges posed by the pandemic with such pragmatism and dynamism to be able to deliver excellent service to our customers and return value to shareholders. It is, therefore, my pleasure to present to you the performance of the bank for the year 2021.

ECONOMIC AND MARKET ENVIRONMENT

According to the International Monetary Fund's January 2022 World Economic Outlook, the global economy recovered from an estimated 3.1 percent contraction in 2020 to an estimated 5.9 percent growth in 2021. Global inflation of 4.35 percent in 2021, from 3.81 percent in 2020, was driven by factors such as the doubling of fossil fuel prices in Europe, rising food prices in Sub-Saharan Africa, higher imported goods prices in Latin America and the Caribbean, and high demand for goods especially in the United States.

The Ghanaian economy continued to recover from the 2020 economic challenges, expanding by 6.6 percent (year-on-year) in the third quarter of 2021, the highest quarterly growth since the inception of Covid-19. Overall, the economy recorded annual real growth of 5.3 percent in the first three quarters of 2021, compared to 0.2 percent in the same period in 2020.

Chief Executive Officer's Review (contd.)

Year-end inflation was 12.6 percent, an increase of 21 percent over the 10.4 percent recorded in 2020 and 2.6 percent outside government's 8±2 percent medium term target. Inflation was driven by increases in food prices, exchange rate depreciation and rising prices of crude oil.

The Cedi depreciated against the USD and British Pound by 4.1 percent and 3.1 percent respectively, as against 3.9 percent and 3.5 percent in 2020. It, however, appreciated by 3.5 percent against the Euro compared with the 12.1 percent depreciation recorded in 2020. The performance of the Cedi was anchored by a 13 percent growth in international reserves from US$8.6 billion in 2020 to US$9.7 billion in 2021. The country's reserves at the end of 2021, is enough to cover 4.4 months of import compared with 4 months cover in 2020.

Interest rates on short-dated instruments (interbank, 91-day, 182-day, and 364-day) declined during the year. That of long-term instruments recorded mixed results. Whereas the 3-year, 6-year, 7-year, and 10-year instruments recorded declines, that of the 2-year and 5-year increased. The monetary policy rate, rates on the 15-year and 20-year instruments remained unchanged. The average lending rate and the Ghana reference rate dropped to 20.04 percent and 13.89 percent from 21.1 percent and 14.77 percent respectively.

Mounting public debt and budget deficit were the major challenges of the economy in 2021. Ghana's public debt at the end of November 2021 was GH¢344.5 billion, 78.4 percent of GDP. The balance stood at GH¢291.6 billion in 2020, about 76 percent of GDP. The overall budget deficit improved from 11.7 percent in 2020 to 9.7 percent in 2021.

These developments presented opportunities and challenges for the banking sector.

BANKING SECTOR DEVELOPMENT

Industry Financial Performance

Based on several key performance indicators, Ghana's banking industry continues to remain resolute and steadfast in the wake of the Covid-19 pandemic. Industry total assets grew by 20.4 percent from GH¢149.3 billion in 2020 to GH¢179.8 billion in 2021 on the back of a 16.6 percent growth in total deposits from GH¢103.8 billion in 2020 to GH¢121.1 billion in 2021.

Net loans and advances for the year grew by 12.6 percent from GH¢47.8 billion in 2020 to GH¢53.8 billion in 2021, an indication of the willingness by the banking sector to support the economic recovery agenda by granting new facilities to customers. The industry's capital adequacy ratio of 19.6 percent is above the prudential limit of 13 percent (currently 11.5 percent due to Covid-19) but below the 19.8 percent recorded in 2020. Industry non-performing loans ratio, however, deteriorated further from 14.8 percent in 2020 to 15.2 percent in 2021. Operational costs of banks remained high at an average of 53 percent in 2021 with the final year-end ratio of 53.8 percent, almost equivalent to the 2020-year end ratio of 53.7 percent.

Industry Developments

The major development in the industry was the introduction of the Financial Sector Recovery Levy (FSRL) of 5 percent on profit before tax of banks in the government's 2021 budget statement. The impact of this levy is a reduction in the distributable profit to shareholders.

The Bank of Ghana announced its intentions to issue a digital currency (e-Cedi) in line with government's cash-lite agenda and to further advance financial inclusion, promote efficiency and stability of the payment system. The regulator also issued the "Unclaimed Balances and Dormant Accounts Directive" to provide guidance for the treatment of outstanding credit balances on dormant accounts held by banks.

The Ghana Police Service withdrew its cash pick up support services for financial institutions after several attacks by armed robbers on bullion vans resulted in the death of a police officer. Banks were directed to procure armoured bullion vans before the police will resume the service. Meanwhile, the Bank of Ghana has been assisting banks in cash evacuation.

The Ghana Association of Banks (GAB) is collaborating with the Ghana Interbank Payment and Settlement System (GhIPSS) to develop and deploy an industry-wide digital mobile wallet as the country aggressively pursues digital financial services.

Chief Executive Officer's Review (contd.)

ZENITH BANK (GHANA) LIMITED PERFORMANCE

Financial Performance

The bank recorded a marked improvement in key balance sheet and financial soundness indicators, with a downturn in profitability occasioned by global and local economic challenges. The performance was consistent with the efficient and sound risk management strategies adopted by management in the wake of the snags.

A summary of the bank's performance for the year ended December 31, 2021 is highlighted as follows:

Key Performance Indicator	2021	2020	Growth	
	GH¢' million	GH¢' million	%	Trend
Total Assets	8,864	8,032	10	▲
Deposits	6,391	5,821	10	▲
Net Loans and Advances	1,499	1,057	42	▲
Shareholders' Funds	1,554	1,455	7	▲
Profit Before Tax (PBT)	334	467	-28	▼
Profit After Tax (PAT)	220	338	-35	▼
Cost to Income Ratio (%)	43	34	26	▲
Loan to Deposit Ratio (%)	23	20	17	▲
NPL Ratio (%)	4.40	6.15	-28	▼

The bank maintained a highly liquid and resilient balance sheet to meet the demands of customers as businesses navigate their way through the economic challenges. The Bank's total assets grew by 10 percent from GH¢8 billion in 2020 to GH¢8.9 billion in 2021. The increase was as a result of a 10 percent growth in total deposit from GH¢5.8 billion in 2020 to GH¢6.4 billion in 2021 and a 7 percent growth in shareholders' funds from GH¢1.5 billion in 2020 to GH¢1.6 billion in 2021.

Net loans and advances grew by 42 percent from GH¢1.1 billion in 2020 to GH¢1.5 billion in 2021 largely due to significant disbursements to notable customers within the retail, construction, telecommunication, and sanitation sectors in the course of the year. In line with the bank's strategy for the Retail/SME sector and income diversification agenda, the bank's retail loan scheme grew by 195 percent to GH¢76.6 million in 2021, from GH¢26 million in 2020. This is an affirmation of the bank's quest to support the growth of this segment of the economy.

Overall, profit before tax declined by 28 percent from GH¢467 million in 2020 to GH¢334 million in 2021 due to an additional impairment charge occasioned by the downgrade of a key account in accordance with the bank's risk criteria.
The Bank also suffered mark-to-market losses of GH¢103 million on the trading portfolio due to adverse movement in market prices, occasioned by headwinds suffered in both our local and international investments.

The above performance culminated in a capital adequacy ratio of 45 percent as at the end of 2021, up from 43 percent in 2020. This is 32 percent and 25 percent above the prudential limit and industry average of 13 percent (reduced to 11.5 percent in the wake of Covid-19) and 19.6 percent respectively. The bank's non-performing loan ratio improved from 6.15 percent in 2020 to 4.40 percent in 2021 due to recovery of some delinquent loans and growth in the risk assets.

Operational Review

The Bank launched two new products in 2021, Zenith Aspire and Zenith Timeless Accounts, to provide alternative accounts for targeted segment of the market. Whereas the Zenith Aspire Account is designed to focus on and enhance the lifestyle of students in tertiary institutions, the Zenith Timeless Account is an interest-bearing current account designed for senior citizens (55 years and above).

Chief Executive Officer's Review (contd.)

The bank added two branches, Bolgatanga and Takyi Plaza, to its operational network in the country. This brings the total number of business locations to forty (40) across ten regions in the country. The Bank's Tamale branch was also relocated to a new area to pave way for the construction of an overhead bridge in the town. The bank will continue to identify strategic locations for branch network to complement the deployment of digital and electronic products and services.

The Bank won twelve awards, in different categories, from various local and international institutions in recognition of its financial and non-financial performance. Some of these awards include: Best Banking Group 2021, Ghana-World Finance Awards, Best Corporate Bank Ghana 2021-International Business Awards, Outstanding Bank of the year 2021-Ghana West Africa Business Excellence Awards, Best Bank in Promoting Cashless Society-Instinct Business Finance Innovation Awards 2021.

