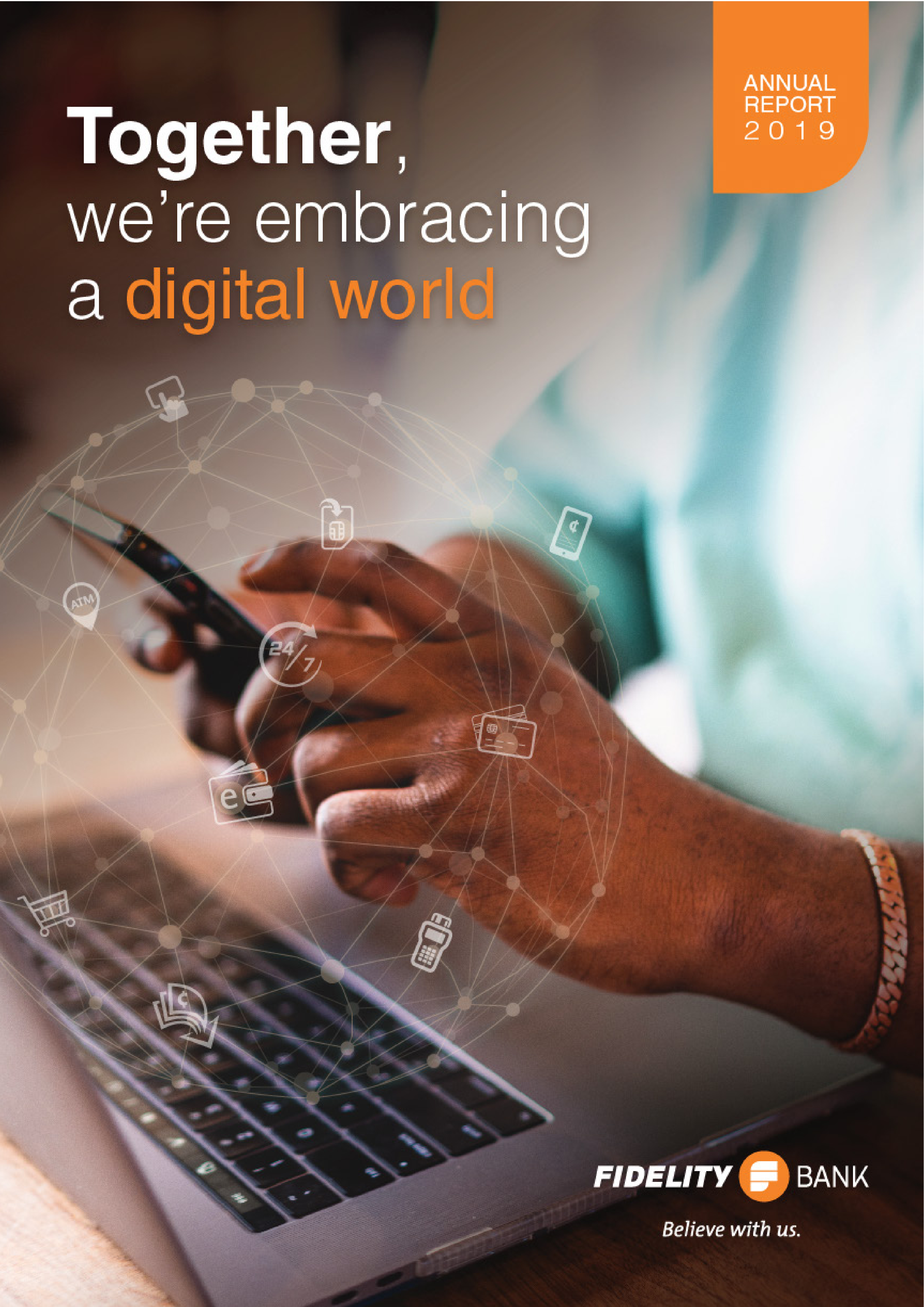
ANNUAL
REPORT
2019

# Together, we're embracing a digital world



FIDELITY BANK

*Believe with us.*

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Fidelity Bank Ghana Limited, whose registered place of business is No. 10 Ambassadorial Enclave, Ridge Tower, West Ridge, Accra, Ghana, will be held **Virtually on Friday 26th June 2020** at **11:00 am (GMT) via Microsoft® Teams** to transact the following business:

**By Ordinary Resolution:**

**1.** To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December 2019;

**2.** To declare a final dividend for the year ended 31st December 2019;

**3.** To ratify the appointment of three Independent Non Executive Directors;

**4.** To re-elect a Director retiring by rotation;

**5.** To authorize the Directors to fix the remuneration of the Auditors.

**By Special Resolution:**

To consider and if thought fit, to pass with or without modification(s), the following resolutions as special resolutions:

**6.** To authorise the directors to transfer GH¢55.0 million from Reserves to Stated Capital.

**7.** To authorise the directors to do all things necessary to dissolve Fidelity Asia Bank and to establish a branch of Fidelity Bank Ghana Limited in Labuan subject to the approval of Bank of Ghana and the Labuan Financial Services Authority.

**8.** To approve the establishment of Fidelity Ghana Foundation subject to approval of Bank of Ghana.

DATED THIS 2ND DAY OF JUNE 2020.

**BY ORDER OF THE BOARD**

**MAATAA OPARE**
**(COMPANY SECRETARY)**

Members and/or their proxies may attend and participate in the Annual General Meeting of Fidelity Bank Ghana Limited virtually.

A member of the Company entitled to attend and vote is entitled to appoint a Proxy to attend the virtual meeting and vote instead of him. A Proxy need not be a member. A form of proxy must be completed and emailed to **companysecretary@myfidelitybank.net** or deposited at the offices of the Company Secretary, Fidelity Bank Ghana Limited, 2nd Floor, Ridge Tower, Accra not less than 48 hours before the appointed time of the meeting.

# Agenda

## ANNUAL GENERAL MEETING OF FIDELITY BANK GHANA LIMITED

Friday 26th June 2020, 11.00am (GMT)
Via Microsoft® Teams

1. Adoption of Minutes of AGM of 26th April, 2019
2. Notice of Meeting
3. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December, 2019;
4. To declare a final dividend for the period ended 31st December 2019
5. To ratify the Appointment of Directors:
   i. Harold Richardson
   ii. Abubakar Sulemana
   iii. Lisa Mensah
6. To re-elect a Director retiring by rotation:
   i. Adwoa N. Annan
7. To authorise the Directors to fix the remuneration of Auditors;

Special Resolutions:

8. To authorise the Directors to transfer GH¢55 million from Reserves to Stated Capital.
9. To authorise the directors to do all things necessary to dissolve Fidelity Asia Bank and to establish a branch of Fidelity Bank Ghana Limited in Labuan.
10. To approve the establishment of Fidelity Ghana Foundation.
11. Closure

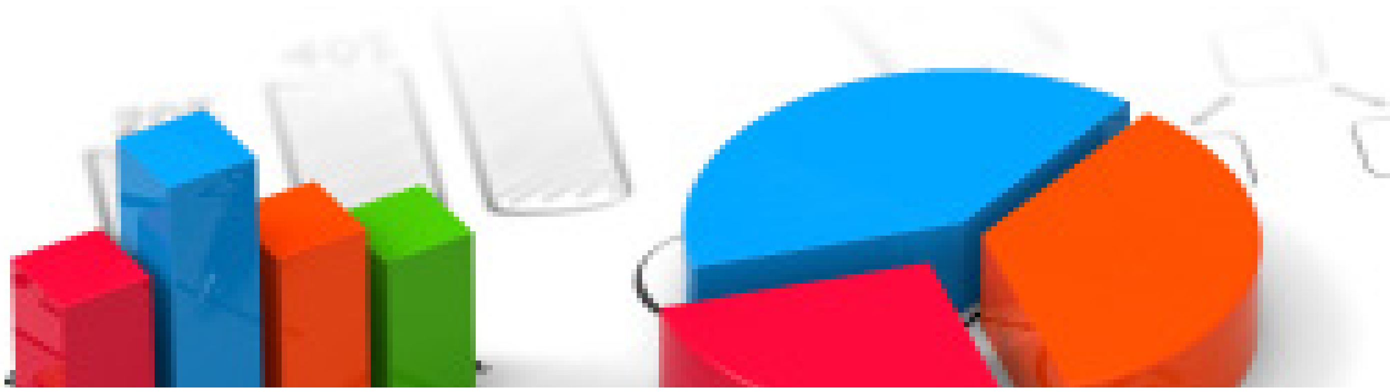
# Contents

# Financial Highlights

For the year ended 31 December 2019

[ All amounts are in thousands of Ghana cedis ]

| | GROUP | | BANK | |
|---|---|---|---|---|
| | December | December | December | December |
| **As at** | 2019 | 2018 | 2019 | 2018 |
| Total assets | 10,507,977 | 7,038,258 | 10,478,022 | 7,015,823 |
| Loans and advances to customers | 2,503,989 | 1,462,852 | 2,454,186 | 1,419,472 |
| Deposits | 5,222,640 | 4,461,110 | 5,216,783 | 4,456,339 |
| Shareholders' equity | 903,388 | 708,073 | 877,048 | 691,605 |
| **For the year ended** | | | | |
| Operating Income | 920,320 | 704,106 | 902,924 | 690,446 |
| Profit before tax | 329,354 | 248,929 | 321,792 | 242,090 |
| Profit after tax | 267,657 | 169,927 | 260,927 | 163,717 |
| Dividend per share | | 1.28 | | 1.28 |
| Earnings per share | 10.60 | 6.73 | 10.33 | 6.48 |
| Return on average equity (%) | 33.22 | 27.16 | 33.27 | 26.71 |
| Return on average assets (%) | 3.05 | 2.73 | 3.05 | 2.64 |
| Number of staff | 1,141 | 1,098 | 1,134 | 1,084 |
| Number of branches | 76 | 75 | 76 | 75 |
| Number of ATMs | 111 | 117 | 111 | 117 |



# Corporate Profile

Fidelity Bank was issued with its universal banking license on June 28 2006, making Fidelity Bank Ghana Limited, the 22nd bank to be licensed by the Bank of Ghana under the Banking Act, 2004 (Act 673) - Repealed and replaced by the Banks And Specialized Deposit-Taking Institutions Act 2016 (Act 930). The Bank is owned by Ghanaian individuals, other institutional investors and its senior executives.

The Bank was formerly Fidelity Discount House, the leading discount house in Ghana. After operating profitably for 8 years, the business environment in the country attracted investors to the idea of establishing a bank.

Fidelity Bank has a team of high calibre professionals with diverse skills and experience. The Bank has invested heavily in technology and continues to invest heavily in training to ensure that it is at par with the best in the world. Fidelity Bank offers a comprehensive range of products and services to meet the banking and financial needs of existing and potential customers. To ensure the relevance of our comprehensive range of products and services, we continually review the demographics of our customer segments to ensure that our offerings meet the banking and financial needs of existing and potential customers.

Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders. With people who are professional and proactive, state of the art technology, exceptional corporate governance standards, good knowledge of the local market, financial capital and above all, a customer-centric culture, Fidelity Bank is contributing its quota to the development of the banking industry and by extension, the Ghanaian economy.

On October 1, 2014, the Bank acquired Pro-Credit Savings and Loans Company Limited (PCSL) from Pro-Credit Holding Germany (PCH) and the DOEN Foundation of the Netherlands. Pro-Credit Savings and Loans Limited (PCSL) was a non-bank financial institution that provided savings and lending services to its clients.

Fidelity Bank has two subsidiaries:

- Fidelity Asia Bank Limited
- Fidelity Securities Limited

Fidelity Asia Bank Limited (FABL) was established in July 2012 as a wholly owned Asian subsidiary in Malaysia. FABL carries on the business of offshore banking.

Fidelity Securities Limited (FSL), a fully owned subsidiary of the Bank, is the investment banking arm of the Bank. Formerly known as Fidelity Asset Management, FSL's business involves providing advisory services, issuing of securities, raising of capital and undertaking portfolio investment management for clients.

## Mission

To become an established top three (3) bank in Ghana by 2021 based on all key performance indicators: Quality of Deposits; Operating Income; Quality of Loan Book; Return on Equity and Cost to Income Ratio all anchored on three key pillars:

- our people
- our service and processes, and
- return to stakeholders.

This will be premised on exceptional corporate governance standards and risk management practices, knowledge of the local market, professionalism, proactivity, innovation and above all, a customer-centric culture.

## Vision

Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders as follows:

Our Customers:
The best place to bank

Our Shareholders:
The best place to invest

Our Employees:
The best place to work

Our Regulators:
The best place to benchmark

# Corporate Information

### Board of Directors

Edward Effah
Chairman

Julian Kingsley Opuni
Managing Director

Ambassador (Mrs.) Johanna Svanikier
Non Executive Director

Emmanuel Barima Manu
Non Executive Director

Aliya Farah Shariff
Non Executive Director (Resigned 22-10-2019)

Adwoa Nyantakyiwa Annan
Non Executive Director

Laureen Kouassi-Olsson
Non Executive Director

### Company Secretary

Ms. Maataa Opare

### Registered Office

Fidelity Bank Ghana Limited
Ridge Tower,
10 Ambassadorial Enclave,
West Ridge, Accra.
Ghana

### Solicitors

Bari & Co
Suite No. 1, 1st Floor No. 27
Castle Road
Adabraka, Accra

### Independent Auditor

Ernst and Young
Chartered Accountants
G15. White Avenue
Airport Residential Area
P. O. Box 16009
Airport, Accra

### Bankers

Ghana International Bank
Citibank N. A., London
BHF
Bank of China
Medicapital Bank
JP Morgan
Crown Agents Bank
CHF (Banque De Commerce Et
Placements-BCP)
Banca UBAE Spa
ABSA, South Africa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FIDELITY BANK

Believe with us.

# WE ARE DRIVEN BY A TRULY DYNAMIC BOARD OF DIRECTORS

**Edward Effah**
Board Chairman

Edward established the Fidelity Group in October 1998 after a successful career as a senior finance executive. Fidelity is a financial services group comprising of Fidelity Bank Ghana Limited, Fidelity Asia Bank Limited and Fidelity Securities Limited. Fidelity Bank has assets of over US$ 2 Billion and was adjudged the best bank in Ghana in 2016 by Corporate Initiative Ghana. Under Edward's leadership Fidelity has been able to establish itself as a leader in its markets in Ghana in terms of reputation, profitability and assets under management.

Edward brought to Fidelity over fifteen years of experience in senior executive positions in finance and treasury management. Previous positions held include: Director of Global Emerging Markets (GEM) Ghana Limited (1995-1998), Chief Finance Officer of Inter-Afrique Group (1994 - 1997), Risk Manager (1990 - 1994) of Rudolf Wolff, the City of London based derivatives and foreign exchange trader and an auditor and management consultant with Coopers and Lybrand, London (1987 - 1990). Edward is a Chartered Accountant by profession and is a member of the Institute of Chartered Accountants in England and Wales.

Edward is currently the Board Chairman of Unilever Ghana Limited.

Previous directorships held by Edward include: Board Chairman of Fidelity Capital Partners Limited, Board Chairman College of Health Sciences; Council Member University of Ghana Council, Board Member of Takoradi International Company Limited (2002 - 2009), Executive Council Member of the Africa Venture Capital Association (2000 - 2005), Council Member of the Ghana Stock Exchange (2006 - 2007), Golden Beach Hotels Limited (2001 - 2004) and Ghana Agro Food Complex (2005 - 2006).

Julian Kingsley Opuni
Managing Director

Julian Opuni is the Managing Director of Fidelity Bank and serves as an executive member of the Board. He joined the Bank as the Head of Commercial Banking at the inception of the unit. After incubating and building the new business line, he led the growth and consolidation of the wider Commercial & SME Banking segments and ultimately the entire Retail Banking Directorate.

Julian has over 25 years of experience in the financial services sector both locally and internationally. He has extensive experience in business development, credit analysis, and sales management and has also participated in various youth entrepreneurship & business mentoring projects.

Prior to joining Fidelity Bank, Julian had a successful career with Lloyds Bank in the United Kingdom where he worked for over 18 years. He joined Lloyds on their Expedited Management Training Program, holding various roles in Operations and Retail Banking which included Branch Management. Additionally, he held several senior positions in both Business & Corporate Banking, finally leaving as a Senior Manager with responsibility for various business centres in the west of London.

He is an Associate of the Institute of Financial Services (Aifs) and holds a B.Sc. in Banking & Financial Services from the University of Manchester Institute of Science & Technology. Julian is also an accredited specialist in Manufacturing, Legal and Property Lending.

Ambassador Johanna Odonkor Svanikier
Non Executive Director

Ambassador Johanna Odonkor Svanikier is the Founder, President and CEO of the Heritage and Cultural Society of Africa, an NGO, non-profit, social enterprise with the mission to preserve, advocate for and promote the use of African heritage and culture for social and economic progress and development in Africa and the Diaspora. In March 2017, she organised the hugely influential African Diaspora Homecoming Conference to celebrate Ghana's 60th independence anniversary in a memorable and meaningful way. This was followed by the HACSA Summit 2019, a symbolic commemoration of 400 Years since the transatlantic slave trade begun within 'The Year of Return'. She is Ghana's recent past Ambassador to France & Portugal and Permanent Delegate to UNESCO and La Francophonie. During her tour of duty in Paris, she initiated Ghana's membership of the OECD Development Centre where she represented Ghana on the Governing Board. Ambassador Svanikier chaired the ECOWAS group at UNESCO from 2014 to 2015 and successfully campaigned to win Ghana a seat on the Executive Board.

She is a non-executive director of Fidelity Bank Ghana and Fidelity Asia Bank where she initiated and chairs the subcommittee on Remuneration and Staff Welfare. She also initiated the Fidelity Bank Women's Forum which has evolved into the Orange Women's Network and has inspired other institutions to follow. In 2012, she was appointed to serve as a Commissioner on the National Development Planning Commission (NDPC). She has served on the Petroleum Revenue Advisory Commitee of the Ministry of Finance and on the Advisory Board of the Ministry of Lands and Natural Resources under two different administrations. She was appointed to the board of the National Commision on Culture in 2017 and has been invited to sit on the Council of Patrons of the Ghana Culture Forum. She is also a member of the Board of the Economic Club of Ghana.

Ambassador Svanikier is a barrister by profession. She was called to the Bar in England and Wales at the Inner Temple. She is also Solicitor and Advocate of the Supreme Court of Ghana. She has previously been a university lecturer and legal and development consultant. She is the founder and first Director of the Human Rights Study Centre at the University of Ghana, Legon. She holds Bachelors and Masters Degrees in law from the London School of Economics, UK, a Masters in Public Administration from Harvard Kennedy School, U.S.A. and a Masters in Political Science and International Relations from the University of Oxford, U.K. She was a Fulbright Scholar at Harvard University. She is the author of several publications including "Womens' Rights and the Law in Ghana."

Ambassador Svanikier is a regular speaker at conferences and events on the value and socioeconomic benefits of promoting and investing in heritage and culture.

Emmanuel Barima Manu LLB
Non Executive Director

Emmanuel Barima Manu, holds a Masters Degree in International Commercial Law and is a co-founding member and Managing Partner of Bari & Co. He has extensive experience in corporate, investment and commercial practice including negotiating complex commercial and business contracts and other varied agreements. Mr. Manu was called to the Ghana Bar in October 1989 and has worked with other firms like Naoferg Chambers and Law Trust Company.

Mr. Manu has advised many clients on commercial transactions, contracts, corporate business and energy and oil and gas laws including Springfield E & P Limited, Asky Airlines, African Gold Group Inc(Canada), Bulk Oil Storage and Transportation Company Limited, Elmina Beach Resort, Millicom Ghana Limited, Allterrain Services Ghana Limited, Minexco Petroleum Limited, Sonitra Ghana Limited, Cayco Ghana Limited, West Africa Diamonds Company Limited(Nevada, U.S.A), Atholl Energy Limited and Altrom Ltd, (Switzerland). He has also represented Fidelity Bank Ghana Limited on numerous occasions as Lead Legal Adviser.

Mrs. Adwoa Nyantakyiwa Annan
Non Executive Director

Mrs. Adwoa Annan is the co-founder of Geothermal Management Services Ltd, a green technology company. She is also a non-executive director of Waveline Growth Partners Limited, a finance company in Nigeria and a consulting Advisor at Alfie Designs, a garment manufacturing company.

Prior to that, Mrs. Annan had a successful 30 year career in the financial services sector having worked in both the main stream banking and microfinance sectors. She has extensive experience in banking operations, customer service, sales management and strategic management.

She started her career with Barclays as a management trainee where she worked for 23 years, holding various senior management roles in operations, internal audit, branch management and business development. Following a passion to empower women, she joined Women's World Banking in 2007 as the Chief Operations Officer overseeing all aspects of business strategy growth with specific concentration on the banking operations, credits, IT, Human Resources and Administration units. In 2011, she became the CEO and voluntarily retired after 4 years of implementing a successful turnaround program.

She holds an International Baccalaureate diploma from United World College of the Atlantic (U.K), a Bachelor's Degree in Economics from the University of Kent at Canterbury (UK) and a professional graduate diploma in management (International Professional Managers Association). She is also a graduate member of the Chartered Institute of Administration and Management Consultancy.

## Ms. Aliya Farah Shariff
Non Executive Director

Aliya is a Director of Investments at Kagiso Tiso Holdings (KTH) a leading African investment holding company based in South Africa. She is a member of KTH's Executive Committee and leads the firm's international (ex-South Africa) investments.

Aliya has led numerous investments across West and East Africa, in a variety of sectors including financial services, healthcare, cement, power and transportation infrastructure. Prior to KTH, Aliya was a Vice President at Africa Finance Corporation where she worked from 2008-2013.

Aliya holds a Master's in Business Administration from Harvard Business School, USA and a Bachelor of Arts from Princeton University, USA.

## Mrs. Laureen Kouassi-Olsson
Non Executive Director

Laureen Kouassi-Olsson is Investment Director at Amethis. She heads Amethis' practice in the Financial services industry in Sub-Saharan-Africa as well as Amethis regional office based in Abidjan.

Mrs. Kouassi-Olsson is responsible for Amethis' investment strategy in the financial sector, including the sourcing, structuring and supervision of deals execution as well as the management of the Financial Institutions investment portfolio.

As part of her duties, she serves as board member for different blue-chip financial institutions on the continent: the NSIA Group, Regional Banking Insurance Group in Western & Central Africa; Fidelity Bank, 4th largest bank in Ghana; Ciel Finance Limited, diversified financial platform based in Mauritius.

She is deeply involved in the governance of these institutions, sitting at their respective Strategic and Risk Committees. She indeed for instance chairs the Risk Committee of Fidelity Bank, Ghana's largest indigenous independent bank.

Mrs. Kouassi-Olsson also oversees Amethis West Africa, Amethis' investment vehicle dedicated to Francophone, Western and Central Africa, for which she leads the structuring and fund raising. She is thus responsible for the monitoring of Amethis' major investments in the region, and especially in Côte d'Ivoire.

Mrs. Kouassi-Olsson is founding member and General Secretary of the Ivorian Venture Capital Association created in 2017 and gathering the main actors of the Private Equity in Côte d'Ivoire.

Finally, Mrs Kouassi-Olsson is personally involved in various initiatives promoting women Empowerment, fostering entrepreneurship and philanthropy on the continent.

Prior to joining Amethis in 2013, Mrs. Kouassi-Olsson was Investment Officer in the Financial Institutions Group of Proparco, based in Paris, where she was responsible for the appraisal and structuring of investment opportunities in the Sub-Saharan Africa financial services industry.

Previously, she worked in Mergers and Acquisitions for Lehman Brother's Investment Banking Department in London.

Mrs Kouassi-Olsson holds dual French and Ivorian citizenship.

# Our EXECUTIVE COMMITTEE and overall management is comprised of prominent individuals with a diverse range of relevant skills to guide and support our vision of becoming a world class financial institution that provides superior returns for all stakeholders.

Edward is a Chartered Accountant with over 19 years experience in the Financial Services Sector.

He oversees the Finance, Banking Operations, Business Optimization and Corporate Services and Administration Departments, Facilities and Properties Management, Brand and Corporate Communications, Internal Control and Customer Experience. Until his appointment as the Chief Operating Officer, he served in various capacities as Director of Banking Operations and Finance Director.

**Edward Opare Donkor**
Deputy Managing Director
(Operations and Support Functions)

Prior to joining Fidelity as Accounts Officer, he worked at Enterprise Insurance Co. Ltd as a Technical Trainee and at CDH Insurance Ltd as a Senior Accounts Officer.

Edward holds an Executive MBA degree from the University of Ghana Business School and a BA (Hons) in Economics from the same University. He is a member of the Institute of Chartered Accountants, Ghana and has participated in various finance based workshops in both Ghana and overseas including workshops at Harvard and Wharton.

Sam has over 15 years' experience in Financial Markets and Treasury Management, with a strong focus and understanding of Sub-Saharan African markets. He has worked across Africa and in the UK with structuring, origination, trading and execution experience in several African markets including but not limited to Nigeria, Ghana, Kenya, Tanzania, Uganda, Egypt, Ethiopia and Botswana.

He joined Fidelity Bank in October 2016 as Director of Treasury and Markets. In December 2018, Sam was appointed Group Head, Wholesale Banking with responsibility for the banks Corporate Banking, Financial Markets and Treasury, Capital Markets businesses as well as Fidelity Bank's subsidiaries – Fidelity Asia Bank and Fidelity Securities Limited. Sam sits on the board of Fidelity Securities Limited.

**Sam Aidoo**
Deputy Managing Director
(Wholesale Banking)

Prior to joining Fidelity Bank, Sam worked with Barclays Bank across Africa and in England for 10 years. In his time with Barclays Africa, Sam was initially the Director, Regional Head, Global Markets – Distribution looking after the North Africa and East African region out of Nairobi-Kenya and subsequently looking after the West African business out of Lagos Nigeria. He started his banking career with Standard Chartered Bank.

Sam is devoted to the continuous growth of businesses and people, with a passion to leaving things better than he found them.

Kwabena joined Fidelity Bank in August 2017 as Divisional Director, Corporate & Investment Banking with 16 years experience in the Banking Industry.

