Company Registration No. 03468216

Ghana International Bank Public Limited Company

("Ghana International Bank plc")

Annual Report and Financial Statements

31 December 2019

Ghana International Bank plc

Annual Report and financial statements 2019

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Ghana International Bank plc

Officers and professional advisers

Directors

Dr E. K. Y. Addison	Chairman
Mr D Adansi	Chief Executive Officer – Appointed 5 March 2019
Mr R J B Sambou	Deputy Chief Executive Officer & Chief Operating Officer
Lord P Boateng	Non-Executive Director
Mr H. C. G Marr	Non-Executive Director – Resigned 29 November 2019
Mr J. K. Arthur	Non-Executive Director
Dr J. Ofori-Tenkorang	Non-Executive Director
Dr M. Opoku-Afari	Non-Executive Director
Dr J. K. Mensah	Non-Executive Director

Company Secretary

Janet O. Mbu	Appointed: 7 August 2019
Beatrice Mettle Nunoo	Company Secretary – Resigned 7 August 2019

Registered office

Regina House
67 Cheapside
London
EC2V 6AZ

Company Registration No. 03468216
Registered in England and Wales
Ghana International Bank plc is a public company limited by shares.

Statutory Auditor

Deloitte LLP
London
United Kingdom

Ghana International Bank plc

Chairman's report

Dear shareholders, on behalf of the Board, I am privileged to present to you, the 21st Annual Report and Financial Statements of Ghana International Bank plc ("GHIB" / the "Bank") for the year ended 31 December 2019. The Bank continues to be uniquely positioned amongst other banks in its peer group, partly because it is regulated in the United Kingdom by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), as well as its focus on African markets. The Bank has successfully leveraged this position to develop stronger ties with clients in our African markets, providing trade finance, corporate lending and other solutions to private and public sector entities. By way of example, GHIB was appointed as a Lead Arranger and Collection Agent for a key public sector entity, Ghana Cocoa Board's ("Cocobod") in its $1.3 Billion Receivables-Backed Trade Finance Facility in 2019. As Collection Agent, GHIB was the global coordinator for Cocobod in respect of payments by cocoa bean buyers around the world. These payments accounted for approximately 9% of Ghana's exports in 2019, reflecting the central role played by GHIB in facilitating trade and exports in the Ghanaian economy. GHIB continues to enjoy strong support from our public sector clients, whose loyalty will continue to be reciprocated.

The African continent continues to represent GHIB's mainstay. The region presents vast opportunities, due in part to relatively high growth rates and a large free trade area. During 2019, growth across the region averaged 2.6 percent in contrast to 2.5 percent in 2018, led by four of the fastest growing economies in the world - Cote d'Ivoire, Ethiopia, Ghana and Rwanda. However, economic recovery in four of the continent's largest economies in Nigeria, Angola, Egypt and South Africa remained sluggish. A weak oil price environment continued to weigh negatively on the oil-reliant economies of Nigeria and Angola with the non-oil sector recording only sluggish growth, while South Africa continued to experience low investment sentiment. Egypt however, turned a corner with inflation and fiscal deficit seemingly under control. With a geographic footprint across several of the region's countries, and strong relationships with clients in those markets, GHIB was able to leverage on its strengths to facilitate business within the region.

Notwithstanding, these strong growth rates, the operating environment remained challenging. The impact of increased competition from peers, contributed to driving down lending rates, while the emergent but growing threat from Fintech firms with their innovative use of technology and the attendant efficiencies brought about by this, coupled with higher customer expectations in terms of service delivery, continues to disrupt the market. To remain relevant, banks such as ours, will need to become more innovative whilst at the same time, adapting to an increasingly more demanding regulatory environment.

It is against this backdrop that GHIB, like many other institutions is constantly reviewing its capabilities and repositioning itself to remain relevant in its markets. In this regard, the Bank has continued to invest heavily in its systems and controls to mitigate against financial crime and other risks. The Board is actively involved and supportive of significant investment in technology capabilities to enhance operational resilience and to improve the customer experience. We are knowledgeable of our markets and committed to our customers. We are also fully engaged with them to better understand and anticipate their financial needs. We believe that it is this relentless focus on our customers that will enable the Bank to deliver value to its shareholders and all of its other stakeholders.

Financial Performance

The increased investment in systems, technology and personnel contributed to cost income ratio (CIR) expanding to 97.8 percent in contrast to 80.6 percent in 2018. Despite the significant increase in investment, the Bank has delivered a modest pre-tax profit of £0.8m. A pre-tax profit of £2.8m would have been the case, excluding non-operating items such as legal and other consulting expenses which are considered temporary. Based on existing policy, the Board is proposing a total final dividend of £319,676 (2018: £2,111,787) yielding a dividend per share of 0.71 pence (2018: 4.69 pence).

Corporate Social Responsibility

We continue to take our Corporate Social Responsibility (CSR) seriously and endeavour to support worthy causes. The Ghana International Foundation is sponsored by Ghana International Bank plc with the objective of providing relief to persons in Africa from conditions of need or distress and the furtherance of health and education.

To ensure the stability of the Foundation, the Bank donated £81k, representing 13% of profits after tax (2018: £100k, 2% of profits after tax) for its charitable activities in the area of education, poverty alleviation and health.

Chairman's report (continued)

Environment and sustainability

The Bank remains committed to working in a responsible manner and to protect the environment. Our policies and procedures emphasize compliance with the law and the pursuit of environmentally friendly, lending and investment decisions. In this regard, the Bank continues to take steps to identify, prioritise and manage our environmental risks, both direct (i.e. consumption and disposal of resources within our operations) and indirect (i.e. those arising through our supply chain and through the provision of financial services in respect of other businesses or projects).

Outlook for 2020

Policymakers in Europe are likely to maintain a loose monetary policy for the foreseeable future, given the continued weakness of the Eurozone economy with persistently low inflation and low growth rates. Similarly, there are currently no expectations for a rate hike from the U.S. Federal Reserve over 2020, although the current interest rate differential between the Eurozone and United States could drive the Euro currency lower. Instead of benefiting EU exporters, the looming threat of a trade war could restrain growth even further, following US threats to impose high tariffs on the EU's automobile exports in retaliation to an EUs threat to impose digital taxes on US tech firms. Should these risks materialise, the negative impact on large automobile exporters such as Germany could be more pronounced.

Globally, economic activity is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020. This is somewhat buoyed by much improved trade relations between the world's two largest economies, following the signing of phase one of a trade deal between the US and China, removing some concerns that hampered the world economy by disrupting supply chains and creating uncertainty among businesses and investors.

Africa's economies are showing encouraging signs of recovery with growth outlook in 2020 expected to accelerate to 3.9 percent. The positive outlook is driven by the return to primary fiscal surpluses in several countries and a drive to take advantage of the low interest rate environment to rollover and extend the debt maturity profiles in the region. In an increasingly unpredictable external environment, the risk is that a shift in market conditions could negatively impact the region, particularly in situations where debt levels are elevated and debt servicing needs, high. Africa also remains largely unintegrated into the global economy, although the region often has direct trade linkages, these are sensitive to changes in commodity prices and financial conditions. This means Africa as a region will remain more sensitive to event risk as most governments in the region have limited capacity to respond to even modest negative external shocks. This exacerbates the region's sensitivity to the more negative global environment.

Signed

Dr E. K. Y. Addison

Chairman

4 March 2020

Ghana International Bank plc

Strategic report

Strategic Overview

GHIB's vision is to become the bank of choice for providing creative and tailor-made solutions to our customers driven by our knowledge of the market and strong relationships.

GHIB's mission is to leverage its relationships and presence in one of the world's leading financial centres to provide creative banking solutions and services to our customer base in select African countries whilst remaining the bank of choice for Ghanaian banks and parastatals, for their international business. We are committed to achieving sustainable performance and delivering value and fair outcomes to our customers, the communities in which we serve, and our shareholders.

Business Model

GHIB is a single legal entity registered in the United Kingdom. The Bank has been present for over 50 years in the city of London, the world's leading financial centre serving Financial Institutions, Sovereign States, Corporates, SME's and the diaspora. GHIB's unique status as a Ghanaian owned bank authorised by the UK Prudential Regulatory Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA allows the Bank to create synergies between International and Africa specific markets by combining knowledge of the African continent with international correspondent banking links, to bring bespoke solutions to its customers and partners.

GHIB focuses on four key areas: International Trade Finance, Correspondent and Corporate Banking, Treasury and Transactional Banking Services. For corporates and institutions doing business in Africa the Bank provides a gateway to the global financial system, providing access, expertise, capital and extensive cross border capabilities.

GHIB operates from its Head Office in London, a representative office in Accra and a business development manager based in Nairobi.

Key Performance Indicators (KPI's) and business review of the year 2019

KPI	2019	2018
Profit before Tax	£0.8m	£5.3m
Post-tax Return on Equity	0.5%	3.1%
Post-tax Return on Assets	0.1%	0.6%
Cost / Income Ratio	97.8%	80.6%
Total Assets	£676.6m	£700.3m
Loan to deposit ratio	38.5%	45.5%

GHIB's key measurements of effectiveness of its operation are profitability, return on assets, return on equity, cost to income and loan to deposit ratios. There are no non-financial KPI's.

Profit before Tax fell £4.5m (85%) year-on-year predominantly as a result of falling net interest income, down £3.0m (16%), whilst non-interest income declined £0.5m (7%) and operating costs grew by £1.0m (5%). Interest expense grew by £1.9m as a result of higher rates being paid on deposits, a weaker pound, an increase in fixed deposit volumes and a £0.2m finance charge following the adoption of IFRS 16. The pound fell against the US Dollar from an average rate of 1.344 in 2018 to 1.276 in 2019, a decrease of 5.1%. This had a favourable "translation" effect on revenue but an adverse effect on interest expense.

Post-tax Return on Equity is Profit after Tax divided by average Equity for the year. Average equity fell 0.2% year on year, from £136.6m to £136.3m, due to the timing of dividend payment.

Post-tax Return on Assets is Profit before Tax over average assets on a monthly basis for the year. Average assets were £718m, down 2% from an average of £736m in 2018.

Strategic report (continued)

Cost / Income Ratio is Operating expenses over operating income. The ratio shows the percentage of our income that is used to cover our expenses. Operating expenses rose 5% to £21.7m from £20.7m in 2018. This was predominantly driven by staff costs which rose 28%. We have seen a significant increase in headcount, up 43% to 120, as we continue to strengthen our governance structure, controls and compliance with regards to financial crime. We have also grown our client onboarding, Project management and Client Coverage teams. This investment in talent will help us to achieve our strategy of diversification and implementation of new systems.

Total Assets are driven by liabilities and equity, and more specifically deposits. Total deposits contracted £32m (6%) year on year, however average deposits during the year were down £13m to £569m. Other liabilities have grown by £5m (38%), driven by growth in deferred letters of credit. On the asset side the majority of the fall was seen in loans and advances to customers, down £25m (24%).

Loan to deposit ratio is loans (Total Loans and Advances (not including deferred letters of credit or placements which are interbank money market) over deposits. The ratio is down against 2018, despite deposits falling, meaning loans fell at a greater rate than deposits. A lower ratio suggests the Bank is not utilising its deposits efficiently, but a higher ratio also requires strong management of the Bank's liquidity.

Future Prospects

The Board in December 2018 approved a three-year business plan to run from 2019 to 2021. The plan recognises the over reliance on Ghana based businesses, thus to systemic risks posed by the Ghanaian economy. In recognition of this, the strategy emphasises on diversification by developing in new markets across Eastern and Central Africa. Establishment of a representative office in Nairobi is high on the agenda as the Bank sees Kenya as the focus of its regional diversification strategy.