As a demonstration of the Bank's commitment to sustainability principles, the bank developed and approved an Environmental and Social Risk Management (ESRM) policy to promote the use of appropriate ESRM to improve the management of environmental and social implications of its business operations. The ESRM is integrated within the overall risk management framework of the Bank.

The Secretary General of the African Continental Free Trade Area (AfCFTA), H.E. Wamkele Mene and executives of AfCFTA paid a working visit to the Bank in the course of the year. The two parties held discussions on mutual areas of cooperation and support in pursuance of the Secretariat's mandate.

OVERALL OUTLOOK

The IMF expects global economic growth for 2022 to reduce from 5.9 percent in 2021 to 4.4 percent. This is consistent with the World Bank's projection of 4.1 percent in 2022. The World Bank argues that the deceleration will be fuelled by continued Covid-19 flare-ups, diminished fiscal support and lingering supply bottlenecks.

Ghana's economy has been projected by various institutions to grow in 2022 subject to monetary and fiscal easing as well as the pace at which the Covid-19 vaccination programme will enable a return to a more normal life nationwide. The Economic Intelligence Unit (EIU) projects a 5.2 percent growth in 2022, consistent with Fitch and World Bank's projections of 4.8 percent and 5.5 percent respectively. The economic growth is expected to be bolstered by a stronger recovery in consumer spending, rising investment and solid export performance notably the gold sector.

However, these prospects seem to have been threatened by recent concerns about the country's fiscal space and debt sustainability. The country has since been downgraded by several international rating agencies. The uptick in inflationary measures since May 2021 remain a major concern just as the high spread on sovereign bonds will make access to the international capital market difficult. Government's revenue drive in 2022, anchored on the proposed 1.75 percent levy on electronic transactions, and the announcement of a 20 percent cut in expenditures in 2022 are expected to correct these concerns.

We will continue to monitor the unfolding developments and respond with appropriate strategies to serve our customers and deliver value to stakeholders.

CONCLUSION

The banking landscape is changing! The future of banking is digitalisation and retail! As a bank, our focus in 2022 and beyond is based on the strategic pillars espoused in our five-year strategic plan. Management has begun the process of using artificial intelligence tools to profile customer behaviour and patterns to enable us to serve them better. The bank is aggressively developing digital products and online platforms, in conjunction with reputable financial technology companies, to meet the newfound appetite of customers occasioned by the Covid-19 pandemic. Closely associated with this digitalisation agenda is the enhanced cyber risks. Management has invested and continue to invest in information security and data protection systems in line with our internal risk management objectives and in compliance with regulatory directives. The Bank's Security Operations Centre (SOC) is ready and undergoing integration with that of the Bank of Ghana's Financial Security Operation Centre.

In the retail space, we will continue to develop products and services to serve the specialised needs of the various segments in that ecosystem.
This will be driven mainly by the digital tools and systems we are deploying.

Chief Executive Officer's Review (contd.)

We commit to return the Bank to the path of sustainable growth in profitability by adopting robust risk management practices, product innovation, sound policies, building stronger and resilient digital platforms to support our customers' businesses, while delivering lasting value to all our stakeholders.

The Bank remains a customer-oriented organisation. The experience, skills and commitment of our employees are crucial for the delivery of exceptional services to our customers and engagement of stakeholders. Accordingly, our focus in the years ahead is to continually invest in our people and create a conducive environment for them to thrive.

At this point, permit me to express my profound gratitude to our distinguished customers for giving us the opportunity to serve them, our Board of Directors for the invaluable stewardship, management, and staff for their dedication and hard work.

Let's all innovate to dominate the market in 2022.

Thank you.

Anthony Akindele Ogunranti
MD/CEO

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.

Compliance with Corporate Governance Directive

The Bank's Directors are responsible and fully aware of their responsibilities, as people charged with governance, for ensuring that the Bank's operations comply with relevant provisions of the Corporate Governance Directive, 2018. The Directors independently assessed and documented the corporate governance processes of the Bank and can assert that such processes are effective and successfully achieved their intended objectives, during the period under review.

The Board and Board Committees

The Board of Directors is made up of a Non Executive Chairman, three (3) Independent Non-Executive Directors, one (1) Non Executive Director and two (2) Executive Directors.

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.

Board Meetings

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.

Corporate Governance Report (contd.)

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, two (2) independent Non-Executive Directors and two (2) Executive Directors 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. Gabriel Ukpeh	Chairman
Mr. Akindele Ogunranti	Member
Dr. Juliette Tuakli	Member
Mr. Kwasi Boatin	Member
Mr. Henry Onwuzurigbo (Appointed 20 August 2021)	Member
Mr. Dennis Olisa (Resigned 5 November 2021)	Member

Board Audit Committee

The Committee is made up of an Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, and one (1) Non-Executive Director. 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. The Head of Internal Audit and the Head of Compliance have access to this Committee and make quarterly presentations for the consideration of the Committee.

Members of the Committee are:

Name of Director	Position
Kwasi 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 an Independent Non-Executive Chairman, one (1) Independent Non-Executive Director, one (1) Non-Executive Director, 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. Akindele Ogunranti	Member
Mr. Gabriel Ukpeh	Member
Mr. Kwasi Boatin	Member

Corporate Governance Report (contd.)

Board Governance, Nominations and Remuneration Committee

The Committee is made up of a Non Executive Chairman and two (2) Independent 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
Dr. Juliette Tuakli	Member
Mr. Dennis Olisa (Resigned 5 - Nov-21)	Member

Board Finance and General-Purpose Committee

The Committee is made up of an Independent Non Executive Chairman, one (1) Independent Non-Executive Director, 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
Dr. Juliette Tuakli	Chairperson
Mr. Henry Onwuzurigbo	Member
Mr. Anthony Oteng-Gyasi	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	7/7	N/A	4/4	4/4	4/4	4/4
Anthony Oteng-Gyasi	7/7	4/4	N/A	4/4	4/4	4/4
Freda Duplan	7/7	N/A	N/A	N/A	N/A	N/A
Dr. Juliette Tuakli	7/7	4/4	4/4	4/4	4/4	N/A
Anthony A. Ogunranti	7/7	N/A	4/4	N/A	N/A	4/4
Kwasi Agyeman Boatin	7/7	N/A	4/4	N/A	4/4	4/4
Henry Onwuzurigbo (Appointed 20.08.2021)	3/3	1/1	1/1	N/A	N/A	N/A
Dennis Olisa (Resigned 5.11.2021)	5/5	N/A	4/4	4/4	N/A	N/A

*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:

Corporate Governance Report (contd.)

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 and any other day as may be prompted by exigencies 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
Mr. Henry Onwuzurigbo	Member
Mrs. Maebelle Nortey	Member
Mr. Abiodun Durosinmi	Member
Mr. Daniel Agamah	Member
Mr. Kwame Adadey	Member
Mr. James Wiafe Akenten	Member
Mr. George Imbrah	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 the Internal 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 2021.

Independent External Evaluation of the Board

As part of measures to review the effectiveness of the corporate governance practices and procedures, the Board carried out a self-assessment of members and committees. Remediation measures have been put in place to address major exceptions, while the key findings were reported to the Bank of Ghana and Financial Intelligence Centre.

Corporate Governance Report (contd.)

In line with the Corporate Governance Directive 2018, the Board also engaged PwC to facilitate a formal and rigorous independent evaluation of its processes and performances, including its sub-committees, and of individual board members. The report identified key areas for improvement, and remediation measures have since been put in place to address such areas.

Conflict of Interest

The Board has an approved Conflict of Interest Policy and Register. The document covers areas such as duties, disclosures, responsibilities, reviews, and approval process for directors in relation to activities that could result in conflict of interest. No conflict of interest or material conflict of interest case, involving any of the Directors, came to the attention of the Board for the year ended 31 December 2021.