Prior to joining Fidelity, he was Head, Commercial Banking and member of the Executive Committee of Standard Chartered Bank Ghana Ltd. He joined Standard Chartered Bank in 2006 as Senior Relationship Manager, Corporate Banking and rose through the ranks to become General Manager, SME Banking and Head, Local Corporate.

He has vast experience in the industry especially SME and Corporate Banking. He made significant impact on Standard Chartered Bank Ghana's SME business by developing it to be a major part of the SME franchise in Africa.

**Kwabena Boateng**
Divisional Director,
Corporate Banking

Prior to joining Standard Chartered Bank, he was with The Trust Bank (now Ecobank) and Amalgamated Bank (now Bank of Africa) where he was Senior Relationship Manager, Corporate Banking.

Kwabena practiced Civil Engineering for 6 years before joining the banking industry.

He holds an MBA (Finance) and BSc Civil Engineering from University of Ghana and University of Science & Technology, Kumasi respectively.

## Nana-Esi Idun-Arkhust
Divisional Director,
Retail Banking

Nana Esi Idun-Arkhurst is a Chevening Scholar and currently the Divisional Director for Retail Banking at Fidelity Bank where she is responsible for leading the Bank's strategy to address the financial needs of Individual, SME and Commercial Banking clients. She joined Fidelity Bank in November 2016, as the Director for Commercial and SME Banking.

Prior to joining Fidelity Bank, Nana Esi worked with Standard Chartered Bank for 12 years. She joined the Bank in 2003 on the International Graduate Program after National Service. After the 2 year international training she took up various roles in Commercial and SME Banking and in 2012 moved to the regional office in Dubai as the Regional Product Manager for Wealth Management, Africa. In 2014, she progressed to become Regional Head of Bancassurance for Africa, managing the Bancassurance business across 8 markets in East, West and Southern Africa. She has traveled to 18 countries and worked in 14 of these markets.

She holds a BSc. in Chemical Engineering from the Kwame Nkrumah University of Science and Technology. She holds an MBA from the University of Edinburgh Business School where she was awarded the School's 25th Anniversary Scholarship as well as the Chevening Scholarship.

## George Mensah
Group Chief Information Officer

George has worked in the IT world for the past twenty five years in various capacities and management levels. He is an experienced IT professional who has worked with Multinational companies like Deloitte and Touch Consultants, Standard Chartered Bank Ghana Limited, and Stanbic Bank Ghana (a member of the Standard Bank Group) where he held various positions within the Technology and Operation units.

He was the Regional Chief Information Officer (West Africa) for Standard Bank Group prior to joining Fidelity Bank.
He holds a Bachelor of Science degree in Computer Science, an Executive Master of Business administration Degree (EMBA) in Entrepreneurial Management, a certificate in Corporate Governance and a member of the Ghana institute of Directors. He brings a wealth of experience to provide strategic vision, IT governance, Operational leadership and Technology solutions for the Fidelity Bank Group.

Shirley - Ann Awuletey - Williams joined Fidelity Bank in May 2008 as a Corporate Account Manager responsible for the Manufacturing & Distribution Desk in the Corporate Banking Department. She was transferred to the Risk Management Department as the Acting Head in January 2009 and is currently the Chief Risk Officer.

Prior to joining Fidelity, Shirley-Ann worked with Merchant Bank (Ghana) Limited (now UMB Bank) for 13 years in various departments/roles including Domestic Banking, Foreign Operations, Corporate & Institutional Banking and SME Banking. She also managed the Credit Analysts Unit as well as the Business Support function and was a Senior Relationship Manager responsible for various account portfolios. With over 24 years of experience in banking, her core competencies include Account Relationship Management, Credit Analysis & Monitoring and Risk Management.

**Dr. Shirley-Ann Awuletey-Williams**
Chief Risk Officer

Shirley-Ann holds a Doctorate Degree in Business Administration and a Masters Degree in Applied Business Research both from SBS Swiss Business School. She also holds an MBA (Finance) from the University of Leicester School of Management, UK and BSc. (Hons) Agricultural Economics from the University of Ghana, Legon. She is a Chartered Banker and an Associate Member of the Chartered Institute of Bankers, Ghana.

Atta Gyan is the Chief Financial Officer of Fidelity. He is a hands-on executive with over sixteen years of experience in financial and corporate strategy, financial risk management, financial analysis and reporting, budgeting and forecasting, mergers and acquisitions, banking operations, audit and control. Atta joined Fidelity Bank in September 2007 and held many senior roles in Audit and Finance before he was appointed Finance Director in March 2016 and subsequently named Chief Financial Officer in September 2019.

Atta began his banking career at SG-SSB Ltd (now Société Generale Ghana) as an Inspector after a stint at Ghana Airways. At SG-SSB, he was a key member of the task force of Operations and Control staff that led the bank's transition from a locally controlled bank to a foreign owned entity.

**Atta Yeboah Gyan**
Chief Financial Officer

Prior to joining Fidelity Bank, he worked at Multimedia Group Ltd as the Finance Manager for Joy FM. In that role, he set up the Finance function at the station, coordinated the station's strategy and budget, and had oversight responsibility for credit control and client service.

Atta is a certified Financial Risk Manager (FRM®) and a member of the Global Association of Risk Professionals (GARP), USA. He is a Chartered Accountant and a member of the Institute of Chartered Accountants, Ghana. He holds a Masters degree in Finance and a Bachelors degree in Accounting from the University of Ghana Business School, Legon. Atta also holds a post-chartered diploma certificate in International Financial Reporting Standards (IFRS).

Maataa Opare
Group Head of Legal & Company Secretary

Maataa's career in Fidelity began as a Legal Officer, Legal Counsel, then Head of Legal and Company Secretary. Prior to joining the Bank she was a Specialist Contract Manager at Santander Private Banking UK where she provided astute legal guidance to its offshore entity, share dealing service and private banking. The previous six years were spent in Bank of Cyprus UK where she was instrumental in effecting changes brought in by the Consumer Credit Act and the Payment Services Directive. Maataa has had over fourteen years of experience as an in house lawyer in financial institutions and has also worked in Property Litigation and Product Liability in Hogan Lovells, London. As a Solicitor of the Supreme Court of England & Wales and called to the Bar in Ghana, she is dual jurisdiction qualified.

Maataa holds a Bsc in Politics and International Relations from the University of Southampton. She also took the CPE and Legal Practice Course at the College of Law, Store Street. Her Post-Call was completed at the Ghana School of Law. She was recently awarded the Best Achiever in Legal Services Award, Banking Category and inducted into the Ghana Feminine Hall of Fame for her outstanding contributions and achievements in the banking industry. She has been named as one of Ghana's Top 100 Inspirational Women and has also received an Honorary Award for her contribution and support towards the growth and development of young people through the Head of State Award Scheme under the Duke of Edinburgh's International Award scheme.

Owusu Boahen
Director, Human Resources

Owusu is an experienced HR professional with a passion for excellence and a good background in the implementation of HR change initiatives aligned to business objectives. Owusu has over 15 years of HR experience in the Banking industry. He joined Fidelity Bank in 2013 as a Human Resources Business Partner for Retail Banking and later as a Business Partner for our Corporate and Investment Banking department. Owusu was a vital player in the Human Resources team that helped build the required HR infrastructure to support the Bank's growth agenda. Prior to joining Fidelity Bank, Owusu worked with Barclays Bank Ghana in various capacities in the Human Resources Department. He joined Barclays Bank Ghana in 2005 and rose through the ranks to later become an HR Business Partner to nine key departments. He is a Member of the Society for Human Resource Management (SHRM), USA, and an associate member of the Institute of Human Resource Management Practitioners, Ghana. Owusu holds an MPhil in Industrial/ Organizational Psychology from the University of Ghana, Legon.

# **Together**, we're touching lives

## Innovative Financing Initiatives

### Catalysing Water, Sanitation & Hygiene (WASH) from Possible to Profitable (P2P) Project

Fidelity Bank continued with its responsible impact activities by enabling increased Access to Finance (A2F) in the Water, Sanitation & Hygiene (WASH) sector, with funding from the Embassy for the Kingdom of Netherlands (EKN). The P2P project recorded improved outcomes as of year-end 2019, on the back of active financing activity by Fidelity Bank and technical support delivered by its implementing partner, Netherlands Development Organization (SNV). Leveraging on the unique tenets of our innovative lending instrument, the WASH portfolio was expanded significantly to provide GH¢17m (USD 3.4m) in direct and indirect concessionary loans, representing 86% growth in comparison to results from 2018. Tactical acquisition strategies enabled the Bank to provide newly on-boarded Small & Medium Enterprises (SMEs) with working capital support for their WASH businesses; finance construction of WASH infrastructure for Educational & Health Institutions and admit new Households (HHs) through Financial Intermediaries aligned to the Bank's social, environmental and financial inclusion mission. In terms of reach, over 30,000 lives were touched across the Water, Sanitation and Hygiene value chain.

## Improving Access to Quality Healthcare with Medical Credit Fund (MCF)

Healthcare remained a key focus area for Fidelity Bank in 2019. Businesses along the broad spectrum of the SME health value chain made cost savings using credit of about GH¢ 25m (USD 5m) disbursed from the Bank's counter party funding arrangement with Medical Credit Fund (MCF) since inception. Whiles deepening sector footprint and developing internal expertise, partner strengths were consolidated further to explore innovative ways of achieving inclusive healthcare; upscale access to markets and reduce the dependency in the use of cash for payments by Health facilities catering for underserved communities. This objective influenced joint launching of the novel Med4All program in 2019, expected to have deep rural outreach. The Med4All program will host a digital market place to connect over 300 Health facilities of the Christian Health Association of Ghana (CHAG), to credible Pharmaceutical companies for supply of medicines and consumables.

## Orange Corners:

Helping Youth Enterprises realize scale up opportunities

In line with the Bank's long term youth development strategy and objective to impact the UN Sustainable Development Goals, Fidelity Bank joined other corporate partners and the Embassy for the Kingdom of Netherlands (EKN), to launch EKNs Ghana chapter of their Orange Corners programme. The programme runs an Accelerator to build the capacity of Youth Enterprises and provide low cost financing where necessary, using a revolving fund mechanism developed and managed by Fidelity Bank. Fourteen (14) Young Entrepreneurs were admitted into the programme as the 1st cohort, and are expected to benefit from funding of about EUR 250,000 provided by the programme's Innovation Fund.

## Smart Agric Finance

To address the challenges historically faced by smallholder farmers (SHF) in accessing financial services in traditional financial markets in Ghana, the Inclusive Banking Unit of the Bank, commenced the Smart Agri-Finance (SAF) project aimed at eliminating the shortcomings of traditional banking in Ghana by accelerating access to financial services to SHF in Upper West, Upper East and Northern Region. The project leveraged Agency Banking and financial products (i.e. Smart Account, Smart Goal) developed by Inclusive Banking to expand access to financial services to benefit SHF in the selected regions. The overall improved access to financial services (bank accounts, savings, withdrawals, and transfers) using products from IB along with a well-designed financial literacy program on mobile banking and building a savings culture, has improved efforts towards agriculture commercialization among smallholder farmers in the three northern regions (Northern, Upper East and Upper West). Over 5,800 farmers, 2,165 of whom were females, bought and used farm inputs such as seed, fertilizer and weedicides using their savings on the Smart account. While others paid for services such as hired labor for planting, fertilizer application, weed control, transport of farm produce and harvesting and storage. This promoted timely agronomic practices and, in an environment, where rainfall pattern is erratic, timely application of farm practices becomes key to mitigate risk associated with climate change. Through improved savings 890 women were able to purchase labor saving equipment such as treadle water pumps to lift water for dry season gardening, small scale processing equipment and animal drawn implements for the transport of farm produce. For the first time in the lives of 2,165 women, they owned mobile phones and can now perform mobile banking transactions via USSD (i.e. *776#). The mobile phones did not only improve their access to financial services, but also bridged the digital divide among women in the selected regions. The project has opened Smart accounts for 10,230 SHF with total savings of GH¢ 2.5m as at year end 2019. As part of the project intervention, Inclusive Banking rewarded 990 SHF (65% women) with 1,600 bags of fertilizer and 700 bottles of weedicides because of their improved average account balance in 2019.

## Charity @ Work

As part of its Charity @ work program, some staff of the Bank from across the regions also embarked on CSR projects as their way of giving back to the communities in which they operate

The Accra West Sector heeded to the call of the Ghana National Police Training School (GNPTS) to convert their 12 year old uncompleted library block into an ultramodern classroom block for the school. Through their contributions, they were able to convert the old classroom block into the desired ultramodern block at a cost of GH¢ 50,000 for the GNPTS

The Tamale Branch of the Bank also made a donation to the Tamale Central Prisons as part of their annual Corporate Social Responsibility (CSR).

The team generously donated items including; a double door refrigerator, assorted food items and drinks, praying accessories, soap and sanitary products worth GH¢ 7,000 which was funded from staff personal contributions.

Adum Post branch donated chairs and hospital materials to the emergency unit at the Komfo Anokye Teaching Hospital (KATH). Adum PZ branch also went to the aid of five (5) mothers at the Mother and Baby unit of KATH by paying their bills for them to be discharged.

Adum Main branch donated stationery to the Adum Presby Primary and JHS, whilst the Atonsu branch donated a fridge to the Kumasi South Hospital. Nkawkaw branch also donated toiletries to the Holy Family Hospital in Nkawkaw to cater for the aged.

# 2019 Financial Statements

# Chairman's Statement

Dear Shareholders,

Welcome to the 2020 Annual General Meeting.

It is a privilege to present to you the performance of our bank in 2019 as a business and the expectations for 2020. Overall, I am proud to inform you that Fidelity Bank exceeded its financial objectives and is well placed to compete even better in 2020.

**Operating Environment**

In 2019, global economic growth continued to be dominated by considerable uncertainty related to the US-China trade tensions, unresolved Brexit negotiations, and geopolitical tensions which impacted crude oil prices during the year. These developments heightened policy uncertainties, weighed down on business confidence, dampened investment spending and industrial production, and resulted in a synchronized growth slowdown across major advanced economies. In the October 2019 update of the World Economic Outlook (WEO), the International Monetary Fund (IMF) noted that global growth was expected to moderate from 3.6 percent in 2018 to 3.0 percent in 2019, a 0.3 percentage point lower than the April 2019 projection.

On the domestic front, the Ghanaian economy remained resilient and grew despite some challenges that necessitated a downward revision of the initial 2019 growth projection from 7.6% to 7.1%. The indicators of economic activity exhibited strong trends and were expected to remain fairly robust, supported by expectations of increased oil and gold production and the continued implementation of growth-oriented government flagship projects. On inflation, the three readings published by the Ghana Statistical Service since the release of the rebased Consumer Price Index showed that inflation remained below its central path, closing the year at 7.9%.

2019 was an inflection point in Ghana's banking sector. The Bank of Ghana announced completion of the clean-up of the sector, a necessary regulatory intervention which resulted in the revocation of licenses of 9 universal banks, 386 microfinance & micro credit companies, 15 savings and loans companies, 8 finance houses, and 2 non-bank financial institutions. The 2019 interim results of the banking sector as evidenced in the quarterly publications point to improved solvency, profitability and resilience of the sector, attributable to positive dividends from the clean-up and recapitalisation reforms embarked upon by the regulator.

**2019 Performance**

2019 was a good year for Fidelity Bank, in spite of the challenges and uncertainties that characterized the financial services industry in Ghana. The Bank took important steps towards executing its strategy aimed at fulfilling the vision to become a top 3 bank in Ghana. Each of our three strategic business units (SBUs) – Retail Banking, Corporate & Institutional Banking and Financial & Capital Markets – registered significant growth during the year.

We grew operating income by 31% to end the year at GH¢ 903 million (see Fig. 2 below), and posted a record pre-tax profit of GH¢ 322 million (representing an increase of 33% from the GH¢ 242 million achieved in 2018).

PRE TAX PROFIT (GH¢ MILLION)

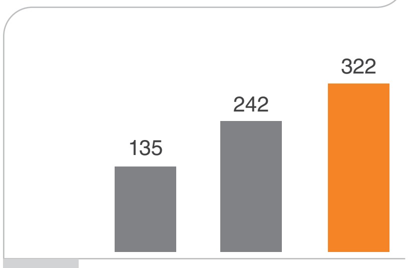



Fig. 1

OPERATING INCOME (GH¢ MILLION)

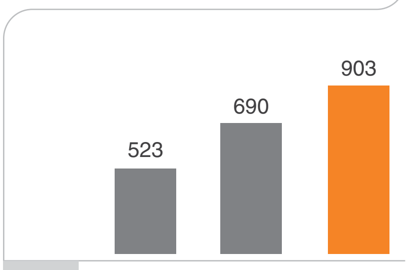



Fig. 2

Our balance sheet (Fig. 3 below) remained robust with a significant year-on-year increase of 49%, crossing the GH¢ 10 billion mark to close the year at GH¢ 10.48 billion (2018: GH¢ 7.02 billion). The growth was funded mainly from a 17% increase in deposits which closed the year at GH¢ 5.22 billion, and short-term borrowings that financed corresponding short-dated investments which were sufficiently hedged to lock in expected contributions.

TOTAL ASSETS (GH¢ BILLION)

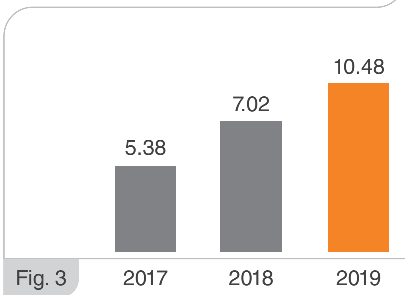



Fig. 3

LOANS & ADVANCES (GH¢ BILLION)

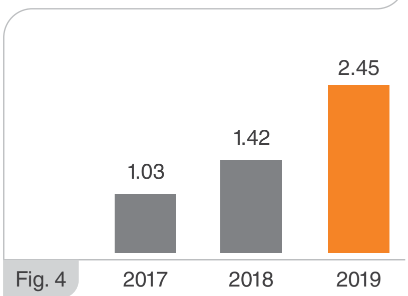



Fig. 4

Our risk asset portfolio grew by 73% to close the period at GH¢ 2.45 billion (2018: GH¢ 1.42 billion). We continued to cherry-pick high quality self-liquidating assets to diversify our loan book and increase its granularity, as we aim to reduce the overall risk profile while growing the portfolio.

DEPOSITS (GH¢ BILLION)

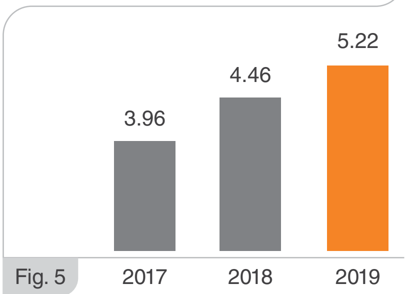



Fig. 5

EQUITY (GH¢ BILLION)

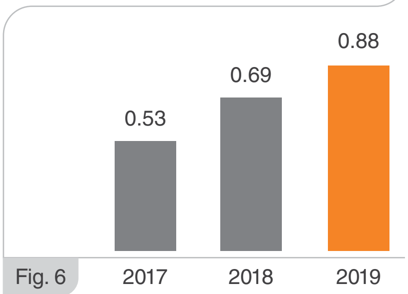



Fig. 6

Shareholder funds (Fig. 6 above) increased by 28% to close the year at GH¢ 0.88 billion as a result of an ROAE of approximately 33% generated during the year. The Bank is sufficiently capitalized for our business mix, size and risk profile, and will continue to execute our medium term strategy and deliver best in class return on equity, while making the appropriate investments in our people and culture to serve our clients, and harnessing current and emerging technologies to our competitive advantage.

## Dividends

The Board has proposed a dividend of GH¢2.37 per share for this year subject to the approval of Bank of Ghana per directive issued in March 2020. This represents a dividend growth of 85% from the 2018 dividend payment of GH¢1.28 per share.

## External Recognition

Our resolve to build a world-class institution and delight our customers by providing them with the best banking products and services, continued to win Fidelity Group several prestigious awards. In 2019, the Bank and its subsidiary, Fidelity Securities Ltd (FSL), won the following awards: The Best Pension Fund Manager of the Year – FSL; The Best Fund Manager of the Year – FSL; Pioneering Mobile Money Partner Bank; Mobile Money Partner Bank Front Runner; Best Bank in Ghana - EMEA Banking Awards in London; and Best Bank in Ghana - The Banker Awards also in London.

These noble awards and many other awards we have received over the years, continue to inspire us to persevere in our efforts to lead the Bank towards even better performance in the years ahead.

## Corporate Governance

In accordance with the new corporate governance directives issued by the central bank and the efforts made towards ensuring full compliance, the Board has nominated Sulemana Abubakar, Lisa Mensah and Harold Richardson for appointment as independent directors.

Sulemana Abubakar is a growth focused, execution oriented IT leader and professional with over 25 years executive and hands-on experience in a multibillion-dollar fortune 10 organization. Sulemana has a track record in establishing project management centers of excellence, and delivering business solutions across the US, Canada, Western Europe, Brazil, Russia and Africa. Sulemana is currently the Chief Executive Officer for General Electric (GE) Ghana and doubles as the Chief Information Officer for GE Africa and the Middle East.

Lisa Mensah is the President & Chief Executive Officer for Opportunity Finance Network, Washington, D.C. where she directs the largest national membership organization of 275 Community Development Financial Institutions (CDFIs) that annually invest over $5 billion in loans to people and communities underserved by traditional financial markets. In November 2014, Lisa was appointed by President Obama and confirmed by the U.S. Senate as Under Secretary, Rural Development, U.S. Department of Agriculture, Washington, D.C., a position she held until January 2017. Lisa has previously held many senior roles in the U.S. financial services sector.

Harold Richardson is an experienced Chartered Accountant and is the Principal of Harry Richardson Consult, Chartered Accountants. Harold has held many senior finance roles in both the private and public sectors in Ghana, including: General Manager, Finance & Administration, Vanef STC Ltd. (now Intercity STC Company); Chief Financial Officer, Regimanuel Gray Ltd; and Deputy Director of Finance, Ghana Airways Ltd.

The experience and expertise of the nominees will further strengthen the Board in areas of business growth & development, risk management, technology & cyber security, leadership and culture. The nominees have been approved by the central bank.

**Conclusion and Outlook for 2020**

As we look to 2020 and beyond, we continue to see multiple opportunities for profitable growth in all parts of our business. As a country and a market, Ghana is strongly positioned in the regional economy, and we are confident in its future. The Board will continue to guide management in executing the Bank's strategy, against the backdrop of increasing competition in the banking sector as 23 well-capitalized banks strive for increased share of wallets and market. We will continue to prioritize investing in innovation, launch new products and seek new businesses and new customers.

I have great confidence in our senior management team, and I am proud of our nearly 1,200 full time employees who deliver for our clients each and every single day. We are excited about the future growth prospects of our Bank.

In 2020, we expect to further our legacy of long-term value creation for our shareholders and deliver another record year through a focused execution of our strategy while providing financial solutions to our customers and improving the lives of our employees and communities.

In conclusion, I would like to thank my fellow directors and the Advisory Board for their ongoing role in Fidelity's success. I would also like to acknowledge the strong leadership of our management team and our hardworking employees for their dedication to creating a leading Ghanaian bank. And finally, on behalf of the Board, I would like to thank you, our shareholders, for your continued support and commitment, as we look forward with passion to the future of greater value creation regardless of how the rest of the banking industry around us fares. We stand apart in our peer group in many ways – and the increasing competition at the moment merely gives us the perfect platform to prove it.

Edward Effah

Edward Effah
Chairman

# Managing Director's Report

Dear Shareholders,

I am delighted to present to you the performance of Fidelity Bank for 2019. Once again, the bank successfully navigated through a challenging economic climate compounded by turbulence in the financial sector to continue in our tradition of delivering remarkable performance.

A contraction in the pace of global economic growth in 2019 to 2.9% from 3.5% largely stemmed from lower than anticipated growth in key emerging market economies, international trade policy uncertainty, and geopolitical tensions. Domestically, steady progress was observed in the Ghanaian economy notwithstanding a number of significant shocks. Ghana's GDP was forecasted to grow by 7.6% at year-end but tailed off due to a significant drop in growth rate of the penultimate quarter of the year (5.6%). Despite the overall lower than expected growth rate, there were positive developments. For the first time in five years, the agriculture sector overtook the services and industry sectors as the biggest driver of growth as it expanded by 5.9%. The inflation rate continued along its general downward trend to stand at 7.9% in December 2019, in comparison to the 2018 rate of 9.4%. This stability of the inflation rate influenced a largely unchanged monetary policy rate. After a reduction of 100 basis points to 16% in January 2019, the policy rate remained unchanged throughout the year. The stability in the monetary policy rate impacted the average interbank rate level which remained stable at 15.2% from Q2 2019. Short-term interest rates also remained fairly stable in 2019.

In Q4 2019, the cedi came under considerable pressure against the three major trading currencies and depreciated by 4.8% against the US Dollar, 13.8% against the British Pound and 6.9% against the Euro.

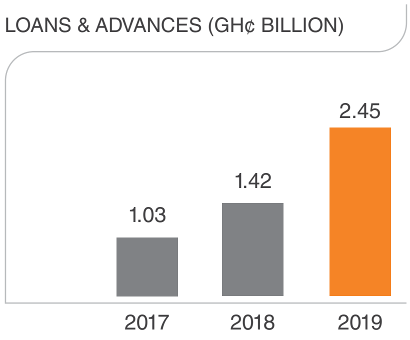
In August 2019, the central bank announced the conclusion of its financial sector clean up exercise which commenced in August of 2017. The exercise saw the revocation of the licenses of over 400 financial institutions including 9 banks, 15 savings and loans companies, 39 microcredit institutions and 347 microfinance institutions at a combined cost of over GH¢12 billion. After a period of turbulence, the market responded favourably to the actions taken by the regulator. Both private sector lending and deposits rebounded and the 23 remaining banks have witnessed significant growth in the profitability of the banking sector.

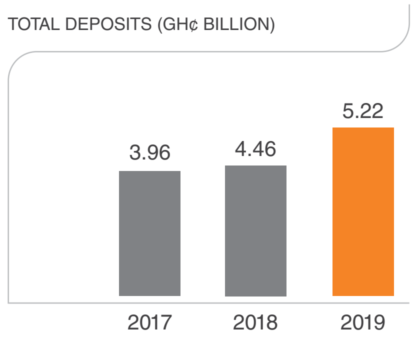
## 2019 Performance

Despite the uncertainties that characterized the country's financial services industry in 2019, the Bank had a rewarding year and exceeded key targets set at the beginning of the year.