The Bank has taken a considered and measured approach to the diversification strategy whilst it develops its systems and controls in line with regulatory standards and best practice. The development in other markets across East and Central Africa continues to be a focus.

The Bank's ability to attain longer term-term funding in USD to support its strategy is to be enhanced by a number of initiatives to diversify and grow its funding base, including; introduction of Balance Sheet management tools like Interest Rate Swaps and Currency Forwards & Swaps; and bilateral term borrowing.

Implementation of a Treasury Management System (TMS) is planned to enable offering of a larger range of products to serve our ever-increasing sophisticated customer base, thus become more competitive.

Overview of Risk

The Board is responsible for approving the Bank's Risk Appetite Statement. Management is responsible for ensuring that the Bank operates within the defined Risk Appetite. The Bank's view with regard to how it manages its risk exposures is only to take on risks that it understands and is able to manage, in order to protect its capital, the interests of its shareholders and other stakeholders.

The Bank's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Bank. Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasises careful analysis and management of risk in all business processes.

Risks are identified, assessed and managed at both an enterprise level ('top-down') and business level ('bottom-up'). The Board Risk Committee, which is chaired by a Non-Executive Director, has oversight of these processes. This Committee meets at least four times a year, and reviews and challenges risk reports provided from senior management of the Bank.

The Bank seeks to mitigate risks within its strategy and business model, by ensuring that a rigorous regime of systems and controls is in place and are embedded at all levels of the organisation. The systems and controls are regularly tested through a risk-based internal audit process as part of GHIB's annual internal audit plan.

Credit Risk

Credit Risk is the risk that obligors will not be able to meet repayment commitments as and when due. The Bank accepts credit risk is inherent in its activities. It however only underwrites business it understands and has in place policies, processes and systems to evaluate and monitor the level of risk that it is exposed to.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Such risks are part of doing business. The Bank is committed to mitigating operational risks by having appropriate procedures, a strong risk culture, appropriate training for staff, as well as well-articulated policies and procedures.

Risks are identified and managed by each business area in the first Line of Defence through a Risk and Control Self-Assessment (RCSA) process. The Bank has adopted a standardised Risk Type Taxonomy to which the different risk types are mapped. A consolidated picture of the Bank's risks is reflected in its Risk Register

Business Disruption Risk

Business Disruption risk refers to the Bank's inability to deliver its products and services due to disruption caused by, but not limited to, cyber-attack, failed outsourcing and technological change. A Disaster Recovery and Business Continuity Plan is in place to ensure that the Bank is capable to effectively respond to potential threats to safeguard the interest of its key stakeholders, reputation, brand and value-creating activities.

The Bank's Crisis Management, Disaster Recovery and Business Continuity Plans are reviewed and approved by the Board annually. The plans are tested on a regular basis or when a system implementation or project would benefit from a test to gauge the Bank's resilience to major disruption. These plans are subject to review by the Bank's third Line of Defence in line with their annual programme of work.

Liquidity and Funding Risk

This is the risk that the Bank is unable to meet its contractual; or contingent obligations as they fall due; or that it does not have the appropriate amount, tenor or composition of funding and liquidity to support its assets to meet short-term financial demands without significant loss of capital and /or income. Funding Risk is the risk that the Bank cannot maintain a diversified, stable and cost-effective funding base.

The Bank has a comprehensive internal control framework for managing its liquidity risk and uses both quantitative and qualitative measures in the liquidity assessment process. The liquidity framework meets the PRA standards and is designed to ensure that the Bank's liquidity resources are sufficient (in amount and quality) to meet its obligations as they fall due, and that the funding profile is aligned to the defined risk appetite. The Bank manages liquidity risk by maintaining an appropriate framework that includes a liquidity policy, an appropriate governance framework, and liquidity risk analysis, stress testing, limit setting and monitoring.

Market Risk

Market risk refers to the risk of a change in the actual market value or earnings of the bond portfolio and other financial instruments caused by adverse movements in asset prices, foreign exchange or interest rates.

The Bank is exposed to foreign exchange risk as a result of mismatches between the currencies of its assets and liabilities. ALCO monitors asset pricing risk and special sessions are convened when there are significant movements in the value of the portfolio.

Interest rate Risk in the Banking Book (IRRBB) arises where there is potential for changes in benchmark interest rates (including Base Rate and Libor) to result in a movement in the Bank's future revenue and net interest income (NII).

Ghana International Bank plc

Strategic report (continued)

Regulatory and Conduct Risk

Regulatory risk refers to the risk that changes in regulation will materially affect the business of the Bank or the markets in which it operates. The Bank's business is subject to many regulations in different jurisdictions and currently the pace of change is significant and may affect the business of the Bank either directly or indirectly.

Risk arises from failure or inability to comply fully with laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. Noncompliance could result in fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. The banking industry faces a major challenge in meeting new directives covering various activities including capital and liquidity. The Bank has a dedicated regulatory reporting team and a compliance function.

The Board sets high ethical standards whilst rigorous new product approval guidelines are in place. The Code of Conduct and Staff Handbook sets out expected standards of behaviour for staff. This is complemented by the Bank`s whistle-blowing policy. The various aspects of conduct and reputational risk are encapsulated in a Conduct Risk framework and there is regular monitoring of conduct risk by the compliance department as part of its ongoing compliance monitoring programme.

Financial Crime Risk

GHIB appreciates and understands the need to identify and manage the potential Financial Crime risks posed by various types of customers and this is assessed through the Bank's Customer Risk Assessment Framework. The Bank has established a tailored approach to identify and risk categorise customers to ensure they remain within the Bank's risk appetite and are also monitored appropriately throughout the customer relationship as part of the on-going monitoring controls in place.

Legal Risk

The Bank is exposed to a range of legal risks including:

- Breach of applicable laws in the countries in which it operates including data protection and human resources;
- Breach of global sanction regimes;
- Tax-evasion regulations; and
- Financial Crime.

It also has access to international and domestic legal counsels who provide advice on a range of issues.

Reputational Risk

Reputational Risk arises where the Bank fails to meet stakeholders' reasonable expectations of the Bank's performance and behaviour. The bank identifies its stakeholders as its customers, shareholders, regulators, suppliers, staff, the communities in which it operates, and recognises the significance of maintaining trust and confidence in the delivery of products and services.

Brexit Risk

The most significant impact of a disorderly exit of the United Kingdom from the European Union is sterling depreciating particularly against the US Dollar. Whilst the significant majority of the Bank's exposures are in US Dollars, its absolute lending limits are stated in Sterling, and therefore could potentially constrain the Bank in its ability to lend and also maintain regulatory limits. The Bank will continue to monitor and stress test the movement of sterling to ensure that the Bank maintains sufficient buffer within limits.

Libor Transition

Against the backdrop of replacing Libor with an alternative risk-free benchmark rate, the Bank has in place a plan to minimise potential disruption of its operations as well as minimise adverse impact to its customers. The plan includes, but is not limited to, early client engagement.

Financial Risk of Climate Change

The Bank is committed to playing its role in the sustainability drive; to this end, it is beginning an assessment of how climate change will impact its business model and how its activities may impact the environment. The Bank will identify and assess its exposure to risk from climate change and embed appropriate governance and risk management processes, including putting in place policies and procedures to mitigate as well as bolster its response to the emerging risk of climate change.

Directors' Duties and Engagement with Stakeholders - Section 172 statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Bank for the benefit of its shareholders as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Bank's employees;
- the need to foster the Bank's business relationships with suppliers, customers and others;
- the impact of the Bank's operations on the community and the environment;
- the desirability of the Bank maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Bank.

The Directors also took into account the views and interests of a wider set of stakeholders, including our regulators and other relevant Government organisations. The following section summarises how the Directors fulfil these duties.

Decision making in the Long term

The Board considers and discusses information from across the organisation to help it understand the impact of GHIB's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

The Board approves the three-year Business Strategy and the Annual Budget, setting out capital allocation as well as sustainable growth in revenues. Ongoing investment in people as well as technology is recognised as key to delivering continued enhancements to the Banks operational resilience, operating efficiency and customer experience.

GHIB provides essential banking services to its clients, in a highly regulated environment. As the Bank grows, its business and risk environment also become more complex. It is therefore vital that the Bank effectively identifies, evaluates and manages the risks it faces. An overview of the principal risks faced by the Bank is summarised in the above section, Pages 5 -8. A summary of the Bank's Corporate Governance Framework, including Board composition, is set out on Pages 12-15.

People

GHIB is committed to being a responsible business. Our behaviour should be aligned with the expectations of our staff, clients, shareholders, communities and society as a whole. People are at the heart of the banking services we provide. For the GHIB's business to thrive the Bank needs to manage its people's performance, develop talent, maintain the highest standards of culture, whilst ensuring it operates as efficiently as possible. As an example of engagement with staff; in 2019 an employee engagement survey was completed and presented to the Board. The results help the Bank to analyse what is working well and to identify areas of improvement, for the success of GHIB and its staff.

Business Relationships

The Bank's strategy is dependent on maintaining strong client relationships and developing new relationships in the future. On customer feedback, the Bank maintains a complaint handling system to help ensure effective management and escalation of complaints and has recently hired a dedicated Complaints Handling Officer. GHIB also values its suppliers and their important role in delivering service to the Bank, including critical outsourced services. The Bank maintains a number of multi-year contracts with reputable suppliers.

Ghana International Bank plc

Strategic report (continued)

Community and Environment

The Bank’s approach is to use its position to create positive change for the people and communities it interacts with and to support worthy causes. This includes, The Ghana International Foundation, sponsored by GHIB, with the objective of providing relief to persons in Africa from conditions of need or distress and the furtherance of health and education. To ensure the stability of the Foundation, the Bank donated £81k of profits (2018: £100k) for its charitable activities in the area of education, poverty alleviation and health.

Maintaining a reputation for high standards of business conduct

Culture, values and the code of conduct underpin how GHIB creates and sustains value over the longer term and are key elements of how it maintains a reputation for high standards of business conduct. They also guide and assist in decision making and thereby help promote the Banks success, recognising, amongst other things, the likely consequences of any decision in the long term and wider stakeholder considerations. The standards set by a Board mandate certain requirements and behaviours with regards to the activities of its directors, employees and an expectation for those we do business with.

Shareholders

The Board considers a number of factors in determining dividends to be paid in the year, including the long-term value of retaining capital to grow the Bank; returning capital to shareholders; the level of profits after tax available to distribute; and maintaining appropriate levels of capital in-line with the Bank’s risk appetite and regulatory requirements.

Approval

This report was approved by the Board of Directors on 4 March 2020 and signed on its behalf by:

Signed

Dr E. K. Y. Addison

Chairman

4 March 2020

Ghana International Bank plc

Directors' report

The directors present their annual report, together with the financial statements and auditor's report. Directors who served throughout 2019 and up until 4 March 2020, except as noted, were as follows:

Directors

Dr E. K. Y. Addison	Chairman
Mr D Adansi	Chief Executive Officer - Appointed 5 March 2019
Mr R J B Sambou	Deputy Chief Executive Officer & Chief Operating Officer
Lord P Boateng	Non-Executive Director
Mr H. C. G Marr	Non-Executive Director – Resigned 29 November 2019
Mr J. K. Arthur	Non-Executive Director
Dr J. Ofori-Tenkorang	Non-Executive Director
Dr M. Opoku-Afari	Non-Executive Director
Dr J. K. Mensah	Non-Executive Director

The material change in Directors during the period has been the appointment of new CEO at the beginning of the year and the resignation of Mr H. C. G Marr.

Results and review of the business

The profit on ordinary activities before taxation was £803,473 (2018: £5,251,197). The Directors recommend a final dividend of 0.71p per ordinary share amounting to £319,676 in total (2018: 4.69p per ordinary share amounting to £2,111,787).