Other Directorship Positions

Other directorship positions held by the Board members as at 31 December 2021 are as follows:

Name	Name of Company
Anthony A. Ogunranti	1. Governing Council, National Banking College 2. Executive Council, Ghana Association of Bankers
Gabriel Ukpeh	Zenith Bank Plc
Anthony Oteng Gyasi	1. Tropical Cable & Conductor Limited 2. Western Rod & Wire Limited 3. Ghana Integrated Aluminium Industry Dev't Corp 4. Ghana Revenue Authority
Dr Juliette Tuakli	1. Mercy Ships 2. United Way Worldwide
Freda Duplan	1. ZEN Petroleum 2. Daystar Power Group 3. DTRT Apparel
Kwasi Agyeman Boatin	Secure Pensions Trust Ltd

Directors Annual Corporate Governance Certification for 2021

The National Banking College completed the certification for Directors for 2021 having conducted three modules during the year as follows:

S/N	Topic	Date
1.	Operational Resilience in the Dynamic Covid-19 Environment	20 July 2021
2.	Insights into the Digital Financial Services Revolution-What Directors should Know and Do	21 July 2021
3.	Market Conduct and Discipline: Role of the Board	23 September 2021

Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Training

As part of the requirements of the Corporate Governance Directive, the Board concluded its training on AML/CFT for the year 2021. The training covered the following topics:

S/N	Topic	Date
1.	Risks and Current Developments in AML/CFT	25 March 2021
2.	Highlights of the new Anti-Money Laundering Act 2020 (Act 1044)	19 October 2021


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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 2021, 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 2021.

The financial statements comprise:

- the statement of financial position as at 31 December 2021;
- 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.

Report on the audit of
The Financial Statements (contd.)

Key audit matter	How our audit addressed the key audit matter
Impairment of financial assets At 31 December 2021, the Bank’s financial assets and respective impairment, where applicable, were as follows:	We obtained an understanding of and evaluated controls supporting management's estimates, judgements and assumptions. 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. 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. We tested data used in the ECL calculation by reconciling to source systems to check data quality. 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	1,714,699	-
Investment securities	4,488,707	5,958
Investments other than securities	66,942	-
Loans and advances to customers	1,498,900	71,593
Off balance sheet exposures	1,391,941	8,485

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.

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.

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.

Report on the audit of
The Financial Statements (contd.)

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: • Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank • Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank • Probability of Default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon) • Exposure at Default - EAD - (amount expected to be owed the Bank at the time of default) • Loss Given Default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default) • Credit Conversion Factor - CCF (chance of off-balance sheet credit risk exposures becoming on balance sheet items) • Forward looking economic information and scenarios used in the models • Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations. The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.10, 3.2.2, 9, 15, 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: • significant increase in credit risk, • definition and identification of default, • probability of default, • exposure at default, • loss given default, and • credit conversion factors. We re-performed certain model calculations to evaluate the inputs and risk parameter outputs. We tested the underlying disclosures on IFRS 9 and compared these to underlying accounting records.

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, Chairperson's Message, Executive Management Team, Chief Executive Officer's Review 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.

Report on the audit of The Financial Statements (contd.)

When we read the Overview Report, Chairperson's Message, Executive Management Team, Chief Executive Officer's Review 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 Bank's internal control;

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

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

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

Report on the audit of **The Financial Statements** (contd.)

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, 2020 (Act 1044), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

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

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2022/028)
Chartered Accountants
Accra, Ghana
11 February 2022

pwc

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Statement of Comprehensive Income

(All amounts are in thousands of Ghana cedis)

	Note	For the Year Ended 31 December 2021	2020
Interest income	5	949,052	849,155
Interest expense	5	(308,074)	(271,017)
Net interest income		640,978	578,138
Fees and commission income	6	100,690	89,289
Fees and commission expense	6	(13,119)	(9,455)
Net fees and commission income		87,571	79,834
Net trading income	7(a)	(84,272)	53,209
Net income - financial instruments carried at fair value	7(b)	(18,918)	19,414
Other income	8	11,825	1,591
Net trading and other income		(91,365)	74,214
Operating income		637,184	732,186
Impairment loss on financial assets	9	(27,971)	(14,308)
Personnel expenses	10	(129,781)	(133,795)
Depreciation and amortisation	20(a)	(21,639)	(21,528)
Other expenses	12	(123,589)	(95,682)
Profit before income tax		334,204	466,873
Income tax expense	13	(114,099)	(128,747)
Profit after tax attributable to equity holders of the Bank		220,105	338,126
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to equity holders of the Bank		220,105	338,126
Earnings per share - Basic & Diluted	14	0.06	0.08

The notes on pages 52 to 111 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**	**2021**	2020
Cash and bank balances	15	1,714,699	1,489,323
Non-pledged trading assets	16(a)	106,690	98,097
Pledged trading assets	16(b)	485,037	263,801
Investment securities	17	4,488,707	4,505,323
Investments (other than securities)	18	66,942	176,077
Current tax receivable	13	10,611	3,017
Derivative financial instruments	32	-	31,175
Loans and advances to customers	19	1,498,900	1,057,205
Property, plant and equipment	20	168,837	162,001
Intangible assets	21	8,201	5,928
Right of use assets	11	96,608	91,871
Deferred tax assets	22	25,281	17,903
Other assets	23	193,753	132,859
Total assets		8,864,266	8,034,580
Liabilities			
Derivative financial instruments	32	31,861	-
Deposits from banks and non-bank financial institutions	24	19,300	21,361
Deposits from customers	25	6,391,081	5,799,266
Borrowings	26	154,536	289,079
Other liabilities	27	600,476	365,093
Lease liabilities	11	100,505	93,629
Deferred tax liabilities	22	12,370	9,358
Total liabilities		7,310,129	6,577,786
Equity			
Stated capital	28(a)	400,000	400,000
Statutory reserve	28(b	444,899	389,873
Credit risk reserve	28(b)	19,439	33,384
Retained earnings	28(b	689,799	633,537
Total equity		1,554,137	1,456,794
Total equity and liabilities		8,864,266	8,034,580

Freda Duplan (Chairperson)

Anthony Akindele Ogunranti (MD/CEO)

The financial statements of the Bank on pages 47 to 111 were approved by the Board of Directors on **11 February, 2022**

The notes on pages 52 to 111 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 2021	Stated Capital	Statutory Reserve	Credit Risk Reserve	Retained Earnings	Total
Balance at 1 January	400,000	389,873	33,384	633,537	1,456,794
Profit for the year	-	-	-	220,105	220,105
Total comprehensive income	-	-	-	220,105	220,105
Regulatory and other reserve transfers					
Transfer from credit risk reserve	-	-	(13,945)	13,945	-
Transfer to statutory reserve	-	55,026	-	(55,026)	-
Net transfers to reserves	-	55,026	(13,945)	(41,081)	-
Transactions with owners					
Dividend paid to equity holders	-	-	-	(122,762)	(122,762)
Net transactions with owners	-	-	-	(122,762)	(122,762)
Balance at 31 December	400,000	444,899	19,439	689,799	1,554,137

Year ended 31 December 2020	Stated Capital	Statutory Reserve	CreditRisk Reserve	Retained Earnings	Total
Balance at 1 January	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	-	84,532	8,071	(92,603)	-
Balance at 31 December	400,000	389,873	33,384	633,537	1,456,794

The notes on pages 52 to 111 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 2021	2020
Profit before tax		334,204	466,873
Adjustments for:			
Depreciation and amortisation	20(a)	21,639	21,528
Net impairment loss on financial assets	9	27,971	14,308
Net interest income	5	(640,978)	(578,138)
Loss on disposal of property, plant and equipment	20(b)	25	-
Unrealised exchange difference on borrowings	26	3,106	(7,783)
Fair value changes recognised in profit or loss	7(b)	18,918	(19,414)
		(235,115)	(102,626)
Changes in:			
Investments (other than securities)	18	57,708	326,126
Non-pledged trading assets	16(a)	(8,593)	214,589
Pledged trading assets	16(b)	(221,236)	(65,962)
Investments securities	17	(93,422)	(1,010,857)
Mandatory cash reserve	15	(20,467)	(153,141)
Loans and advances to customers	19	(452,769)	(408,955)
Other assets	23	(60,894)	(62,884)
Deposits from banks and non-bank financial institutions	24	(2,061)	(14,888)
Deposits from customers	25	536,034	1,342,210
Other liabilities	27	279,502	75,917
		(194,314)	242,155
Interest received	5	954,406	849,155
Interest paid	5	(262,538)	(271,017)
Corporate taxes refund received	13	-	7,265
Corporate taxes paid	13	(126,059)	(121,266)
Net cash flow generated from operating activities		371,495	603,666
Cash flow from investing activities			
Acquisition of property, plant and equipment	20	(21,726)	(14,949)
Proceeds from disposal of property, plant and equipment	20(b)	254	-
Acquisition of intangible assets	21	(4,885)	(3,763)
Net cash flow used in investing activities		(26,357)	(18,712)
Cash flow from financing activities			
Finance lease payments	11	(8,225)	(5,291)
Dividend paid	29	(122,762)	-
Drawdown on borrowings	26	402,417	224,394
Repayment on borrowings	26	(549,285)	(643,695)
Net cash flow used in financing activities		(277,855)	(424,592)
Net increase in cash and cash equivalents		67,283	160,362
Balance at beginning	15	1,096,820	936,574
Cash and cash equivalents at 31 December		1,164,103	1,096,936
Effect of exchange rate fluctuations on cash and cash equivalents held		(1,589)	(116)
Cash and cash equivalents at 31 December	15	1,162,515	1,096,820

The notes on pages 52 to 111 are an integral part of these financial statements.