**Balance Sheet Analysis**

Fidelity Bank's balance sheet remains one of the largest and strongest in the country. We closed the year with a balance sheet size of GH¢ 10.48 billion, up by 49% from the 2018 asset balance of GH¢ 7.02 billion. This growth is comprised of an 89% increase in cash and cash equivalents to GH¢ 3.32 billion, a 73% increase in the loan book to GH¢ 2.45 billion and a 24% increase in investment securities to GH¢ 4.29 billion. Our growth was largely funded by a 140% increase in borrowings and GH¢ 760 million increase in deposits representing a 17% growth. Total deposits and borrowings reached GH¢ 5.22 billion and GH¢ 4.15 billion respectively at the end of 2019, the total of which represents 98% of the Bank's total liabilities.

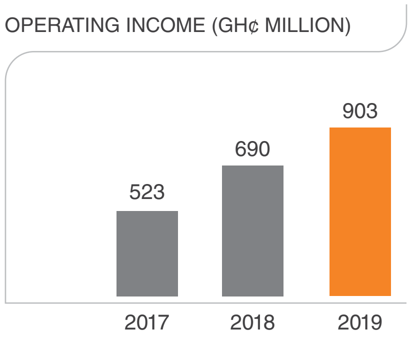


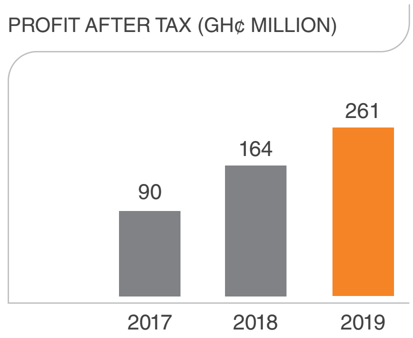




**Income Statement Analysis**

Net interest income grew by 28% (2018: 23%) from GH¢ 501 million in 2018 to GH¢ 641 million in 2019 whilst fee and commission income ended 2019 at GH¢ 140 million. This contributed to a 31% increase in operating income from GH¢ 690 million in 2018 to GH¢ 903 million in 2019. The Bank also benefited from better cost management strategies as cost-to-income reduced further to 52%, down from 56% in 2018.

The year ended with a 33% increase in profit before tax to GH¢ 322 million and a 59% increase in profit after tax to GH¢ 261 million.



## Awards and Recognitions

The Bank received the following prestigious awards as a vote of confidence in us:

- Pioneering MoMo Partner Bank Award – Transaction & Electronic Banking
- MoMo Partner Bank Front Runner Award – Transaction & Electronic Banking
- Best Bank in Ghana - EMEA Banking Awards in London
- Best Bank in Ghana - The Banker Awards in London

## Notable Events

**Appointments**

As part of the Bank's efforts to meet our strategic objectives and help provide the right level of focus on all our key internal functions, two (2) Deputy Managing Directors were appointed to support the Managing Director. They are:

- Edward Opare-Donkor - Deputy Managing Director (Operations and Support Functions)
- Samuel Aidoo - Deputy Managing Director (Wholesale Banking)

**Technology**

After the successful completion of a 5-year strategic partnership with IBM to build world class banking systems, the Bank has engaged the services of two new partners (Profinch and Ostec) to build upon the solid foundation left by IBM and support our digital transformation agenda.The partnership with IBM was a boon for the bank and successfully enhanced our systems and developed our internal capacities. Due to the engagement, Fidelity is better positioned to deliver faster and more robust IT solutions, making us highly competitive within the financial sector and I would like to express my sincere appreciation to the executives and staff of IBM for the partnership with the Bank over the years. To ensure that the Bank enhances its already strong geographical presence and banking experience, we continue to invest in our branch network while leveraging the benefits of modern technology. Accordingly, the Bank opened two new ultramodern digital branches at East Legon and the Kwame Nkrumah University of Science and Technology (KNUST) campus to serve residents and surrounding businesses; this increased the number of digital branches to four.

In addition to the above, the Fidelity Mobile App was re-launched with a new user interface and added functionality to offer our customers a more intuitive and robust online banking experience.

**Brand Campaign**

In October 2019, the Bank launched its momentous brand campaign dubbed "Together we're more". This was designed to reinforce our core belief that at Fidelity Bank, our success is driven by working with our customers, we can do amazing things, because "together we're so much more".

## 2020 Outlook

Our journey to achieve our mission of becoming an established top 3 bank in Ghana by 2021 based on all key performance indicators" is well on track. We are however, acutely aware of the unique challenges posed by global and domestic developments in 2020.

The effect of the novel coronavirus disease 2019 (COVID-19), which was declared a global pandemic by the World Health Organization (WHO) in March 2020, has been stark. The ratings agency Fitch forecasts a 1.9% contraction in the global economy while the Ghanaian Ministry of Finance adjusted Ghana's expected growth to 1.5% from an initial 6.8%. The expected impact of COVID-19 on the financial services sector includes the following: threat to the health and safety of employees; increased volatility in the value of financial instruments; asset impairment and increased allowance for expected credit losses; funding and liquidity risks; interest rate and foreign exchange risks; reductions in earnings and profitability; and delays in planned business expansions. The Bank has thoroughly assessed the potential impact of the pandemic and has put in place measures to mitigate the risks to its day-to-day operations and to secure its employees with the aim of securing employee safety and maintaining the channels and platforms to service our customers.

On the regulatory side, the Bank of Ghana has announced a raft of policy measures aimed at mitigating the impact of the pandemic on the Ghanaian economy, including a 150 basis point cut in the policy rate which now stands at 14.5%, a 200 basis point reduction in the cash reserve requirements of commercial banks to 8% and a drop in the capital conservation buffer to 1.5%, effectively reducing the minimum capital adequacy ratio of 13% to 11.5%.

## Conclusion

The success story of Fidelity Bank has been because of the immense support and contributions from the Banks's Board and shareholders, the exceptional leadership from management and the high level of dedication and enthusiasm exhibited towards work by employees in achieving our strategy. I would like to thank all contributors for playing key roles in this success story.

Indeed, the Bank is poised to work even harder to achieve much more in 2020 and beyond.

Julian Opuni
Managing Director

# Report of the Directors

The Directors submit their report together with the audited financial statements of the Bank and its subsidiaries, together called the Group, for the year ended 31 December 2019.

**Statement of Directors' responsibility**

The Bank's Directors are responsible for the preparation and fair presentation of the audited financial statements comprising the statements of financial position at 31 December 2019, the statements of comprehensive income, the statements of changes in equity, statements of 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 (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 Directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**Going Concern**

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. Therefore, the financial statements continue to be prepared on the going concern basis.

**Principal activities**

The company operates as a Bank under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

**Nature of business**

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

**Holding company**

Fidelity Bank Ghana Limited, a company incorporated in Ghana, wholly owns Fidelity Securities Limited and Fidelity Asia Bank Limited.

Fidelity Securities Limited (FSL), a company incorporated in Ghana, is the investment banking arm of the Bank. FSL's business involves providing advisory services, fund management, issuance of securities and publishing analysis and reports concerning securities for clients.

Fidelity Asia Bank Limited (FABL) is a company incorporated in Malaysia and carries on the business of offshore banking.

**Particulars of entries in the interest register**

The Directors do not have any interest to be entered in the interest register during the year.

**Corporate Social Responsibility**

Fidelity Bank continued with its responsible impact activities by enabling increased access to Finance (A2F) in the Water, Sanitation & Hygiene (WASH) sector, with funding from the Embassy of the Kingdom of the Netherlands (EKN). The P2P project recorded improved outcomes as of year end 2019, on the back of active financing activity by Fidelity and technical support delivered by its implementing partner, SNV Netherlands Development Organization (SNV). Leveraging on the unique tenets of our innovative lending instrument, the WASH portfolio was expanded significantly to provide Gh¢ 17 million (USD 3.4 million) in direct and indirect concessionary loans, representing an 86% growth in comparison to results from 2018. In terms of reach, over 30,000 lives were touched across the Water, Sanitation and Hygiene value chain.

Healthcare remained a key focus area for Fidelity Bank in 2019. Businesses along the broad spectrum of the SME health value chain made cost savings using credit of about Gh¢ 25 million (USD 5 million) disbursed from the bank's counter party funding arrangement with Medical Credit Fund (MCF) since inception. Whilst deepening sector footprint and developing internal expertise, partner strengths were consolidated further to explore innovative ways of achieving inclusive healthcare.; upscale access to markets and reduce the dependency in the use of cash for payments by Health facilities catering for underserved communities. This objective influenced the joint launching of the novel Med4All program in 2019, expected to have deep rural outreach. The Med4All program will host a digital market place to connect over 300 Health facilities of the Christian Health Association of Ghana (CHAG), to credible Pharmaceutical companies for supply of medicines and consumables.

**Directors' capacity building**

During the year, the Bank spent Gh¢ 69,171 to build Directors' capacity to equip them to discharge their duties.

## Financial report and dividend

All amounts are expressed in thousands of Ghana cedis

The results for the year are set out below

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit after tax (attributable to equity holders) | 267,657 | 169,927 | 260,927 | 163,717 |
| Retained earnings account brought forward | 38,179 | 38,546 | 32,775 | 39,344 |
| IFRS 9 transition adjustments | - | (3,228) | - | (3,220) |
| Transfer between reserves | (176) | - | (60) | - |
| | 305,660 | 205,245 | 293,642 | 199,841 |
| Transfer to statutory reserve fund | (65,232) | (40,929) | (65,232) | (40,929) |
| Transfer from/(to) credit risk reserve | 20,207 | (8,871) | 20,207 | (8,871) |
| Transfer to stated capital | - | (70,000) | - | (70,000) |
| Tax charge on transfer | - | (5,600) | - | (5,600) |
| Ordinary share dividend paid | (32,250) | (17,637) | (32,250) | (17,637) |
| Preference share dividend paid | (40,670) | (24,029) | (40,670) | (24,029) |
| Balance to be carried forward | 187,715 | 38,179 | 175,697 | 32,775 |

**Auditor**

There was no audit fee payable as at the date of this report.

In accordance with Section 139(5) of the Companies Act, 2019 (Act 992), the Auditor, Ernst & Young Chartered Accountants, will continue in office.

The financial statements of the Bank and the Group were approved by the Board of Directors on 4 March 2020 and signed on their behalf by:

BY ORDER OF THE BOARD

Edward Effah
Board Chairman

Julian Opuni
Managing Director

# Corporate Governance Report

Fidelity Bank Ghana Limited and its Subsidiaries operate in accordance with the Fidelity Group principles and practices on corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance which constitutes the best of international practice in this area.

The key guiding principles of the Group's governance practices are:

i. Good corporate governance enhances shareholder value;
ii. The respective roles of shareholders, boards of directors and management in the governance architecture should be clearly defined; and
iii. The board of directors should have majority membership of independent directors, defined broadly as directors who are not employed by the group or company, or who are not affiliated with organisations with significant financial dealings with the group.

These principles have been articulated in a number of corporate documents, including the company regulations, a corporate governance charter, rules of procedures for Boards, a code of conduct for directors and rules of business ethics for staff.

## The Board of Directors

The Board is responsible for setting the institution's strategic direction, leading and controlling the institution and monitoring activities of the executive management.

As of 31 December 2019, the Board of Directors of Fidelity Bank Ghana Limited consisted of one Executive Director with the remaining being Non-Executive Directors. The board members have wide experience and in-depth knowledge in management, industry and financial and capital markets which enables them to make informed decisions and valuable contributions to the Group's progress. The Board met five times during the year.

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the strategic objectives, risk strategy, corporate governance and corporate values. The Board is responsible for appointing and providing oversight of senior management and ensures a well-structured and rigorous process in line with the Fit and Proper Persons Directive 2019 are in place. These responsibilities are set out in the Board Charter. Pursuant to section 12 of the Corporate Governance Directive 2018, the Board hereby certificates that it has complied with the contents of the Directive. The Board further certifies that:

i. The Board has independently assessed and documented the corporate governance process of the Bank and has generally achieved its objectives.
ii. The Directors are aware of their responsibilities as persons charged with governance.
iii. The Board further confirms that it shall report any material deficiencies and weaknesses that have been identified in the course of the year along with action plans and time tables for the corrective action by the Board to the Bank of Ghana.

The Board has delegated various aspects of its work to its Audit, Risk, Cyber & Information Security And Technology, and Staff Welfare and Remuneration Committees in order to strengthen its corporate governance and bring it in line with international best practice with the following membership and functions:

## Audit Committee

| | |
|---|---|
| Emmanuel Barima Manu | Chairman |
| Aliya Shariff (Alternate:Mbonisi Danisa)* | Member |
| Laureen Kouassi-Olsson | Member |

*Alternate Director, Mbonisi Danisa represented Aliya Shariff in meetings during the year

The Audit Committee is made up of non-executive directors and performs the following functions among others:

• Nominates the auditors of the Bank for approval by shareholders;
• Review of compliance with company policies;
• Review of the external auditors report; and
• Review of internal controls and systems.

## Risk Committee

| | |
|---|---|
| Laureen Kouassi-Olsson | Chairperson |
| Aliya Shariff (Alternate: Mbonisi Danisa) | Member |
| Adwoa Nyantakyiwa Annan | Member |

The Risk Committee is made up principally of non-executive directors and performs the following functions among others:

• Challenge the assessment and measurement of key risks of the institution;
• Provide advice, oversight and the encouragement necessary to embed and maintain a supportive risk culture throughout the institution;
• Provide high level oversight and critique of the day-to-day risk management and oversight arrangements of senior management;

• Provide high level oversight and critique of the design and execution of the scenario analysis and stress-testing of the institution;
• Review the internal capital adequacy assessment and internal liquidity adequacy assessment of the institution;
• Review the external risk information disclosures including annual report and accounts and quarterly disclosures of the institution; and
• Provide oversight and critique of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the board.

## Staff Welfare & Remuneration Committee

| | |
|---|---|
| Ambassador (Mrs.) Johanna Svanikier | Chairperson |
| Emmanuel Barima Manu | Member |
| Julian Kingsley Opuni | Member |

The Staff Welfare and Remuneration Committee's main responsibility includes proposing and making recommendations on human resource issues and matters relating to terms and appointment of senior management and staff of the Bank.

The Board has adopted standard evaluation tools to help assess annually the performance of the Board, its committees and individual members.

## Cyber & Information Security And Technology Committee

| | |
|---|---|
| Adwoa Nyantakyiwa Annan | Chairperson |
| Ambassador (Mrs.) Johanna Svanikier | Member |
| Edward Effah | Member |
| Julian Kingsley Opuni | Member |

The Cyber & Information Security And Technology Committee is mandated to:

• Provide long term strategic guidance on technology;
• Oversee major information technology (IT) related strategies, projects and technology architecture decisions;
• Monitor whether the Bank's IT programs effectively support its business objectives and strategies;
• Confer with the Bank's senior IT management team;
• Inform the Board of Directors on IT related matters.
• Receive and assess Cyber Security Reports rendered by the Chief Information Security Officer and develop strategic direction on the Bank's cyber security policy for implementation by the Chief Information Security Officer.
• Monitor the effectiveness of the Bank's preparedness to withstand cyber-attacks and make recommendations to the Chief Information Security Officer for implementation.
• Keep the Board informed and updated on the Bank's Cyber Security strategy and direction.

## Profile of Directors

| Director | Qualification | Position | Other Board Membership and Management Positions |
|---|---|---|---|
| Edward Effah | Chartered Accountant | Chairman | Unilever Ghana Ltd<br>Edam Simply Healthy Foods Ltd<br>Fidelity Securities Ltd<br>Fidelity Asia Bank |
| Johanna Svanikier | Lawyer | Director | Svani Group Ltd<br>Darke Research Ltd |
| Emmanuel B. Manu | Lawyer | Director | Bari & Co.<br>Law Trust Company<br>Innovate Solutions Limited<br>Darke Research Ltd |
| Laureen Kouassi-Olsson | Investment Analyst | Director | Amethis West Africa |
| Aliya Shariff | Investment Analyst | Director | Kagiso Tiso Holdings (Proprietary) Ltd |
| Adwoa N. Annan | Economist/Banker | Director | Geothermal Management Services Ltd<br>Waveline Growth Partners Ltd |
| Julian Kingsley Opuni | Banker | Director | Admiral Homes Company Ltd |

## Schedule of Board And Board- Sub Committee Meetings Held During The Year

| Directors | Board of Directors | | | |
|---|---|---|---|---|
| | Role | Year appointed | Number of Meetings | Attendance |
| Edward Effah | Chairman | 2016 | 5 | 5 |
| Johanna Svanikier | Director | 2009 | 5 | 5 |
| Emmanuel Barima Manu | Director | 2013 | 5 | 5 |
| Laureen Kouassi-Olsson | Director | 2018 | 5 | 5 |
| Aliya Shariff (Alternate: Mbonisi Danisa) | Director | 2018 | 5 | 5 |
| Adwoa N. Annan | Director | 2017 | 5 | 5 |
| Julian Kingsley Opuni | Director | 2018 | 5 | 5 |

| Directors | Risk Committee | | | |
|---|---|---|---|---|
| | Role | Year appointed | Number of Meetings | Attendance |
| Laureen Kouassi-Olsson | Chairperson | 18th July 2018 | 4 | 4 |
| Aliya Shariff *(Alternate: Mbonisi Danisa) | Member | 18th July 2018 | 4 | 4 |
| Adwoa N. Annan | Member | 18th July 2018 | 4 | 4 |

| Directors | Staff Welfare & Remuneration Committee | | | |
|---|---|---|---|---|
| | Role | Year appointed | Number of Meetings | Attendance |
| Johanna Svanikier | Chairperson | 10th Sept 2012 | 4 | 4 |
| Emmanuel Barima Manu | Member | 24th April 2013 | 4 | 4 |
| Julian Kingsley Opuni | Member | 26th Feb 2019 | 4 | 4 |

## Schedule of Board And Board- Sub Committee Meetings Held During The Year

| Directors | Cyber & Information Security and Technology Committee | | | |
|---|---|---|---|---|
| | Role | Year appointed | Number of Meetings | Attendance |
| Adwoa N. Annan | Chairperson | 7th Dec 2017 | 4 | 4 |
| Edward Effah | Member | 16th June 2015 | 4 | 4 |
| Johanna Svanikier | Member | 16th June 2015 | 4 | 4 |
| Julian Opuni | Member | 27th Sept. 2017 | 4 | 4 |

| Directors | Audit Committee | | | |
|---|---|---|---|---|
| | Role | Year appointed | Number of Meetings | Attendance |
| Emmanuel Barima Manu | Chairperson | 18th July 2018 | 4 | 4 |
| Laureen Kouassi-Olsson | Member | 18th July 2018 | 4 | 4 |
| Aliya Shariff (Alternate: Mbonisi Danisa) | Member | 18th July 2018 | 4 | 4 |

## Code of Conduct

As part of the Bank's corporate governance practice, management has communicated the principles of the Bank's code of conduct to all employees. The code of conduct provides a basic framework and guidance for behaviours and business conduct. The code of conduct also serves as a reference point in all aspects of employee's working relationships with other employees, customers, suppliers, government officials, regulators, joint venture partners, competitors and the broader community.

## Board Evaluation

The Board hereby certifies that it has complied with section 46 & 48 of the Directive on Board performance evaluation as well as AML/CFT Evaluation. As required in section 47 the Bank will undertake a formal and rigorous evaluation of its performance with external facilitation every two years.

## Anti-Money Laundering

The Bank has established an anti-money laundering system in compliance with the requirements of Ghana's Anti-Money Laundering Act 2008, Act 749. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training of staff on money laundering which assist in reducing regulatory and reputational risk to its business.

# Independent Auditor's Report

## To the Members of Fidelity Bank Ghana Limited

### Report on the Audit of the Financial Statements

**Opinion**

We have audited the consolidated and separate financial statements of Fidelity Bank Ghana Limited (the Bank) and its subsidiaries (collectively ''the Group'') set out on pages 36 to 122, which comprise the consolidated and separate statement of financial position as at 31 December 2019, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2019, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and also in the manner required by the provisions of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit -Taking Institutions Act, 2016 (Act 930).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Fidelity Bank Ghana Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Fidelity Bank Ghana Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The result of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Allowance for expected credit losses on loans and advances to customers** | |
| IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model.<br><br>The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.<br><br>The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since the initial recognition and recognition of impairment could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that takes into account:<br>• The probability-weighted outcome.<br>• Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Bank's Expected Credit Loss includes:<br>• Use of assumptions in determining ECL modelling parameters.<br>• portfolio segmentation for ECL computation<br>• Determination of a significant increase credit risk and<br>• Determination of associations between macroeconomic scenarios.<br><br>The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on loans and advances to customers. Due to the significance of such loans which account for about 23% of total assets of the bank, and the significant use of judgements, the assessment of the allowance for expected credit losses is a key audit matter.<br><br>The information on expected credit losses on loans and advances to customers is provided in Note 14 ''Net impairment loss on financial assets'' of the consolidated financial statements. | We obtained an understanding of the Bank's credit risk modelling methodology.<br><br>We validated and tested the ECL model of the Bank by assessing the data integrity and the internal controls around the model.<br><br>We have also performed, among others, the following substantive audit procedures:<br><br>• Reviewed the accounting policies and framework of the methodology developed by the Bank in order to assess its compliance with IFRS 9;<br>• Verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model;<br>• Reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9, concentrating on aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) ;<br>• Tested the accuracy and completeness of data used in modelling the risk parameter, Recalculating the ECL;<br>• Reviewed forward looking information / multiple economic scenario elements;<br>• For stage 3 exposures, we tested the reasonableness of the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral, estimated period of realisation for collaterals, etc.;<br>• We have also analysed information relating to the allowance for expected credit losses on loans and advances to customers disclosed in the notes to the consolidated and separate financial statements of the Bank. |

**Other information**

The directors are responsible for the other information. The other information comprises corporate information (Directors, Company Secretary, Registered Office, Solicitors and Bankers), Financial highlights, Report of the directors, Corporate governance report, Value added statement and Shareholder information report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the consolidated and separate financial statements**

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992) and the and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

**Auditor's responsibilities for the audit of the consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 controls 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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:

- 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;

- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books;

- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and

- The statement of financial position (consolidated and separate) and statement of profit or loss (consolidated and separate) and statement of other comprehensive income (consolidated and separate) are in agreement with the books of account.

- As auditors, we are independent of the Bank pursuant of Section 143 of the Act 992.

The Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) under Section 85 (2) requires that we report on certain matters. Accordingly, we state that:

- The accounts give a true and fair view of the statement of affairs of the Bank and the results of operations for the year under review;

- We were able to obtain all the information and explanations required for the efficient performance of our duties;

- The transactions of the Bank are generally within the powers of the Bank;

- The Bank has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;

The Engagement Partner on the audit resulting in this independent auditor's report is Pamela Des Bordes (ICAG/P/1329).

EY
Building a better working world

Ernst & Young (ICAG/F/2020/126)
Chartered Accountants
Accra, Ghana

Date: 30 March, 2020

# Consolidated Statement of Comprehensive Income

All amounts are expressed in thousands of Ghana cedis

Year ended 31 December

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | Notes | **2019** | 2018 | **2019** | 2018 |
| Interest income | 8 | **1,052,146** | 792,576 | **1,047,752** | 788,985 |
| Interest expense | 9 | **(397,126)** | (281,195) | **(406,635)** | (288,464) |
| **Net interest income** | | **655,020** | 511,381 | **641,117** | 500,521 |
| Fee and commission income | 10 | **165,509** | 153,194 | **162,376** | 150,149 |
| Fee and commission expense | 11 | **(21,934)** | (15,847) | **(21,919)** | (15,827) |
| **Net fee and commission income** | | **143,575** | 137,347 | **140,457** | 134,322 |
| Other operating income | 12 | **121,725** | 55,378 | **121,350** | 55,603 |
| **Operating income** | | **920,320** | 704,106 | **902,924** | 690,446 |
| Net impairment loss | 14 | **(109,855)** | (59,129) | **(109,854)** | (59,127) |
| Personnel expenses | 13a | **(209,758)** | (158,874) | **(205,211)** | (155,791) |
| Depreciation, amortisation and write off | 13b | **(40,399)** | (23,558) | **(39,794)** | (22,763) |
| Other expenses | 13c | **(230,954)** | (213,616) | **(226,273)** | (210,675) |
| **Profit before income tax** | | **329,354** | 248,929 | **321,792** | 242,090 |
| Income tax expense | 15 | **(45,488)** | (66,796) | **(44,775)** | (66,269) |
| National fiscal stabilisation levy | 15 | **(16,209)** | (12,206) | **(16,090)** | (12,104) |
| **Profit for the year** | | **267,657** | 169,927 | **260,927** | 163,717 |
| **Other comprehensive income that may not be reclassified to the income statement:** | | | | | |
| Net change in investment securities measured at FVOCI | 33 | **(2,564)** | (18,532) | **(2,564)** | (18,532) |
| **Other comprehensive income that may be reclassified to the income statement:** | | | | | |
| Currency translation differences on foreign subsidiary | 33 | **3,142** | 1,465 | **-** | - |
| **Total other comprehensive income** | | **578** | (17,067) | **(2,564)** | (18,532) |
| **Total comprehensive income for the year** | | **268,235** | 152,860 | **258,363** | 145,185 |
| Attributable to owners of Fidelity Bank Ghana Limited | | **268,235** | 152,860 | **258,363** | 145,185 |
| **Total comprehensive income for the year** | | **268,235** | 152,860 | **258,363** | 145,185 |
| **Earnings per share** | | | | | |
| Basic/diluted earnings per share (GH¢) | 29 | **10.60** | 6.73 | **10.33** | 6.48 |

Items in the statement of other comprehensive income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 15.