GHIB operates from its Head Office in London and representative office in Accra and a business development manager based in Nairobi. A review of the business, principal activities, future developments and prospects is contained in the Chairman's report and the Strategic report.

Charitable contributions

The Bank has committed to make a charitable contribution of £81k (2018: £100k) in favour of Ghana International Foundation.

Human Resources

The Bank continues to make significant investment in human capital and technology, particularly as we build our compliance and regulatory teams, resulting in improved systems and controls. Average staff headcount increased by 43% to 120 (2018: 84).

Directors' and officers' liability insurance

The Bank maintains Directors' and officers' liability insurance for its Directors and Officers.

Going concern

The Bank has a strong capital and liquidity position and its business remains profitable with a competitive return on equity and good business franchise. The Directors therefore have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 of the financial statements.

Post-Balance Sheet Events

There were no material post-balance sheet events.

Ghana International Bank plc

Directors’ report (continued)

Financial Risk Management

The Bank has procedures in place to identify, monitor and evaluate the risks it faces. An overview of the Bank’s objectives and policies to key risks are described in the Strategic Report.

Capital Structure

There was no increase in the Bank’s authorised share capital during the year. Further information regarding the Bank’s approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the current regulatory capital requirements (the Pillar 3 disclosures). These disclosures are published on GHIB’s website shortly after the approval of these financial statements at http://www.ghanabank.co.uk/.

The Directors regard its Common Equity Tier 1 (CET1) ratio for capital management purposes. Its principal objectives in managing capital are to ensure it is sufficient to participate in lines of business and to meet capital adequacy requirements of the Prudential Regulatory Authority. Common Equity Tier 1 (CET1) is measured as share capital and reserves which totalled £137.9m at 31 December 2019 (2018: £136.7m). As at 31 December 2019, GHIB recorded a CRD IV capital adequacy ratio of 41.9% (2018: 37.4%) with a core tier 1 capital ratio of 41.9% (2018: 37.4%). Regulatory capital adequacy requirements were met during the year.

Auditor

Each Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

In 2019 GHIB undertook and completed a tender process for external audit services, considering a number of audit firms including existing auditor, Deloitte LLP. The final outcome of the tender process was a resolution to reappoint Deloitte LLP, which has been tabled at the forthcoming Annual General Meeting. Deloitte LLP have expressed their willingness to continue in office as auditor.

Signed by order of the Board

Signed

Janet Mbu

Company Secretary

4 March 2020

Corporate governance statement

Ghana International Bank plc ("GHIB" and the "Bank") is not subject to the "comply or explain" provisions of the UK Corporate Governance Code 2018 (the Code) or the requirement to report on its application, or otherwise of the principles contained in the Code. Notwithstanding, the Board of Directors of GHIB has elected to make a number of disclosures regarding the Bank's corporate governance practices.

GHIB's corporate governance framework plays a key role in supporting the Bank's operations and, is critical in achieving its objectives. The framework provides a clear, well defined structure for effective decision-making at the highest levels in the Bank, through:

- approval of GHIB's strategy and long-term objectives, and the review of the delivery of this strategy within the applicable legal and regulatory framework taking into account, inter alia, the Bank's long-term financial interests, solvency and sustainable success.
- effective challenge of Management on all key proposals, policies and operational issues affecting the Bank.
- robust processes to identify, manage, monitor and report the risks that the Bank is or might be exposed to, and internal control mechanisms to monitor organisational compliance with GHIB's Board approved strategy, risk appetite of the Bank and all applicable laws and regulation.

The Board of Directors

The Board of Directors, (the "Board"), comprises nine members including the Board Chair. Members include the Chief Executive Officer, Deputy Chief Executive Officer & Chief Operating Officer, seven non-executive directors (NEDs) including the Board Chair and two independent directors. The Board Chair represents the Bank's majority shareholder, Central Bank of Ghana.

As a minimum, the Board meets four times a year to review the Bank's trading performance, legal and regulatory compliance, capital and liquidity, risk management, risk appetite, business strategy, policies, lending decisions, diversification opportunities and other matters of significance to the Bank. The Board has met six times this year to consider material decisions.

The Board is also responsible for the establishment and composition of Board Committees, succession planning for the Board and the Executive Directors, the approval of significant transactions including critical outsourcings and the removal of certain Senior Management. The Board has delegated the responsibility for operational decision making and the management of the Bank on a day-to-day basis, to the Chief Executive Officer.

Members of the Board, with the exception of Executive Directors, are subject to annual retirement by rotation and re-election by shareholders by virtue of the Bank's Articles of Association.

GHIB Board Committees:

GHIB's Board Committees are accountable to the Board and support the Board without derogation from the Board's overall responsibilities and endorsement of final decisions. Each Board Committee formally reports to the Board on how it has discharged its responsibilities, as set out its terms of reference. Each Committee is charged, inter alia, with the responsibility for ensuring the availability of meaningful and well-targeted Management Information for its areas of oversight.

Board Risk Committee (BRC)

The membership of the BRC comprises Non-Executive Directors only and the Committee is chaired by an independent Non-Executive Director. The Board Chair is not a member of the BRC. The Committee is generally responsible for:

- Risk strategy, including the oversight of current risk exposures of the Bank, with particular emphasis, inter alia on prudential risks;
- Developing proposals in respect of the overall risk appetite and tolerance, as well as the metrics to be used to monitor GHIB's risk management performance;
- Providing oversight and challenge of the design and execution of stress and scenario testing;

Corporate governance statement (continued)

Board Risk Committee (BRC) continued

- Providing oversight and challenge of the risk management and oversight arrangements of Management;
- Providing oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board under the Bank's Delegation of Authorities Policy;
- Providing advice to the Remuneration and Nominations Committee (REMCO) on risk weightings to be applied to performance objectives incorporated in the incentive structure for Code Staff (as defined by applicable banking regulation);
- Reviewing the asset and liability management of the Bank; and
- Providing advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the Bank.

Board Audit and Compliance Committee (BACC)

The membership of the BACC comprises Non-Executive Directors only and the Committee is chaired by an independent Non-Executive Director. The Board Chair is not a member of the Committee. The purpose of the BACC is to:

- Monitor the integrity of the Annual Report and Financial Statements of the Bank and any formal announcements relating to the Bank's financial position or performance and to review significant financial reporting judgements contained in them;
- Review the Bank's internal financial controls and, unless expressly addressed by the BRC, review the Bank's internal control and risk management systems;
- Monitor and review the effectiveness of the Bank's internal audit function;
- Make recommendations to the Board, for the re-appointment or removal of the External Auditor and for the approval of the remuneration and terms of engagement of the External Auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- Monitor the effectiveness of the Bank's Compliance and Financial Crime risks and controls framework whilst ensuring the independence of the Compliance function.

Remuneration and Nominations Committee (REMCO)

The membership of the REMCO comprises Non-Executive Directors only and the Committee is chaired by an independent Non-Executive Director. The Board Chair is not a member of the Committee. Generally, the purpose of REMCO is to:

- Approve policies and procedures for the identification, nomination, screening and appointment of Directors to Board and the termination of any such appointments in accordance with the Bank' Articles of Association;
- Review regularly the Board structure, size, composition and make recommendations to the Board of adjustments that are deemed necessary, in order to ensure an adequate size and well-balanced composition;
- Oversee the induction of new members to the Board and to any Board Committee;
- Regularly review and evaluate the skills and experience of Board members and ensure the adequacy of their training and development s in addition to supporting the Board Chair with the periodic evaluation of the Board's performance and that of each Director;
- In consultation with the BRC, as appropriate, review and make recommendations to the Board in relation to the Bank's Remuneration Policy;
- Review developments in corporate governance law and practice and approve consequential changes, if any, to the Bank's corporate governance framework; and
- Oversee, monitor, review and recommend for approval, the Bank's strategic human resource policies.

Corporate governance statement (continued)

Board Credit Committee (BCC)

The BCC membership comprises the Non-Executive Directors and Executive Directors. The Board Chair is not a member of the Committee. The Committee is chaired by a Non-Executive Director.

The Committee, through its delegated authority is authorised to sanction all credit proposals exceeding £15 million.

Executive Management Committee (EXCO)

The Chief Executive Officer has delegated authority from the Board for operational matters and the running of the Bank on a day-to-day basis. This authority is managed through the Executive Management Committee or EXCO comprising:

- Chief Executive Officer - CEO
- Deputy Chief Executive Officer & Chief Operating Officer - Deputy CEO & COO
- Chief Banking Officer - CBO
- General Manager Finance - GM Finance
- Chief Risk Officer - CRO
- General Manager Compliance and MLRO - GM Compliance
- General Manager Client Coverage - GM Client Coverage
- General Manager Operations - GM Operations

The Committee currently meets three times a month or more frequently as required to ensure that the Bank's operations and activities, financial and general management are aligned with the Board approved strategy and risk appetite of the Bank. It has delegated credit sanction authority (below £15 million) which is exercised by the MCC (see below).

A number of EXCO sub-Committees have been set up to manage the operations of the Bank, these include the:

Asset and Liability Committee (ALCO)

The ALCO, comprising the CEO, Deputy CEO & COO, CRO, CBO, GM Client Coverage, GM Finance, Head of Treasury, Head of Credit Risk, Deputy Chief Risk Officer (Deputy CRO), Head of Finance and Head of Regulatory Reporting, meets at least once each month. The Management sub-Committee is chaired by the CEO and is responsible for identifying, managing and controlling the Bank's balance sheet risks and capital management in executing its chosen business strategy. Balance sheet risks are managed by setting limits monitoring exposures and implementing controls for capital, funding, liquidity and non-trading interest rate risk. The Committee is responsible for the implementation of the Bank's assets and liability strategy.

Financial Crime Committee (FCC)

This Committee comprises the Deputy CEO & COO (Committee Chair), GM Compliance, CBO, GM Client Coverage, CRO, GM Operations, Head of Client On-Boarding, Head of Transaction Monitoring and the Project Manager Financial Crime Remediation Team. The purpose of the Committee is to review and assess legal or regulatory developments and the impact, if any, of these on the Bank's financial crime risk approach; monitor and maintain the Bank's overall financial crime approach; provide direction on financial crime related issues; design and execute the annual Compliance Monitoring Program in accordance with the Financial Crime Monitoring Program Risk Assessment Methodology and Governance procedures amongst others.

Banking Services Committee (BSC)

The BSC is authorised by the EXCO to manage the day to day banking services activity including Client On-boarding; Global Transfers; Customer Services; and Treasury. Members of the Committee include the CBO (Committee Chair), Head of Client On-Boarding, Head Global Transfers, Head of Customer Services, Head of Treasury and the GM Client Coverage. The Committee meets monthly.

Corporate governance statement (continued)

Operations Committee (OPCO)

Membership of the Committee comprise the Deputy CEO & COO (Committee Chair), GM Operations, GM Finance, Head of Finance, Head Credit Operations, Head of Technology, Head of Regulatory Reporting, Head of Treasury Operations, Senior Information and Cyber Security Manager, Head of Human Resource and Head of Trade Operations. The purpose of the Committee is to provide a forum for continuous creative discussion and constructive challenge between Senior Management and their direct reports of management team when reviewing operational matters including IT, cybersecurity, human resources, financial risk management and regulatory reporting.

Risk Oversight Committee (ROC)

The ROC oversees the management of risks within the limits set within GHIB's risk appetite. These include market, liquidity, capital, credit, compliance and operational risks. In the case of the latter, covering specific risk categories such as technology risk, people risk, regulatory reporting, tax risk, supplier risk and other risks which may result in financial/non-financial impacts including reputational damage. Membership comprises the CEO (Committee Chair), Deputy CEO & COO, GM Client Coverage, CBO, GM Compliance, GM Finance, GM Operations; and CRO. The Committee meets monthly or more frequently as directed by the Committee Chair.