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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 37 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 **11 February 2022**.

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 2021:

(i) Covid-19-related Rent Concessions – Amendments to IFRS 16

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.

The amendments did not have any material impact on the results or financial position of the Bank for the year ended 31 December 2021.

(ii) Interest Rate Benchmark Reform

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries

The amendment is effective 1 January 2021.

The amendments did not have any material impact on the results or financial position of the Bank for the year ended 31 December 2021.

(b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

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

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

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

(ii) 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.

(iii) 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 de-recognition of financial liabilities.

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

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

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

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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

(iv) Disclosure of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments and clarifications are effective for reporting periods beginning on or after 1 January 2023.

(v) Definition of Accounting Estimates– Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.
These amendments and clarifications are effective for reporting periods beginning on or after 1 January 2023.

(vi) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of

on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

These amendments and clarifications are effective for reporting periods beginning on or after 1 January 2023.

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

(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.

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

2.8 Leases (continued)

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.

2.9 Income tax

(i) 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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

(ii) 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.

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

Measurement methods (continued)

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 settlement-date, the date on which the Bank pays for or receives value for the instrument.

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.

(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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

Measurement methods (continued)

(i) Classification and subsequent measurement

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 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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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 past events, current conditions and forecasts of future economic conditions.

Refer to Note 3.2.2 for further details on the impairment process of financial assets.

(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 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).

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

2.10.1 Financial assets (continued)

(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 commitments

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

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

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

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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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.

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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 trading assets portfolio- both pledged and non pledged 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.

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

(i) Recognition and measurement (continued)

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 properties

Leasehold properties, representing lands held by the Bank under various leasehold agreements and the buildings on them, are initially recognised at cost. Subsequent to initial recognition, leasehold properties are amortised over the lease term of the properties. The amortisation is recognised in profit or loss. The leasehold lands are presented in property, plant and equipment by the Bank as an accounting policy choice and not included in right-of-use assets.

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 (contd.)

(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 (contd.)

(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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

by product and 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 2021.

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

3.2.2 Expected credit loss measurement (continued)

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

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

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 (contd.)

(All amounts are in thousands of Ghana cedis)

3.2.2 Expected credit loss measurement (continued)

Economic Variable Assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2021 are set out below:

Scenario	Weight %	GDP Growth %	Consumer Price Index %
Base Case	40	4.7	9.3
GDP up; CPI up	17	4.8	9.4
GDP down; CPI down	10	4.6	9.2
GDP up; CPI down	8	4.8	9.2
GDP down; CPI up	25	4.6	9.4

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	2021	2020
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	840,417	673,732
Investment securities	4,494,665	4,517,923
Balances with banks	600,386	654,169
Non pledged trading assets	106,690	98,097
Pledged trading assets	485,037	263,801
Investments other than securities	66,942	176,587
Loans and advances to customers	1,570,493	1,092,921
Other assets (excluding non-financial assets)	145,699	92,131
Credit risk exposures relating to off balance sheet items are as follows:		
Financial guarantees and letters of credit	1,391,941	1,026,213
At year end	9,702,270	8,595,574

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2021, 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, 16% (2020: 13%) of the total maximum exposure is derived from loans and advances and investment securities and trading assets represent 52% (2020: 57%).

The Bank's loans and advances were categorised 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	**2021**	2020
Maximum exposure to credit risk			
Carrying amount	19	1,498,900	1,057,205
Amount committed/guaranteed	30	1,391,941	1,026,213
Grade 1–3: Low–fair risk – Current		1,474,194	1,025,112
Grade 4–5: Low–watch list		27,228	639
Grade 6: Substandard		446	1,419
Grade 7: Doubtful		1,207	13,783
Grade 8: Loss		67,418	51,968
Total gross amount		1,570,493	1,092,921
Allowance for impairment (individual and collective)		(71,593)	(35,716)
Net carrying amount		1,498,900	1,057,205
Off balance sheet - Maximum exposure			
Letters of credit - Grade 1–3: Low – fair risk		824,235	552,420
Financial guarantees - Grade 1–3: Low – fair risk		567,706	473,793
Total exposure		1,391,941	1,026,213
Loans with renegotiated terms			
Gross carrying amount		11,915	63,237
Allowance for impairment		-	(1,374)
Net carrying amount		11,915	61,863
Stage 1 (performing) loans and advances			
Grade 1–3: Low – fair risk		1,474,194	1,025,112
Stage 2 (underperforming) loans and advances			
Grade 4-5: Watch list		27,228	639

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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

Stage 3 (impaired or non-performing) loans and advances		2021	2020
90-180 days	- Substandard	446	1,419
180-360 days	- Doubtful	1,207	13,783
360 days +	- Loss	67,418	51,968
		69,071	67,170
Allowance for impairment			
Individual		(42,279)	(14,060)
Collective		(29,314)	(21,656)
		(71,593)	(35,716)

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 2021	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	1,252,170	204,934	17,090	1,474,194

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

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:

December 2021	Term loans	Overdrafts	Staff loans	Total
Past due but not impaired	21,904	5,324	-	27,228
Total	21,904	5,324	-	27,228

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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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 2021	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	-	69,071	-	69,071
Specific impairment allowance	-	(42,279)	-	(42,279)
Net amount	-	26,792	-	26,792
Fair value of collateral	-	56,461	-	56,461

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

At 31 December 2021, 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

	At 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Bank balances	1,440,803	-	-	1,440,803
Investment Securities	4,494,665	-	-	4,494,665
Investments other than securities	66,942	-	-	66,942
Loans and advances to customers	1,474,194	27,228	69,071	1,570,493
Other assets (less non-financial assets)	145,699	-	-	145,699
Gross carrying amount	7,622,303	27,228	69,071	7,718,602
Loss allowance	(30,275)	(4,997)	(42,279)	(77,551)
Carrying amount	7,592,028	22,231	26,792	7,641,051

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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

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.

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 did not repossess collaterals (2020: Nil).

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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	
	2021	2020
Carrying amount	1,498,900	1,057,205
Concentration by product:		
Overdrafts	279,329	234,345
Term loans	1,270,719	832,485
Staff loans	17,090	20,636
Finance leases	3,355	5,455
Gross loans and advances	1,570,493	1,092,921
Less: Impairment	(71,593)	(35,716)
	1,498,900	1,057,205
Concentration by industry:		
Financial institutions	18,175	17,431
Manufacturing	447,145	393,018
Public sector	98,848	97,690
Retail and consumer	174,731	137,632
Energy	67,059	40,019
Telecom	97,663	103,397
Mining and construction	101,626	84,463
Others	565,246	219,271
Gross loans and advances	1,570, 493	1,092, 921
Less: allowance for Impairment	(71,593)	(35,716)
Net loans and advances	1,498, 900	1,057,205

3.2.6 Key ratios on loans and advances

i. Loan loss provision ratio is 4.56% (2020: 3.27%);

ii. Percentage of gross non – performing loans with respect to Bank of Ghana Prudential Norms (individually impaired) to total gross loans and advances is 4.40% (2020: 6.15%); and

iii. Ratio of fifty (50) largest exposure (gross funded) to total exposure is 64% (2020: 65%).

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

3.2.7 Impact of Covid 19 on the bank

Following the outbreak of the Covid-19 pandemic, the bank set up a COVID-19 Task Force to co-ordinate the Bank's response and actions towards the fight against the virus and its impact on the Bank's performance. The task force rolled out several measures, which led to a minimal impact of the pandemic on the bank's operations since March 2020. The general impact of the pandemic on the Bank's operations are presented under the various headings below:

3.2.7.1 Credit Analysis

3.2.7.1.1 Growth in risk assets

The Bank's net loans and advances grew significantly by 42% and 63% in 2021 and 2020 respectively largely due to pandemic induced increased businesses of some of the customers, especially those in the telecommunication, Fintech, waste management, and pharmaceutical industries.

3.2.7.1.2 Incentives to customers

The Bank granted some incentives and reliefs to selected customers whose businesses were affected by the pandemic in the following areas:

i. Reduction in interest rates for selected customers whose businesses were affected by the pandemic.
ii. Approval of moratorium on both principal and interest repayments until there is positive change or impact on the economy and money markets. Some of the customers have since paid off their exposure after the moratorium; and
iii. Temporarily suspension of repayments for some salaried workers, whose salaries had been suspended by their employers due to the impact of Covid-19, until their respective employers reinstated their monthly salaries.