The accompanying notes on pages 43 to 122 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

[All amounts are expressed in thousands of Ghana cedis]

Year ended 31 December

| | Notes | GROUP 2019 | GROUP 2018 | BANK 2019 | BANK 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 17a | **3,289,253** | 1,746,733 | **3,316,432** | 1,757,719 |
| Derivative financial instruments | 17b | **2,294** | - | **2,294** | - |
| Investment securities | 18 | **4,301,510** | 3,476,583 | **4,291,655** | 3,473,547 |
| Investments (other than securities) | 19 | **-** | - | **12,471** | 12,471 |
| Loans and advances to customers | 20 | **2,503,989** | 1,462,852 | **2,454,186** | 1,419,472 |
| Other assets | 21 | **183,259** | 195,258 | **174,051** | 196,899 |
| Current tax asset | 15 | **-** | 21,692 | **-** | 21,745 |
| Deferred tax asset | 16 | **13,875** | - | **13,791** | - |
| Property and equipment and right-of-use assets | 22 | **164,143** | 110,548 | **163,886** | 110,204 |
| Intangible assets | 23 | **33,704** | 24,592 | **33,306** | 23,766 |
| Non current assets held for sale | 24 | **15,950** | - | **15,950** | - |
| **Total assets** | | **10,507,977** | 7,038,258 | **10,478,022** | 7,015,823 |
| **Liabilities** | | | | | |
| Deposits from customers | 25 | **5,110,289** | 3,983,900 | **4,855,157** | 3,979,129 |
| Deposits from banks and other financial institutions | 26 | **112,351** | 477,210 | **361,626** | 477,210 |
| Borrowings | 27 | **4,146,411** | 1,731,390 | **4,146,411** | 1,731,390 |
| Current tax liability | 15 | **270** | - | **37** | - |
| Deferred tax liability | 16 | **-** | 7,319 | **-** | 7,368 |
| Other liabilities | 28 | **235,268** | 130,366 | **237,743** | 129,121 |
| **Total liabilities** | | **9,604,589** | 6,330,185 | **9,600,974** | 6,324,218 |
| **Equity** | | | | | |
| Stated capital | 30 | **404,486** | 404,486 | **404,486** | 404,486 |
| Statutory reserve | 32 | **292,352** | 227,120 | **292,352** | 227,120 |
| Other reserves | 33 | **18,835** | 18,081 | **4,513** | 7,017 |
| Credit risk reserve | 34 | **-** | 20,207 | **-** | 20,207 |
| Retained earnings | 35 | **187,715** | 38,179 | **175,697** | 32,775 |
| **Total equity attributable to equity holders** | | **903,388** | 708,073 | **877,048** | 691,605 |
| **Total liabilities and equity** | | **10,507,977** | 7,038,258 | **10,478,022** | 7,015,823 |

The accompanying notes on pages 43 to 122 form an integral part of these financial statements.

The financial statements on pages 36 to 122 were approved by the Board of Directors on 4 March 2020 and signed on its behalf by:

BY ORDER OF THE BOARD

Edward Effah

**Edward Effah**
Board Chairman

**Julian Opuni**
Managing Director

# Consolidated Statement of Changes in Equity

[ All amounts are expressed in thousands of Ghana cedis ]

**GROUP**

| Year ended 31 December 2019 | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 404,486 | 227,120 | 18,081 | 20,207 | 38,179 | 708,073 |
| Profit for the year | - | - | - | - | 267,657 | 267,657 |
| Net change in investment securities measured at FVOCI | - | - | (2,564) | - | - | (2,564) |
| Foreign currency translation differences for foreign subsidiary | - | - | 3,142 | - | - | 3,142 |
| Total comprehensive income | - | - | 578 | - | 267,657 | 268,235 |
| **Regulatory and other reserve transfers:** | | | | | | - |
| Transfer to statutory reserve | | 65,232 | - | - | (65,232) | - |
| Transfer from credit risk reserve | - | - | - | (20,207) | 20,207 | - |
| Transfer from other reserves | - | - | 176 | - | (176) | - |
| **Transactions with owners:** | | | | | | |
| Dividend paid (ordinary shares) | - | - | - | - | (32,250) | (32,250) |
| Dividend paid (preference shares) | - | - | - | - | (40,670) | (40,670) |
| Net transfer to reserves and transactions with owners | - | 65,232 | 176 | (20,207) | (118,121) | (72,920) |
| Balance at 31 December 2019 | 404,486 | 292,352 | 18,835 | - | 187,715 | 903,388 |

The accompanying notes on pages 43 to 122 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

[All amounts are expressed in thousands of Ghana cedis]

## GROUP

| Year ended 31 December 2018 | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 264,486 | 186,191 | 35,148 | 18,639 | 38,546 | 543,010 |
| Changes on initial application of IFRS 9 | | | | | | |
| Increase in impairment provisioning | - | - | - | - | (10,531) | (10,531) |
| Transfer between reserves | - | - | - | (7,303) | 7,303 | - |
| Restated balance at 1 January 2018 | 264,486 | 186,191 | 35,148 | 11,336 | 35,318 | 532,479 |
| Profit for the year | - | - | - | - | 169,927 | 169,927 |
| Net change in investment securities measured at FVOCI | - | - | (18,532) | - | - | (18,532) |
| Foreign currency translation differences for foreign subsidiary | - | - | 1,465 | - | - | 1,465 |
| Total comprehensive income | - | - | (17,067) | - | 169,927 | 152,860 |
| **Regulatory and other reserve transfers:** | | | | | | |
| Transfer to statutory reserve | - | 40,929 | - | - | (40,929) | - |
| Transfer to stated capital | 70,000 | - | - | - | (70,000) | - |
| Transfer to credit risk reserve | - | - | - | 8,871 | ( 8,871) | - |
| **Transactions with owners:** | | | | | | |
| Proceeds of share issue | 70,000 | - | - | - | - | 70,000 |
| Taxes paid on transfer to stated capital | - | - | - | - | (5,600) | (5,600) |
| Dividend paid (ordinary shares) | - | - | - | - | (17,637) | (17,637) |
| Dividend paid (preference shares) | - | - | - | - | (24,029) | (24,029) |
| Net transfer to reserves and transactions with owners | 140,000 | 40,929 | - | 8,871 | (167,066) | 22,734 |
| Balance at 31 December 2018 | 404,486 | 227,120 | 18,081 | 20,207 | 38,179 | 708,073 |

The accompanying notes on pages 43 to 122 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

[ All amounts are expressed in thousands of Ghana cedis ]

## BANK

| Year ended 31 December 2019 | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 404,486 | 227,120 | 7,017 | 20,207 | 32,775 | 691,605 |
| Profit for the year | - | - | - | - | 260,927 | 260,927 |
| Net change in investment securities measured at FVOCI | - | - | (2,564) | - | - | (2,564) |
| Total comprehensive income | - | - | (2,564) | - | 260,927 | 258,363 |
| **Regulatory and other reserve transfers:** | | | | | | |
| Transfer to statutory reserve | | 65,232 | | | (65,232) | - |
| Transfer from credit risk reserve | - | - | - | (20,207) | 20,207 | - |
| Transfer between reserves | - | - | 60 | - | (60) | - |
| **Transactions with owners:** | | | | | | |
| Dividend paid (ordinary shares) | - | - | - | - | (32,250) | (32,250) |
| Dividend paid (preference shares) | - | - | - | - | (40,670) | (40,670) |
| Net transfer to reserves and transactions with owners | - | 65,232 | 60 | (20,207) | (118,005) | (72,920) |
| Balance at 31 December 2019 | 404,486 | 292,352 | 4,513 | - | 175,697 | 877,048 |

The accompanying notes on pages 43 to 122 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

[All amounts are expressed in thousands of Ghana cedis]

**BANK**

| Year ended 31 December 2018 | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 264,486 | 186,191 | 25,549 | 18,639 | 39,344 | 534,209 |
| Changes on initial application of IFRS 9 | | | | | | |
| Increase in impairment provisioning | - | - | - | - | (10,523) | (10,523) |
| Transfer between reserves | - | - | - | (7,303) | 7,303 | - |
| Restated balance at 1 January 2018 | 264,486 | 186,191 | 25,549 | 11,336 | 36,124 | 523,686 |
| Profit for the year | - | - | - | - | 163,717 | 163,717 |
| Net change in investment securities measured at FVOCI | - | - | (18,532) | - | - | (18,532) |
| Total comprehensive income | - | - | (18,532) | - | 163,717 | 145,185 |
| **Regulatory and other reserve transfers:** | | | | | | |
| Transfer to statutory reserve | | 40,929 | | | (40,929) | - |
| Transfer to stated capital | 70,000 | - | - | - | (70,000) | - |
| Transfer to credit risk reserve | - | - | - | 8,871 | (8,871) | - |
| **Transactions with owners:** | | | | | | |
| Proceeds of share issue | 70,000 | - | - | - | - | 70,000 |
| Taxes paid on transfer to stated capital | - | - | - | - | (5,600) | (5,600) |
| Dividend paid (ordinary shares) | - | - | - | - | (17,637) | (17,637) |
| Dividend paid (preference shares) | - | - | - | - | (24,029) | (24,029) |
| Net transfer to reserves and transactions with owners | 140,000 | 40,929 | - | 8,871 | (167,066) | 22,734 |
| Balance at 31 December 2018 | 404,486 | 227,120 | 7,017 | 20,207 | 32,775 | 691,605 |

The accompanying notes on pages 43 to 122 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

[ All amounts are expressed in thousands of Ghana cedis ]

| | Note | GROUP 2019 | GROUP 2018 | BANK 2019 | BANK 2018 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before income tax | | 329,354 | 248,929 | 321,792 | 242,090 |
| **Adjustments:** | | | | | |
| Depreciation | 22 | 32,163 | 15,918 | 32,058 | 15,837 |
| Amortisation | 23 | 8,236 | 5,302 | 7,736 | 4,588 |
| Goodwill write off | 23 | - | 2,338 | - | 2,338 |
| Impairment on financial assets | 14 | 148,423 | 63,601 | 148,422 | 63,599 |
| Profit on disposal of property and equipment | 22 | (294) | (119) | (294) | (119) |
| Exchange difference on borrowings | 27 | 104,259 | 58,037 | 104,259 | 58,037 |
| Write-off of non–current assets held for sale | 24 | - | 1,011 | - | 1,011 |
| Fair value gain on derivative financial instruments | 17a | (2,294) | - | (2,294) | - |
| **Operating cash flow before investment in working capital** | | 619,847 | 395,017 | 611,679 | 387,381 |
| Changes in loans and advances to customers | 19 | (1,271,359) | (455,439) | (1,264,935) | (451,800) |
| Changes in other assets | 21 | (6,417) | (88,252) | 4,429 | (76,713) |
| Changes in deposits from customers | 25 | 1,126,389 | 131,179 | 876,028 | 135,817 |
| Changes in deposits from banks and other financial institutions | 26 | (364,859) | 365,441 | (115,584) | 364,051 |
| Changes in other liabilities | 28 | 143,240 | (20,900) | 146,962 | (25,286) |
| Income tax and NFSL paid | | (59,737) | (84,807) | (59,050) | (84,076) |
| **Increase/(decrease) in operating assets and liabilities** | | (432,743) | (152,778) | (412,150) | (138,007) |
| **Net cash flow generated from operating activities** | | 187,104 | 242,239 | 199,529 | 249,374 |
| **Cash flow from investing activities** | | | | | |
| Purchase of property and equipment | 22 | (19,774) | (15,251) | (19,755) | (14,917) |
| Purchase of intangible assets | 23 | (17,348) | (13,362) | (17,276) | (13,398) |
| Proceeds on asset disposal | | 294 | 381 | 294 | 381 |
| Purchase of investment securities | 18 | (737,075) | (972,202) | (730,256) | (975,578) |
| **Net cash flow used in investing activities** | | (773,903) | (1,000,434) | (766,993) | (1,003,512) |
| **Cash flow from financing activities** | | | | | |
| Dividends paid | | (72,920) | (41,666) | (72,920) | (41,666) |
| Repayment of long term borrowings | 27 | (270,272) | (134,683) | (270,272) | (134,683) |
| Draw-down on short term borrowings | 27 | 2,469,248 | 1,071,527 | 2,469,248 | 1,071,527 |
| Taxes paid on capitalisation | | - | (1,600) | - | (1,600) |
| Proceeds of share issue | 30 | - | 70,000 | - | 70,000 |
| **Net cash flow generated from financing activities** | | 2,126,056 | 963,578 | 2,126,056 | 963,578 |
| **Net increase in cash and cash equivalents** | | 1,539,257 | 205,383 | 1,558,592 | 209,440 |
| **Analysis of changes in cash and cash equivalents** | | | | | |
| Cash and cash equivalents at 1 January | 17 | 1,746,733 | 1,540,126 | 1,757,719 | 1,548,520 |
| Gain on currency translation of foreign subsidiary | 33 | 3,142 | 1,465 | - | - |
| Impairment charge on cash equivalents | | 121 | (241) | 121 | (241) |
| Net increase/(decrease) in cash and cash equivalents | | 1,539,257 | 205,383 | 1,558,592 | 209,440 |
| **Cash and cash equivalents at 31 December** | 17 | 3,289,253 | 1,746,733 | 3,316,432 | 1,757,719 |

The accompanying notes on pages 43 to 122 form an integral part of these consolidated financial statements.

# Notes To The Financial Statements

for the year ended 31 December 2019

## 1. GENERAL INFORMATION

Fidelity Bank Ghana Limited (FBGL) is a limited liability company, incorporated and domiciled in Ghana. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. FBGL operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements of FBGL for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 4 March 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

The Group's financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flow and related notes. The financial statements of the Bank standing alone comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and related notes.

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

The financial statements are presented in Ghana cedis, which is the Group's functional and presentation currency. The figures shown in the financial statements are stated in thousands of Ghana cedis unless otherwise stated.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year 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 6.

### 2.1.1 Changes in accounting policies and disclosures

**New and amended standards and interpretations**

In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described in Note 2.1.3 below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's consolidated financial statements.

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2019, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### 2.1.2 IFRS 16-Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

(All amounts are in thousands of Ghana cedis)

The Bank has lease contracts for various branches. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.7.1 for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.7.4 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

**Leases previously accounted for as operating leases**

The Bank recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:
Right-of-use assets of GH¢ 65.98 million were recognised and presented in the statement of financial position within “Property, plant and right-of-use assets”.
– Lease liabilities of GH¢ 48.28 million (included in “Other liabilities”) was recognised.
– The adoption of IFRS 16 had no impact on the Bank’s retained earnings and no material impact on its CET1 ratio.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| Assets | |
|---|---|
| Operating lease commitments as at 31 December 2018 | 61,996 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 10.89% |
| Discounted operating lease commitments as at 1 January 2019 | 48,285 |
| Add:<br>Prepaid operating lease as at 1 January 2019 | 17,700 |
| Right-of-use assets as at 1 January 2019 | 65,985 |

Set out below are the minimum lease payments under operating leases as at 31 December 2018:

| | Up to 1 Year | Over 1 Year | Total |
|---|---|---|---|
| Operating lease commitments as at 31 December 2018 | 15,334 | 46,662 | 61,996 |

**2.1.3 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Bank applies significant judgement in identifying uncertainties over income tax treatments. The Interpretation did not have an impact on the consolidated financial statements of the Bank.

**2.1.4 Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the consolidated financial statements of the Bank.

**2.1.5 Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS**

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Bank.

**2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of Fidelity Bank Ghana Limited and its subsidiaries as at 31 December 2019.

**(a) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Bank. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value. However, non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are recognised at either fair value or proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Bank's accounting policies.

**(b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(c) Disposal of subsidiaries**

When the Bank ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 2.3 Foreign currency translation

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The financial statements are presented in 'Ghana cedi' (GH¢), rounded to the nearest thousand.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income. All foreign exchange gains and losses are presented in profit or loss within `Other operating income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income (FVOCI)/available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income (FVOCI)/ available-for-sale, are included in other comprehensive income.

**(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

### 2.4 Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognised on an accrual basis in the year in which it accrues.

#### 2.4.1 Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as fair value through other comprehensive income (FVOCI), interest income or expense is recorded on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

#### 2.4.2 Fee and commission income

The Bank earns fees and commission income from services it provides to its customers. Fee income is divided into the following two categories:

**(a) Fee income earned from services provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

**(b) Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fee and commission expense relates mainly to transaction and service fees which are expensed as the services are rendered.

**2.4.3 Dividend income**

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

**2.4.4 Net trading income**

This comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities at fair value through profit or loss.

**2.5 Financial assets and liabilities**

**2.5.1 Financial Assets**

**Measurement methods**

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group 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 Group 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. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group 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 differences 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

From 1 January 2018, the Group has applied 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 Group's business model for managing the asset; and
• the cash flow characteristics of the asset.

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

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

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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 held at fair value through profit or loss purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group 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 at fair value through profit or loss 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 Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group 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 year following the change. Such changes are expected to be very infrequent and none occurred during the year.

**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 Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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 Group's right to receive payments is established.

**(ii) Impairment**

The Group assesses on a forward-looking basis the expected credit losses ('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 Group 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.

**(iii) Modification of loans**

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group 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 Group 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 Group 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 derecognition.

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

**(iv) Derecognition other than on a modification**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

**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 Group are measured as the amount of the loss allowance. The Group 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 Group 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.

**2.5.2. Financial liabilities**

**(i) Classification**

The Bank's holding in financial liabilities represents mainly deposits from banks and customers, and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently 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.

### 2.5.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

### 2.5.4 De-recognition of financial assets and financial liabilities

**(i) Financial assets**

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

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

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

**(ii) Financial liabilities**

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.

The derecognition policies for financial assets and liabilities have not changed on the adoption of IFRS 9.

**2.5.5 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.

**2.5.6 Offsetting financial instruments**

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

**2.5.7 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.

**2.6 Leases**

**2.6.1 Leases (Policy applicable before 1 January 2019)**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

**2.6.2 Bank as a lessee**

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

**2.6.3 Bank as a lessor**

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**2.6.4 Leases (Policy applicable as of 1 January 2019)**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

**2.6.5 Bank as a lessee**

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**2.6.6 Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 22 Property, equipment and right-of-use assets.

### 2.6.7 Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

## 2.7 Property, equipment and right-of-use assets

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, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy in Note 2.6. Right-of-use assets are depreciated on a straight-line basis over the lease term.

### 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.

### Depreciation

Depreciation is charged to profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of ten years, the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5.

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

| | |
|---|---|
| Leasehold and right-of-use assets | over the lease term |
| Land | - |
| Motor vehicles | 4 years |
| Computers: hardware & software | 2-4 years |
| Furniture and equipment | 4 years |
| Machinery | 4 years |

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

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

## 2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the cash flow statement, cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana, other eligible bills, money market placements and dealing securities.

## 2.9 Intangible assets

### (a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.
Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

**(b) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**2.10 Non-current assets held for sale**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

**2.11 Financial guarantees**

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Such financial guarantees are given to banks, other financial institutions and bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and payment of import duties. These financial guarantees are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

The fee and commission income receivable on these financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in 'Other liabilities' and recognised in the statement of comprehensive income in 'Fees and commission income' on a straight line basis over the life of the guarantee.

**2.12 Provisions**

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

**2.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**2.14 Employee benefits**

**i. Defined contribution plans**

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

**ii. Termination benefits**

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**iii. Short-term benefits**

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

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

**2.15 Income tax**

**Current income tax**

Income tax payable on taxable profits is recognised as an expense in the year 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.

**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.

**2.16 Stated capital**

i. Ordinary shares
Ordinary shares are classified as 'stated capital' in equity.

ii. Dividend on ordinary shares
Dividends on the Bank's ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Bank's shareholders.

**2.17 Preference shares**

i. Preference shares
Preference shares are classified as equity. These are non-voting, irredeemable and non-cumulative. The holders have the option of converting into ordinary shares as stated in the agreement.

ii. Dividend on preference shares
Dividends on the Bank's preference shares are recognised in equity in the year in which they are paid.

**2.18 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

**IFRS 17 Insurance contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required.

This standard is not applicable to the Bank.

**Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

**Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.

**3. FINANCIAL RISK MANAGEMENT**

**(a) Introduction and overview**

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

**(b) Risk management structure**

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

The Bank's risk management policies

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

Through its risk management structure, the Bank seeks to manage efficiently the core risks to which it is exposed: credit, liquidity and market risks, which arise directly through the Bank's commercial activities; and compliance, regulatory, and operational risks, which are normal consequences of any business undertaking.

**(c) Operational risk management**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but excludes reputational & strategic risk. Operational risk exists in all products and business activities and the effective management of operational risk has always been a fundamental element of the Bank's risk management programme. The Bank has a broad operational risk management framework which defines the set of activities designed to proactively identify, assess and manage all operational risks by aligning the people, technology and processes with best risk management practices towards sustaining financial performance and enhancing stakeholders' value.

The Operational Risk, Internal Control and Compliance Units with oversight responsibility of the MRCC as well as the Audit Unit constantly carry out reviews to identify and assess the operational risk inherent in all products, activities, processes and systems. These units also ensure that all business units within the Bank monitor their operational risk using set standards and indicators. Significant issues and exceptions are reported to the MRCC for discussion and resolution.

Disaster recovery procedures, business continuity planning, self-compliance assurance and internal audit also form an integral part of our operational risk management process. There was no significant financial loss resulting from operational risk incidence during the year across the Bank.

The Bank's strict enforcement of ethical code of conduct for all employees, operational risk management policies, risk awareness training and other deliberate operational risk control activities have significantly reduced operational risk related incidents during the past four years.

Measurement of operational risk

The Bank adopts the standardised approach to compute operational risk regulatory capital. To manage and control operational risk, the Bank uses various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring. Risk and control self-assessment is conducted by each business or support unit to identify key operational risks and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues. Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Bank's reputation, must be reported based on certain established thresholds. Key risk indicators with predefined escalation triggers are employed to facilitate risk monitoring in a forward looking manner.

**3.1 Credit risk management**

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

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.

**3.1.1 Risk limit control and mitigation policies**

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

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

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

Some other specific control and mitigation measures are outlined below:

**(a) Lending limits (for derivatives and loan books)**

The Bank maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

**b) Master netting arrangements**

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

**c) Financial covenants (for credit related commitments and loan books**

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

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

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

**3.1.2 Impairment and provisioning policies**

Loans are designated as impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of provisions, the bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is also held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. The provision is estimated by using the historical loss rate, the migration or incident rate and the balance of the performing loan portfolio. The portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

### 3.1.3 Write-off policy

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

### 3.1.4 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
• A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
• If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
• If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
• Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
• A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

**Significant increase in credit risk (SICR)**
The Group 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 Watchlist 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 cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly 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.
The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2019.

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

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

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

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

The criteria above have been applied to all financial instruments held by the Group 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 Group'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 Group'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 year.

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

**Economic Variable Assumptions**
The most significant year end assumptions used for the ECL estimate as at 31 December 2019 are set out below:

| Scenario | Weight % | GDP Growth % | USD/GHC | Inflation % | MPR % |
|---|---|---|---|---|---|
| Base Case | 50 | 7.1 | 5.53 | 7.0 | 16.0 |
| Upside | 15 | 7.8 | 4.98 | 6.3 | 14.4 |
| Downside | 35 | 6.4 | 6.09 | 7.7 | 17.6 |

**The most significant variables 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. USD/GHC - The Bank of Ghana average USD rate on the date of assessment and for the last three quarters is used in the tool. This is because of the sensitivity of the economy to exchange rate fluctuations.
3. Inflation – Inflation is used due to its influence on monetary policy and on interest rates. Interest rates 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.
4. MPR – The Monetary Policy Rate (MPR) is used as a tool to target inflation and interest rates. It is an indicator of the likely trend of rates which is a key driver of economic activity.

(All amounts are in thousands of Ghana cedis)

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

| | GROUP | | BANK | |
|---|---|---|---|---|
| Maximum exposure | 2019 | 2018 | 2019 | 2018 |
| Credit risk exposures relating to on balance sheet assets are as follows: | | | | |
| Balances with Bank of Ghana | 390,573 | 596,619 | 390,573 | 596,619 |
| Investment securities | 4,301,510 | 3,476,583 | 4,291,655 | 3,473,547 |
| Cash and balances with banks | 427,497 | 309,734 | 454,676 | 299,030 |
| Money market placements | 2,471,183 | 840,380 | 2,471,183 | 862,070 |
| Loans and advances to customers | 2,503,989 | 1,462,852 | 2,454,186 | 1,419,472 |
| Other assets (excluding prepayments) | 124,545 | 145,130 | 115,335 | 146,771 |
| | 10,219,297 | 6,831,298 | 10,177,608 | 6,797,509 |
| Credit risk exposures relating to off balance sheet items are as follows: | | | | |
| Financial guarantees | 180,338 | 185,167 | 180,338 | 185,167 |
| At 31 December | 10,399,635 | 7,016,465 | 10,358,946 | 6,982,676 |

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2019, 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.

At 31 December 2019, the Group's credit exposures were categorised under IFRS 9 as follows:

- Stage 1 – Performing
- Stage 2 – Underperforming
- Stage 3 – Credit Impaired

### 3.1.6 Maximum exposure to credit risk – financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represent the Group's maximum exposure to credit risk on these assets.

| GROUP | Stage 1 | Stage 2 | Stage 3 | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 3,289,373 | - | - | 3,289,373 | 1,746,733 |
| Investment Securities | 4,305,308 | - | - | 4,305,308 | 3,481,055 |
| Loans and advances to customers | 2,201,582 | 119,165 | 239,978 | 2,560,725 | 1,659,327 |
| Other assets | 183,259 | - | - | 183,259 | 158,339 |
| Gross carrying amount | 9,979,522 | 119,165 | 239,978 | 10,338,665 | 7,045,454 |
| Loss allowance | (37,338) | (4,525) | (31,459) | (73,322) | (214,397) |
| Carrying amount | 9,942,184 | 114,640 | 208,519 | 10,265,343 | 6,831,057 |

| BANK | Stage 1 | Stage 2 | Stage 3 | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 3,316,552 | - | - | 3,316,552 | 1,757,719 |
| Investment Securities | 4,295,453 | - | - | 4,295,453 | 3,478,011 |
| Loans and advances to customers | 2,201,582 | 119,165 | 190,175 | 2,510,922 | 1,615,947 |
| Other assets | 174,051 | - | - | 174,051 | 159,980 |
| Gross carrying amount | 9,987,638 | 119,165 | 190,175 | 10,296,978 | 7,011,657 |
| Loss allowance | (37,329) | (4,525) | (31,459) | (73,313) | (214,388) |
| Carrying amount | 9,950,309 | 114,640 | 158,716 | 10,223,665 | 6,797,269 |

The maximum credit risk exposure (Group and Bank) from financial assets not subject to impairment (i.e. FVPL) is Gh¢ 234.6 million (Gh¢84.3 million).