Business Development Committee (BDC)

The role of the BDC is to facilitate the attainment of the strategic objectives as set by the Board including, without limitation, the review and recommendation of new products and activities, relationship management in the Bank and the referral of lending opportunities to the MCC for assessment. The committee comprises GM Client Coverage (Committee Chair), CBO, CRO, GM Compliance, Head of Treasury, GM Operations and GM Finance. The Committee meets monthly or more frequently as directed by the Committee Chair.

Management Credit Committee (MCC)

The main purpose of the MCC is to support EXCO in discharging its responsibilities in connection with the identification, assessment, measurement and approval of loans and advances up to £15 million and monitoring the performance of same. Membership comprises the CEO; Deputy CEO & COO; GM Finance; CBO, GM Client Coverage; GM Operations, CRO and Deputy CRO.

Financial Crime Remediation Steering Committee (FCRSC)

The purpose of the FCRSC is to provide management oversight of deliverables pursuant to the Bank's Financial Crime Remediation Programme. This is an ad hoc Committee comprising the CEO (Committee Chair), Deputy CEO & COO, GM Compliance, CBO, GM Client Coverage, Head of On-Boarding, Head of Transaction Monitoring, Head International Trade Finance and CRO.

Project Steering Committee (PSC)

The PSC meets monthly to provide that all Bank Projects are being managed effectively on an end-to-end basis in a manner commensurate with the Bank's risk appetite. to the PSC ensures appropriate project organisational structures, processes and tolls are place with appropriate financial controls and management in addition to common minimum controls standards for all projects across the Bank. Membership comprises: Deputy CEO & COO (Committee Chair), GM Finance, CBO, GM Client Coverage, and GM Operations. Meetings are held on a monthly basis.

Our Code of Conduct

Our Code of Conduct, approved annually by the Board, sets the standards, values and behaviours we strive to uphold at the GHIB. The Bank is committed to achieving sustainable performance and delivering value and fair outcomes to our customers and all our stakeholders. We aim to do this by promoting a culture of openness, integrity, respect, trust and diversity.

Ghana International Bank plc

Directors’ responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires directors to prepare the annual report and financial statements for each financial year. Under that law, the Directors have elected to prepare the annual report and financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, directors must not approve the annual report and the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these annual report and financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the annual report and financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of annual report and financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GHANA INTERNATIONAL BANK PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Ghana International Bank plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow;
- the statement of accounting policies; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Ghana International Bank plc

Independent auditor’s report (continued)

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Loan provisioning* Within this report, the key audit matter is identified as follows: Similar level of risk
Materiality	The materiality that we used in the current year was £680,000 which approximates 0.5% of the net assets of £137,002,091.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	No significant changes have been made to our audit approach.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan loss provisioning

Key audit matter description	GHIB is required to record forward looking loan provisions in accordance with the requirements of IFRS 9. Loan provisioning is an area where a high level of management judgement is applied in the use of data related to probabilities of default and loss given default, and internal credit risk ratings. The level of loan losses incurred by the company has historically remained low. As at 31 December 2019, the total provisions against loans and credit were £530k (2018: £873k). There is a presumed risk of fraud that lies within loan provisioning, due to the inherent potential for management bias and significant judgement involved. Management have disclosed information about Credit Risk within Note 28 of this report. The accounting policy and information about judgements and estimation can be found within Note 1.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of and assessed the design and implementation of key controls over the loan loss provisioning cycle. We tested these controls for operating effectiveness. We also tested the General IT controls. • We performed roll-forward procedures over the model and methodology used whereby we compared the model used in the current year to that used in the prior year. As part of these we worked with analytics and modelling specialists to review the VBA code used within the model. • For a sample of customers and banks, we assessed and challenged the valuation of the exposure by reviewing internal credit ratings determined by assessing supporting documentation, credit reviews and source financial information in addition to performing independent searches. • We challenged management’s source of key input data into the ECL calculation, such as probabilities of default and loss given defaults, by considering their relevance and appropriateness in the context of the circumstances of the company. • We assessed management’s classification of assets in the ECL calculation and reconciled the exposures to the general ledger. • We reviewed the disclosures in the financial statements to evaluate their compliance with the requirements of IFRS 9.
Key observations	Overall, we concluded that the provisioning level was appropriate and free from material misstatement, and the disclosures in the financial statements were appropriate.

6. Our application of materiality

6.1. Materiality

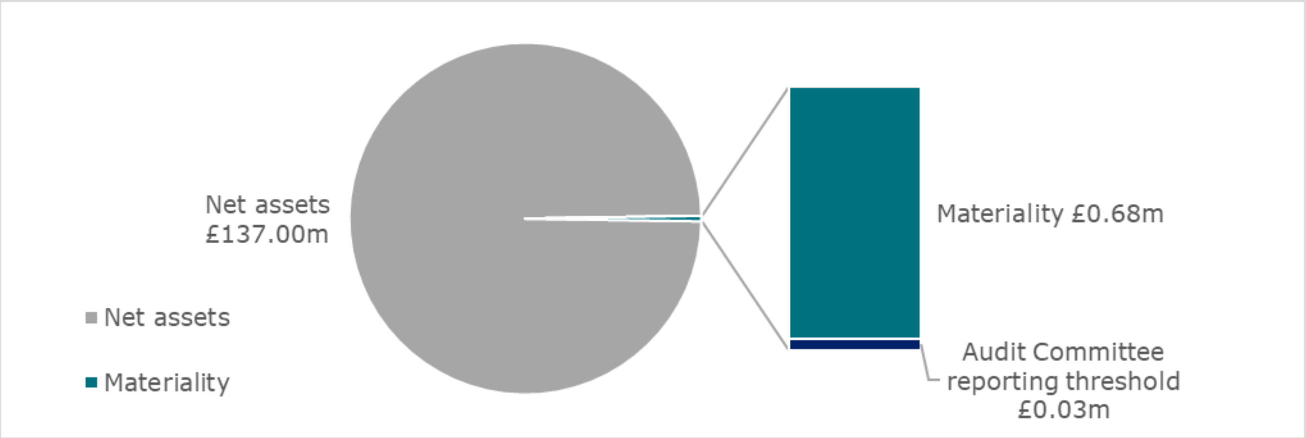
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Ghana International Bank plc

Independent auditor's report (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£680,000 (2018: £429,000)
Basis for determining materiality	The materiality that we used in the current year was £680,000 which approximates 0.5% of the net assets of £137,002,091.
Rationale for the benchmark applied	Materiality has been based on net assets. In the current year the entity has incurred expenses in respect of investments in systems, technology and personnel and certain legal and consulting expenses which are considered temporary. This has resulted in reduced earnings compared to the prior year while the entity continues to have a stable net asset base. Given the entity's performance in the current year we concluded that it is appropriate to use a benchmark suitable for entities with volatile earnings and/or revenue but consistent equity base, such as net assets. Net assets is also of significance to the ultimate controlling party and a key performance metric to multiple stakeholders including the regulator.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a. The entity's internal control over financial reporting is reliable and we have been able to take controls reliance on key reporting processes;
b. There have been no significant changes in the business that might affect our ability to forecast misstatements;
c. Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods;
d. Management's willingness to investigate and correct misstatements;
e. We have not identified a disproportionate number of risks of material misstatement at the higher end of the spectrum.

6.3. Error reporting threshold

We agreed with the Board Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £34,000 (2018: £21,400), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing risks of material misstatements. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report (including the Chairman's report, Strategic report, Directors' report and Corporate governance statement), other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, 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 respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Board Audit and Compliance Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in loan loss provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

Independent auditor's report (continued)

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, tax legislation and the Capital Requirements Directive (CRD) IV.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These include the Prudential Regulation Authority and the Financial Conduct Authority regulations, the Anti-Money Laundering Directive and employment and health and safety legislation.

11.2. Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter. In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board Audit and Compliance Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority and the Prudential Regulation Authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Board Audit and Compliance Committee, we were appointed by the Ghana International Bank plc Board on 30 September 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2010 to 31 December 2019.

14.2. Consistency of the audit report with the additional report to the Board Audit and Compliance Committee

Our audit opinion is consistent with the additional report to the Board Audit and Compliance Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed

Christopher Brough ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

4 March 2020

Ghana International Bank plc

Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Continuing operations			
Interest receivable and similar income	2	20,127,664	21,900,313
Other interest income arising from debt and other fixed income securities	2	2,326,696	1,648,018
Total interest income		22,454,360	23,548,331
Interest expense and similar charges	5	(7,178,683)	(5,286,671)
Net interest income		15,275,677	18,261,660
Fees and commission income	3	3,639,850	4,176,337
Foreign currency gains	4	2,561,547	3,146,148
Investment gains		653,640	-
Other income		87,069	129,270
Total non-interest income		6,942,106	7,451,755
Operating income		22,217,783	25,713,415
Staff costs	7	(12,133,494)	(9,475,677)
Other administrative expenses		(8,347,885)	(10,479,324)
Depreciation and amortisation	14	(1,253,581)	(759,302)
Total Operating expenses		(21,734,960)	(20,714,303)
Recovery of loan impairment losses	12	320,650	252,085
Profit before taxation	6	803,473	5,251,197
Taxation	9	(164,122)	(1,027,623)
Profit for the year		639,351	4,223,574
Other comprehensive income			
Will be reclassified subsequently to profit or loss:			
Gains/(losses) on fair value through other comprehensive income (FVOCI) financial instruments	21	1,476,640	(1,432,631)
Current taxation on FVOCI financial instruments	21	(61,839)	(95,951)
Deferred taxation credit/(charge) on FVOCI financial instruments	21	312,867	(147,596)
Total other comprehensive income		1,727,668	(1,676,178)
Total comprehensive income for the year attributable to equity holders		2,367,019	2,547,396

Ghana International Bank plc

Statement of financial position
As at 31 December 2019

	Notes	2019	2018
		£	£
Assets			
Cash and balances at banks including items in course of collection	24	82,248,890	86,479,417
Placements with and loans and advances to banks	10	453,894,935	456,011,865
Loans and advances to customers	11	80,109,596	105,261,803
Government and other securities	13	54,352,460	49,746,048
Prepayments and accrued income		2,186,294	1,361,053
Property, plant and equipment	14	3,514,433	1,454,908
Deferred tax asset	15	254,870	2,369
Total assets		676,561,478	700,317,463
Liabilities			
Deposits by banks	16	297,598,719	316,800,650
Amounts owed to depositors	17	219,743,960	230,049,141
Provision for corporation tax	9	43,541	572,010
Other liabilities	18	18,914,366	13,720,726
Accruals and deferred income		3,258,801	2,428,077
Total liabilities		539,559,387	563,570,604
Equity			
Ordinary shares	19	45,000,000	45,000,000
Share premium	19	30,000,000	30,000,000
FVOCI revaluation reserve	21	1,000,468	(727,200)
Profit and loss account	20	61,001,623	62,474,059
Total Equity		137,002,091	136,746,859
Total liabilities and equity		676,561,478	700,317,463

The annual report and financial statements of Ghana International Bank plc, registered number 03468216 were approved and authorised for issue by the Board of Directors on 4 March 2020.

The notes to the financial statements from page 29 onwards form an integral part of these financial statements.