3.2.7.1.3 Modification

The Bank suffered modification loss of GH¢4.4 million in 2020 arising from a restructured facility for a customer whose businesses was seriously impacted by the pandemic. This was appropriately captured in the bank's results for that year. There was no such loss or gain in 2021. However, the interest accretion on the loss of 2020 has been recognised in 2021 (Note 8).

3.2.7.1.4 ECL measurement

In line with the Bank's existing risk management framework and the introduction of pandemic specific risk management strategies, the pandemic did not create further deterioration in the bank's risk assets. The Bank's risk portfolio is well diversified, and this contributed to the low impact of the pandemic on the quality of risk assets. However, in line with developments in the macroeconomic environment and the need to consider this information in assessing the probability of default, the Bank undertook a review of its ECL model and assumptions in 2020 and 2021, leading to the following:

a. Reduction in average percentage rate (APR) from 30% to 22.55% in line with market dynamics'
b. Revision of the LGD from 33.33% to 37.71%,
c. Decrease in the impact of macroeconomic forward-looking data on PD from 3.72% for GDP to 2%; and
d. Increasing the scenario weights for the worst case from 18% to 25%.

This exercise contributed in increasing the Bank's impairment charge by 42% in 2020. Although the bank has not experienced any significant impact of the pandemic in 2021, management still deemed it prudent to maintain some of the assumptions that were used in 2020 in assessing the impairment for 2021.

3.2.7.2 Precautionary Measures

The bank instituted several precautionary measures that were recommended by the Ministry of Health/Ghana Health Service at all locations of the Bank to ensure the safety of its staff and customers. Some of these measures included the provision of sanitizers, deployment of hand washing logistics and enforcing handwashing at at all locations, wearing of facemasks, and staff rotational and work-from-home systems.

3.2.7.3 Operations

Some aspects of the Bank's operations that were affected by the pandemic included temporarily closure of selected business locations during the lock down, cancellation of Saturday banking across the country, restriction of Cash pick up to only providers of essential services, and brief suspension of on-site tellering services to only selected critical service providers.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

3.2.7.4 Donations

The Bank, directly and indirectly through the Ghana Association of Banks, donated a total amount of GH¢1.5 million to the government's "COVID-19 National Trust Fund" and other state agencies in the fight against the pandemic in 2020. There were no such donations in 2021.

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.

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Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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.

	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	4,079,875	426,831	2,224,256	-	-	6,730,962	6,391,081
Deposits from banks	3,429	303	16,594	-	-	20,326	19,300
Borrowings	-	155,829	-	-	-	155,829	154,536
Other liabilities	241,548	198,210	160,718	-	-	600,476	600,476
Total liabilities (contractual maturity date)	4,324,852	781,173	2,401,568	-	-	7,507,589	7,165,393
Assets							
Cash and bank balances	1,714,699	-	-	-	-	1,714,699	1,714,699
Non-pledged trading assets	-	12,803	26,673	51,211	16,003	106,690	106,690
Pledged trading assets	126,110	198,865	160,062	-	-	485,037	485,037
Investment (other than securities)	66,942	-	-	-	-	66,942	66,942
Investment securities	1,081,373	365,533	956,430	1,797,905	293,423	4,494,664	4,488,707
Loans and advances to customers	393,964	165,898	124,998	870,772	14,861	1,570,493	1,498,900
Other assets (less non-financial assets)	145,699	-	-	-	-	145,699	145,699
Total assets held for managing liquidity risk (contractual maturity date)	3,528,787	743,099	1,268,163	2,719,888	324,287	8,584,224	8,506,674

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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

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	289,079
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	6,474,799
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

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 (contd.)

(All amounts are in thousands of Ghana cedis)

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:

	2021 %	2020 %
At period end	122	136
Average for the year	139	149
Maximum for the year	150	193
Minimum for the year	122	135

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 2021 (2020: nil). However, the bank was sanctioned *GH¢288* (2020: nil) for non-compliance with some prudential requirements.

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

31 December 2021	Note	Encumbered Pledged as collateral	*Other	Unencumbered Available as collateral	Other	Total
Cash and bank balances	15	-	619,126	1,095,573	-	1,714,699
Non-pledged trading Assets	16a	-	-	106,690	-	106,690
Pledged trading assets	16b	485,037	-	-	-	485,037
Investment securities	17	-	-	4,488,707	-	4,488,707
Investments (other than securities)	18	-	-	66,942	-	66,942
		485,037	619,126	5,757,912	-	6,862,075

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

3.3.3 Exposure to liquidity risk (continued)

31 December 2020

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	-	176,077
		268,901	598,659	5,665,061	-	6,532,621

*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 (contd.)

(All amounts are in thousands of Ghana cedis)

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 2021			
Assets subject to market risk			
Cash and bank balances	15	1,714,699	1,095,573
Non-pledged trading assets	16a	106,690	106,690
Pledged trading assets	16b	485,037	-
Investment securities	17	4,488,707	4,488,707
Investments (Other than securities)	18	66,942	66,942
Loans and advances to customers	19	1,498,900	1,498,900
		8,360,975	7,256,812
Liabilities subject to market risk			
Derivative financial liabilities	32	31,861	31,861
Borrowings	26	154,536	154,536
Deposits from customers	25	6,391,081	6,391,081
Deposit- Banks and NBFI	24	19,300	19,300
		6,596,778	6,596,778
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	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	6,722,266
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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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 2021	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	1,714,699	1,714,699	-	-	-	-
Investments (Other than securities)	18	66,942	66,942	-	-	-	-
Investment securities	17	4,488,707	1,081,373	365,533	950,472	1,797,905	293,424
Loans and advances to customers	19	1,498,900	393,964	165,898	124,998	799,180	14,860
Total assets		7,769,248	3,256,978	531,431	1,075,470	2,597,085	308,284
Borrowings	26	154,536	-	154,536	-	-	-
Deposits from customers	25	6,391,081	3,873,863	405,278	2,111,940	-	-
Deposits- Banks and NBFIs	24	19,300	3,256	288	15,756	-	-
Total liabilities		6,564,917	3,877,119	560,012	2,127,696	-	-
Total interest re-pricing gap		1,204,331	(620,141)	(28,581)	(1,052,226)	2,597,085	308,284
31 December 2020							
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)	-	-
Total interest re-pricing gap		1,118,222	217,958	(304,682)	(1,305,451)	2,370,750	139,647

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

***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 100-basis point (b.p.) parallel fall or rise in market interest rates.

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

	2021	2020
Sensitivity of projected net interest income		
At 31 December	6,410	5,781
Sensitivity of reported equity to interest rate movements		
At 31 December	4,808	4,336

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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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 2021					
Net foreign currency exposure:					
Assets	816,964	45,456	192,690	1,271,460	2,326,570
Liabilities	(2,557,524)	(43,429)	(184,545)	-	(2,785,498)
Net on balance sheet position	(1,740,560)	2,027	8,145	1,271,460	(458,928)
Line facilities for LCs and Bonds and Guarantees	822,102	-	2,133	-	824,235
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

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

	Average rate		Reporting rate	
GH¢ to	**2021**	2020	**2021**	2020
USD 1	5.8064	5.5954	6.0061	5.7602
GBP 1	7.9884	7.182	8.1272	7.8742
EURO 1	6.8671	6.393	6.8281	7.0643
Naira 1	70.3536	68.284	70.8422	69.4993

A 5% weakening of the cedi against foreign currencies at 31 December 2021 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 2020.

	Assets	**Liabilities**	**2021 Total**	Assets	Liabilities	2020 Total
Profit/(loss)	116,329	(139,275)	(22,946)	(33,715)	(128,024)	(161,739)
Equity	116,329	(139,275)	(22,946)	(33,715)	(128,024)	(161,739)

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 (contd.)