### 3.1.7 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

(All amounts are in thousands of Ghana cedis)

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

generally unsecured. In addition, in order to minimise 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 year 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 the collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are shown below:

**GROUP**

| At 31 December 2019 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
|---|---|---|---|---|
| Credit-impaired assets | | | | |
| Overdrafts | 32,669 | 6,189 | 26,480 | 27,223 |
| Term loans | 234,758 | 25,270 | 209,488 | 326,642 |
| Total credit impaired assets | 267,427 | 31,459 | 235,968 | 353,865 |

**BANK**

| 31 December 2019 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
|---|---|---|---|---|
| Credit-impaired assets | | | | |
| Overdrafts | 32,669 | 6,189 | 26,480 | 27,223 |
| Term loans | 184,955 | 25,270 | 159,685 | 326,642 |
| Total credit impaired assets | 217,624 | 31,459 | 186,165 | 353,865 |

Group and Bank

| 31 December 2018 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
|---|---|---|---|---|
| Credit-impaired assets | | | | |
| Overdrafts | 194,798 | 68,958 | 125,840 | 73,282 |
| Term loans | 276,728 | 100,785 | 175,943 | 309,612 |
| Total credit impaired assets | 471,526 | 169,743 | 301,783 | 382,894 |

## 3.2 Market risk

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

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury and monitored by both Treasury and Risk Management departments separately. Regular reports are submitted to the Board of Directors and heads of each business unit. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's financial assets.

### 3.2.1 Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank's Chief Risk Officer is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

The Group identifies market risk through daily monitoring of levels and profit and loss balances of trading and non-trading positions. The Risk Management department monitors daily trading activities to ensure that risk exposures taken are within the approved price limits and the overall risk tolerance levels set by the Board. In addition, Assets and Liabilities Committee (ALCO) members, the Treasurer and the Risk Manager monitor market risk factors that affect the value of trading and non-trading positions as well as income streams on non-trading portfolios on a daily basis. They also track the liquidity indicators to ensure that the Group meets its financial obligations at all times.

### 3.2.2 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The Bank has adopted the revised Bank of Ghana requirement that banks maintain a total open position which is capped at 10% of their net own funds. Within this limit, banks are also required to maintain single currency open positions capped at 5% of net own funds.

(All amounts are in thousands of Ghana cedis)

### 3.2.2 Foreign exchange risk (continued)

Included in the table below are assets and liabilities at carrying amounts categorised by currency:

**GROUP**

| At 31 December 2019 | EUR | GBP | USD | GHC | Total |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Assets | | | | | |
| Cash and cash equivalents | 135,610 | 48,687 | 2,350,491 | 754,465 | 3,289,253 |
| Investment securities | - | - | 30,643 | 4,270,867 | 4,301,510 |
| Derivative financial Instruments | - | - | - | 2,294 | 2,294 |
| Loans and advances to customers | 1,899 | 4 | 968,999 | 1,533,087 | 2,503,989 |
| Other assets | - | 37 | 25,580 | 157,642 | 183,259 |
| Deferred tax | - | - | - | 13,875 | 13,875 |
| Property and equipment and ROU assets | - | - | 166 | 163,977 | 164,143 |
| Intangible assets | - | - | 398 | 33,306 | 33,704 |
| Non current assets held for sale | - | - | - | 15,950 | 15,950 |
| Total assets | 137,509 | 48,728 | 3,376,277 | 6,945,463 | 10,507,977 |
| | | | | | |
| Liabilities | | | | | |
| | | | | | |
| Deposits from customers | 135,490 | 45,816 | 1,295,193 | 3,633,790 | 5,110,289 |
| Deposits from banks | - | - | 571 | 111,780 | 112,351 |
| Borrowings | - | - | 2,028,747 | 2,117,664 | 4,146,411 |
| Other liabilities | 922 | 1,109 | 19,752 | 213,485 | 235,268 |
| Current tax liability | - | - | - | 270 | 270 |
| Total liabilities | 136,412 | 46,925 | 3,344,263 | 6,076,989 | 9,604,589 |
| | | | | | |
| Net on balance sheet position | 1,097 | 1,803 | 32,014 | | |

### 3.2.2 Foreign exchange risk (continued)

**GROUP**

| At 31 December 2018 | EUR | GBP | USD | GHC | Total |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Assets | | | | | |
| Cash and cash equivalents | 31,638 | 41,428 | 620,249 | 1,053,418 | 1,746,733 |
| Investment securities | - | - | 14,925 | 3,461,658 | 3,476,583 |
| Loans and advances to customers | 12 | 19 | 1,024,373 | 438,448 | 1,462,852 |
| Other assets | 12 | 43 | 20,292 | 174,911 | 195,258 |
| Current tax asset | - | - | - | 21,692 | 21,692 |
| Property plant and equipment | - | - | 344 | 110,204 | 110,548 |
| Intangible assets | - | - | 826 | 23,766 | 24,592 |
| Total assets | 31,662 | 41,490 | 1,681,009 | 5,284,097 | ,038,258 |
| | | | | | |
| Liabilities | | | | | |
| Deposits from customers | 57,685 | 32,943 | 788,994 | 3,104,278 | 3,983,900 |
| Deposits from banks | 13,942 | 5,628 | 227,740 | 229,900 | 477,210 |
| Borrowings | 15,233 | - | 1,467,195 | 248,962 | 1,731,390 |
| Other liabilities | 740 | 534 | 24,989 | 104,103 | 130,366 |
| Deferred tax liability | - | - | - | 7,319 | 7,319 |
| Total liabilities | 87,600 | 39,105 | 2,508,918 | 3,694,562 | 6,330,185 |
| | | | | | |
| Net on balance sheet position | (55,938) | 2,385 | (827,909) | | |

**Foreign currency sensitivity analysis**

The Group's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of reported profit to a 15% (2018: 15%) decrease in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the directors' assessment of a reasonably possible change, based on historic volatility.

| Cedi weakens by 15% | Impact on statement of comprehensive income | |
|---|---|---|
| | 2019 | 2018 |
| US Dollar | 4,802 | 4,910 * |
| Euro | 164 | 1,330 * |
| Pound Sterling | 270 | 358 |

Year end exchange rates applied in the above analysis are GH¢ 5.5337 (2018: GH¢ 4.8200) to the US dollar, GH¢ 6.2114 (2018: GH¢ 5.5131) to the Euro, and GH¢ 7.3164 (2018: GH¢ 6.1711) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

(All amounts are in thousands of Ghana cedis)

### 3.2.2 Foreign exchange risk (continued)

**BANK**

| At 31 December 2019 | EUR | GBP | USD | GHC | Total |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Assets | | | | | |
| Cash and cash equivalents | 135,610 | 48,687 | 2,377,670 | 754,465 | 3,316,432 |
| Investment securities | - | - | 30,584 | 4,261,071 | 4,291,655 |
| Derivative financial Instruments | - | - | - | 2,294 | 2,294 |
| Loans and advances to customers | - | 4 | 919,196 | 1,533,087 | 2,454,186 |
| Investments (other than securities) | - | - | - | 12,471 | 12,471 |
| Other assets | - | 37 | 16,746 | 157,268 | 174,051 |
| Deferred tax | - | - | - | 13,791 | 13,791 |
| Property and equipment and ROU assets | - | - | - | 163,886 | 163,886 |
| Intangible assets | - | - | - | 33,306 | 33,306 |
| Non current assets held for sale | | - | - | 15,950 | 15,950 |
| Total assets | 137,509 | 48,728 | 3,344,196 | 6,947,589 | 10,478,022 |
| | | | | | |
| Liabilities | | | | | |
| Deposits from customers | 135,490 | 45,816 | 1,040,061 | 3,633,790 | 4,855,157 |
| Deposits from banks | - | - | 249,846 | 111,780 | 361,626 |
| Borrowings | - | - | 2,028,747 | 2,117,664 | 4,146,411 |
| Other liabilities | 922 | 1,109 | 22,443 | 213,269 | 237,743 |
| Current tax liability | - | - | - | 37 | 37 |
| Total liabilities | 136,412 | 46,925 | 3,341,097 | 6,076,540 | 9,600,974 |
| | | | | | |
| Net on balance sheet position | 1,097 | 1,803 | 3,099 | | |

### 3.2.2 Foreign exchange risk (continued)

**BANK**

| At 31 December 2018 | EUR | GBP | USD | GHC | Total |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Assets | | | | | |
| Cash and cash equivalents | 31,638 | 41,428 | 624,609 | 1,060,044 | 1,757,719 |
| Investment securities | - | - | 14,925 | 3,458,622 | 3,473,547 |
| Loans and advances to customers | 12 | 19 | 980,993 | 438,448 | 1,419,472 |
| Investments (other than securities) | - | - | - | 12,471 | 12,471 |
| Current tax assets | - | - | - | 21,745 | 21,745 |
| Other assets | 12 | 41 | 18,753 | 178,093 | 196,899 |
| Property plant and equipment | - | - | - | 110,204 | 110,204 |
| Intangible assets | - | - | - | 23,766 | 23,766 |
| Total assets | 31,662 | 41,488 | 1,639,280 | 5,303,393 | 7,015,823 |
| Liabilities | | | | | |
| Deposits from customers | 57,685 | 32,944 | 784,222 | 3,104,278 | 3,979,129 |
| Deposits from banks | 13,942 | 5,628 | 227,740 | 229,900 | 477,210 |
| Borrowings | 15,233 | - | 1,467,195 | 248,962 | 1,731,390 |
| Other liabilities | 740 | 534 | 23,848 | 103,999 | 129,121 |
| Deferred tax liability | - | - | - | 7,368 | 7,368 |
| Total liabilities | 87,600 | 39,106 | 2,503,005 | 3,694,507 | 6,324,218 |
| Net on balance sheet position | (55,938) | 2,382 | (863,725) | | |

• In 2018 the Bank entered into currency swap agreements that effectively hedged the on-balance sheet position for the US Dollar and the Euro. These positions have been unwound.

| Cedi weakens by 15% | Impact on statement of comprehensive income | |
|---|---|---|
| | 2019 | 2018 |
| US Dollar | 465 | (462) * |
| Euro | 164 | 1,330 * |
| Pound Sterling | 270 | 357 |

Year end exchange rates applied in the above analysis are GH¢ 5.5337 (2018: GH¢4.8200) to the US dollar, GH¢ 6.2114 (2018: GH¢ 5.5131) to the Euro, and GH¢ 7.3164 (2018: GH¢ 6.1711) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

(All amounts are in thousands of Ghana cedis)

### 3.2.3. Interest rate risk

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

• differences between the timing of market interest rate changes and the timing of cash flows (re-pricing risk)
• changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
• changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The Group uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future. The Group may make judgemental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

The table below summarises the re-pricing profiles of financial instruments as at 31 December 2019 and 31 December 2018 respectively. Items are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

**GROUP**

| At 31 December 2019<br>Assets | Up to 1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1,106,077 | 218,223 | 1,964,953 | - | - | 3,289,253 |
| Investment securities | 142,890 | 656,189 | 1,177,167 | 2,325,264 | - | 4,301,510 |
| Loans and advances to customers | 118,172 | 236,344 | 863,349 | 1,286,124 | - | 2,503,989 |
| Other assets | - | - | - | - | 183,259 | 183,259 |
| Financial assets | 1,367,139 | 1,110,756 | 4,005,469 | 3,611,388 | 183,259 | 10,278,011 |
| | | | | | | |
| Liabilities | | | | | | |
| Deposits from customers | 87,159 | 422,879 | 959,930 | 1,409,596 | 2,230,725 | 5,110,289 |
| Deposits from banks | 18,081 | 36,163 | 58,107 | - | - | 112,351 |
| Borrowings | 42,000 | 1,110,490 | 938,010 | 2,055,911 | - | 4,146,411 |
| Other liabilities | - | - | - | - | 235,268 | 235,268 |
| Financial liabilities | 147,240 | 1,569,532 | 1,956,047 | 3,465,507 | 2,465,993 | 9,604,319 |
| | | | | | | |
| Total interest re-pricing gap | 1,219,899 | (458,776) | 2,049,422 | 145,881 | - | - |

### 3.2.3. Interest rate risk (continued)

**GROUP**

| At 31 December 2018<br>Assets | Up to 1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 729,935 | 35,735 | 85,760 | - | 895,303 | 1,746,733 |
| Investment securities | 209,084 | 880,193 | 1,355,498 | 1,031,808 | - | 3,476,583 |
| Loans and advances to customers | 39,429 | 78,860 | 398,248 | 946,315 | - | 1,462,852 |
| Financial assets | 978,448 | 994,788 | 1,839,506 | 1,978,123 | 895,303 | 6,686,168 |
| | | | | | | |
| Liabilities | | | | | | |
| Deposits from customers | 404,495 | 397,913 | 800,598 | 1,591,651 | 789,243 | 3,983,900 |
| Deposits from banks | 18,470 | 47,721 | 95,442 | 190,884 | 124,693 | 477,210 |
| Borrowings | 217,667 | 168,765 | 636,691 | 708,267 | - | 1,731,390 |
| Other liabilities | - | - | - | - | 130,366 | 130,366 |
| Financial liabilities | 640,632 | 614,399 | 1,532,731 | 2,490,802 | 1,044,302 | 6,322,866 |
| | | | | | | |
| Total interest re-pricing gap | 337,816 | 380,389 | 306,775 | (512,679) | - | - |

### 3.2.4 Interest rate sensitivity analysis

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Group'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 points (bps) parallel shift in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

Interest rate sensitivity Analysis

| | | | Possible interest rate movements | | |
|---|---|---|---|---|---|
| | Total interest re-pricing gap | Effective Basis | +100bps | +200bps | +300bps |
| Up to 1 month | 1,219,899 | 350/365 | 11,698 | 23,395 | 35,093 |
| 1-3 months | (458,776) | 305/365 | (3,834) | (7,667) | (11,501) |
| 3-12 months | 2,049,422 | 230/365 | 12,914 | 25,828 | 38,742 |
| over 1 year | 145,881 | 92/365 | 368 | 735 | 1,103 |
| Total | | | 21,146 | 42,291 | 63,437 |
| | | | | | |
| Impact on net interest income | | | 3.2% | 6.5% | 9.7% |

(All amounts are in thousands of Ghana cedis)

### 3.2.3. Interest rate risk (continued)

**BANK**

| At 31 December 2019<br>Assets | Up to 1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1,106,077 | 218,223 | 1,992,132 | - | - | 3,316,432 |
| Investment securities | 142,890 | 656,189 | 1,167,371 | 2,325,205 | - | 4,291,655 |
| Loans and advances to customers | 118,172 | 236,344 | 813,546 | 1,286,124 | - | 2,454,186 |
| Investments (other than securities) | - | - | - | - | 12,471 | 12,471 |
| Other assets | - | - | - | - | 174,051 | 174,051 |
| Financial assets | 1,367,139 | 1,110,756 | 3,973,049 | 3,611,329 | 186,522 | 10,248,795 |
| | | | | | | |
| Liabilities | | | | | | |
| Deposits from customers | 87,159 | 422,879 | 704,798 | 1,409,596 | 2,230,725 | 4,855,157 |
| Deposits from banks | 18,081 | 36,163 | 307,382 | - | - | 361,626 |
| Borrowings | 42,000 | 1,110,490 | 938,010 | 2,055,911 | - | 4,146,411 |
| Other liabilities | - | - | - | - | 237,743 | 237,743 |
| Financial liabilities | 147,240 | 1,569,532 | 1,950,190 | 3,465,507 | 2,468,468 | 9,600,937 |
| | | | | | | |
| Total interest re-pricing gap | 1,219,899 | (458,776) | 2,022,859 | 145,822 | - | - |

### 3.2.3. Interest rate risk (continued)

**GROUP**

| At 31 December 2018<br>Assets | Up to 1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 729,935 | 35,735 | 96,400 | - | 895,649 | 1,757,719 |
| Investment securities | 209,084 | 880,194 | 1,352,462 | 1,031,807 | - | 3,473,547 |
| Loans and advances to customers | 39,430 | 78,860 | 354,868 | 946,315 | - | 1,419,473 |
| Investments (other than securities) | - | - | - | - | 12,471 | 12,471 |
| Financial assets | 978,449 | 994,789 | 1,803,730 | 1,978,122 | 908,120 | 6,663,210 |
| | | | | | | |
| Liabilities | | | | | | |
| Deposits from customers | 404,495 | 397,913 | 795,826 | 1,591,651 | 789,244 | 3,979,129 |
| Deposits from banks | 18,470 | 47,721 | 95,442 | 190,884 | 124,693 | 477,210 |
| Borrowings | 217,667 | 168,765 | 636,690 | 708,268 | - | 1,731,390 |
| Other liabilities | - | - | - | - | 129,121 | 129,121 |
| Financial liabilities | 640,632 | 614,399 | 1,527,958 | 2,490,803 | 1,043,058 | 6,316,850 |
| | | | | | | |
| Total interest re-pricing gap | 337,817 | 380,390 | 275,772 | (512,681) | - | - |

### 3.2.4 Interest rate sensitivity analysis

The interest re-pricing gap analysis is supplemented by monitoring the 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 points (bps) parallel shift in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

Interest rate sensitivity Analysis

| | | | Possible interest rate movements | | |
|---|---|---|---|---|---|
| | Total interest re-pricing gap | Effective Basis | +100bps | +200bps | +300bps |
| Up to 1 month | 1,219,899 | 350/365 | 11,698 | 23,395 | 35,093 |
| 1-3 months | (458,776) | 305/365 | (3,834) | (7,667) | (11,501) |
| 3-12 months | 2,022,859 | 30/365 | 12,747 | 25,494 | 38,241 |
| over 1 year | 145,822 | 92/365 | 368 | 735 | 1,103 |
| Total | | | 20,979 | 41,957 | 62,936 |
| | | | | | |
| Impact on Net Interest Income | | | 3.27% | 6.54% | 9.82% |

### 3.3. Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

#### 3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Treasury Department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the money market to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements and ;
- managing the concentration and profile of debt maturities.

Finally, the Bank is statutorily required to maintain a reserve of 10% of the local currency equivalent of foreign currency customer deposits held as well as 10% of local currency customer deposits in one account with the Bank of Ghana. These balances are used to support all inter-bank transactions.

#### 3.3.2 Liquidity risk measurement

The Bank prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralised with a treasury bill or bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

In addition to the above, the Bank observes an internally defined volatile liability dependency ratio which is measured as (volatile funds – liquid assets) / long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. (Volatile funds are short term wholesale funds e.g. call accounts).

### 3.3.3 Liquidity crisis management

Liquidity crisis is defined as a condition where the Bank is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the Bank resulting in substantial withdrawal of funds by depositors.

This is deemed to have occurred when any of the following conditions exist:

- Liquidity guidelines/ratios have been breached for four consecutive weeks.
- Bank of Ghana (BoG) support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

### 3.3.4 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, whereas the Bank manages the liquidity risk based on a different basis not resulting in a significantly different analysis.

**GROUP**

| At 31 December 2019 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits from customers | 510,038 | 490,065 | 469,865 | 3,640,321 | 5,110,289 |
| Deposits from banks | 54,244 | 19,369 | 38,738 | - | 112,351 |
| Borrowings | 1,152,490 | 16,250 | 921,760 | 2,055,911 | 4,146,411 |
| Other liabilities | - | 235,268 | - | - | 235,268 |
| Total liabilities (contractual maturity date) | 1,716,772 | 760,952 | 1,430,363 | 5,696,232 | 9,604,319 |
| **Assets** | | | | | |
| Cash and cash equivalents | 1,324,300 | 664,044 | 1,300,909 | - | 3,289,253 |
| Investment securities | 799,079 | 389,124 | 788,102 | 2,325,205 | 4,301,510 |
| Loans and advances to customers | 354,516 | 276,606 | 586,744 | 1,286,123 | 2,503,989 |
| Other assets | - | 183,259 | - | - | 183,259 |
| Total assets held for managing liquidity risk (contractual maturity date) | 2,477,895 | 1,513,033 | 2,675,755 | 3,611,328 | 10,278,011 |

(All amounts are in thousands of Ghana cedis)

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

**GROUP**

| At 31 December 2018 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits from customers | 920,795 | 388,434 | 648,937 | 2,025,734 | 3,983,900 |
| Deposits from banks | 97,364 | 62,987 | 94,801 | 222,058 | 477,210 |
| Borrowings | 386,432 | 212,230 | 424,460 | 708,268 | 1,731,390 |
| Other liabilities | - | 130,366 | - | - | 130,366 |
| Total liabilities (contractual maturity date) | 1,404,591 | 794,017 | 1,168,198 | 2,956,060 | 6,322,866 |
| **Assets** | | | | | |
| Cash and cash equivalents | 900,017 | 166,481 | 187,628 | 492,607 | 1,746,733 |
| Investment securities | 1,090,795 | 452,339 | 901,641 | 1,031,808 | 3,476,583 |
| Loans and advances to customers | 118,289 | 118,289 | 279,959 | 946,315 | 1,462,852 |
| Other assets | - | 195,258 | - | - | 195,258 |
| Current tax asset | - | 21,692 | - | - | 21,692 |
| Total assets held for managing liquidity risk (contractual maturity date) | 2,109,101 | 954,059 | 1,369,228 | 2,470,730 | 6,903,118 |

**BANK**

| At 31 December 2019 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits from customers | 510,038 | 234,933 | 469,865 | 3,640,321 | 4,855,157 |
| Deposits from banks | 54,244 | 102,461 | 204,921 | - | 361,626 |
| Borrowings | 1,152,490 | 16,250 | 921,760 | 2,055,911 | 4,146,411 |
| Other liabilities | - | 237,743 | - | - | 237,743 |
| Total liabilities (contractual maturity date) | 1,716,772 | 591,387 | 1,596,546 | 5,696,232 | 9,600,937 |
| **Assets** | | | | | |
| Cash and cash equivalents | 1,324,300 | 664,044 | 1,328,088 | - | 3,316,432 |
| Investment securities | 799,079 | 389,124 | 778,247 | 2,325,205 | 4,291,655 |
| Loans and advances to customers | 354,516 | 276,606 | 536,941 | 1,286,123 | 2,454,186 |
| Other assets | - | 174,051 | - | - | 174,051 |
| Total assets held for managing liquidity risk (contractual maturity date) | 2,477,895 | 1,503,825 | 2,643,276 | 3,611,328 | 10,236,324 |

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

**BANK**

| At 31 December 2018 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits from customers | 920,795 | 383,662 | 648,937 | 2,025,735 | 3,979,129 |
| Deposits from banks | 97,364 | 62,987 | 94,801 | 222,058 | 477,210 |
| Borrowings | 386,432 | 212,230 | 424,460 | 708,268 | 1,731,390 |
| Other liabilities | - | 129,121 | - | - | 129,121 |
| Total liabilities (contractual maturity date) | 1,404,591 | 788,000 | 1,168,198 | 2,956,061 | 6,316,850 |
| **Assets** | | | | | |
| Cash and cash equivalents | 900,017 | 166,481 | 198,614 | 492,607 | 1,757,719 |
| Investment securities | 1,089,277 | 450,821 | 901,641 | 1,031,808 | 3,473,547 |
| Loans and advances to customers | 118,289 | 118,289 | 236,579 | 946,315 | 1,419,472 |
| Other assets | - | 196,899 | - | - | 196,899 |
| Other assets | - | 21,745 | - | - | 21,745 |
| Total assets held for managing liquidity risk (contractual maturity date) | 2,107,583 | 954,235 | 1,336,834 | 2,470,730 | 6,869,382 |

### 3.3.5 Assets held for managing liquidity risk

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

- Cash and balances with Bank of Ghana;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

(All amounts are in thousands of Ghana cedis)

### 3.3.6 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

**GROUP**

| As at 31 December 2019 | Within 12 Months | After 12 Months | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 3,289,253 | - | 3,289,253 |
| Investment securities | 1,976,305 | 2,325,205 | 4,301,510 |
| Derivative financial instruments | 2,294 | - | 2,294 |
| Loans and advances to customers | 1,217,865 | 1,286,124 | 2,503,989 |
| Other assets | 183,259 | - | 183,259 |
| Deferred tax asset | - | 13,875 | 13,875 |
| Property and equipment and right-of-use assets | 41,036 | 123,107 | 164,143 |
| Intangible assets | 8,426 | 25,278 | 33,704 |
| Non current assets held for sale | 15,950 | - | 15,950 |
| Total assets | 6,734,388 | 3,773,589 | 10,507,977 |
| **Liabilities** | | | |
| Deposits from customers | 1,469,968 | 3,640,321 | 5,110,289 |
| Deposits from banks | 112,351 | - | 112,351 |
| Borrowings | 2,090,500 | 2,055,911 | 4,146,411 |
| Current tax liability | 270 | - | 270 |
| Other liabilities | 235,268 | - | 235,268 |
| Total liabilities | 3,908,357 | 5,696,232 | 9,604,589 |
| | | | |
| Net | 2,826,031 | (1,922,643) | 903,388 |

### 3.3.6 Maturity analysis of assets and liabilities (continued)

**GROUP**

| As at 31 December 2018 | Within 12 Months | After 12 Months | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 1,254,126 | 492,607 | 1,746,733 |
| Investment securities | 2,444,775 | 1,031,808 | 3,476,583 |
| Loans and advances to customers | 516,537 | 946,315 | 1,462,852 |
| Other assets | 195,258 | - | 195,258 |
| Current tax asset | 21,692 | - | 21,692 |
| Property and equipment and right-of-use assets | 27,895 | 82,653 | 110,548 |
| Intangible assets | 6,768 | 17,824 | 24,592 |
| Total assets | 4,467,051 | 2,571,207 | 7,038,258 |
| **Liabilities** | | | |
| Deposits from customers | 1,958,165 | 2,025,735 | 3,983,900 |
| Deposits from banks | 255,153 | 222,057 | 477,210 |
| Borrowings | 1,023,122 | 708,268 | 1,731,390 |
| Deferred tax liability | - | 7,319 | 7,319 |
| Other liabilities | 130,366 | - | 130,366 |
| Total liabilities | 3,366,806 | 2,963,379 | 6,330,185 |
| | | | |
| Net | 1,100,245 | (392,172) | 708,073 |

(All amounts are in thousands of Ghana cedis)

3.3.6 Maturity analysis of assets and liabilities (continued)

**BANK**

| As at 31 December 2019 | Within 12 Months | After 12 Months | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 3,316,432 | - | 3,316,432 |
| Investment securities | 1,966,450 | 2,325,205 | 4,291,655 |
| Derivative financial instruments | 2,294 | - | 2,294 |
| Investments (other than securities) | - | 12,471 | 12,471 |
| Loans and advances to customers | 1,168,062 | 1,286,124 | 2,454,186 |
| Other assets | 174,051 | - | 174,051 |
| Deferred tax asset | - | 13,791 | 13,791 |
| Property and equipment and right-of-use assets | 40,972 | 122,914 | 163,886 |
| Intangible assets | 8,326 | 24,980 | 33,306 |
| Non current assets held for sale | 15,950 | - | 15,950 |
| Total assets | 6,692,537 | 3,785,485 | 10,478,022 |
| **Liabilities** | | | |
| Deposits from customers | 1,214,836 | 3,640,321 | 4,855,157 |
| Deposits from banks | 361,626 | - | 361,626 |
| Borrowings | 2,090,500 | 2,055,911 | 4,146,411 |
| Current tax liability | 37 | - | 37 |
| Other liabilities | 237,743 | - | 237,743 |
| Total liabilities | 3,904,742 | 5,696,232 | 9,600,974 |
| Net | 2,787,795 | (1,910,747) | 877,048 |

### 3.3.6 Maturity analysis of assets and liabilities (continued)

**BANK**

| As at 31 December 2018 | Within 12 Months | After 12 Months | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 1,265,112 | 492,607 | 1,757,719 |
| Investment securities | 2,441,739 | 1,031,808 | 3,473,547 |
| Investments (other than securities) | - | 12,471 | 12,471 |
| Loans and advances to customers | 473,157 | 946,315 | 1,419,472 |
| Other assets | 196,899 | - | 196,899 |
| Current tax asset | 21,745 | - | 21,745 |
| Property and equipment and right-of-use assets | 27,551 | 82,653 | 110,204 |
| Intangible assets | 5,942 | 17,824 | 23,766 |
| Total assets | 4,432,145 | 2,583,678 | 7,015,823 |
| **Liabilities** | | | |
| Deposits from customers | 1,953,394 | 2,025,735 | 3,979,129 |
| Deposits from banks | 255,152 | 222,058 | 477,210 |
| Borrowings | 1,023,122 | 708,268 | 1,731,390 |
| Deferred tax liability | - | 7,368 | 7,368 |
| Other liabilities | 129,121 | - | 129,121 |
| Total liabilities | 3,360,789 | 2,963,429 | 6,324,218 |
| Net | 1,071,356 | (379,751) | 691,605 |

(All amounts are in thousands of Ghana cedis)

### 3.4 Off balance sheet items

**(a) Loan commitments**

Contractual amounts of the Bank's off-balance sheet financial instruments that it commits to extend to customers at the reporting date are summarised in the table below.

| At 31 December 2019 | No later than 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| Loan commitments | 133,917 | - | - | 133,917 |
| Total | 133,917 | - | - | 133,917 |
| **At 31 December 2018** | **No later than 1 year** | **1-5 years** | **Over 5 years** | **Total** |
| Loan commitments | 250,758 | - | - | 250,758 |
| Total | 250,758 | - | - | 250,758 |

The expected credit loss on outstanding loan commitments stands at Gh¢ 0.6 million. The portfolio is classified as stage 1 under IFRS 9.