Signed on behalf of the Board of Directors

Signed *Signed*

Dr Ernest K. Y. Addison
Chairman

Dean Adansi
Chief Executive Officer

Statement of changes in equity
For the year ended 31 December 2019

	Notes	Ordinary shares	Share Premium	Profit and Loss	FVOCI Reserves	Total
		£	£	£	£	£
Balance at 31 December 2017		45,000,000	30,000,000	64,046,982	912,842	139,959,824
Restated for adoption of new accounting standard [1]		-	-	(773,056)	36,136	(736,920)
Profit for the year	20	-	-	4,223,574	-	4,223,574
Other comprehensive income	21	-	-	-	(1,676,178)	(1,676,178)
Total comprehensive income for the year	21	-	-	4,223,574	(1,676,178)	2,547,396
Dividend paid	22	-	-	(5,023,441)	-	(5,023,441)
Balance at 31 December 2018		45,000,000	30,000,000	62,474,059	(727,200)	136,746,859
Profit for the year	20	-	-	639,351	-	639,351
Other comprehensive income	21	-	-	-	1,727,668	1,727,668
Total comprehensive income for the year		-	-	639,351	1,727,668	2,367,019
Dividend paid	22	-	-	(2,111,787)	-	(2,111,787)
Balance at 31 December 2019		45,000,000	30,000,000	61,001,623	1,000,468	137,002,091

(1) International Financial Reporting Standard (IFRS) 9 Financial Instruments came into effect from 1st January 2018.

Ghana International Bank plc

Statement of cash flow
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Net profit before taxation		803,473	5,251,197
Adjustments for:			
Foreign currency gains - Translation of assets and liabilities	4	(515,013)	(363,870)
Depreciation and amortisation		1,253,581	759,302
Lease finance charge		191,087	-
(Recovery of loan impairment losses)/Loan impairment losses		(320,650)	(252,085)
Decrease/(increase) in:			
Loans and advances to banks and customers		(11,745,843)	44,317,415
Government and other securities		(3,068,231)	(30,370,495)
Prepayments and other receivables		(825,241)	(301,179)
(Decrease)/increase in:			
Deposits by banks and customers		(29,253,211)	(75,918,799)
Other liabilities		2,564,032	(902,032)
Accruals and deferred income		830,724	(476,428)
Cash used in operations		**(40,085,292)**	**(58,256,974)**
Income taxes paid	9	(694,064)	(1,669,639)
Net cash used in operating activities		**(40,779,356)**	**(59,926,613)**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(732,434)	(911,788)
Net cash used in investing activities		**(732,434)**	**(911,788)**
Cash flows from financing activities:			
Dividends paid	22	(2,111,787)	(5,023,441)
Repayment of lease liabilities		(133,396)	-
Net cash used in financing activities		(2,245,183)	(5,023,441)
Decrease in cash and cash equivalents		**(43,756,973)**	**(65,861,842)**
Effect of exchange rate changes on cash and cash equivalents		76,737	72,718
Net decrease in cash and cash equivalents		**(43,680,236)**	**(65,789,124)**
Cash and cash equivalents at the beginning of the year	24	365,444,225	431,233,349
Cash and cash equivalents at the end of the year	24	321,763,989	365,444,225

Notes to the financial statements
Year ended 31 December 2019

1. Accounting policies

General Information

Ghana International Bank plc ("GHIB" / the "Bank") is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Bank's operations and its principal activities are set out in the Chairman's report and the Strategic report.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value through other comprehensive income.

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Bank in future except as noted below.

Accounting Policy Changes

IFRS 16 Leases

IFRS 16 'Leases' was issued in January 2016 by IASB to replace IAS 17 'Leases'. An exemption on the scope applies to short-term (12 months or less) and low-value leases.

IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' (RoU) asset and a corresponding financial liability on balance sheet. The RoU asset will be amortised over the lease agreement period, and the financial lease liability measured at amortised cost. The two capitalisation exemptions allowed by the standard – lease contracts with a duration of less than 12 months and lease contracts for which the underlying asset has a low value, which is defined as below USD 5,000 – have been used.

In the context of the transition of IFRS 16, right of use assets of £2,580,674 and lease liabilities of £2,580,674 were recognised as at 1st January 2019. Of these lease liabilities, £338,589 was due within one year. GHIB transitioned to IFRS 16 in accordance with the modified retrospective approach. The modified retrospective approach does not require restatement of comparative periods. The effects of the transition are recognised directly in equity as retained earnings.

Notes to the financial statements
Year ended 31 December 2019

1. Accounting policies (continued)

The following reconciliation to the opening balance for the lease liabilities as at 1st January 2019 is based upon the operating lease commitments as at 31st December 2018.

	£
Operating lease commitments at 31 December 2018	3,518,375
Effect of discounting those commitments at an annual rate of 9%	(937,701)
Effect of estimating for the purposes of IFRS 16 that lease breaks clauses will not be exercised	-
Lease liabilities at 1 January 2019	2,580,674

The weighted average discount rate applied to lease liabilities recognised in the statement of financial position was 9%.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	31-Dec-18	**IFRS 16**	**01-Jan-19**
	£	**£**	**£**
Assets			
Cash and balances at banks including items in course of collection	86,479,417		86,479,417
Placements with and loans and advances to banks	456,011,865		456,011,865
Loans and advances to customers	105,261,803		105,261,803
Government and other securities	49,746,048		49,746,048
Prepayments and accrued income	1,361,053		1,361,053
Property, plant and equipment	1,454,908	2,580,674	4,035,582
Deferred tax asset	2,369		2,369
Total assets	700,317,463	2,580,674	702,898,137
Liabilities			
Deposits by banks	316,800,650		316,800,650
Amounts owed to depositors	230,049,141		230,049,141
Provision for corporation tax	572,010		572,010
Other liabilities	13,720,726	2,580,674	16,301,400
Accruals and deferred income	2,428,077		2,428,077
Total liabilities	563,570,604	2,580,674	566,151,278
Equity			
Ordinary shares	45,000,000		45,000,000
Share premium	30,000,000		30,000,000
AFS revaluation reserve	(727,200)		(727,200)
Profit and loss account	62,474,059		62,474,059
Total Equity	136,746,859		136,746,859
Total liabilities and equity	700,317,463	2,580,674	702,898,137

Disclosures regarding right of use assets. lease liabilities and other lease commitment disclosures can be found in notes 14, 18 and 23.

Notes to the financial statements
Year ended 31 December 2019

1. Accounting policies (continued)

Going concern

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Strategic Report. The Bank's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Bank should be able to operate within the level of its current capacity. Based on the above, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currencies

The functional and reporting currency is sterling. Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses on retranslation are included in the profit or loss for the year.

Property, plant and equipment

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method so as to write off the cost over the estimated useful lives at the following rates:

Computer equipment	10% to 33.33% per annum on cost
Office Furniture and equipment	33.33% per annum on cost or lease term
Motor vehicles	25% per annum on cost
Safes and strong room	20% per annum on cost
Leasehold improvements	10% per annum on cost (or lease period if shorter)
Right of Use (RoU)	Actual contractual term

At each balance sheet date, property and equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

Income recognition

Interest income on loans and advances and interest-bearing securities are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the effective life of the asset to the asset's net carrying amount.

Interest income from government stock and similar investments are also recognised on the effective interest basis including any premium or discount to redemption. Loan origination fees are in all material respects recognised as an adjustment to the effective interest rate on the related loan.

Income from Guarantees and Letters of Credit commitments is recognised over the period of commitment. Other fees and commissions are recognised as the performance obligation is satisfied.

1. Accounting policies (continued)

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash payments, or receipts, (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a settlement date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

On first recognition of a financial asset, it is classified based on the business model for managing the asset and the asset's contractual cash flow characteristics:

- Amortised cost—a financial asset is measured at amortised cost if both of the following conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss (including a financial asset that does not give rise on specified dates to cashflows that are SPPI).

An entity can only reclassify its financial assets when its business model for managing those financial assets changes.

Impairment of Financial assets

Under IFRS 9 Financial Instruments, a single impairment model for financial assets that requires the recognition of expected credit losses (ECL) has been adopted from 1 January 2018.

ECLs are recognised in profit or loss. The ECL model includes a range of forward-looking macro-economic inputs, including forecasts of future events and economic conditions used when determining significant increases in credit risk and when measuring expected losses.

Expected credit losses are determined using a three-stage impairment approach that is based on the change in the credit quality of financial assets since initial recognition.

Stage 1: 12 months ECL

Financial assets that have experienced no significant increase in credit risk between initial recognition and the reporting date and for which 12-month expected credit losses are recorded at the reporting date are classified in Stage 1.

1. Accounting policies (continued)

Stage 2: Lifetime ECL- not credit impaired

Financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date, and for which lifetime expected credit losses are recorded at the reporting date, are classified in Stage 2.

Stage 3: Lifetime ECL - credit impaired

Financial assets for which there is objective evidence of impairment, for which one or more events have had a detrimental impact on the estimated future cash flows of these financial assets at the reporting date, and for which lifetime expected credit losses are recorded, are classified in Stage 3.

Measurement of Expected Credit Losses

Expected credit losses are estimated using three main inputs:

- Probability of Default (PD**)**- the likelihood of entering default status at any future point within the expected life of the account.
- Exposure at Default (EAD)- the balance outstanding at the point of entry into default.
- Loss Given Default (LGD)- an estimate of the proportion of the exposure that we believe would be at risk if the company defaults on their obligations to repay.

Loans and advances

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and advances’. Loans and advances are measured at amortised cost using the effective interest method, less any impairment. Impairment is recognised from the onset of origination of the loan where ECL is calculated.

Financial liabilities

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Leases

Lease contracts as defined by IFRS 16 “Leases”, are recorded in the balance sheet, which leads to the recognition of an asset representing a right-of-use of the asset leased during the lease term of the contract; and a liability related to the payment obligation.

Financing arrangements with the following features are not eligible to an accounting treatment according to IFRS 16: The lessor has legal ownership retention as security against repayment and interest obligations.

Effective 1st January 2019, the Bank as lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered for all leases in the balance sheet.

Amounts involved in the measurement of the lease liability are:

- Fixed payments (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable);
- Variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise this option; and

1. Accounting policies (continued)

- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

Lease payments are discounted at the implicit rate underlying the lease to the extent that this can be determined. Where implied rates are not implicit in the lease agreement, the Bank has derived an approximation of the external costs of funding using its internal Funds Transfer Pricing Model. The Funds Transfer Pricing Model uses the Bank's observable costs of funding as a key input. Other variable lease payments are expensed in the period to which they relate.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part or all of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised and is charged in the Income Statement.

Pension costs

The Bank operates an occupational money purchase pension scheme. An occupational money purchase pension scheme is one where the company pays fixed contributions into a separate entity for the benefit of its employees. These contributions are expensed in the period in which they accrue.

Cash and cash equivalents

For the purposes of IAS 7 cash and cash equivalents within the cash flow statement are deemed to comprise cash in hand, and cash and other short-term investments at other banks repayable in one day or on demand.

Sources of estimation, uncertainty and judgements concerning accounting policies

In the application of the Bank's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and may make necessary provisions in accordance with their assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis and actual results may differ from these estimates.

Loan Provisioning

There is significant estimation uncertainty in assessing the credit risk of exposures. Loan impairment provisions represent management's best estimate of expected credit losses under IFRS 9 Financial Instruments.

Notes to the financial statements
Year ended 31 December 2019

1. Accounting policies (continued)

Estimating the total amount of expected credit losses involves significant judgement. The Bank has had a strong history of significantly low loan losses and provisioning, and therefore has no internal data which can be used to calculate specific components of expected credit losses, probability of default and loss given default. The Bank sources data for these components externally, and therefore there is significant judgement about the appropriateness and relevance of the data.

Additionally, the Bank uses an internal credit rating system for each exposure. The credit rating system and movements therein, determine the staging classification of each exposure in the expected credit loss model. There is significant judgement around the rating given to each exposure.

Note 12 to the financial statements provides quantitative measurement of Loan impairment provisions.