(All amounts are in thousands of Ghana cedis)

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

3.5 Capital adequacy ratio (continued)

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

	Note	2021	2020
Common Equity Tier 1 (CET1) Capital			
Ordinary share capital	28(a)	400,000	400,000
CET 1 Reserves			
Statutory reserve	28 (b)	444,899	389,873
Retained earnings	28 (b)	689,799	633,537
Total CET1 Reserves		1,134,698	1,023,410
CET1 Capital before Deductions/Adjustments		1,534,698	1,423,410
Less: Regulatory Adjustment to CET1 Capital			
Intangibles		(28,903)	(25,202)
CET1 Capital after Deductions		1,505,795	1,398,208
Additional Tier1 (AT1) Capital		-	-
Tier 1 Capital		1,505,795	1,398,208
Tier 2 Regulatory Capital		-	-
Total Regulatory Capital (Tier1 + Tier2)		1,505,795	1,398,208
Risk Profile			
Credit Risk			
On-Balance Sheet RWA		1,517,927	1,348,520
Off-Balance Sheet RWA		157,951	319,502
On & Off-Balance Sheet Trading Book RWA		276,996	168,726
Credit Risk Reserve (CRR)		(19,439)	(33,384)
Total Credit Risk Equivalent Weighted Assets		1,933,435	1,803,364
Operational Risk			
Total Operational Risk Capital Charge		124,687	121,947
Total Operational Risk Equivalent Weighted Assets		1,246,873	1,219,475
Market Risk			
Interest Rates		7,695	9,041
Foreign Exchange		5,017	8,260
Total Market Risk Charge		12,712	17,301
Total Market Risk Equivalent Weighted Assets		158,905	216,266

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

3.5 Capital adequacy ratio (continued)

	Note	2021	2020
Total for Credit Risk, Operational Risk and Market Risk			
Total RWA		3,339,214	3,239,105
Risk Ratios			
Risk-based Capital Ratios			
Common Equity Tier 1/RWA		45.09%	43.17%
Tier 1/R WA		45.09%	43.17%
Tier 2/R WA		-	-
Capi tal Adequacy Ratio (CAR)		45.09%	43.17%
Minimum Capital Requirement			
Minim um Capital Requirement		10%	10%
Prudential Minimum (with Capital Conservation Buffer)		13%	13%
Surplus Minimum Capital			
Surplus/Deficit to Minimum Capital		35.09%	33.17%
Surplus/Deficit to Prudential Minimum Capital		32.09%	30.17%
Tier 1 Leverage Ratio			
Off-Balance Sheet Exposures		1,391,941	1,194,522
On-Balance Sheet Exposures		8,864,266	8,034,580
Less: Intangibles		(28,903)	(25,202)
		8,835,363	8,009,378
Total Exposures		10,227,303	9,203,900
Leverage Ratio		14.72%	15.19%

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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.

- 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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

(a) Valuation models (continued)

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 2021	Level 2 2021	Level 1 2020	Level 2 2020
Non-pledged trading assets	16a	106,690	-	98,097	-
Pledged trading assets	16b	485,037	-	263,801	-
Derivative financial (liabilities)/assets	32	-	(31,861)	-	31,175
		591,727	(31,861)	361,898	31,175

(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 2021	Level 3 2021	Level 2 2020	Level 3 2020
Assets					
Cash and bank balances	15	1,714,699	-	1,489,323	-
Investments (Other than securities)	18	66,942	-	176,077	-
Investment securities	17	4,488,707	-	4,505,323	-
Loans and advances to customers	19	-	1,498,900	-	1,057,205
		6,270,348	1,498,900	6,170,723	1,057,205
Liabilities					
Borrowings	26	154,536	-	289,079	-
Deposits from customers	25	6,391,081	-	5,799,266	-
Deposit - Bank and NBFIs	24	19,300	-	21,361	-
		6,564,917	-	6,109,706	-

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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

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.

3.7 Credit risk reserve reconciliation

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

	2021	2020
IFRS Impairment		
Loans and Advances	71,593	35,716
Off balance sheet exposures	8,485	10,736
Total	80,078	46,452
Bank of Ghana Provision		
Loans and Advances	85,598	69,574
Off balance sheet exposures	13,919	10,262
Total	99,517	79,836
Credit Risk Reserve		
Balance at 1 January	33,384	25,313
Transfer to Credit Risk Reserve	(13,945)	8,071
Balance at 31 December	19,439	33,384

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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

	2021		2020	
	In Ghana	Outside Ghana	In Ghana	Outside Ghana
Assets				
Cash and cash equivalents	1,223,233	491,466	955,184	534,139
Non-pledged trading assets	106,690	-	98,097	-
Pledged trading assets	485,037	-	263,801	-
Investment securities	3,224,608	1,264,099	2,863,397	1,641,926
Derivative financial instruments	-	-	-	31,175
Investments (other than securities)	66,942	-	118,879	57,198
Loans and advances to customers	1,498,900	-	1,057,205	-
Other assets	193,753	-	132,859	-
	6,799,163	1,755,565	5,489,422	2,264,438
Liabilities				
Borrowings	154,536	-	115,492	173,587
Deposits from customers	6,410,381	-	5,799,266	-
Deposits from other banks	19,300	-	21,361	-
Other liabilities	600,476	-	365,093	-
Total liabilities	7,184,693	-	6,301,212	173,587
Off balance sheet items				
Letters of credit	187,046	637,189	92,760	459,660
Guarantees and indemnities	567,706	-	473,793	-
	754,752	637,189	566,553	459,660

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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

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 (contd.)

(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.

(b) Fair value of financial instruments

The fair value of a financial instrument is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent 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 (contd.)

(All amounts are in thousands of Ghana cedis)

(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.

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Notes (contd.)

(All amounts are in thousands of Ghana cedis)

5 Net interest income

	2021	2020
Interest income		
Loans and advances to customers	207,058	124,284
Placement with other banks	10,453	12,400
Investments securities	731,541	712,471
Total interest income	949,052	849,155

Interest income of GH¢4,334 (2020: GH¢2,176) on impaired loans and advances was not recognised because management considered it immaterial.

	2021	2020
Interest expense		
Current accounts	13,930	8,494
Savings accounts	3,335	2,769
Time and other deposits	207,395	195,318
Overnight and other borrowings	75,878	58,143
Lease liabilities	7,536	6,293
Total interest expense	308,074	271,017
Net interest income	640,978	578,138

6 Net fees and commission income

	2021	2020
Fees and commission income		
Fees on loans and advances	14,884	17,195
Customer account servicing fees	25,927	23,464
Electronic and card product fees	16,320	11,624
Money transfer services fees	3,894	723
Letters of credit and trade services fees	39,665	36,283
Total fees and commission income	100,690	89,289
Fees and commission expense		
Visa Charges	7,005	4,920
MasterCard Charges	6,114	4,535
Total fees and commission expense	13,119	9,455
Net fees and commission income	87,571	79,834

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

7 Net trading income

	2021	2020
a) Foreign exchange (loss)/gain	(84,272)	53,209
b) Net (loss)/income from other financial instruments carried at fair value	(18,918)	19,414

8 Other income

	2021	2020
Loss on disposal of property and equipment- Note 20 (b)	(25)	-
Loan recoveries	5,134	552
Sundry income	5,525	5,474
Modification gain/(loss) on loans with renegotiated terms	1,191	(4,435)
	11,825	1,591

Sundry income comprises mainly of brokerage commission on treasury bills.

9 Net impairment losses on financial assets

	2021	2020
Loans and advances	35,877	2,935
Off balance sheet exposure	(2,251)	4,657
Investment securities	(6,642)	4,747
Interbank placements	(510)	(108)
Loans written off	1,497	2,077
Net impairment loss on financial assets	27,971	14,308

10 Personnel expenses

	2021	2020
Wages and salaries	102,737	94,147
Compulsory social security obligations	3,048	2,819
Contribution to defined contribution plan	2,940	2,730
Other staff cost	21,056	34,099
	129,781	133,795

The number of persons employed by the Bank at the end of the year was 704 (2020: 695).

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

11 Leases

Amounts recognised in the statement of financial position

Right of use assets	2021	2020
Cost at 1 January	98,846	91,367
Additions	9,153	7,479
	107,999	98,846
Accumulated depreciation at 1 January	6,975	3,076
Charge for the year (Note 20(a))	4,416	3,899
	11,391	6,975
Net book value as at 31 December	96,608	91,871

Lease liabilities

	2021	2020
At 1 January	93,629	84,326
Additions	2,506	7,615
Modifications	5,059	-
Interest expense (Note 5)	7,536	6,293
Exchange (gain)/loss	-	686
Payments	(8,225)	(5,291)
At 31 December	100,505	93,629
Current	9,830	5,725
Non-current	90,675	87,904
	100,505	93,629

12 Other expenses

	2021	2020
Advertising and marketing expenses	2,263	2,029
Administrative expenses	101,722	80,244
Director's emoluments	1,990	1,128
Auditor's remuneration	916	872
Donations and sponsorship (Corporate Social Responsibilities)	975	1,572
Insurance premium – Deposit Protection	15,723	9,837
	123,589	95,682

13 Income tax expense

	2021	2020
Amounts recognised in profit or loss	118,465	136,717
Current year income tax expense – See Note 13(a)	(4,366)	(7,970)
Deferred tax credit – See Note 22 (a)	114,099	128,747

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

13 Income tax expense (continued)

(a) Income tax

31 December 2021	Balance at 1/1/2021	Charge for the year	Payments during the year	Refunds received during the year	Balance at 31/12/2021
Income tax					
2020	(1,545)	-	-	-	(1,545)
2021	-	89,223	(94,559)	-	(5,336)
	(1,545)	89,223	(94,559)	-	(6,881)
National fiscal stabilisation levy & Financial sector recovery levy*					
2020	(1,472)	-	-	-	(1,472)
2021	-	29,242	(31,500)	-	(2,258)
	(1,472)	29,242	(31,500)	-	(3,730)
Total	(3,017)	118,465	(126,059)	-	(10,611)

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)

*The Parliament of Ghana enacted the Financial Sector Recovery Levy Act, 2021, Act 1067 in line with the various measures introduced by the Government in the 2021 Budget to rebuild Ghana's public finances. The Act was gazetted on 31 March 2021 and deemed to be in force from that date.