**(b) Guarantees and indemnities**

The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢ 180.3m (2018: GH¢185.2m). The Bank has made a provision for credit losses of GH¢ 6.8 million on this portfolio which is classified as stage 1.

**(c) Capital commitments**

The Bank had no capital commitments at year end.

### 3.5 Country analysis - Bank

The assets and liabilities of the Bank held inside and outside Ghana are analysed below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Ghana GH¢ | Outside GH¢ | Ghana GH¢ | Outside GH¢ |
| **ASSETS** | | | | |
| Cash and cash equivalents | 2,988,473 | 327,959 | 1,593,351 | 164,368 |
| Investment Securities | 4,291,655 | - | 3,473,547 | - |
| Derivative financial instruments | 2,294 | | | |
| Loans and advances to customers | 2,454,186 | - | 1,419,472 | - |
| Investments (other than securities) | 101 | 12,370 | 101 | 12,370 |
| Other assets | 174,051 | - | 196,899 | - |
| Current tax asset | - | - | 21,745 | - |
| Deferred tax asset | 13,791 | - | - | - |
| Property and equipment and right-of-use assets | 163,886 | - | 110,204 | - |
| Intangible assets | 33,306 | - | 23,766 | - |
| Non current assets held for sale | 15,950 | | - | - |
| | 10,137,693 | 340,329 | 6,839,085 | 176,738 |
| **LIABILITIES** | | | | |
| Deposits from customers | 4,855,157 | - | 3,979,129 | - |
| Deposits from banks and other financial institutions | 112,351 | 249,275 | 270,410 | 206,800 |
| Borrowings | 3,627,252 | 519,159 | 975,127 | 756,263 |
| Current tax liability | 37 | - | - | - |
| Deferred tax liability | - | - | 7,368 | - |
| Other liabilities | 237,743 | - | 129,121 | - |
| | 8,832,540 | 768,434 | 5,361,155 | 963,063 |

## 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

### 4.1 Financial instruments not measured at fair value

(i) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Investment securities

The estimated fair value of investment securities measured at amortised cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

(All amounts are in thousands of Ghana cedis)

**4.2 Fair value hierarchy**

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange) and exchanges traded derivatives like futures (for example, NASDAQ).

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

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

**4.3 Assets and liabilities measured at fair value**

| **GROUP** | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|
| 2019 | | | |
| Investment securities | - | 2,599,619 | - |
| 2018 | | | |
| Investment securities | - | 1,930,733 | - |

| **BANK** | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|
| 2019 | | | |
| Investment securities | - | 2,599,619 | - |
| 2018 | | | |
| Investment securities | - | 1,930,733 | - |

Inputs used for the valuation of investment securities are the quoted prices and interest rates for the various tenors of Government of Ghana treasury bills and bonds as at year end. The Bank uses discounted cashflow models with observable market inputs of similar instruments for the valuation of its investment securities.

**5. CAPITAL MANAGEMENT**

Fidelity Bank considers a strong and efficient capital position to be a priority. The Bank's objectives when managing capital are:
(i) to comply with the capital requirements set by the Bank of Ghana;
(ii) to maintain sufficient capital resources to support the group's risk appetite
(iii) to safeguard the Bank's ability to continue as a going concern and;
(iv) to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximise shareholder value.

Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Finance Director. Under the current capital requirements set by the Bank of Ghana, banks have to maintain a ratio of regulatory capital to risk weighted assets ("capital adequacy ratio") above 13%.

Regulatory capital as defined by the Bank of Ghana has two (2) components:
• **Tier 1 Capital or "going-concern capital"**: This refers to capital that supports the bank's operations and can absorb losses as required, and is made up of Common Equity Tier 1 ("CET1") and Additional Tier 1 ("AT1").
• **Tier 2 Capital or "gone-concern capital"**: Tier 2 capital is available to absorb losses or convert to equity on a gone-concern basis or if the Bank being wound.

The CET1 capital consists of the following elements:
a. Ordinary (common) shares issued by the Bank that meet the criteria for classification as ordinary shares;
b. Retained Earnings;
c. Statutory Reserves; and
d. Regulatory adjustments to CET1.

The Pillar 1 CET 1 minimum capital requirement applicable to the Bank is 6.50% of risk-weighted assets (RWAs). The capital conservation buffer is implemented in Sections 79 to 82 of the Capital Requirements Directive and equals a requirement of 3.00 % CET 1 capital.

The AT1 capital consists of perpetual non-cumulative preference share issued and fully paid up in accordance with the Bank of Ghana's Capital Requirement Directive. The instruments are neither secured nor covered by guarantee, do not have credit sensitive dividend features and are subordinated to all other creditors and senior only to ordinary shareholders. The permissible amount of total qualifying AT1 capital is limited to a maximum of 1.5% of risk weighted assets (RWAs) except that excess AT1 may serve as Tier 2 for the purpose of computing capital adequacy ratio.

• Tier 2 capital comprises eligible capital instruments and subordinated long-term debt.
To qualify as T2 capital, capital instruments or subordinated debt must have an original maturity of at least five years. Moreover, eligible capital instruments may inter alia not contain an incentive to redeem, a right of investors to accelerate repayment, or a credit sensitive dividend feature.

The permissible amount of total qualifying Tier 2 capital is limited to a maximum of 2% of risk weighted assets (RWAs).

The risk-weighted assets are measured using the standardised approach as prescribed by the Bank of Ghana. It takes into account the nature of, and reflects an estimate of credit, operational and market risks associated with each asset and counterparty and the Bank's operations.

(All amounts are in thousands of Ghana cedis)

### 5 CAPITAL MANAGEMENT (continued)

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the years ended 31 December 2019 and 2018.

| | 2019 | 2018 |
|---|---|---|
| **Common Equity Tier (CET1) capital** | | |
| Paid up capital (ordinary shares) | **230,551** | 230,551 |
| Statutory reserves | **292,352** | 227,120 |
| Retained earnings/Other reserves | **180,210** | 39,792 |
| **Total CET1 before deductions/adjustments** | **703,113** | 497,463 |
| | | |
| **Regulatory adjustments to CET1 capital** | | |
| Intangibles | **(95,087)** | (102,569) |
| Investments in the capital of banks & financial institutions | **(12,471)** | (12,471) |
| Intra group transactions | **-** | (24,343) |
| **Total regulatory adjustments** | **(107,558)** | (139,383) |
| **CET 1 capital after regulatory adjustments** | **595,555** | 358,080 |
| **Additional Tier 1 capital (AT1)** | **52,428** | 33,348 |
| **Total Tier 1 capital (Tier 1)** | **647,983** | 391,428 |
| **Tier 2 capital (Tier 2)** | **69,903** | 44,465 |
| **Total regulatory capital** | **717,886** | 435,893 |
| | | |
| **Risk weighted assets** | | |
| Total credit risk equivalent weighted assets | **2,093,474** | 1,247,777 |
| Total operational risk equivalent weighted assets | **1,375,787** | 907,877 |
| Total credit risk equivalent weighted assets | **25,909** | 67,594 |
| Total risk weighted assets (RWA) | **3,495,170** | 2,223,248 |
| | | |
| **Risk-based capital ratios** | | |
| CET1/RWA | **17.04%** | 16.11% |
| AT1/RWA | **1.50%** | 1.50% |
| Tier 1/RWA | **18.54%** | 17.61% |
| Tier 2/RWA | **2.00%** | 2.00% |
| **Total capital adequacy ratio (CAR)** | **20.54%** | 19.61% |
| | | |
| **Minimum capital requirement** | | |
| Mandatory minimum | **10%** | 10% |
| Prudential minimum (with capital conservation buffer) | **13%** | 13% |

The Bank's capital is assessed to be adequate for planned growth and there were no restrictions on distributions or discretionary bonus payments resulting from capital deficiency at the period end.

The directors have recommended an ordinary dividend of GH¢ 2.37 per share. When approved, this will translate into a total payout of GH¢ 59.84 million. This will reduce the CET1 and total capital adequacy ratios to 15.33% and 18.83% respectively.

## 6. 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.

**(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.

**(c) Income tax**

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 year 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.

(All amounts are in thousands of Ghana cedis)

## 7. SEGMENT INFORMATION

For management purposes, the Group is organised into five operating segments as described below based on products offered, market segment and customer turnover.

**Corporate Banking:** Principally responsible for providing banking services and products to multinationals, large regional and domestic clients and other institutional clients.

**Financial & Capital Markets:** Undertakes the Bank's funding, ALM and centralised risk management activities through borrowing and investment in liquid assets such as short-term placements and government debt securities.

**Retail Banking:** Provides financial products and services to individuals (personal, private and inclusive segments) and small and medium scale enterprises. The unit provides financial solutions across various channels (ATM, mobile banking, agents etc.) and platforms.

**Investment Banking:** Investment banking services cover activities such as the provision of business advisory services, issuance of securities and arranging financing for short, medium and long term funding needs of clients.

**Offshore banking:** Principally responsible for providing banking services to offshore customers in the Asia Pacific region.

Management monitors the operating results of these business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties. For the purposes of segment reporting, interest is allocated to the business units based on a pool rate determined by Treasury using the Bank's cost of funds.

The following table shows an analysis of the performance of the various business units across the Group.

| | BANK | | | FSL | FAB | GROUP |
|---|---|---|---|---|---|---|
| **2019** | **Corporate Banking** | **Financial & Capital Market** | **Retail Banking** | **Investment Banking** | **Offshore Banking** | |
| **External revenue** | | | | | | |
| Net interest income | 118,631 | 557,866 | (35,380) | 1,541 | 12,362 | **655,020** |
| Net fee and commission income | 41,872 | 21,842 | 76,738 | 3,038 | 85 | **143,575** |
| Other operating income | 25,501 | 41,753 | 54,096 | - | 375 | **121,725** |
| Inter-segment revenue | 8,358 | (257,211) | 248,853 | - | - | **-** |
| **Total Segment revenue** | 194,362 | 364,250 | 344,307 | 4,579 | 12,822 | **920,320** |
| Direct cost | (30,045) | (18,349) | (120,627) | (2,354) | (7,482) | **(178,857)** |
| Net impairment charges | (58,500) | - | (51,354) | (1) | - | **(109,855)** |
| Allocated cost | (120,902) | (60,451) | (120,901) | - | - | **(302,254)** |
| **Segment profit** | (15,085) | 285,450 | 51,425 | 2,224 | 5,340 | **329,354** |
| Reportable segment assets (loans and advances) | 1,549,888 | 430,869 | 468,546 | - | 54,686 | **2,503,989** |
| Reportable segment liabilities (customer deposits) | 1,975,010 | 64,699 | 2,927,228 | - | 255,703 | **5,222,640** |

**7. SEGMENT INFORMATION (continued)**

| 2018 | BANK Corporate Banking | BANK Financial & Capital Market | BANK Retail Banking | FSL Investment Banking | FAB Offshore Banking | GROUP |
|---|---|---|---|---|---|---|
| External revenue | | | | | | |
| Net interest income | 70,681 | 469,342 | (39,502) | 1,224 | 9,636 | **511,381** |
| Net fee and commission income | 36,903 | 18,239 | 79,574 | 2,265 | 366 | **137,347** |
| Other operating income | 11,456 | 20,462 | 23,685 | - | (225) | **55,378** |
| Inter-segment revenue | (12,812) | (179,209) | 192,021 | - | - | **-** |
| Total Segment revenue | 106,228 | 328,834 | 255,778 | 3,489 | 9,777 | **704,106** |
| Direct cost | (26,033) | (10,789) | (70,543) | (1,968) | (4,852) | **(114,185)** |
| Net impairment charges | (32,836) | - | (26,324) | - | - | **(59,160)** |
| Allocated cost | (112,730) | (56,372) | (112,730) | - | - | **(281,831)** |
| Segment profit | (65,371) | 261,673 | 46,181 | 1,521 | 4,925 | **248,929** |
| Reportable segment assets (loans and advances) | 1,116,144 | - | 302,954 | - | 43,754 | **1,462,852** |
| Reportable segment liabilities (customer deposits) | 1,569,025 | 328,759 | 2,351,754 | - | 211,573 | **4,461,111** |

(All amounts are in thousands of Ghana cedis)

**7. SEGMENT INFORMATION (continued)**

The Group operates in two geographic markets: Ghana (Fidelity Bank Ghana Limited & Fidelity Securities Limited) and Malaysia (Fidelity Asia Bank Limited). The following tables show the distribution of operating profit and non-current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2019 and 2018:

**2019**

| | Ghana | Malaysia | Total |
|---|---|---|---|
| Interest income | 1,033,012 | 19,134 | 1,052,146 |
| Interest expense | (390,354) | (6,772) | (397,126) |
| Net interest income | 642,658 | 12,362 | 655,020 |
| Non-interest income | 264,840 | 460 | 265,300 |
| Operating income | 907,498 | 12,822 | 920,320 |
| Operating expenses | (473,629) | (7,482) | (481,111) |
| Net impairment charge on financial assets | 109,855) | - | (109,855) |
| Operating profit | 324,014 | 5,340 | 329,354 |

2018

| | Ghana | Malaysia | Total |
|---|---|---|---|
| Interest income | 779,274 | 13,302 | 792,576 |
| Interest expense | (277,529) | (3,666) | (281,195) |
| Net interest income | 501,745 | 9,636 | 511,381 |
| Non interest income | 192,585 | 141 | 192,726 |
| Operating income | 694,330 | 9,777 | 704,107 |
| Operating expenses | (391,197) | (4,852) | (396,049) |
| Net impairment charge on financial assets | (59,129) | - | (59,129) |
| Operating profit | 244,004 | 4,925 | 248,929 |

| | GROUP | | BANK | |
|---|---|---|---|---|
| **8. Interest income** | 2019 | 2018 | 2019 | 2018 |
| Interest income is calculated using the effective interest method | | | | |
| Cash and short term funds | 37,238 | 51,153 | 39,177 | 51,747 |
| Debt instruments at amortised cost | 187,299 | 318,042 | 185,757 | 318,042 |
| Debt instruments at FVOCI | 448,839 | 221,941 | 448,839 | 221,941 |
| Other financial assets measured at FVPL | 91,656 | 35,230 | 91,656 | 35,230 |
| Loans and advances | 287,114 | 166,210 | 282,323 | 162,025 |
| | 1,052,146 | 792,576 | 1,047,752 | 788,985 |
| **9. Interest expense** | | | | |
| Savings accounts | 68,176 | 50,773 | 68,176 | 50,773 |
| Time and other deposits | 87,027 | 97,406 | 82,194 | 95,559 |
| Overnight and call accounts | 40,802 | 65,495 | 55,144 | 74,611 |
| Current accounts | 24,182 | 13,575 | 24,182 | 13,575 |
| Borrowings | 176,939 | 53,946 | 176,939 | 53,946 |
| | 397,126 | 281,195 | 406,635 | 288,464 |
| **10. Fee and commission income** | | | | |
| Fee income earned from services that are provided over time: | | | | |
| Guarantee fees | 2,907 | 3,951 | 2,907 | 3,951 |
| Fee income from providing financial services at a point in time: | | | | |
| Trade finance fees | 7,856 | 6,403 | 7,856 | 6,403 |
| Credit related fees and commissions | 37,346 | 34,643 | 37,346 | 34,643 |
| Cash management & service charges | 93,651 | 76,054 | 93,655 | 75,693 |
| Other fees and commissions | 23,749 | 32,143 | 20,612 | 29,459 |
| | 165,509 | 153,194 | 162,376 | 150,149 |
| **11. Fee and commission expense** | | | | |
| Direct charges for services | 21,934 | 15,847 | 21,919 | 15,827 |
| **12. Other operating income** | | | | |
| Foreign exchange: | | | | |
| transaction gains less losses | 110,032 | 59,486 | 109,676 | 59,486 |
| translation gains less losses | 4,540 | (3,494) | 4,540 | (3,252) |
| Sundry income | 7,153 | (614) | 7,134 | (631) |
| | 121,725 | 55,378 | 121,350 | 55,603 |

(All amounts are in thousands of Ghana cedis)

## 13. Operating expenses

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (a) Personnel expenses comprise: | | | | |
| Wages and salaries | 98,078 | 81,337 | 93,531 | 78,254 |
| Social security fund contribution | 11,241 | 10,004 | 11,241 | 10,004 |
| Provident fund contribution | 6,050 | 5,623 | 6,050 | 5,623 |
| Other employee cost | 94,389 | 61,910 | 94,389 | 61,910 |
| | 209,758 | 158,874 | 205,211 | 155,791 |

Other employee cost comprises of allowances, staff medicals, expenses on the fair valuation of employee loans and other employee related costs.

The number of persons employed by the Group and the Bank at the end of the year was 1,141 (2018: 1,098) and 1,134 (2018: 1,084) respectively.

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (b) Depreciation and amortisation expenses comprise: | | | | |
| Depreciation (Note 22) | 32,163 | 15,918 | 32,058 | 15,837 |
| Amortisation (Note 23) | 8,236 | 5,302 | 7,736 | 4,588 |
| Goodwill write off (Note 23) | - | 2,338 | - | 2,338 |
| | 40,399 | 23,558 | 39,794 | 22,763 |
| (c) Other expenses comprise: | | | | |
| Advertising and marketing | 14,918 | 21,502 | 14,522 | 21,230 |
| Audit fees | 472 | 490 | 413 | 475 |
| Directors' emoluments | 2,331 | 1,825 | 2,191 | 1,710 |
| Utilities | 14,473 | 14,387 | 14,085 | 13,984 |
| Repairs and maintenance | 3,639 | 1,977 | 1,331 | 888 |
| Stationery and print expenses | 5,256 | 6,058 | 5,245 | 6,043 |
| Outsourced services | 29,716 | 23,461 | 29,716 | 23,461 |
| Other operating expenses | 145,180 | 134,214 | 144,454 | 133,569 |
| Legal and consultancy fees | 11,957 | 7,670 | 11,725 | 7,307 |
| Training | 2,848 | 1,893 | 2,840 | 1,869 |
| Donations and sponsorship | 164 | 139 | 164 | 139 |
| | 230,954 | 213,616 | 226,273 | 210,675 |

## 14. Net impairment loss on financial assets

**Breakdown of impairment losses**

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Impairment losses on loans and advances | | | | |
| Loans and advances to customers | 139,279 | 51,818 | 139,279 | 51,818 |
| Recoveries | (38,568) | (4,472) | (38,568) | (4,472) |
| | 100,711 | 47,346 | 100,711 | 47,346 |
| Cash and cash equivalents | (121) | 241 | (121) | 241 |
| Financial guarantees and undrawn commitments | 3,064 | 385 | 3,064 | 385 |
| Letters of credit | 4,400 | 213 | 4,400 | 213 |
| | 7,343 | 839 | 7,343 | 839 |
| Total impairment loss on financial assets | 108,054 | 48,185 | 108,054 | 48,185 |
| Impairment losses on non-current assets held for sale/other assets | 1,801 | 10,944 | 1,800 | 10,942 |
| | 109,855 | 59,129 | 109,854 | 59,127 |
| Movement in impairment losses on loans and advances is as follows: | | | | |
| At 1 January | 196,474 | 199,676 | 196,474 | 199,676 |
| IFRS 9 transition adjustment | - | 7,303 | - | 7,303 |
| Increase in impairment charges | 139,279 | 51,818 | 139,279 | 51,818 |
| Amounts written off as uncollectible | (279,017) | (62,323) | (279,017) | (62,323) |
| At year end | 56,736 | 196,474 | 56,736 | 196,474 |

(All amounts are in thousands of Ghana cedis)

### 15. Income tax expense

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Current income tax | 65,490 | 50,334 | 64,742 | 49,777 |
| Deferred tax (Note 16) | (20,002) | 16,462 | (19,967) | 16,492 |
| Income tax expense | 45,488 | 66,796 | 44,775 | 66,269 |
| National fiscal stabilisation levy | 16,209 | 12,206 | 16,090 | 12,104 |
| | 61,697 | 79,002 | 60,865 | 78,373 |

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

| | GROUP 2019 | GROUP 2018 | BANK 2019 | BANK 2018 |
|---|---|---|---|---|
| Profit before tax | 329,353 | 248,929 | 321,791 | 242,090 |
| Corporate tax rate at 25% (2018: 25%) | | | | |
| Tax calculated at corporate tax rate | 82,338 | 62,232 | 80,448 | 60,523 |
| Effect of different tax rates in other countries | (1,175) | (1,182) | - | - |
| Non deductible expenses | 58 | 35 | 58 | 35 |
| Tax deductible expenses | 752 | (327) | 752 | (327) |
| Origination and reversal of temporary differences | (36,485) | 6,038 | (36,483) | 6,038 |
| National fiscal stabilisation levy at 5% (2018: 5%) | 16,209 | 12,206 | 16,090 | 12,104 |
| Income tax expense | 61,697 | 79,002 | 60,865 | 78,373 |

### 15. Income tax expense (continued)

**Current tax (asset)/liability**

The movement on current income tax for 2019 is as follows:

| Group | At 1 January | Paid during the year | Charge | At 31 December |
|---|---|---|---|---|
| Year of assessment | | | | |
| Current income tax | | | | |
| Up to 2018 | (15,402) | - | - | (15,402) |
| 2019 | - | (46,851) | 65,490 | 18,639 |
| | (15,402) | (46,851) | 65,490 | 3,237 |
| National fiscal stabilisation levy | | | | |
| Up to 2018 | (6,290) | - | - | (6,290) |
| 2019 | - | (12,886) | 16,209 | 3,323 |
| | (6,290) | (12,886) | 16,209 | (2,967) |
| Total current tax asset | | | | 270 |

| Bank | At 1 January | Paid during the year | Charge | At 31 December |
|---|---|---|---|---|
| Year of assessment | | | | |
| Current income tax | | | | |
| Up to 2018 | (15,423) | - | - | (15,423) |
| 2019 | - | (46,270) | 64,742 | 18,472 |
| | (15,423) | (46,270) | 64,742 | 3,049 |
| National fiscal stabilisation levy | | | | |
| Up to 2018 | (6,321) | - | - | (6,321) |
| 2019 | - | (12,781) | 16,090 | 3,309 |
| | (6,321) | (12,781) | 16,090 | (3,012) |
| Total current tax asset | | | | 37 |

The National Fiscal Stabilisation Levy Act, 2013, (Act 785), became effective from 15 July 2013. Under the Act, a 5% levy is charged on profit before tax and is payable on a quarterly basis.