2. Interest income

	2019 £	2018 £
Interest receivable and similar income:		
Loans and advances to banks	12,948,692	12,306,472
Loans and advances to customers	7,178,972	9,593,841
	20,127,664	21,900,313
Other interest income arising from debt and other fixed income securities:		
Debt securities and other fixed income securities	2,326,696	1,648,018
	2,326,696	1,648,018

3. Fees and commission income

	2019 £	2018 £
Letters of credit	1,699,508	2,108,597
Bills for collection	787,135	725,687
Transfers and payments	1,153,207	1,342,053
	3,639,850	4,176,337

4. Foreign currency gains

	2019 £	2018 £
Commission on customer foreign exchange transactions	2,046,534	2,782,278
Translation of assets and liabilities	515,013	363,870
	2,561,547	3,146,148

Notes to the financial statements
Year ended 31 December 2019

5. Interest expense and similar charges

	2019 £	2018 £
Deposits by banks:		
Call and notice deposits	532,084	420,295
Time deposits	4,794,039	3,682,700
Deposits by other customers:		
Call and notice deposits	1,584	2,176
Time deposits	1,659,889	1,181,500
Lease finance charge	191,087	-
	7,178,683	5,286,671

6. Profit before taxation

Profit on ordinary activities before taxation is stated after charging:	2019 £	2018 £
Auditor’s remuneration:		
Statutory Audit of the financial statements	115,000	100,000
Depreciation Right-of-Use Assets	428,279	-
Depreciation Other	825,302	759,302

No other fees were paid to the statutory auditor.

7. Staff costs

	2019 £	2018 £
Wages and salaries	9,614,460	7,585,358
Social security costs	1,137,965	901,817
Other pension costs	920,482	644,108
Other staff costs	460,587	344,394
	12,133,494	9,475,677

The monthly average number of persons employed by the Bank during the year was:

	2019 No.	2018 No.
Directors	9	9
Staff	120	84

8. Directors' remuneration

	2019 £	2018 £
Emoluments	1,545,470	1,843,686
Contributions to money purchase pension schemes	30,000	116,407
	1,575,470	1,960,093

The emolument of the highest paid Director, excluding pension contributions, was £598,664 (2018: £1,076,572) and pension contributions of £nil (2018: £93,112).

Pension contributions were made by the company for a director under the money purchase pension scheme.

9. Taxation

Analysis of charge in the period	2019 £	2018 £
Current tax charge		
Current year	104,517	1,009,846
Prior year adjustment	(761)	(543)
Total current tax charge	103,756	1,009,303
Deferred tax charge/(credit)		
Current year	60,366	23,842
Prior year adjustment	-	(5,522)
Total deferred tax charge (Note 15)	60,366	18,320
Overall tax charge	164,122	1,027,623

The standard rate of current tax for the year is 19% (2018: 19%). The effective tax rate for the year is equal to the standard UK corporation tax rate of 19%. The differences are explained below.

Factors affecting the tax charge for the period

	2019 £	2018 £
Profit before tax	803,474	5,251,197
Tax charge at average UK Corp tax rate of 19% (2018: 19%)	152,660	997,727
Depreciation on non-qualifying assets	19,754	27,315
Non-deductible expenses	613	974
Effect of change in tax rate	(5,093)	7,672
Prior year adjustment – Current tax	(761)	(543)
Prior year adjustment – Deferred tax	(3,051)	(5,522)
Total tax charge	164,122	1,027,623

Notes to the financial statements
Year ended 31 December 2019

9. Taxation (continued)

Provision for corporation tax

	2019	**2018**
	£	**£**
Provision for corporation tax at 1 January	572,010	1,136,392
Tax paid during the year	(694,064)	(1,669,639)
Prior year adjustment	(761)	-
Total current tax charge for the year	104,517	1,009,303
Current taxation on FVOCI financial instruments	61,839	95,951
Provision for corporation tax at 31 December	43,541	572,010

10. Placements with and loans and advances to banks

	2019	**2018**
	£	**£**
Gross banking advances	454,082,466	456,366,874
Provisions for credit losses (see note 12)	(187,531)	(355,009)
	453,894,935	456,011,865

In the current year the gross lending exposure has been analysed.

Repayable in one day or on demand	239,515,099	279,331,113
Repayable in three months or less	78,671,069	65,721,240
Between three months and one year	132,084,202	85,699,881
Between one year and five years	3,812,096	25,614,640
	454,082,466	456,366,874

11. Loans and advances to customers

	2019	**2018**
	£	**£**
Gross corporate advances	80,435,231	105,731,558
Provisions for credit losses (see note 12)	(325,635)	(469,755)
	80,109,596	105,261,803

11. Loans and advances to customers (continued)

In the current year the gross lending exposure has been analysed.

Gross lending exposure analysis by maturity:	2019 £	2018 £
Repayable on demand	2,476,139	961,312
Repayable in three months or less	2,583,899	17,644,909
Between three months and one year	40,075,490	58,039,049
Between one year and five years	35,293,027	21,257,672
After five years	6,676	7,828,616
	80,435,231	105,731,558

Gross lending exposure analysis by geographic location:	2019 £	2018 £
Ghanaian entities	60,016,232	58,952,804
Other African countries	20,037,407	46,459,445
OECD countries	381,592	319,309
	80,435,231	105,731,558

Gross lending exposure analysis by sector:	2019 £	2018 £
Agriculture, forestry and fishing	22,666,307	3,844,892
Commerce and finance	1,746,906	9,610,440
Transport, storage, communication and energy	32,365,996	59,400,562
Sovereign	8,747,465	17,482,751
Food and beverages	14,597,415	15,080,339
Miscellaneous	311,142	312,574
	80,435,231	105,731,558

Notes to the financial statements
Year ended 31 December 2019

12. Provisions for credit losses

	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Total
Balance at 1 January 2018	1,020,528	58,804	1,079,332
Changes in the loss allowance:			
Transfer between stages	(9,608)	9,608	-
(Credit)/charge to income statement	(297,293)	45,208	(252,085)
Foreign exchange movements	40,742	6,263	47,005
Balance as at 31 December 2018	754,369	119,883	874,252
Changes in the loss allowance:			
Transfer between stages	-	-	-
(Credit)/charge to income statement	(244,538)	(76,112)	(320,650)
Foreign exchange movements	(20,309)	(2,824)	(23,133)
Balance as at 31 December 2019	489,522	40,947	530,469

	2019 £	2018 £
Provision on loans and advances - Banks	187,531	355,009
Provision on loans and advances - Customers	325,635	469,755
Provision on debt instruments at fair value through other comprehensive income	17,303	49,488
Total provision for credit losses and provisions held on assets at fair value	**530,469**	**874,252**

Impact of movements in gross carrying amount on provision for credit losses

Provisions for credit losses reflects expected credit losses measured using the three-stage approach under IFRS 9, described in Note 1 Principal accounting policies. The following explains how significant changes in the gross carrying amount of loans and advances during the period have contributed to the changes in the provision for credit losses for the Bank under the expected credit loss model. There have been no material changes to the estimation techniques or significant assumptions made during the reporting period.

Overall the total provision for credit losses decreased by £344k. This is made up of a decrease of £363k due to provisions on financial assets that were derecognised, a decrease of £79k in provisions on pre-existing financial assets and an increase of £99k due to financial instruments originated or acquired during the reporting period.

Notes to the financial statements
Year ended 31 December 2019

13. Government and other securities

	2019 £	2018 £
Sovereign bonds – Africa	23,385,593	14,807,641
Other corporate bonds	793,478	3,775,079
US Treasury bills	30,173,389	31,163,328
	54,352,460	49,746,048
Maturity:		
In three months or less	173,815	15,629,424
Between >three months and one year	30,173,391	21,266,519
Between > one year and five years	2,802,407	5,739,973
After five years	21,202,847	7,110,132
	54,352,460	49,746,048

14. Property, plant and equipment

	Computer Equipment £	Office furniture and equipment £	Motor vehicles £	Leasehold premises and improvements £	Total £
Cost					
At 31 December 2018	3,291,716	459,600	121,399	1,183,580	5,056,295
Adjustments for adoption of IFRS 16	-	42,474	-	2,538,200	2,580,674
At 1 January 2019	3,291,716	502,074	121,399	3,721,780	7,636,969
Additions	730,452	1,980	-	-	732,434
Disposals	-	-	-	-	-
At 31 December 2019	4,022,168	504,054	121,399	3,721,780	8,369,403
Depreciation					
At 1 January 2019	2,144,192	421,934	109,181	926,080	3,601,387
Current	634,983	28,976	10,363	579,259	1,253,581
Disposals	-	-	-	-	-
At 31 December 2019	2,779,175	450,910	119,544	1,505,339	4,854,968
Net book value					
At 31 December 2019	1,242,993	53,144	1,855	2,216,441	3,514,433
At 31 December 2018	1,147,524	37,666	12,218	257,500	1,454,908

Of the above £1,454,908 total of Property, plant and equipment, £2,152,395 is represented by right of use assets in accordance with the requirements of IFRS16 Leases.

14. Property, plant and equipment (continued)

Cost	Computers Equipment £	Office furniture and equipment £	Motor vehicles £	Leasehold premises and improvements £	Total £
At 1 January 2018	3,688,872	423,961	121,399	1,142,501	5,376,733
Additions	826,900	43,809	-	41,079	911,788
Disposals	(1,224,056)	(8,170)	-	-	(1,232,226)
At 31 December 2018	3,291,716	459,600	121,399	1,183,580	5,056,295
Depreciation					
At 1 January 2018	2,859,811	406,600	78,832	729,043	4,074,286
Current	508,412	23,504	30,349	197,037	759,302
Disposals	(1,224,031)	(8,170)	-	-	(1,232,201)
At 31 December 2018	2,144,192	421,934	109,181	926,080	3,601,387
Net book value					
At 31 December 2018	1,147,524	37,666	12,218	257,500	1,454,908
At 31 December 2017	829,061	17,361	42,567	413,458	1,302,447

The increase in property, plant and equipment year-on-year was chiefly the result of the initial application of IFRS 16. Further details can be found in note 1. The below schedule sets out the IFRS 16 right of use assets.

Cost	Computer Equipment £	Office furniture and equipment £	Motor vehicles £	Leasehold premises and improvements £	Total £
At 1 January 2019	-	42,474	-	2,538,200	2,580,674
Additions	-	-	-	-	-
At 31 December 2019	-	42,474	-	2,538,200	2,580,674
Depreciation					
At 1 January 2019	-	-	-	-	-
Charge for the year	-	8,416	-	419,863	428,279
At 31 December 2019	-	8,416	-	419,863	428,279
Net book value					
At 31 December 2019	-	34,058	-	2,118,337	2,152,395
At 31 December 2018	-	-	-	-	-

Notes to the financial statements
Year ended 31 December 2019

15. Deferred taxes

As at 31 December 2019 deferred tax asset arises from temporary timing differences and has been recognised to the full extent in the context of the size the asset and recoverability of the asset through future profits of the business. The movement on the deferred tax account is as follows:

	2019 £	2018 £
Deferred tax asset at 1 January	2,369	9,948
Restated for adoption of new accounting standard	-	158,334
Income statement charge	(60,366)	(23,841)
Adjustment in respect of prior year	-	5,524
Other comprehensive income credit/(charge) on FVOCI reserve	312,867	(147,596)
Deferred tax asset at 31 December	254,870	2,369

The deferred tax asset on the balance sheet is held in respect of the following:

	2019 £	2018 £
Accelerated tax depreciation	17,612	58,094
Other short-term timing differences	158,187	178,071
Timing differences on FVOCI	79,071	(233,796)
Deferred tax asset at 31 December	254,870	2,369

16. Deposits by banks

	2019 £	2018 £
Bank of Ghana (see note 30)	179,616,518	184,349,501
Other banks	117,982,201	132,451,149
	297,598,719	316,800,650
Of which:		
Repayable on demand	108,573,357	127,260,814
Repayable:		
In three months or less	97,732,996	56,560,250
Between > three months and one year	82,856,479	132,979,586
Between > one year and five years	8,435,887	-
	297,598,719	316,800,650

Notes to the financial statements
Year ended 31 December 2019

17. Amounts owed to depositors

	2019 £	2018 £
Repayable on demand	139,648,549	120,624,316
Repayable:		
In three months or less	6,700,556	41,024,522
Between > three months and one year	71,627,816	31,940,036
Between > one year and five years	1,767,039	36,460,267
	219,743,960	230,049,141

18. Other liabilities

	2019 £	2018 £
Deferred letters of credit	16,473,444	13,562,707
Trade and other payables	198,837	158,019
Finance lease liabilities	2,242,085	-
	18,914,366	13,720,726

On 1 January 2019 the Bank adopted IFRS 16 (see Note 1). As at 31 December 2018 no finance lease liabilities were recognised. On transition to IFRS 16 as at 1 January 2019 finance lease liabilities of £2,580,674 were recognised.

