GTBank

Guaranty Trust Bank (Ghana) Ltd
RC C-68,758

GUARANTY TRUST BANK (GHANA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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Corporate Information

Board of Directors	Olusegun Agbaje (Ag. Chairman) Thomas Attah John (Managing Director) Ademola Odeyemi Mobolaji Jubril Lawal Rasheed Ibrahim (Appointed on 06/11/2018) Kwasi M. Tagbor (Appointed on 06/11/2018) Alhaji Yusif Ibrahim (Retired) Olutola Omotola (Resigned) Reindorf Perbi (Resigned)
Secretary	Iris Richter-Addo 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana
Auditor	KPMG Marlin House 13 Yiyiwe Drive, Abelenkpe P. O. Box GP 242 Accra, Ghana
Registered Office	Guaranty Trust Bank (Ghana) Limited 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana
Correspondent banks	CitiBank London CitiBank New York Ghana International Bank J.P. Morgan Chase Bank Guaranty Trust Bank London
Solicitor	EBA Law Conuslt No. 55 Ring Road East Adj. Acolatse House, Osu Accra Morgan Bauers Law 2nd Floor, Biama Flats (Hubtel Building) Kokomlemle Asempa Chambers H/No. 52/2, High Street Area One (1) Sunyani- Brong Ahafo Region

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 December 2018 in accordance with the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) which discloses the state of the affairs of the Bank.

Directors responsibility statement

The Directors are responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the Bank and the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants, Ghana (ICAG) as well as complied with the requirement of the Companies Act 1963 (Act 179) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) with special mention of the adoption of IFRS 9 in the preparation of the Financial Statements for the year ended 31 December 2018. The Bank has elected to use the retrospective approach with no restatement. With this method, the effect of IFRS 9 on 2017 amounts is adjusted for in the opening balance of equity on 1 January 2018.

The Directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that business will not be a going concern over the next 12 months.

Directors have no plans or intentions, for example to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Nature of business

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

Financial results

	GH¢
Profit for the year ended 31 December 2018 before tax is	**215,198,552**
from which is deducted income tax expense and national fiscal stabilisation levy of	**(64,609,621)**
giving a profit for the year after tax of	**150,588,931**
less transfer to statutory reserve and other reserves of	**(42,663,473)**
leaving a balance of	**107,925,458**
when added to the balance brought forward on income surplus of	**78,352,998**
leaving a balance of	**186,278,456**
less: capitalization of	**(202,002,598)**
less: withholding tax on capitalized income surplus	**(17,565,443)**
less: stamp duty on issued share capital	**(1,611,440)**
Add: transfer from credit risk reserve	**39,898,432**
leaving a balance carried forward on income surplus account of	**4,997,406**

REPORT OF THE DIRECTORS (continued)

At the next shareholders meeting on the financial performance for the year ended 31 December 2018, no dividend will be declared.

The Directors confirm that to the best of their knowledge, the financial statements prepared in accordance with applicable laws and the Bank's financial reporting framework give a true and fair view of the Bank's financial position, performance and cash flows, and the state of the Bank's affairs is satisfactory.

Holding company

The Bank is a subsidiary of Guaranty Trust Bank Plc, a company incorporated in the Federal Republic of Nigeria and licensed to carry out universal banking business.

Approval of the financial statements

The financial statements of the Bank were approved by the board of directors on the 6th of February 2019 and are signed on their behalf by:

J. K. Agbaje

…………………………………………
Olusegun Agbaje
Ag. Board Chairman

…………………………………
Thomas Attah John
Managing Director

REPORT OF THE AUDIT COMMITTEE

In accordance with corporate governance best practices contained in The Banking Business-Corporate Governance Directive 2018, the members of the Audit Committee of Guaranty Trust Bank (Ghana) Limited hereby report as follows:

(i) We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the full year ended 31 December 2018 were satisfactory and reinforced the Bank's internal control system.

(ii) We are satisfied that the Bank has complied with the provisions of Bank of Ghana's Circular BSD/108/2011 "International Financial Reporting Standards (IFRS) Implementation" and hereby confirm that an aggregate amount of GH¢16,812,201 has been set aside as at 31 December 2018 in relation to differences in impairment provisions for loans and advances under International Financial Reporting Standard (IFRS 9) and Bank of Ghana Guidelines.