(All amounts are in thousands of Ghana cedis)

**15. Income tax expense (continued)**

Current tax (asset)/liability
The movement on current income tax for 2018 is as follows:

| Group | At 1 January | Paid during the year | Charge | At 31 December |
|---|---|---|---|---|
| Year of assessment | | | | |
| Current income tax | | | | |
| Up to 2017 | 2,853 | - | - | 2,853 |
| 2018 | - | (68,589) | 50,334 | (18,255) |
| | 2,853 | (68,589) | 50,334 | (15,402) |
| National fiscal stabilisation levy | | | | |
| Up to 2017 | (2,278) | - | - | (2,278) |
| 2018 | - | (16,218) | 12,206 | (4,012) |
| | (2,278) | (16,218) | 12,206 | (6,290) |
| Total current tax asset | | | | (21,692) |

| Bank | | | | |
|---|---|---|---|---|
| Year of assessment | | | | |
| Current income tax | 2,777 | - | - | 2,777 |
| Up to 2017 | - | (67,977) | 49,777 | (18,200) |
| 2018 | 2,777 | (67,977) | 49,777 | (15,423) |
| National fiscal stabilisation levy | | | | |
| Up to 2017 | (2,327) | - | - | (2,327) |
| 2018 | - | (16,099) | 12,104 | (3,995) |
| | (2,327) | (16,099) | 12,104 | (6,322) |
| Total current tax asset | | | | (21,745) |

## 16. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **GROUP** | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Property and equipment | (82) | 4,594 | 4,512 | (47) | 5,346 | 5,299 |
| Impairment allowances for loan losses | (17,349) | - | (17,349) | - | - | - |
| Other Provisions | (1,868) | - | (1,868) | (2) | - | (2) |
| Gains/Losses on FVOCI instruments | - | 830 | 830 | - | 2,022 | 2,022 |
| Net tax (assets)/liabilities | (19,299) | 5,424 | (13,875) | (49) | 7,368 | 7,319 |
| **BANK** | | | | | | |
| Property and equipment | - | 4,594 | 4,594 | - | 5,346 | 5,346 |
| Impairment allowances for loan losses | (17,349) | - | (17,349) | - | - | - |
| Other Provisions | (1,866) | - | (1,866) | - | - | - |
| Gains/Losses on FVOCI instruments | - | 830 | 830 | - | 2,022 | 2,022 |
| Net tax (assets)/liabilities | (19,215) | 5,424 | (13,791) | - | 7,368 | 7,368 |

Deferred tax is calculated using the enacted income tax rate of 25% (2018: 25%). Deferred tax liabilities and deferred tax charges in the statement of comprehensive income are attributable to the following items:

**GROUP**

| 2019 | At 1 January | movement | At 31 December |
|---|---|---|---|
| Property and equipment | 5,299 | (787) | 4,512 |
| Impairment allowance for loan losses | - | (17,349) | (17,349) |
| Other provisions | (2) | (1,866) | (1,868) |
| Deferred tax expense through comprehensive income | 5,297 | (20,002) | (14,705) |
| Deferred tax expense through equity (gains on FVOCI instruments) | 2,022 | (1,192) | 830 |
| Total | 7,319 | (21,194) | (13,875) |

(All amounts are in thousands of Ghana cedis)

**16. Deferred tax (continued)**

**BANK**

| 2019 | At 1 January | Movement | At 31 December |
|---|---|---|---|
| Property and equipment | 5,346 | (752) | 4,594 |
| Impairment allowance for loan losses | - | (17,349) | (17,349) |
| Other provisions | - | (1,866) | (1,866) |
| Deferred tax expense through comprehensive income | 5,346 | (19,967) | (14,621) |
| Deferred tax expense through equity (gains on FVOCI instruments) | 2,022 | (1,192) | 830 |
| Total | 7,368 | (21,159) | (13,791) |

**GROUP**

| 2018 | At 1 January | Movement | At 31 December |
|---|---|---|---|
| Property and equipment | 4,273 | 1,026 | 5,299 |
| Impairment allowance for loan losses | (15,438) | 15,438 | - |
| Other provisions | - | (2) | (2) |
| Deferred tax expense through comprehensive income | (11,165) | 16,462 | 5,297 |
| Deferred tax expense through equity (gains on FVOCI instruments) | 8,536 | (6,514) | 2,022 |
| Total | (2,629) | 9,948 | 7,319 |

**BANK**

| 2018 | At 1 January | Movement | At 31 December |
|---|---|---|---|
| Property and equipment | 4,292 | 1,054 | 5,346 |
| Impairment allowance for loan losses | (15,438) | 15,438 | - |
| Deferred tax expense through comprehensive income | (11,146) | 16,492 | 5,346 |
| Deferred tax expense through equity (gains on FVOCI instruments) | 8,536 | (6,514) | 2,022 |
| Total | (2,610) | 9,978 | 7,368 |

### 17a. Cash and cash equivalents

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Cash and balances with banks | 427,497 | 309,734 | 454,676 | 299,030 |
| Restricted balances with the Central Bank | 390,573 | 596,619 | 390,573 | 596,619 |
| Money market placements | 2,471,303 | 840,621 | 2,471,303 | 862,311 |
| Impairment allowance on placements | (120) | (241) | (120) | (241) |
| Total | 3,289,253 | 1,746,733 | 3,316,432 | 1,757,719 |

### 17b. Derivative financial instruments

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Fair valuation on foreign exchange currency swap | 2,294 | - | 2,294 | - |

**Derivative financial instruments**

The table below shows the fair value of financial instruments recorded as asset or liabilities together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivates are measured. The notional amounts indicate the volume of transactions outstanding at the year end.

| GROUP & BANK | 2019 Fair value of derivatives instrument | 2019 Notional Amount | 2018 Fair value of derivatives instrument | 2018 Notional Amount |
|---|---|---|---|---|
| Fair valuation on foreign exchange currency swap | 2,294 | 2,095,055 | - | - |

(All amounts are in thousands of Ghana cedis)

| 18. Investment Securities | GROUP 2019 | GROUP 2018 | BANK 2019 | BANK 2018 |
|---|---|---|---|---|
| At 1 January | 3,476,583 | 2,533,899 | 3,473,547 | 2,527,479 |
| Additions | 18,887,603 | 12,615,762 | 18,870,586 | 12,597,593 |
| Redeemed on maturity | (18,062,824) | (11,676,694) | (18,052,635) | (11,655,149) |
| Fair value gain/(losses) | 3,955 | 8,088 | 3,955 | 8,088 |
| | 4,305,317 | 3,481,055 | 4,295,453 | 3,478,011 |
| Impairment loss on investment securities | (3,807) | (4,472) | (3,798) | (4,464) |
| At 31 December | 4,301,510 | 3,476,583 | 4,291,655 | 3,473,547 |
| **Analysis of investment securities by tenor** | | | | |
| Maturing within 91 days of acquisition | 3 | 20,820 | 3 | 20,820 |
| Maturing after 91 days but within 182 days of acquisition | 154,554 | 157,020 | 154,554 | 153,976 |
| Maturing after 182 days of acquistion but within 1 year of acquisition | 658,549 | 1,131,867 | 648,743 | 1,131,867 |
| Maturing after 1 year of acquisition | 3,492,211 | 2,171,348 | 3,492,153 | 2,171,348 |
| Gross Total | 4,305,317 | 3,481,055 | 4,295,453 | 3,478,011 |
| Impairment loss on investment securities | (3,807) | (4,472) | (3,798) | (4,464) |
| At 31 December | 4,301,510 | 3,476,583 | 4,291,655 | 3,473,547 |
| **Classification of investment securities** | | | | |
| FVOCI | 2,361,115 | 1,838,363 | 2,361,115 | 1,838,363 |
| FVPL | 234,549 | 84,282 | 234,549 | 84,282 |
| Fair value gain/(losses) | 3,955 | 8,088 | 3,955 | 8,088 |
| | 2,599,619 | 1,930,733 | 2,599,619 | 1,930,733 |
| Amortised cost | 1,705,698 | 1,550,322 | 1,695,834 | 1,547,278 |
| Impairment loss on investment securities | (3,807) | (4,472) | (3,798) | (4,464) |
| Total | 4,301,510 | 3,476,583 | 4,291,655 | 3,473,547 |

| 19. Investments (other than securities) | GROUP 2019 | GROUP 2018 | BANK 2019 | BANK 2018 |
|---|---|---|---|---|
| Fidelity Securities Limited | - | - | 101 | 101 |
| Fidelity Asia Bank Limited | - | - | 12,370 | 12,370 |
| Total | - | - | 12,471 | 12,471 |

**20. Loans and advances to customers**

| | GROUP | | BANK | |
|---|---|---|---|---|
| (a) Analysis by type: | 2019 | 2018 | 2019 | 2018 |
| Term loans | 2,186,979 | 1,339,248 | 2,137,176 | 1,295,867 |
| Overdrafts | 323,162 | 276,842 | 323,162 | 276,843 |
| Staff | 50,584 | 43,236 | 50,584 | 43,236 |
| Gross loans and advances to customers | 2,560,725 | 1,659,326 | 2,510,922 | 1,615,946 |
| Impairment allowance (Note 14) | (56,736) | (196,474) | (56,736) | (196,474) |
| Net loans and advances to customers | 2,503,989 | 1,462,852 | 2,454,186 | 1,419,472 |
| Current | 1,217,865 | 516,537 | 1,168,062 | 473,157 |
| Non-current | 1,286,124 | 946,315 | 1,286,124 | 946,315 |
| | 2,503,989 | 1,462,852 | 2,454,186 | 1,419,472 |
| (b) Analysis by type of customer: | | | | |
| Individuals | 272,252 | 147,904 | 272,252 | 147,904 |
| Private enterprises | 1,858,104 | 1,308,252 | 1,808,301 | 1,264,872 |
| State enterprise and public institutions | 379,785 | 159,934 | 379,785 | 159,934 |
| Staff | 50,584 | 43,236 | 50,584 | 43,236 |
| | 2,560,725 | 1,659,326 | 2,510,922 | 1,615,946 |
| Impairment allowance (Note 14) | (56,736) | (196,474) | (56,736) | (196,474) |
| Net loans and advances to customers | 2,503,989 | 1,462,852 | 2,454,186 | 1,419,472 |
| (c) Analysis by business segment: | | | | |
| Agriculture, forestry and fishing | 321,384 | 74,239 | 321,384 | 74,239 |
| Mining | 88,191 | 97,992 | 88,191 | 97,992 |
| Manufacturing | 108,559 | 257,343 | 108,559 | 257,343 |
| Construction | 259,556 | 279,075 | 259,556 | 279,075 |
| Electricity, gas and water | 127,530 | 161,314 | 127,530 | 161,314 |
| Commerce and finance | 384,892 | 147,392 | 384,892 | 147,392 |
| Transport, storage and communication | 354,373 | 290,152 | 354,373 | 290,152 |
| Services | 910,241 | 351,621 | 860,438 | 308,241 |
| Miscellaneous | 5,999 | 198 | 5,999 | 198 |
| | 2,560,725 | 1,659,326 | 2,510,922 | 1,615,946 |
| Impairment allowance (Note 14) | (56,736) | (196,474) | (56,736) | (196,474) |
| Net loans and advances to customers | 2,503,989 | 1,462,852 | 2,454,186 | 1,419,472 |

(All amounts are in thousands of Ghana cedis)

**20. Loans and advances to customers (continued)**

| (d) Key ratios on loans and advances | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Loan loss provision ratio | 2.22 % | 11.8 % | 2.26% | 12.16% |
| 50 largest exposures to total exposures | 66.00% | 86.12% | 67.00% | 88.44% |

**21. Other assets**

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Prepayments | 58,716 | 50,128 | 58,716 | 50,128 |
| Sundry assets | 124,543 | 158,339 | 115,335 | 157,372 |
| Amounts due from associated companies | - | - | - | 2,608 |
| Gross other assets | 183,259 | 208,467 | 174,051 | 210,108 |
| Impairment on other assets | - | (13,209) | - | (13,209) |
| **Net other assets** | 183,259 | 195,258 | 174,051 | 196,899 |

**22. Property, equipment and right-of-use asset**

**2019**

**GROUP**

| Cost | Motor vehicles | Computers-Hardware | Equipment | Furniture and fittings | Leasehold improvement | Right-of-use asset | Building | Land | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | 14,359 | 34,435 | 31,010 | 8,312 | 73,716 | - | 2,127 | 12,454 | 250 | **176,663** |
| Recognition of Right-of- Use Asset on initial application of IFRS 16: | - | - | - | - | - | 65,985 | - | - | - | **65,985** |
| **Restated balance at 1 January 2019** | 14,359 | 34,435 | 31,010 | 8,312 | 73,716 | 65,985 | 2,127 | 12,454 | 250 | **242,648** |
| Additions | 95 | 4,738 | 3,213 | 1,576 | 5,112 | 3,158 | - | - | 1,882 | **19,774** |
| Transfers | - | - | - | - | 270 | - | - | - | (270) | **-** |
| Disposal | (1,201) | - | - | - | - | - | - | - | - | **(1,201)** |
| **Balance at 31 December 2019** | 13,253 | 39,173 | 34,223 | 9,888 | 79,098 | 69,143 | 2,127 | 12,454 | 1,862 | **261,221** |
| **Depreciation** | | | | | | | | | | |
| Balance at 1 January 2019 | 7,334 | 22,753 | 17,400 | 5,994 | 12,618 | - | 16 | - | - | **66,115** |
| Charge for the year | 2,668 | 5,156 | 5,432 | 987 | 4,327 | 13,593 | - | - | - | **32,163** |
| Disposal | (1,200) | - | - | - | - | - | - | - | - | **(1,200)** |
| **Balance at 31 December 2019** | 8,802 | 27,909 | 22,832 | 6,981 | 16,945 | 13,593 | 16 | - | - | **97,078** |
| | | | | | | | | | | |
| **Net Book Value** | 4,451 | 11,264 | 11,391 | 2,907 | 62,153 | 55,550 | 2,111 | 12,454 | 1,862 | **164,143** |

(All amounts are in thousands of Ghana cedis)

**22. Property, equipment and right-of-use asset (continued)**

**2019**
**BANK**

| Cost | Motor vehicles | Computers-Hardware | Equipment | Furniture and fittings | Leasehold improvement | Right-of-use asset | Land | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | 14,110 | 34,013 | 30,823 | 8,290 | 73,475 | - | 14,565 | 271 | **175,547** |
| Recognition of Right-of- Use Asset on initial application of IFRS 16: | - | - | - | - | - | 65,985 | - | - | **65,985** |
| **Restated balance at 1 January 2019** | 14,110 | 34,013 | 30,823 | 8,290 | 73,475 | 65,985 | 14,565 | 271 | **241,532** |
| Additions | 95 | 4,727 | 3,205 | 1,576 | 5,112 | 3,158 | - | 1,882 | **19,755** |
| Transfers | - | - | - | - | 270 | - | - | (270) | **-** |
| Disposal | (1,201) | - | - | - | - | - | - | - | **(1,201)** |
| **Balance at 31 December 2019** | 13,004 | 38,740 | 34,028 | 9,866 | 78,857 | 69,143 | 14,565 | 1,883 | **260,086** |
| **Depreciation** | | | | | | | | | |
| Balance at 1 January 2019 | 7,145 | 22,579 | 17,223 | 5,992 | 12,404 | - | - | - | **65,343** |
| Charge for the year | 2,668 | 5,091 | 5,426 | 981 | 4,299 | 13,593 | - | - | **32,058** |
| Disposal | (1,201) | - | - | - | - | - | - | - | **(1,201)** |
| **Balance at 31 December 2019** | 8,612 | 27,670 | 22,649 | 6,973 | 16,703 | 13,593 | - | - | **96,200** |
| **Net Book Value** | 4,392 | 11,070 | 11,379 | 2,893 | 62,154 | 55,550 | 14,565 | 1,883 | **163,886** |

**22. Property, equipment and right-of-use asset (continued)**

**2018**
**GROUP**

| Cost | Motor vehicles | Computers-Hardware | Equipment | Furniture and fittings | Leasehold improvement | Building | Land | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 13,690 | 28,326 | 26,673 | 6,886 | 69,093 | 2,127 | 12,454 | 3,044 | 162,293 |
| Additions | 1,470 | 3,873 | 3,786 | 1,395 | 3,465 | - | - | 1,262 | 15,251 |
| Transfers | - | 2,236 | 551 | 31 | 1,238 | - | - | (4,056) | - |
| Disposal | (801) | - | - | - | (80) | - | - | - | (881) |
| **Balance at 31 December 2018** | 14,359 | 34,435 | 31,010 | 8,312 | 73,716 | 2,127 | 12,454 | 250 | 176,663 |
| **Depreciation** | | | | | | | | | |
| Balance at 1 January 2018 | 5,455 | 18,673 | 12,776 | 5,159 | 8,737 | 16 | - | - | 50,816 |
| Charge for the year | 2,466 | 4,080 | 4,624 | 835 | 3,913 | - | - | - | 15,918 |
| Disposal | (587) | - | - | - | (32) | - | - | - | (619) |
| **Balance at 31 December 2018** | 7,334 | 22,753 | 17,400 | 5,994 | 12,618 | 16 | - | - | 66,115 |
| **Net Book Value** | 7,025 | 11,682 | 13,610 | 2,318 | 61,098 | 2,111 | 12,454 | 250 | 110,548 |

(All amounts are in thousands of Ghana cedis)

### 22. Property, equipment and right-of-use asset (continued)

**2018**
**BANK**

| Cost | Motor vehicles | Computers-Hardware | Equipment | Furniture and fittings | Leasehold improvement | Land | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 13,441 | 28,149 | 26,509 | 6,883 | 68,865 | 14,565 | 3,099 | 161,511 |
| Additions | 1,470 | 3,628 | 3,763 | 1,376 | 3,452 | - | 1,228 | 14,917 |
| Transfers | - | 2,236 | 551 | 31 | 1,238 | - | (4,056) | - |
| Disposal | (801) | - | - | - | (80) | - | - | (881) |
| **Balance at 31 December 2018** | 14,110 | 34,013 | 30,823 | 8,290 | 73,475 | 14,565 | 271 | 175,547 |
| **Depreciation** | | | | | | | | |
| Balance at 1 January 2018 | 5,266 | 18,525 | 12,607 | 5,163 | 8,564 | - | - | 50,125 |
| Charge for the year | 2,466 | 4,054 | 4,616 | 829 | 3,872 | - | - | 15,837 |
| Disposal | (587) | - | - | - | (32) | - | - | (619) |
| **Balance at 31 December 2018** | 7,145 | 22,579 | 17,223 | 5,992 | 12,404 | - | - | 65,343 |
| **Net Book Value** | 6,965 | 11,434 | 13,600 | 2,298 | 61,071 | 14,565 | 271 | 110,204 |

## 23. Intangible assets

**2019**

**GROUP**

| | Computer software | Capital work-in-progress | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2019 | 52,157 | - | 52,157 |
| Additions | 12,936 | 4,412 | 17,348 |
| Balance at 31 December 2019 | 65,093 | 4,412 | 69,505 |
| | | | |
| **Amortisation** | | | |
| Balance at 1 January 2019 | 27,565 | - | 27,565 |
| Charge for the year | 8,236 | - | 8,236 |
| Balance at 31 December 2019 | 35,801 | - | 35,801 |
| | | | |
| Net Book Value | 29,292 | 4,412 | 33,704 |

**BANK**

| | Computer software | Capital work-in-progress | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2019 | 49,070 | - | 49,070 |
| Additions | 12,865 | 4,411 | 17,276 |
| Balance at 31 December 2019 | 61,935 | 4,411 | 66,346 |
| | | | |
| **Amortisation** | | | |
| Balance at 1 January 2019 | 25,304 | - | 25,304 |
| Charge for the year | 7,736 | - | 7,736 |
| Balance at 31 December 2019 | 33,040 | - | 33,040 |
| | | | |
| Net Book Value | 28,895 | 4,411 | 33,306 |

(All amounts are in thousands of Ghana cedis)

**23. Intangible assets (continued)**

2018

**GROUP**

| | Computer software | Capital work-in-progress | Goodwill | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2018 | 37,219 | 1,576 | 2,338 | 41,133 |
| Additions | 1,800 | 11,562 | - | 13,362 |
| Transfers | 13,138 | (13,138) | - | - |
| Write off | - | - | (2,338) | (2,338) |
| Balance at 31 December 2018 | 52,157 | - | - | 52,157 |
| | | | | |
| Amortisation | | | | |
| Balance at 1 January 2018 | 22,263 | - | - | 22,263 |
| Charge for the year | 5,302 | - | 2,338 | 7,640 |
| Write off | - | - | (2,338) | (2,338) |
| Balance at 31 December 2018 | 27,565 | - | - | 27,565 |
| | | | | |
| Net Book Value | 24,592 | - | - | 24,592 |

**BANK**

| | Computer software | Capital work-in-progress | Goodwill | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2018 | 34,100 | 1,572 | 2,338 | 38,010 |
| Additions | 1,832 | 11,566 | - | 13,398 |
| Transfers | 13,138 | (13,138) | - | - |
| Write off | - | - | (2,338) | (2,338) |
| Balance at 31 December 2018 | 49,070 | - | - | 49,070 |
| | | | | |
| Amortisation | | | | |
| Balance at 1 January 2018 | 20,716 | - | - | 20,716 |
| Charge for the year | 4,588 | - | 2,338 | 6,926 |
| Write off | - | - | (2,338) | (2,338) |
| Balance at 31 December 2018 | 25,304 | - | - | 25,304 |
| | | | | |
| Net Book Value | 23,766 | - | - | 23,766 |

**24. Non current assets held for sale**

In 2019 the Management of the Bank decided to dispose of an asset repossessed by the Bank due to loan default. Subsequently, the asset has been classified as a non current asset held for sale and is presented separately in the statement of financial position.

Negotiations are ongoing with potential buyers however the proceeds of disposal are expected to be lower than the gross carrying amount of the asset and accordingly an impairment loss has been recognised being the expected shortfall. The sale is expected to be completed within 12 months of the reporting date.

| | Collateral repossessed |
|---|---|
| | 2019 |
| Land and buildings | 31,625 |
| Less: allowance for impairment | (15,675) |
| Total non-current assets classified as held for sale | 15,950 |

The class of asset recognised as held for sale for the year ended 31 December 2018 was nil.

(All amounts are in thousands of Ghana cedis)

**25. Deposits from customers**

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Current accounts | 2,583,811 | 1,569,601 | 2,403,711 | 1,556,379 |
| Call accounts | 609,590 | 691,454 | 609,590 | 789,243 |
| Savings accounts | 1,120,960 | 902,691 | 1,120,960 | 902,691 |
| Time deposits | 795,928 | 820,154 | 720,896 | 730,816 |
| Total | 5,110,289 | 3,983,900 | 4,855,157 | 3,979,129 |
| | | | | |
| Current | 1,469,968 | 1,958,165 | 1,214,836 | 1,953,394 |
| Non-current | 3,640,321 | 2,025,735 | 3,640,321 | 2,025,735 |
| Total | 5,110,289 | 3,983,900 | 4,855,157 | 3,979,129 |
| | | | | |
| Analysis by type of depositor: | | | | |
| | | | | |
| Individuals and other private enterprises | 4,656,335 | 3,136,624 | 4,401,203 | 3,131,853 |
| Government departments and agencies | 453,954 | 847,276 | 453,954 | 847,276 |
| Total | 5,110,289 | 3,983,900 | 4,855,157 | 3,979,129 |
| | | | | |
| 20 largest depositors to total deposit ratio | 35.49% | 35.84% | 35.53% | 36.53% |

**26. Deposits from banks and other financial institutions**

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Other deposits | 112,351 | 477,210 | 361,626 | 477,210 |

Deposits from banks and other financial institutions consist of short-term deposits from various banks and financial institutions.

## 27. Borrowings (The Group and The Bank)

### I. Short Term Borrowings

At the end of the year, the Bank had short term obligations as detailed below:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Balances due to other financial institutions | 3,620,338 | 1,071,527 | 3,620,338 | 1,071,527 |

### II. Long Term Borrowings

The movement in long term borrowings during the year is as follows:

| 2019 | At 1 January | Drawdown | Interest | Repayments | Exchange differences | At 31 December |
|---|---|---|---|---|---|---|
| PROPARCO (b) | 37,100 | - | 2,685 | (11,039) | 5,305 | 34,051 |
| DEG, FMO and SWEDFUND (TIER II CAPITAL) (c) | 297,560 | - | 23,880 | (128,535) | 39,114 | 232,019 |
| KfW (d) | 14,843 | - | 1,144 | (15,790) | - | 197 |
| DEV.BANK OF AUSTRIA (g) | 36,379 | - | 2,428 | (15,998) | 5,016 | 27,825 |
| FMO (f) | 195,832 | - | 14,207 | (87,741) | 27,553 | 149,851 |
| EUROPEAN INVESTMENT BANK (e) | 78,149 | - | 4,297 | (11,169) | 10,853 | 82,130 |
| Total | 659,863 | - | 48,641 | (270,272) | 87,841 | 526,073 |
| | | | | | | |
| Current | | | | | | 162,396 |
| Non -current | | | | | | 363,677 |
| Total | | | | | | 526,073 |

(All amounts are in thousands of Ghana cedis)

**27. Borrowings (The Group and The Bank) (continued)**

**II. Long Term Borrowings**

The movement in long term borrowings during the year is as follows:

| 2018 | At 1 January | Drawdown | Interest | Repayments | Exchange differences | At 31 December |
|---|---|---|---|---|---|---|
| GHIB (a) | 2,243 | - | 22 | (2,248) | (17) | - |
| PROPARCO (b) | 40,746 | - | 2,666 | (9,741) | 3,429 | 37,100 |
| DEG, FMO and SWEDFUND (TIER II CAPITAL) (c) | 271,860 | - | 26,434 | (25,702) | 24,968 | 297,560 |
| KfW (d) | 13,953 | - | 1,152 | (262) | - | 14,843 |
| DEV. BANK OF AUSTRIA (g) | 44,388 | - | 2,723 | (14,290) | 3,558 | 36,379 |
| FMO (f) | 239,179 | - | 16,057 | (78,942) | 19,538 | 195,832 |
| EUROPEAN INVESTMENT BANK (e) | 71,428 | - | 3,658 | (3,498) | 6,561 | 78,149 |
| Total | 683,797 | - | 52,712 | (134,683) | 58,037 | 659,863 |
| | | | | | | |
| Current | | | | | | 155,541 |
| Non -current | | | | | | 504,322 |
| Total | | | | | | 659,863 |

**(a) Ghana International Bank Plc (GHIB)**

Ghana International Bank Plc (GHIB) made available to the Bank a loan amount of US$5million by an agreement dated 3 April, 2014, for on-lending to the Bank's customers or for general corporate purposes. Interest rate applicable to the loan is the sum of the applicable US prime rate and a margin of 2.75% per annum over a 5 year period. The facility was fully paid off in 2018.