The rate of the Levy is 5% and it is applied on the profit before tax of a bank excluding rural banks and community banks. The Levy is not an allowable deduction for the purpose of ascertaining the chargeable income of a person under the Income Tax Act, 2015, Act 896 (as amended).

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

13 Income tax expense (continued)

(b) Reconciliation of effective tax rate

	2021 %	2021	2020 %	2020
Profit before tax		334,204		466,873
Income tax using domestic tax rate	25.00	83,551	25.00	116,718
National stabilisation levy	5.00	16,710	5.00	23,344
Financial Sector Recovery Levy	5.00	12,533	-	-
Non-deductible expenses	3.84	12,828	0.25	1,169
Origination and reversal of temporary differences	(1.31)	(4,366)	(1.18)	(5,499)
Change in prior year estimate	(1.71)	(7,157)	(1.5)	(6,985)
	35.39	114,099	27.57	128,747

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¢220,105* (2020: *GH¢*338,126) and a weighted average number of ordinary shares outstanding of 4,000,000 (2020: 4,000,000,) calculated as follows:

	2021	2020
Net profit for the year attributable to equity holders of the Bank	220,105	338,126
Weighted average number of ordinary shares	4,000,000	4,000,000
Basic and diluted earnings per share	0.06	0.08

15 Cash and bank balances

Cash on hand	273,896	161,422
Balances with Bank of Ghana	840,417	673,732
Balances with other local Banks	1,371	355
Balances with other foreign Banks	491,466	534,139
Items in course of collection	107,549	119,675
	1,714,699	1,489,323

Included in the balances with Bank of Ghana is an amount of *GH¢619,126* (2020:*GH¢598,659*) representing the mandatory cash reserve as per the weekly Banking Supervision Department (BSD1) returns for the week ended 29 December 2021 (2020: 30 December 2020). This reserve represents and complies with the mandatory minimum of 10% (2020: 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.

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

15 Cash and bank balances (continued)

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

	2021	2020
Cash and bank balances	1,714,699	1,489,323
Investment other than securities maturing within 90 days	66,942	118,369
Treasury bills maturing within 90 days	-	87,787
	1,781,641	1,695,479
Less mandatory cash reserve	(619,126)	(598,659)
	1,162,515	1,096,820

16a Non-pledged trading assets

Government bonds	114,277	86,966
Fair value (loss)/gain	(7,587)	11,131
	106,690	98,097
Current	106,690	98,097
Non-current	-	-

16b Pledged trading assets

Government bonds	483,392	263,601
Fair value gain	1,645	200
	485,037	263,801
Current	485,037	263,801
Non-current	-	-

17 Investment securities

	Pledged 2021	Non-pledged 2021	Total 2021	Pledged 2020	Non-pledged 2020	Total 2020
Government bonds	-	2,134,561	2,134,561	5,100	2,215,497	2,220,597
Treasury bills	-	2,360,104	2,360,104	-	2,297,326	2,297,326
Impairment	-	(5,958)	(5,958)	-	(12,600)	(12,600)
Total	-	4,488,707	4,488,707	5,100	4,500,223	4,505,323
Current			2,397,378			2,402,041
Non-current			2,091,329			2,103,282

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

17 Investments securities (continued)

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 2021, the Bank had pledged GH¢483,392 (2020: *GH¢*268,701) 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.
For the purposes of the statement of cash flows, investment securities is made up of:

	2021	2020
Investment securities maturing within 90 days	-	87,787
Investment securities maturing after 90 days	4,488,707	4,417,536
	4,488,707	4,505,323

18 Investments (other than securities)

	2021	2020
Access Bank	30,060	28,825
First Atlantic Bank	36,882	-
United Bank for Africa	-	30,011
Zenith Bank Plc	-	57,729
FBN Bank Ghana Ltd	-	30,011
GCB Bank Ltd	-	30,011
	66,942	176,587
Impairment	-	(510)
	66,942	176,077

Investments (other than securities) are all current. They are short-term lending attracting average interest at 1.2% and 2.35% on the Euro and United States Dollar lending respectively.

For the purposes of statement of cash flows, investments (other than securities)is made up of:

	2021	2020
Maturing within 90 days	66,942	118,369
Maturing after 90 days	-	57,708
	66,942	176,077

19 Loans and advances to customers

	2021	2020
Loans and advances to customers at amortised cost	1,568,635	1,089,543
Finance leases	3,355	5,455
	1,571,990	1,094,998
Less: Loans written off	(1,497)	(2,077)
Allowance for impairment	(71,593)	(35,716)
Loans and advances to customers at amortised cost	1,498,900	1,057,205
Current	684,860	650,090
Non-Current	814,040	407,115

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

(a) Loans and advances to customers at amortised cost

	Gross amount 2021	Impairment allowance 2021	Carrying amount 2021	Gross amount 2020	Impairment allowance 2020	Carrying amount 2020
Individual customers	147,793	(5,319)	142,474	42,199	(2,376)	39,823
Corporate customers	1,422,700	(66,274)	1,356,426	1,050,722	(33,340)	1,017,382
Total loans and advances	1,570,493	(71,593)	1,498,900	1,092,921	(35,716)	1,057,205

(b) Allowances for impairment

	2021	2020
Balance at the beginning of the reporting year	35,716	32,781
Charge for the year	35,877	2,935
Total allowances for impairment	71,593	35,716

(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:

	2021	2020
Gross investment in finance leases, receivable:		
Less than one year	1,214	4,457
Between one and five years	2,176	1,909
	3,390	6,366
Unearned finance lease income	(35)	(911)
Net investment in finance lease	3,355	5,455
Net investment in finance leases, receivable:		
Less than one year	1,200	3,723
Between one and five years	2,155	1,732

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

20 Property, plant and equipment

	Leasehold Properties	Leasehold improvements	Furniture and equipment	Computers	Motor vehicles	Capital work in progress	Total
Cost							
Balances at 1 January 2020	140,744	16,431	28,038	30,228	25,100	6,886	247,427
Acquisitions	-	529	1,256	4,200	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
Balances at 1 January 2021	140,744	6,270	15,136	5,983	15,217	12,044	195,394
Acquisitions	-	1,487	3,190	2,896	4,908	9,245	21,726
Transfers	-	2,689	1,756	249	409	(6,082)	(979)
Disposals	-	-	-	-	(663)	-	(663)
Balance at 31 December 2021	140,744	10,446	20,082	9,128	19,871	15,207	215,478
Depreciation							
Balances 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)
Balances at 31 December 2020	9,929	3,894	9,434	1,912	8,224	-	33,393
Balances at 1 January 2021	9,929	3,894	9,434	1,912	8,224	-	33,393
Depreciation for the year	2,815	1,090	3,421	2,408	3,898	-	13,632
Disposals	-	-	-	-	(384)	-	(384)
Balances at 31 December 2021	12,744	4,984	12,855	4,320	11,738	-	46,641
Carrying amounts							
Balance at 31 December 2020	130,815	2,376	5,702	4,071	6,993	12,044	162,001
Balance at 31 December 2021	128,000	5,462	7,227	4,808	8,133	15,207	168,837

There was no indication of impairment of property, plant and equipment held by the Bank at 31 December 2021 (2020: 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 (2020: Nil).

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

20 Property, plant and equipment (continued)

Leasehold property represent lands held by the Bank under various leasehold agreements and the building on them. The leasehold lands are presented in property, plant and equipment by the Bank as an accounting policy choice.