(iii) We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their audit and we are satisfied with management's response thereon and with the effectiveness of the Bank's system of accounting and internal control.

J. K. Agbaje
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Olusegun Agbaje
Ag. Board Chairman

Accra

26 February 2019

CORPORATE GOVERNANCE

Strict adherence to The Banking Business-Corporate Governance Directive 2018 issued in March, 2018 and International best practices remain high on the agenda of Guaranty Trust Bank (Ghana) Limited. As such, the Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place to facilitate best practices for the Board of Directors and senior management in order to maximise stakeholder value.

There are currently three (3) main committees through which the Board of Directors discharges its functions; Board Audit Committee, Board Credit Committee and the Board Risk Committee.

In addition to the Board Committees, there are four (4) Management Committees to ensure effective and good corporate governance at the Management level.

1.0 Board of Directors

Currently, there is a 6-member Board of Directors of Guaranty Trust Bank (Ghana) Limited composed of a non-executive Chairman, with 1 Executive Director and 4 other non-executive directors of which three are resident in Ghana, each bringing diverse but rich experience, with enviable records of achievement in their various fields of endeavour. The Directors possess the requisite skills and experience, integrity and business acumen to bring independent judgment to bear on board deliberations for the good of the Bank. The Bank is re-constituting the Board to comply with the Bank of Ghana Corporate Governance Directive, 2018.

The roles of the Chairman and Managing Director/CEO are separate.

No two members of the same extended family occupy the position of Chairman and that of Managing Director or Executive Director of the Bank at the same time.

The Board is responsible for determining strategic objectives and policies of the Bank to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintains a system of internal control, which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulations.

1.1 Board Audit Committee

This Committee is currently made up of three (3) non-executive Directors while the Bank's Secretary serves as the secretary to the Committee. It is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid-down by the Board of Directors.

The Audit Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The internal and external auditors have unrestricted access to the Committee to ensure their continued independence. The Committee also seeks for explanations and additional information, where relevant, from the internal and external auditors.

Meetings are held on a quarterly basis. Other members of management may be invited to the Committee's meetings as and when appropriate. A report is provided to the full Board at each sitting.

CORPORATE GOVERNANCE (continued)

1.2 Board Credit Committee

The Board's Credit Committee is responsible for review of all credits granted by the Bank and approves specific loans and credit related proposals beyond the Management Credit Committee's authority limit as may be defined from time to time by the Board.

The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets.

In view of the volume of transactions that require Board Credit Committee approvals, there are instances where credits will need to be approved by members expeditiously between Credit Committee Meetings. Such urgent credits are circulated amongst the members and slated for ratification at the next meeting of the Board Credit Committee.

The Board Credit Committee is made up two (2) Non-Executive Directors and 1 Executive Director. The Committee meets at least four times a year. A report is provided to the full Board at each sitting.

1.3 Board Risk Committee

The Committee's main responsibilities include reviewing and recommending for approval of the Board, the Bank's Risk Management Policies including the risk profile and limits; determining the adequacy and effectiveness of the Bank's risk detection and measurement systems and controls; evaluating the Bank's internal control and assurance framework annually, in order to satisfy itself on the design and completeness of the framework relative to the Bank's activities and risk profile; oversight of Management's process for the identification of significant risks across the Bank and the adequacy of risk mitigation, prevention, detection, transfer and reporting mechanisms; and reviewing and recommending to the Board for approval, the contingency plan for specific risks.

The Board's Risk Committee is comprised of two (2) Non-Executive Directors and 1 Executive Director. The Committee is charged with the quarterly review of the Bank's central liability report and summary of criticised loans with the concurrent power of assessing the adequacy of the reserves for loan losses and approving possible charge-offs.

The Committee presents reports to the Board at its quarterly meetings.