**(b) Societe de Promotion et de Participation Pour la Cooperation Economique (PROPARCO)**

A loan of US$ 13 million was granted to the Bank on 31 December 2014 for the purposes of on-lending to its customers. The facility is for a period of ten (10) years at an interest rate of the sum of 6 months LIBOR USD rate, the basis swap rate on the determination date and the applicable margin of 4.475% p.a.

**(c) DEG, FMO & Swedfund International Aktiebolag ("SWEDFUND")**

On 1 August 2014, at the Bank's request, DEG, FMO and SWEDFUND INTERNATIONAL AKTIEBOLAG ("SWEDFUND"), provided a seven-year subordinated term loan facility of US$60 million for the purpose of increasing the Bank's Tier II Capital and supporting the growth strategy of the Bank.

On 15 March 2019, part payment of principal was made, reducing the outstanding loan balance to US$50 million.

**27. Borrowings (The Group and The Bank) (continued)**

Subsequently US$30 million of this amount was restructured into a senior credit facility. Repayment of the senior credit facility will be made semi-annually with an interest rate pegged to 6-month LIBOR USD rate plus a margin of 4.50%. The remainder of US$20 million will continue to run as Tier II Capital, the facility is unsecured and repayment is subordinated to other debt instruments. The interest rate on this loan is 6-month LIBOR plus a margin 7.25%

**(d) KfW**

On 29 August 2013, ProCredit Ghana, obtained a six (6) year subordinated loan of 8,225,090 from KfW at a rate of 14% per annum to support its rural finance programme. Repayment of principal and interest will be in a bullet at the end of the term. The Bank took over the principal and interest payment obligations on 11 April 2016 following the merger of operations of both entities. This facility was fully paid off in 2019.

On 21 August 2016, KfW extended a 4 year credit facility of 1,046,557 to the Bank to facilitate the purchase of POS terminals in line with the Bank's commitment to offer technology based solutions to drive the transaction banking business. The facility runs for 4 years at an interest rate of 6%.

**(e) European Investment Bank**

On 14 October 2016, a EUR 15 million loan agreement was signed between European Investment Bank and Fidelity Bank for the purpose of on lending to customers. Repayment is agreed to be on a half yearly basis at an interest rate of the sum of 6 months LIBOR USD rate and the applicable margin of 2.20% p.a. over a period of nine (9) years and expected to be fully paid off in April, 2025.

**(f) NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO)**

NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO) together with the Belgian Investment Company for Developing Countries NV/SA lent to the bank under a syndicated loan agreement dated 20th December, 2016 a facility amounting to US$54 million. The facility is expected to last for a period of 5 years at an aggregate interest rate of the 6 months USD LIBOR plus 4.75% p.a. The purpose of the facility is for on-lending to the Bank's customers.

**(g) Development Bank of Austria**

Fidelity Bank Ghana Ltd obtained a US$10 million loan facility from the Development Bank of Austria to be used purposely for on- lending to customers. The facility was obtained at a rate of the sum of 6 months LIBOR USD and the applicable margin of 4.25% p.a. The agreed tenure is for a period of 5 years and repayments are scheduled semi-annually.

(All amounts are in thousands of Ghana cedis)

## 28. Other liabilities

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Lease liabilities | 37,801 | - | 37,801 | - |
| ECL on off balance sheet items | 7,464 | 598 | 7,464 | 598 |
| Other creditors | 190,003 | 129,768 | 192,478 | 128,523 |
| | 235,268 | 130,366 | 237,743 | 129,121 |

Other creditors includes accruals, unrealised commission and fees, balances on transit accounts and other sundry payables.

Set out below are the carrying amounts of lease liabilities and the movement during the period:

| | **GROUP and BANK** | |
|---|---|---|
| | **2019** | 2018 |
| As at 1 January – effect of adoption of IFRS 16 | **48,285** | - |
| Accretion of interest | **3,734** | - |
| Payments | **(14,218)** | - |
| As at 31 December | **37,801** | - |

## 29. Earnings per share

The calculation of basic earnings per share as at 31 December 2019 was based on the profit attributable to ordinary shareholders of 260.93 million (2018: 163.72 million) and a weighted average number of ordinary shares outstanding of 25.25 million (2018: 25.25 million), calculated as follows:

| | **GROUP** | | **BANK** | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to ordinary shareholders | | | | |
| Net profit for the year | 267,657 | 169,927 | 260,927 | 163,717 |
| **Weighted average number of ordinary shares (000' of shares)** | | | | |
| Issued ordinary shares at 1 January | 25,250 | 25,250 | 25,250 | 25,250 |
| Effect of additional issue of shares | - | - | - | - |
| Weighted average number of ordinary shares at year end | 25,250 | 25,250 | 25,250 | 25,250 |
| Basic earnings per share (GH¢) | 10.60 | 6.73 | 10.33 | 6.48 |
| Diluted earnings per share (GH¢) | 10.60 | 6.73 | 10.33 | 6.48 |

## 30. Stated capital

**GROUP AND BANK**

**Summary**

**a. Ordinary shares**

| | 2019 | 2018 |
|---|---|---|
| At 1 January | 230,551 | 160,551 |
| Transferred from retained earnings | - | 70,000 |
| At year end | 230,551 | 230,551 |
| Preference shares | | |
| At 1 January | 173,935 | 103,935 |
| Issued for cash | - | 70,000 |
| At year end | 173,935 | 173,935 |
| Total stated capital | 404,486 | 404,486 |

**b. Ordinary shares**

| | 2019 | 2018 |
|---|---|---|
| Authorised | | |
| Ordinary shares of no par value ('000) | 1,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 January | 25,250 | 25,250 |
| Issued during the year | - | - |
| At 31 December | 25,250 | 25,250 |

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid. There are no treasury shares.

**c. Preference shares**

| | 2019 | 2018 |
|---|---|---|
| Authorised | | |
| Preference shares ('000) | 50,000 | 50,000 |
| Issued and fully paid: | | |
| At 1 January | 13,200 | 10,400 |
| Issued during the year | - | 2,800 |
| At 31 December | 13,200 | 13,200 |

## 31. Dividend

### GROUP AND BANK

**Ordinary shares**

Dividend in respect of ordinary shares for the year ended 31 December 2018 of GH¢1.28 per share amounting to GH¢32.25 million was paid in the year ended 31 December 2019 in accordance with the Dividend Policy of the Bank.

**Preference shares**

Dividend in respect of preference shares amounting to GH¢ 40.67 million was paid in the year ended 31 December, 2019 in accordance with the underlying agreements.

## 32. Statutory reserve

This is a non-distributable reserve representing transfer of 25% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 34 of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

## 33. Other reserves

### GROUP

| Year ended 31 December 2019 | FVOCI reserve | Revaluation reserve | Translation reserve | Total |
|---|---|---|---|---|
| At 1 January 2019 | 7,077 | (176) | 11,180 | 18,081 |
| Change in investment securities measured at FVOCI- gross | (3,756) | - | - | (3,756) |
| Change in investment securities measured at FVOCI- tax | 1,192 | - | - | 1,192 |
| Foreign currency translation differences of foreign subsidiary | - | - | 3,142 | 3,142 |
| Transfer to retained earnings | - | 176 | - | 176 |
| At 31 December 2019 | 4,513 | - | 14,322 | 18,835 |
| Year ended 31 December, 2018 | | | | |
| At 1 January 2018 | 25,609 | (176) | 9,715 | 35,148 |
| Change in investment securities measured at FVOCI- gross | (25,046) | - | - | (25,046) |
| Change in investment securities measured at FVOCI- tax | 6,514 | - | - | 6,514 |
| Change in fair value of equity security | - | - | - | - |
| Foreign currency translation differences of foreign subsidiary | - | - | 1,465 | 1,465 |
| At 31 December 2018 | 7,077 | (176) | 11,180 | 18,081 |

### BANK

| Year ended 31 December 2019 | FVOCI reserve | Revaluation reserve | Total |
|---|---|---|---|
| At 1 January 2019 | 7,077 | (60) | 7,017 |
| Change in investment securities measured at FVOCI- gross | (3,756) | - | (3,756) |
| Change in investment securities measured at FVOCI- tax | 1,192 | - | 1,192 |
| Transfer to retained earnings | - | 60 | 60 |
| At 31 December 2019 | 4,513 | - | 4,513 |
| Year ended 31 December, 2018 | | | |
| At 1 January 2018 | 25,609 | (60) | 25,549 |
| Change in investment securities measured at FVOCI- gross | (25,046) | - | (25,046) |
| Change in investment securities measured at FVOCI- tax | 6,514 | - | 6,514 |
| Change in fair value of equity security | - | - | - |
| At 31 December 2018 | 7,077 | (60) | 7,017 |

(All amounts are in thousands of Ghana cedis)

**34. Credit risk reserve**

This is an accumulation of transfers from the retained earnings account to meet the minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances. The movement is included in the statement of changes in equity.

The movement in the Bank's credit risk reserve is as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance as at 1 January | 20,207 | 18,639 |
| Movement from/(to) retained earnings | (20,207) | 8,871 |
| IFRS 9 transition adjustments | - | (7,303) |
| Balance as at year end | - | 20,207 |

The table below compares the impairment allowances per IFRS 9 to that required by the Bank of Ghana guideline:

| At year end | 2019 | 2018 |
|---|---|---|
| Bank of Ghana Provisioning | 56,686 | 216,681 |
| IFRS 9 Impairment | (56,736) | (196,474) |
| Excess of Bank of Ghana Provisioning over IFRS 9 Impairment | - | 20,207 |

**35. Retained earnings**

This represents the accumulated profits over the years after appropriations. The balance is available for distribution to shareholders.

**36. Related party disclosures**

Transactions with related parties have been entered into in the normal course of business.

**Transactions with subsidiaries**

(i) Transactions between Fidelity Bank Ghana Limited and its subsidiaries meet the definition of related party transactions.

The following transactions were carried out with subsidiaries:

| | 2019 | 2018 |
|---|---|---|
| Interest income | 1,594 | 1,980 |
| Interest expense | 14,687 | 8,829 |
| Fee and commission income | 4 | 5 |

**(ii) Year end balances resulting from transactions with subsidiaries:**

| | 2019 | 2018 |
|---|---|---|
| Placements with subsidiaries | 26,528 | 21,690 |
| Deposits from subsidiaries | 249,846 | 206,800 |
| Amount due from (to) subsidiaries | (1,725) | 2,608 |

(All amounts are in thousands of Ghana cedis)

**36. Related party disclosures (continued)**

**(iii) Transactions with key management personnel**

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Fidelity Bank Ghana Limited and comprise the Directors and officers of Fidelity Bank Ghana Limited.

Loan balances due from key management personnel are as follows:

| | 2019 | 2018 |
|---|---|---|
| Executive directors | 1,013 | 1,075 |
| Non executive directors | 857 | 1,416 |
| Officers and other employees | 49,571 | 40,746 |
| Total | 51,441 | 43,237 |

The Bank or Group has entered into transactions with its directors as follows:

| | 2019 | 2018 |
|---|---|---|
| As at 1 January | 2,491 | 2,161 |
| Interest charged | 174 | 168 |
| Loans disbursed | - | 466 |
| Pay-down | (795) | (304) |
| As at 31 December | 1,870 | 2,491 |

Interest rates charged on balances outstanding on staff loans are based on agreed terms and conditions. Secured loans granted are secured over property of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year with key management and therefore no specific allowances have been made for impairment losses on balances with key management.

**(iv) Non-executive directors' emoluments**

Remuneration paid to non-executive directors in the form of fees, allowances and related expenses are disclosed in Note 13.

**(v) Key management personnel remuneration**

| | 2019 | 2018 |
|---|---|---|
| Salaries and short-term employee benefits | 10,304 | 5,659 |
| Social security fund contribution | 969 | 593 |
| Provident fund contribution | 622 | 444 |
| | 11,895 | 6,696 |

**(vi) Connected lending:**

Included in loans and advances is GH¢ 28.2 million (2018: GH¢ 173.7 million) being advances to companies where a relationship exists by virtue of shareholding. The advances are entered into in the ordinary course of business. The related interest income in 2019 was GH¢ 5.8 million.

**(vii) Related party deposits**

Included in deposits is GH¢ 249.9 million (2018: GH¢ 206.8 million) due to subsidiary companies. Interest paid on these deposits during the year amounted to GH¢ 5.0 million (2018: GH¢ 8.8 million).

**37. Contingencies and commitments**

**(a) Guarantees and indemnities**

The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢ 180.3 million (December 2018: GH¢ 185.2 million).

**(b) Documentary credit**

The Bank had established documentary credits at the year end of GH¢ 350.8 million (December 2018: GH¢ 224.3 million).

**(c) Commitments**

The Bank had loan commitments amounting to GH¢ 133.9. million at the year end (December 2018: GH¢ 250.8 million).

**(d) Liabilities on other obligations**

The Bank had bid securities amounting to GH¢ 11.2 million at the year end (December 2018: GH¢ 3.2 million).

(All amounts are in thousands of Ghana cedis)

## 38. Regulatory disclosures

### (i) Non-performing loans ratio
Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 1.78 % as the year end (December 2018: 8.13%). Non-performing loans amounted to GH¢ 37.4 million at year end.

### (ii) Amount of loans written-off
The Bank wrote off a total amount of GH¢ 420.3 million during the year (2018: GH¢ 130.9 million) in principal and unpaid interest on loans and advances assessed and found to be uncollectible.

### (iii) Breaches in statutory liquidity
The Bank complied with all requirements with respect to statutory liquidity during the year.

### (iv) Capital Adequacy Ratio
The Bank's capital adequacy ratio (CRD) at end of 2019 was 20.54% (2018: 19.61%).

### (v) Liquid Ratio

| | 2019 | 2018 |
|---|---|---|
| As at 31 December | 1.54 | 1.95 |
| Average for the year | 1.39 | 2.04 |
| Maximum for the year | 1.54 | 2.32 |
| Minimum for the year | 1.21 | 1.29 |

### (vi) Conflicts of interest

The Bank has established appropriate conflicts authorisation procedures, where actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year under review, no such conflicts arose and no such authorisations were sought.

**40. Events after the reporting period**

There are no events after the balance sheet date that require adjustments in the consolidated and separate financial statements. The World Health Organization (WHO) on March 11, 2020 declared the coronavirus disease 2019 (COVID-19) a pandemic, pointing to the over 118,000 cases of the coronavirus illness in over 110 countries and territories around the world and the sustained risk of further global spread. Global responses to the COVID-19 outbreak continue to rapidly evolve and the pandemic has already had a significant impact on global financial markets and businesses. The outbreak of COVID-19 and its associated events subsequent to the reporting date of 31 December 2019 are accounted for as events requiring no adjustments to the amounts recognised in these financial statements.

In the financial services sector, the specific impact of COVID-19 may include, but not limited to: threat to the health and safety of employees; increased volatility in the value of financial instruments; asset impairment and increased allowance for expected credit losses; funding and liquidity risks; interest rate and foreign exchange risks; reduction in earnings and profitability; and delays in planned business expansions. Fidelity has assessed the potential impact of the pandemic and has taken important steps to mitigate the risks to its day-to-day operations and to secure its employees.

**Health and safety of employees.**

Management has assessed the potential impact of the pandemic on the health and safety of the Group's personnel and has taken important steps to secure the health and safety of its employees and to mitigate the risks to its day-to-day operations. The Bank has set up a COVID-19 emergency team that has been working on measures aimed at securing employee safety and maintaining the channels and platforms to service our customers. The team has developed guidelines for employees, customers, and suppliers. Subsequently, we have substantially increased the flow of information to everyone and frequently communicate implemented and foreseeable measures as well as the prevention steps necessary to reduce operational risk.

**Heightened credit risk and allowance for expected credit losses**

COVID-19 can impact the ability of borrowers, whether corporate or individuals, to meet their obligations under loan relationships. Individual and corporate borrowers may have a particular exposure to the economic impacts in their geographical locations and sectors. Credit losses will be elevated across most sectors (for example, the hospitality industry has incurred sharp declines in revenue from a sudden drop in travel and consumer spending; manufacturers may close facilities; retailers may face supply chain issues; education and recreation facilities may cancel lectures and events; distributors may not be getting international shipments of inventory; and entities may incur significant penalties for cancelling contracts; certain retail segments, including the self-employed workers and hourly-wage earners will also be hard hit. More broadly, reductions in forecasts in economic growth may increase the probability of default across many borrowers and loss given default rates may increase due to the fall in value of collateral. The Bank of Ghana has announced a raft of policy measures aimed at mitigating the impact of the pandemic on the Ghanaian economy, including a 150 basis point cut in the policy rate which now stands at 14.5%, a 200 basis point reduction in the cash reserve requirements of commercial banks to 8% and a drop in the capital conservation buffer to 1.5%, effectively reducing the minimum capital adequacy ratio of 13% to 11.5%.

**40. Events after the reporting period (continued)**

**Heightened credit risk and allowance for expected credit losses (continued)**

Management has assessed the Bank's loan portfolio and its lending business in general under rapidly evolving scenarios, leveraging existing stress testing frameworks, and has concluded that on the basis of the bank's limited exposure to sectors that are currently known to be severely impacted by the pandemic, the expected credit losses induced by COVID-19 will by no means be material. Management will continue to monitor associated events and the long-term implications of COVID-19 for financial markets and banking and implement appropriate measures to mitigate potential systemic impact on the Bank's credit portfolio and its business in general.

**Other financial risks**

Emerging and developing markets that rely on exports of raw materials such as oil are likely to face a drop in income from their principal export products, as the prices of many commodities have declined substantially since the COVID-19 outbreak. The currencies of emerging and developing countries may come under pressure, as investors are reducing risk in their portfolios due to the negative sentiments worldwide. With ongoing shocks to the supply and demand side, there is a potential for further market disruption. Individuals and institutions including banks may experience liquidity stress, including limited access to credit. Interest rates may fall as central banks adopt various dovish policy measures to spur economic growth and minimise the impact of the pandemic.

Management has assessed the composition of assets and liabilities as well as the Bank's solvency position and concluded that adequate safeguards and contingency plans are in place to mitigate the impact of the pandemic on the Bank's business. The Bank has a robust liquidity management and contingency funding plan and maintains an adequate liquidity buffer with cash and cash equivalents and assets maturing within twelve months of the reporting date measuring 2.25 times equivalent liabilities. The Bank is closely reviewing and monitoring daily liquidity stress testing reports, liquidity thresholds and liquidity coverage ratio (LCR) results as well as market activity against our liquidity stress indicators for triggers that would activate the contingency funding plan. The Bank has no significant net open position as it matches single and aggregate foreign currency assets and liabilities. Management does not expect to incur any material foreign exchange losses resulting from translation of its foreign currency assets and liabilities.

**Going concern**

Management has assessed the impact of COVID-19 on the Group's business and has concluded that there is no risk to the bank's ability to continue as a going concern within one (1) year after the date the financial statements are issued and that the company will be able to recover its assets and discharge its liabilities in the foreseeable future. This evaluation is based on events that are known and reasonably knowable at the date the consolidated and separate financial statements are issued. The COVID-19 situation and outlook is constantly evolving. It is expected that the financial effect will be clearer by the end of June 2020, when the Group publishes the results for the first half of 2020.

# Value Added Statement

Value Added Statement for the year ended

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Interest earned and other operating Income | **920,027** | 703,310 | **902,631** | 689,650 |
| Direct cost of services | **(224,967)** | (211,791) | **(219,681)** | (208,964) |
| Value added by banking services | **695,060** | 491,519 | **682,950** | 480,686 |
| Non-banking income | **294** | 796 | **294** | 795 |
| Net impairment loss on financial assets | **(109,855)** | (59,129) | **(109,854)** | (59,127) |
| **Value added** | **585,499** | 433,186 | **573,390** | 422,354 |
| Distributed as follows : | | | | |
| **To Employees** | | | | |
| Directors | **(2,191)** | (1,825) | **(2,191)** | (1,710) |
| Executive Directors | **(4,401)** | (3,827) | **(4,401)** | (3,827) |
| Other employees | **(209,758)** | (155,048) | **(205,211)** | (151,964) |
| **To Government** | | | | |
| Income tax | **(61,697)** | (79,002) | **(60,865)** | (78,373) |
| **To expansion and growth** | | | | |
| Depreciation | **(32,059)** | (15,918) | **(32,059)** | (15,837) |
| Amortisation | **(7,736)** | (7,640) | **(7,736)** | (6,926) |
| **To retained earnings** | **267,657** | 169,927 | **260,927** | 163,717 |

# Shareholder Information

Top 20 Ordinary Shareholders as at 31 December 2019

| | Name of shareholder | 2019 Shareholding | |
|---|---|---|---|
| | | No. of Shares | % Holding |
| 1 | Africa Capital LLC | 9,553,187 | 37.83% |
| 2 | KTH Africa Investments | 4,277,500 | 16.94% |
| 3 | Social Security & National Insurance Trust | 2,400,000 | 9.50% |
| 4 | Amethis Finance Netherlands B. V. | 2,138,750 | 8.47% |
| 5 | ERES Invest Coöperatief U. A. | 2,138,750 | 8.47% |
| 6 | SIC Life Company Limited | 1,065,818 | 4.22% |
| 7 | ENO International LLC | 765,000 | 3.03% |
| 8 | Mr. Edward Effah | 375,000 | 1.49% |
| 9 | Mr. Bernard Lind | 287,500 | 1.14% |
| 10 | PAL Trustees Limited/Kwamina Duker | 282,313 | 1.12% |
| 11 | Ambassador (Mrs.) Johanna Svanikier | 258,970 | 1.03% |
| 12 | Lifeforms Limited | 190,000 | 0.75% |
| 13 | Mr. Philip Addison | 150,000 | 0.59% |
| 14 | Mr. Jonathan Adjetey | 125,000 | 0.50% |
| 15 | GCB Bank Limited | 125,000 | 0.50% |
| 16 | Mr. Alex Dodoo | 82,424 | 0.33% |
| 17 | Prof. John & Prof. (Mrs.) Magaret Gyapong | 60,000 | 0.24% |
| 18 | Fidelity Trust | 55,000 | 0.22% |
| 19 | Dr. William Panford Bray | 52,424 | 0.21% |
| 20 | Research Development Financial Consultants | 50,000 | 0.20% |
| | Total | 24,432,636 | 96.76% |
| | Others | 817,364 | 3.24% |
| | Grand Total | 25,250,000 | 100.00% |

# Shareholder Information

Analysis of shareholding as at 31 December 2019

| Category | Number of Shareholders | Number of Shares | % Holding |
|---|---|---|---|
| 1 - 50,000 | 33 | 667,364 | 2.64% |
| 50,001 - 500,000 | 13 | 2,243,631 | 8.89% |
| 500,001 - 1,000,000 | 1 | 765,000 | 3.03% |
| Over 1,000,000 | 6 | 21,574,005 | 85.44% |
| Total | 53 | 25,250,000 | 100.00% |

Directors who held office at any time during the year

| Directors | Number of Shares | % Holding |
|---|---|---|
| Edward Effah | 375,000 | 1.49% |
| Ambassador (Mrs) Johanna Svanikier | 258,970 | 1.03% |
| Total | 633,970 | 2.51% |

Preference Shareholders as at 31 December, 2019

| Shareholder | No. of Pref shares | % Holding |
|---|---|---|
| SSNIT | 4,200,000 | 31.81% |
| AIAK | 4,000,000 | 30.30% |
| KTH Africa Investments | 2,000,000 | 15.15% |
| SIC Life | 1,000,000 | 7.58% |
| Amethis Finance Netherlands B.V. | 1,000,000 | 7.58% |
| ERES Invest Coöperatief U. A. | 1,000,000 | 7.58% |
| Total | 13,200,000 | 100.00% |

# Proxy Form

Proxy Form for use at the Annual General Meeting to be held **Virtually on Friday 26th June 2020 at 11:00 am (GMT) via Microsoft® Teams**.

I/We……………………………………………………………………………………………………………………

of……………………………………………………………………………………………………………………

being a Member of the above-named Company hereby appoint ……………………………………………………

…………………………………………………… or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Members to be held on 26th June 2020 and at any adjournment thereof. Please indicate with an "X" in the spaces below how you wish your votes to be cast.

| | FOR | AGAINST |
|---|---|---|
| **Ordinary Resolutions** | | |
| 1. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December 2019; | | |
| 2. To declare a final dividend for the year ended 31st December 2019; | | |
| 3. (i) To ratify the appointment of Harold Richardson; | | |
| (ii) To ratify the appointment of Abubakar Sulemana; | | |
| (iii) To ratify the appointment of Lisa Mensah; | | |
| 4. To re-elect Mrs. Adwoa N. Annan; | | |
| 5. To authorise the Directors to fix the remuneration of the Auditors; | | |
| **Special Resolutions** | | |
| 6. To authorise the Directors to transfer GH¢55.0 million from Reserves to Stated Capital. | | |
| 7. To authorise the directors to do all things necessary to dissolve Fidelity Asia Bank and to establish a branch of Fidelity Bank Ghana Limited in Labuan subject to the approval of Bank of Ghana and the Labuan Financial Services Authority. | | |
| 8. To approve the establishment of Fidelity Ghana Foundation subject to approval of Bank of Ghana. | | |

Dated this…………………… day of………………………….. 2020

Shareholders Signature/Seal ……………………………………………………………………..

**Notes:** If executed by a Company the Proxy Form should bear its common seal or be signed on its behalf by a Director. Please sign and deliver Proxy Form via companysecretary@myfidelitybank.net or by courier to the Company Secretary, Fidelity Bank Ghana Limited, 2nd Floor, Ridge Tower not later than 11.00am on 24th June, 2020.

FIDELITY BANK

*Believe with us.*