19. Share capital

	2019 £	2018 £
Authorised		
50,000,000 ordinary shares of £1 each	50,000,000	50,000,000
Total Issued shares		
45,000,000 ordinary shares of £1 each	75,000,000	75,000,000
Of which:		
Issued and fully paid:		
45,000,000 ordinary shares of £1 each	45,000,000	45,000,000
Issued and fully paid at premium:		
20,000,000 ordinary shares issued at premium of £1.50	30,000,000	30,000,000

20. Profit and loss account

	2019 £	2018 £
Profit and loss account at 1 January	62,474,059	64,046,982
Restated for adoption of new accounting standard IFRS 9	-	(773,056)
Dividends Paid	(2,111,787)	(5,023,441)
Profit for the year after tax	639,351	4,223,574
Profit and loss account at 31 December	61,001,623	62,474,059

Notes to the financial statements
Year ended 31 December 2019

21. Fair Value Through Other Comprehensive Income (FVOCI) revaluation reserve

	2019 £	2018 £
(Losses)/Gains on FVOCI investments - 1 January	(727,200)	912,842
Restated for adoption of new accounting standard IFRS 9	-	36,136
Fair value gain/(loss) on FVOCI financial instruments during the year	1,476,640	(1,432,631)
Current tax on FVOCI financial instruments	(61,839)	(95,951)
Deferred taxation on FVOCI financial instruments	312,867	(147,596)
Net (loss)/gain on FVOCI investments as at 31 December	1,000,468	(727,200)

22. Dividends

	2019 £	2018 £
Dividends paid not previously accrued	2,111,787	5,023,441
Proposed dividends not accrued in these accounts	319,676	2,111,787

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed final dividend is payable to all shareholders on the Register of Members on 4 March 2020. The total proposed final dividend is 0.71 p per share (2018: 4.69p per share).

23. Lease Commitments

With regards to recognition and measurement of lease liabilities, a new accounting standard, IFRS 16 became effective at the beginning of 2019. See Note 1 for further information.

Financial commitments repaid under leases amounted to £423,884 and interest of £191,087 for the year 2019.

At the balance sheet date, the entity had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

	2019 £	2018 £
Lease Commitments:		
Less than one year	557,954	519,780
Between two and five years	1,349,106	1,678,940
More than five years	832,040	1,130,625

Notes to the financial statements
Year ended 31 December 2019

24. Analysis of the balance of cash and cash equivalents

	31 December 2018 £	Cash Flow £	Exchange Movement £	31 December 2019 £
Cash and balances at banks	86,479,417	(4,273,788)	43,261	82,248,890
Loans and advances to other banks repayable in one day or on demand	278,964,808	(39,483,185)	33,476	239,515,099
	365,444,225	(43,756,973)	76,737	321,763,989

25. Currency analysis of assets and liabilities

	2019 £	2018 £
Assets		
Denominated in sterling	207,630,860	242,542,479
Denominated in US Dollars	416,746,929	397,934,565
Denominated in euro	51,936,597	59,568,719
Denominated in currencies other than stated above	247,092	271,700
	676,561,478	700,317,463
Liabilities and Equity		
Denominated in sterling	207,906,712	242,439,695
Denominated in US Dollars	416,527,156	398,094,737
Denominated in euro	51,938,073	59,591,950
Denominated in currencies other than stated above	189,537	191,081
	676,561,478	700,317,463
Net financial position		
Denominated in sterling	(275,852)	102,784
Denominated in US Dollars	219,773	(160,172)
Denominated in euro	(1,476)	(23,231)
Denominated in currencies other than stated above	57,555	80,619
	-	-

Notes to the financial statements
Year ended 31 December 2019

26. Geographical analysis

The geographical analysis is based on location of customer. Operating expenses have not been analysed over geographical area.

	Total £	UK £	EEA £	Africa £	Other Countries
The year ended 31 December 2019					
Interest received	22,454,360	2,493,816	2,130,365	16,466,387	1,363,792
Interest expense	(7,178,683)	(225,264)	(116)	(6,943,023)	(10,280)
Net interest income	15,275,677	2,268,552	2,130,249	9,523,364	1,353,512
Fees and commissions	3,639,850	446,967	6,094	3,072,499	114,290
Foreign currency gains	2,561,547	186,011	1,009	2,357,719	16,808
Investment gains	653,640	-	-	653,640	-
Other income	87,069	87,069	-	-	-
Total operating income	22,217,783	2,988,599	2,137,352	15,607,222	1,484,610
Operating expenses	(21,734,960)				
Loan impairment losses	320,650				
Profit before taxation	803,473				

	Total £	UK £	EEA £	Africa £	Other Countries
The year ended 31 December 2018					
Interest received	23,548,331	1,870,125	2,539,690	18,801,879	336,637
Interest expense	(5,286,671)	(87,671)	(96)	(5,168,090)	(30,814)
Net interest income	18,261,660	1,782,454	2,539,594	13,633,789	305,823
Fees and commissions	4,176,337	448,348	9,239	2,656,936	1,061,814
Foreign currency gains	3,146,148	483,852	396	2,646,218	15,682
Investment gains	-	-	-	-	-
Other income	129,270	129,270	-	-	-
Total operating income	25,713,415	2,843,924	2,549,229	18,936,943	1,383,319
Operating expenses	(20,714,303)				
Loan impairment losses	252,085				
Profit before taxation	5,251,197				

27. Financial instruments

The categorisation of financial instruments over the categories defined in IFRS 9 is as follows:

	2019 £	2018 £
Financial Assets:		
Cash	82,248,890	86,479,417
Loans and receivables	534,004,531	561,273,668
Government and other securities	54,352,460	49,746,048
Financial Liabilities:		
Financial liabilities measured at amortised cost	536,058,208	560,412,498

Interest receivable and payable is analysed in notes 2 and 5 respectively. The financial instruments used by the Bank and the risks in relation to those are described below. Management have policies and procedures to manage risk in relation to financial instruments and to produce financial information to measure such risks.

The Bank's activities can be divided into two broad categories: banking and treasury. It has no trading book activity.

Within Placements with and loans and advances to banks, as at 31 December 2019 there was £21.5m of assets pledged as encumbered in respect of Trade Finance facilities.

The banking activity principally comprises of lending and deposit taking with the objective of securing a margin between interest paid to customers on their deposits and interest received on amounts lent.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the counterparty. All collateral applied against customer exposures measured at amortised cost are held as cash deposits. Cash collateral held on 31 December 2019 was £78.5m (2018: £112.2m).

Deposits are raised from personal, corporate and institutional customers in the form of current, call and fixed deposit accounts. Lending activities are confined to governments, corporations and institutions and take the form of overdrafts, loans, letters of credit discounts and fixed income securities.

The treasury activity is responsible for raising fixed and call customer deposits and investing the Bank's surplus funds with highly rated financial institutions in the interbank market, certificates of deposit, treasury bills, bonds and similar funds to provide a source of liquidity. The Bank also deals in foreign exchange transactions on behalf of customers. The Bank does not use hedging or deal in derivative products.

The carrying value of financial assets and liabilities differs from fair value as stated in the following table:

	2019		2018	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial Assets:				
Cash	82,249	82,249	86,479	86,479
Loans and receivables	534,005	534,175	561,274	561,263
Government and other securities	54,352	54,352	49,746	49,746
Financial Liabilities:				
Financial liabilities measured at amortised cost	536,058	537,240	560,412	560,419

27. Financial instruments (continued)

Fair value measurements

The information set out below provides information about how the Bank determines fair values of various financial assets and financial liabilities.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the statement of financial position comprises of Government and other securities. The Bank classifies these assets as FVOCI. FVOCI financial instruments of the Bank encompass Treasury bills and Corporate and Sovereign bonds. As at 31 December 2018 Government and other securities held was Level 1 (£31.1m) and Level 2 (£18.6m). As at 31 December 2019 all Government and other securities were determined to be Level 2.

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Government and other securities measured at Fair value through other comprehensive income	30,299,587	24,052,873	-	54,352,460
Total	30,299,587	24,052,873	-	54,352,460

Fair values are based upon market prices where there is a market or on the effects on fair values of fixed rate assets and liabilities in changes of interest rates and credit risk.

The Board is responsible for determining the long-term strategy of the Bank, the markets in which it operates, and the level of risk undertaken.

Responsibility for implementing the risk policy of the Bank is delegated to the Chief Executive Officer. He is responsible for ensuring that the risks within the business are identified, assessed, controlled and monitored and that controls and procedures comply with policies approved by the Board and which are documented in various manuals and handbooks.

Credit risk

Credit risk arises from extending credit in all forms in the Bank’s banking and treasury activities, where there is a possibility that counterparty may default. The credit policy and credit manual provide for the control and daily monitoring of all exposures, delegated sanctioning authorities and periodic credit appraisals.

Operational risk

Operational risk is the exposure to financial or other damage arising through unforeseen events or failure in operational processes and systems. Examples include inadequate controls and procedures, human error, deliberate malicious acts including fraud and business interruption.

These risks are controlled and monitored through system controls, segregation of duties, exception and exposure reporting, business continuity planning, reconciliations, Internal Audit and timely and reliable management reporting. Operational procedures are documented in an Operations Manual.

27. Financial instruments (continued)

Liquidity risk

Liquidity risk arises from the mismatch of the timing of cash flows relating to assets and liabilities. The liquidity policy of the Bank is approved by the Board under guidelines issued by the FCA and monitored daily to ensure that its funding requirements can be met at all times and that a stock of high-quality liquid assets is maintained. Management use a daily liquidity gap analysis by currency for banking assets and liabilities to monitor liquidity risk based on remaining contractual maturities and summarised information as at 31 December 2019 and 31 December 2018 is set out below. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration. A substantial portion of deposits is made up of current, savings and call accounts. The table below is based on contractual maturities of assets and liabilities, which includes shareholders' funds and non-financial assets and liabilities.

Summarised liquidity gap analysis – 31 December 2019

	Next day £'000	2-8 days £'000	<1 Month £'000	<3 Months £'000	<1 Year £'000	> 1 Year £'000	Undated £'000
Assets	323,867	60,909	3,780	16,988	202,459	62,992	3,087
Liabilities	(250,236)	(983)	(42,575)	(75,338)	(157,314)	(10,632)	(137,004)
Gap	73,631	59,926	(38,795)	(58,350)	45,145	52,360	(133,917)
Cumulative gap	73,631	133,557	94,762	36,412	81,557	133,917	-

Summarised liquidity gap analysis – 31 December 2018

	Next day £'000	2-8 days £'000	<1 Month £'000	<3 Months £'000	<1 Year £'000	> 1 Year £'000	Undated £'000
Assets	366,134	2,499	38,249	58,606	165,398	67,267	2,165
Liabilities	(248,533)	(7,942)	(9,488)	(93,717)	(167,148)	(36,660)	(136,830)
Gap	117,601	(5,443)	28,761	(35,111)	(1,750)	30,607	(134,665)
Cumulative gap	117,601	112,158	140,919	105,808	104,058	134,665	-

Market risk

Market risk is the risk of losses being incurred as a result of adverse movements in market prices, interest or exchange rates and which may arise in the Bank's treasury activities.