(a) **Depreciation and amortisation expense**	**2021**	2020
Right of use assets (Note 11)	4,416	3,899
Property, plant and equipment (Note 20)	13,632	15,002
Intangible assets (Note 21)	3,591	2,627
	21,639	21,528

(b) Profit on disposal

Cost	663	66,612
Accumulated depreciation	(384)	(66,612)
Carrying amount	279	-
Proceeds from disposal	254	-
Loss on disposal	(25)	-

21 Intangible assets

Cost		
Balance at 1 January	9,254	11,921
Acquisitions	4,885	3,763
Transfer from work-in-progress (Note 20)	979	370
Disposal	-	(6,800)
Balance at 31 December	15,118	9,254
Amortisation		
Balance at 1 January	3,326	7,499
Amortisation for the year	3,591	2,627
Disposal	-	(6,800)
Balance at 31 December	6,917	3,326
Carrying amount		
Balance at 1 January	5,928	4,422
Balance at 31 December	8,201	5,928

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 (2020: Nil). There were no proceeds from the disposal of intangible assets during the year and thus no profit or loss was realised.

Notes (contd.)

(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	2021 Net	Assets	Liabilities	2020 Net
PPE and intangibles	-	(12,370)	(12,370)	-	(9,358)	(9,358)
Modification loss on loans	811	-	811	1,109	-	1,109
Staff Loans fair valuation	755	-	755	832	-	832
Right of use assets	2,206	-	2,206	1,072	-	1,072
Allowances for loan losses	21,509	-	21,509	14,890	-	14,890
Net tax assets/(liabilities)	25,281	(12,370)	12,911	17,903	(9,358)	8,545

*(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 2021				
PPE and intangibles	(9,358)	(3,012)	-	(12,370)
Right of use assets	1,072	1,134	-	2,206
Modification loss on loan restructuring	1,109	(298)	-	811
Fair value changes on staff loans	832	(77)	-	755
Allowances for loan losses	14,890	6,619	-	21,509
	8,545	4,366	-	12,911
For the year ended 31 December 2020				
PPE and intangibles	(7,197)	(2,161)	-	(9,358)
Right of use 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

Recognised deferred tax assets

Recognition of deferred tax assets of *GH¢25,281* (2020: *GH¢17,903*) 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 (contd.)

(All amounts are in thousands of Ghana cedis)

23 Other assets

	2021	2020
Prepayments	18,054	10,728
Collateral taken over	30,000	30,000
Mobile money drawers	140,597	74,808
Others	5,102	17,323
	193,753	132,859
Current	163,753	102,859
Non-current	30,000	30,000

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

	2021	2020
Financial institutions (regulated)	19,300	21,361

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

25 Deposits from customers

Demand deposits	3,857,819	3,226,843
Term deposits	2,127,696	2,207,931
Savings deposits	405,566	364,492
	6,391,081	5,799,266

Analysis by type of depositors

Individual and other private enterprises	6,192,650	5,605,589
Public enterprises	198,431	193,677
	6,391,081	5,799,266
Current	6,391,081	5,799,266
Non-Current	-	-
Ratio of 20 largest depositors to total deposits	32.37%	28.52%

26 Borrowings

Balances due to other banks and financial institutions	154,536	289,079
Current	154,536	289,079
Non-current	-	-

Notes (contd.)

(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 (%)
Standard Chartered Bank Ghana (SCB)	USD	150,153	3.78
CitiBank New York	USD	85,968	3.22
International Finance Corporation – IFC	USD	28,757	4.40
First Atlantic Bank Ghana Ltd	USD	45,846	3.30
UBA Ghana	USD	40,116	2.90
Republic Bank Ghana Ltd	USD	22,923	3.00
Access Bank Ghana Ltd	USD	28,654	3.30

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

At 31 December 2021

Lenders	At 1 January	Draw downs	Interest	Repayments	Exchange difference	At 31 December
First Atlantic	-	45,846	91	(45,953)	16	-
UBA Ghana	-	40,116	3	(40,136)	17	-
Republic Bank	-	22,923	21	(22,953)	9	-
Access Bank Ghana	-	28,654	39	(28,703)	10	-
CitiBank New York	-	85,968	1,419	(89,652)	2265	-
SCB	115,492	150,153	4,701	(116,699)	899	154,536
IFC	57,724	28,757	1,973	(89,182)	728	-
Ghana Int. Bank	115,863	-	972	(116,007)	(828)	-
	289,079	402,417	9,219	(549,285)	3,106	154,536

At 31 December 2020

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

Notes (contd.)

(All amounts are in thousands of Ghana cedis)

27 Other liabilities

	2021	2020
Accruals and other payables	73,868	70,165
Impairment on off-balance sheet exposures	8,485	10,736
Deferred income	8,495	5,867
Obligation on investment held for customers	509,628	278,325
	600,476	365,093
Current	600,476	365,093
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

	2021 No. of Shares	2021 Proceeds	2020 No. of Shares	2020 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	2021	2020
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 (contd.)

(All amounts are in thousands of Ghana cedis)

29. Dividend

The Directors recommend the payment of a dividend of GH¢0.038 per share amounting to GH¢152,000,000 for the year ended 31 December 2021. A dividend of GH¢0.03 per share amounting to GH¢122,762,000 was recommended and paid for the year ended 31 December 2020.

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 (2020: 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:

	2021	2020
Contingent liabilities: Bonds and guarantees	567,706	473,793
Commitments: Clean line facilities for letters of credit	824,235	552,420
	1,391,941	1,026,213
Undrawn loan commitments	387,946	168,309

(c) Commitments for capital expenditure

At 31 December 2021, the Bank's commitment for capital expenditure was nil (2020: nil).

Notes (contd.)

(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. All related party transactions were conducted at arm's length.

(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 2021, the Bank transacted the following business with related parties:

	Note	2021	2020
Transactions during the year with the parent company			
- Salaries and allowances for expatriate staff		3,897	2,760
Balances due from parent company at year end			
Balances on nostro account		5,027	2,506
Placements	18	-	57,729
Derivative (liability)/asset – Currency forward contracts	32	(19,360)	26,367

At 31 December 2021, the Bank also held Government of Nigeria bills amounting to GH¢1.26 billion (2020: GH¢1.65 million) 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:	2021	2020
Personal emoluments and directors fees	5,164	3,421
Loans and advances disbursed during the year	203	180
Interest earned on loans and advances	40	45
Balances with key management personnel at year end:		
Loans and advances	930	1,048

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 (contd.)

(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:	2021	2020
Bank balances with Zenith Bank (UK) (Nostros)	59,889	41,497
Derivative asset – Zenith Bank UK	4,916	4,808

(d) Shareholders

No.	Name	2021 No. of shares held	2021 Percentage shareholding	2020 No. of shares held	2020 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 (liabilities)/assets

	2021	2020
Forward currency contracts	(31,861)	31,175
Current	(31.861)	31,175
Non-current	-	-
Forward currency contracts – Zenith Bank Plc – (Liabilities)/Assets	(19,360)	26,367
Forward currency contracts – Zenith Bank UK – Assets	-	4,808
Forward currency contracts – Stanchart Ghana – Liabilities	(822)	-
FX Swap contracts – Bank of Ghana – Liabilities	(16,595)	-
FX Swap contracts – Zenith Bank UK - Assets	4,916	-
	(31,861)	31,175

Derivative financial instruments relate to receivables and payables 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 FX Swap and Forward contracts the Bank entered into with Bank of Ghana, Stanchart Ghana and Zenith Bank UK to generate additional income.

The foreign currency forward balance is from an underlying receivable of GH¢1.735 billion from Zenith Bank Plc, Zenith Bank UK, Bank of Ghana and Standard Chartered Bank and GH¢1.767 billion payable to Zenith Bank Plc, Zenith Bank UK, Bank of Ghana and Standard Chartered Bank. Under the terms of the agreements, the amounts payable by the Bank are offset against receivables from the counterparties 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 2021.

Value Added Statement
for the year ended 31 December

(All amounts are in thousands of Ghana cedis)

	Note	2021	2020
Interest earned and other operating income		946,552	1,011,067
Direct cost of services and other costs		(442,792)	(375,026)
Value added by banking services		503,760	636,041
Non-banking income		11,825	1,591
	8		
Impairments	9	(27,971)	(14,308)
Value added		487,614	623,324
Distributed as follows:			
To employees			
Directors (without executives)	12	(1,990)	(1,128)
Executive directors		(1,288)	(1,219)
Other employees		(128,493)	(132,576)
Total		(131,771)	(134,923)
To Government			
Income tax	13	(114,099)	(128,747)
To providers of capital			
Dividends to shareholders		(122,762)	-
To expansion and growth			
Depreciation and amortisation	20(a)	(21,639)	(21,528)
Retained earnings		97,343	338,126

ZENITH BANK @ 16

Celebrating Relationships Beyond Banking

Zenith Bank Lights Up Accra with Christmas Light Up and Carols Night Ceremony