Market risk is controlled by interest mismatch and foreign currency open position limits approved by the Operational committee of the Bank and monitored daily.

Management use an interest rate re-pricing gap analysis in major currencies to monitor interest rate risk and foreign currency open position limits to monitor exchange rate risks on the Bank's own foreign currency transactions.

Notes to the financial statements
Year ended 31 December 2019

27. Financial instruments (continued)

The table below is based on the earlier of the periods to the next interest rate pricing date or the contractual maturities of assets and liabilities. This includes shareholders' funds and non-financial assets and liabilities.

Interest rate re-pricing gap analysis – as at 31 December 2019

	Not more than 3 months £'000	Over 3 months but not over 6 months £'000	Over 6 months but not over 1 year £'000	Over 1 year but not over 5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Cash at bank	36,196	-	-	-	-	43,574	79,770
Loans and advances to banks	303,724	114,498	17,586	3,827	-	14,260	453,895
Loans and advances to Customers	3,049	7,562	32,513	35,790	7	1,189	80,110
Government and other Securities	174	30,173	-	2,802	21,203	-	54,352
Other assets	-	-	-	-	-	5,955	5,955
Total assets	345,622	152,233	50,099	42,419	21,210	64,978	676,561
Liabilities							
Deposits by banks	104,372	51,604	31,252	8,436	-	101,934	296,227
Customer deposits	6,152	21,107	50,521	1,767	-	140,197	218,636
Other liabilities	-	-	-	-	-	22,217	22,217
Shareholders' funds	-	-	-	-	-	137,002	137,002
Total liabilities and Equity	110,524	72,711	81,773	10,203	-	401,350	676,561
On – balance sheet gap	235,098	79,522	(31,674)	32,216	21,210	(336,372)	-

Interest rate re-pricing gap analysis – as at 31 December 2018

	Not more than 3 months £'000	Over 3 months but not over 6 months £'000	Over 6 months but not over 1 year £'000	Over 1 year but not over 5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Cash at bank	-	-	-	-	-	86,479	86,479
Loans and advances to banks	331,488	41,921	43,790	25,710	-	13,103	456,012
Loans and advances to Customers	17,812	23,100	34,940	21,569	7,829	12	105,262
Government and other Securities	15,637	21,408	-	5,129	7,572	-	49,746
Other assets	-	-	-	-	-	2,818	2,818
Total assets	364,937	86,429	78,730	52,408	15,401	102,412	700,317
Liabilities							
Deposits by banks	59,410	95,174	37,806	-	-	124,411	316,801
Customer deposits	36,798	28,137	3,803	36,460	-	124,851	230,049
Other liabilities	-	-	-	-	-	16,720	16,720
Shareholders' funds	-	-	-	-	-	136,747	136,747
Total liabilities and Equity	96,208	123,311	41,609	36,460	-	402,729	700,317
On – balance sheet gap	268,729	(36,882)	37,121	15,948	15,401	(300,317)	-

Notes to the financial statements
Year ended 31 December 2019

27. Financial instruments (continued)

A sensitivity analysis showing how profit and equity would be affected by reasonably possible changes in interest rate and foreign currency risk variables as at both 31 December 2019 and 31 December 2018 is set out below.

The Directors have concluded that as at 31 December 2019 reasonably possible variations in such risks were as follows:

- Interest rate risk – plus 2% or minus 0.5% in all base currencies in floating rate assets and liabilities
- Foreign exchange risk – plus or minus 10% in US Dollar, 10% in Euro currencies, and 15% in all other currencies.

For the purposes of this analysis the Directors have concluded the principal currencies the Bank has exposure to in its financial assets and liabilities other than its functional currency are US Dollars and Euros.

Sensitivity analysis – as at 31 December 2019

	Interest rate risk		Foreign exchange rate risk					
			US Dollar		Euro		Other currencies	
	-0.5% £'000	+2% £'000	-10% £'000	+10% £'000	-10% £'000	+10% £'000	-15% £'000	+15% £'000
Financial assets								
Cash at bank	(193)	774	(4,055)	4,055	(3,896)	3,896	(25)	25
Loans to other banks	(2,198)	8,793	(24,243)	24,243	(1,299)	1,299	-	-
Loans and advances to customers	(395)	1,578	(7,931)	7,931	2	(2)	-	-
Government and other securities	(272)	1,087	(5,435)	5,435	-	-	-	-
Financial Liabilities								
Deposits from other banks	978	(3,913)	23,212	(23,212)	4,062	(4,062)	19	(19)
Customer deposits	398	(1,591)	16,991	(16,991)	803	(803)	-	-
Other liabilities	-	-	1,364	(1,364)	328	(328)	-	-
Total net position	(1,682)	6,728	(97)	97	-	-	(6)	6

Sensitivity analysis – as at 31 December 2018

	Interest rate risk		Foreign exchange rate risk					
			US Dollar		Euro		Other currencies	
	-0.5% £'000	+2% £'000	-10% £'000	+10% £'000	-10% £'000	+10% £'000	-15% £'000	+15% £'000
Financial assets								
Cash at bank	-	-	(3,286)	3,286	(5,067)	5,067	(41)	41
Loans to other banks	(1,657)	6,630	(21,259)	21,259	(890)	890	-	-
Loans and advances to customers	(89)	356	(10,273)	10,273	-	-	-	-
Government and other securities	(78)	313	(4,975)	4,975	-	-	-	-
Financial Liabilities								
Deposits from other banks	297	(1,188)	23,515	(23,515)	3,421	(3,421)	29	(29)
Customer deposits	184	(736)	14,978	(14,978)	2,538	(2,538)	-	-
Other liabilities	-	-	1,358	(1,358)	-	-	-	-
Total net position	(1,343)	5,375	58	(58)	2	(2)	(12)	12

28. Credit risk

The Bank is exposed to credit risk in relation to loans and advances to customers, loans and advances to other banks including deposits in cash (Nostro) account balances, interbank market, certificates of deposit, government stocks and bonds, investments in money market funds, letters of credit, and guarantees. The maximum credit risk at the balance sheet date is set out below:

	2019 £	2018 £
Cash held at banks	82,248,890	86,479,417
Loans and advances to customers	80,109,596	105,261,803
Loans and advances to other banks	453,894,935	456,011,865
Government and other securities	54,352,460	49,746,048
Guarantees and irrevocable letters of credit	55,211,263	77,856,153
Undrawn Commitments	23,306,831	3,359,338

The Bank categorises customer exposures by credit grade, this drives decision-making in relation to credit risk. Customer exposures are categorised as one of:

- Investment grade
- Prime
- Good
- Adequate
- Vulnerable
- Watch
- Substandard
- Doubtful
- Loss

The Bank leverages the above credit grading, alongside external market data, to determine probability of default within its expected credit loss model under IFRS 9 Financial Instruments. Note 1 to the financial statements discloses sources of estimation, uncertainty and judgements concerning accounting policies. There have been no material changes to the estimation techniques or significant assumptions made during the reporting period. Note 12 to the financial statements provides quantitative measurement of Loan impairment provisions.

29. Contingent liabilities and other commitments

Contingent liabilities

a) One of the key areas of business for the Bank is international trade finance, where, amongst other products offered classified as on balance sheet assets and liabilities, guarantees and irrevocable letters of credit are classified as off-balance sheet contingent liabilities. They have been classified as such due to being possible obligations whose existence depends on the outcome of uncertain future events.

	2019 £	2018 £
Guarantees and Irrevocable letters of credit:		
- Bank of Ghana	6,115,554	6,079,892
- Others	49,095,709	71,776,260

Notes to the financial statements
Year ended 31 December 2019

29. Contingent liabilities and other commitments (continued)

b) The Bank is currently subject to certain regulatory investigations. It is not currently possible for the Directors to estimate the value of any losses that may be incurred as a result of these investigations and therefore no provision has been recognised within these financial statements.

Other commitments

a) Lease commitments are disclosed separately in Note 23.

b) In the normal course of its banking business, GHIB enters into lending commitments where the client has not yet drawn funds at the financial reporting date. Lending commitments made to clients but not yet drawn are disclosed below.

	2019 £	2018 £
Undrawn lending commitments	23,306,831	3,359,338

30. Related party transactions

	2019		2018	
	Interest paid £	Interest received £	Interest paid £	Interest received £
Bank of Ghana	4,380,737	-	3,226,796	-
Ghana government-controlled entities	1,333,182	5,544,351	1,072,480	6,252,559

As at the year end the following deposit liabilities were held by related parties:

	2019 £	2018 £
Bank of Ghana	179,616,518	184,349,501
Ghana government-controlled entities	184,838,111	201,529,760

Ghana government-controlled entities had loans and advances totalling £88.5m at 31 December 2019 (2018: £83.7m). Deferred Letters of Credit liabilities amounted to £16.3m in 2019 (2018: £8.5m). Fees and commission income earned £2.6m for the year ending 31 December 2019 (2018: £2.2m), whilst the contribution to foreign exchange income was £1.5m (2018: £1.9m).

Government and other securities held in respect of where the issuer is Ghana government controlled totalled £2.4m in 2019 (2018: £6.4m).

Lease payments to Ghana government-controlled entities for the main banking premises totalled £0.5m for the year ending 31 December 2019 (2018: £0.4m).

All parties reported here as related were related by virtue of being owned or having a significant shareholding owned by the Government of Ghana who also own indirectly a significant shareholding in Ghana International Bank plc. Transactions occurring with related parties are on normal banking terms and are performed on an arm’s length basis.

31. Related party transactions with directors and key management

Directors' remuneration is disclosed in note 8 to the financial statements. Total remuneration for other key management personnel was awarded as follows and increased year-on-year mainly due to investment in new senior management roles in 2019 as the Bank continues to improve its governance structure.

	2019		2018	
	Short-term employee benefits £	**Post-employment benefits £**	**Short-term employee benefits £**	**Post-employment benefits £**
Directors	1,545,470	30,000	1,843,686	116,407
Other key management personnel	955,234	89,811	679,639	62,254

The Bank also provides short-term interest free annual loans for travel to and from work and personal loans subject to a limit of £10,000 per person at the prevailing base rate to directors and staff.

Loans outstanding as at 31 December 2019 were loans totalling £47,624 (2018: £39,561).

	2019		2018	
	Base Rate £	**Interest free £**	**Base Rate £**	**Interest free £**
Directors	8,487	-	8,611	-
Other key management personnel	35,195	3,942	30,950	-

32. Capital management

The Directors regard its Common Equity Tier 1 (CET1) ratio for capital management purposes. Its principal objectives in managing capital are to ensure it is sufficient to participate in lines of business and to meet capital adequacy requirements of the Prudential Regulatory Authority. Common Equity Tier 1 (CET1) is measured as share capital and reserves which totalled £137.9m at 31 December 2019 (2018: £136.7m).

33. Controlling party

The ultimate controlling party is the Bank of Ghana, who is the Central Bank of Ghana and is registered at 1 Thorpe Road, P.O. Box GP 2674, Accra. The only group accounts, of which Ghana International Bank plc is a subsidiary undertaking to, are prepared by the Bank of Ghana. Group accounts may be obtained from https://www.bog.gov.gh.

34. Subsequent events

There have been no material post-balance sheet events which would require disclosure or adjustment to the 31st December 2019 Financial Statements.