1.4 Profile of Board of Directors

Olusegun J.K. Agbaje (Vice Chairman)

Mr. Agbaje is the Vice Chairman of the GTBank Ghana Board and the Managing Director/Chief Executive Officer of GTBank Plc. With two decades' commercial, investment and international banking experience, Mr. Agbaje is involved in the general management of the GTBank Plc's day-to-day operations and has earned a reputation as an accomplished and highly respected professional across the West Africa sub-region, given his diverse experience in the financial services industry.

He holds a Bachelor's degree in Business Administration with special emphasis in Accounting (1986) and a Master of Business Administration (1988) from the University of San Francisco, California, United States. He is also an alumnus of the Harvard Business School, Massachusetts, United States.

Prior to joining GTBank Plc, he worked with Ernst & Young, San Francisco, USA. He subsequently joined GTBank Plc as a pioneer staff in 1990 and rose through the ranks to become an Executive Director in January

CORPORATE GOVERNANCE (continued)

1.4 Profile of Board of Directors (continued)

Olusegun J.K. Agbaje (Vice Chairman)

2000 and Deputy Managing Director in August 2002, in which capacity he continued to act until his appointment as Acting Managing Director/CEO by the GTBank Plc Board in April, 2011. He became the substantive Managing Director/Chief Executive Officer of GTBank Plc in June 2011.

Mr. Agbaje possesses a deep understanding of the West African business environment. He initiated and led the execution of large, innovative and complex transactions in financial advisory, structured and project finance, balance sheet restructuring and debt and equity capital raising in several sectors of the Nigerian economy notably; oil and gas, energy, telecommunications, financial services and manufacturing industries. In addition, he helped in developing the Interbank Derivatives market amongst dealers in the Nigerian banking industry and introduced the Balance Sheet Management Efficiency system.

He was also instrumental in structuring GTBank Plc's landmark US$ 350 million Eurobond offering in January 2007 and later that year, the listing of its US$824 million Global Depository Receipts in an unprecedented concurrent global offering in the domestic and international capital markets – which made GTBank Plc the first Nigerian company and first Sub-Saharan African bank to be listed on the Main Market of the London Stock Exchange. In 2011, he further led GTBank Plc to launch the first Sub-Saharan Africa financial sector benchmark Eurobond when the bank launched its USD500million Eurobond without a sovereign guarantee or credit enhancement from any international financial institution.

In addition to his responsibilities within GTBank Plc and GTBank Ghana, Mr. Agbaje also serves on the boards of GTBank Plc's subsidiaries in Kenya, Uganda, Rwanda and United Kingdom. He is also a member of the MasterCard Regional Advisory Board (Asia-Pacific Middle East and Africa Region).

Mr. Agbaje was named the African Banker of the Year at the 2017 African Banker Awards. Other awards won include: CEO of the Year – The Finance Monthly CEO Awards 2017, Ai 100 CEO of the Year – African Investors Awards and Banker of the Year, Africa, World Finance.

Thomas Attah John (Managing Director/Chief Executive Officer)

Mr. Thomas Attah John is a Certified Brewer and Chemist with a combined work experience of over fourteen (14) years.

He holds a Bachelor of Science (B.Sc.) degree in Pure and Applied Chemistry from the University of Calabar, a Masters of Business Administration (MBA) from the Lagos Business School, Pan Atlantic University and a Certificate in Management Performance Measurement from Nanyang Technological University, Singapore. He is currently pursuing a DBA programme at the California Southern University.

Mr. Thomas Attah John has worked in Guaranty Trust Bank Plc, Nigeria for over thirteen (13) years and his experience cuts across several units in the Bank.

CORPORATE GOVERNANCE (continued)

1.4 Profile of Board of Directors (continued)

Ademola Odeyemi (Non-Executive Director)

Mr. Odeyemi was appointed to the GTBank Ghana Board in January 2006. He holds a Bachelor of Education (B.Ed.) Honours degree in Social Studies (1990), and Master's and Doctorate degrees in Statistics, Tests and Measurement in 1992 and 2010 respectively from the Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria. He is a Chartered Accountant, an associate of the Chartered Institute of Stockbrokers of Nigeria and a member of the Chartered Institute of Taxation in Nigeria.

Mr. Odeyemi started his career as a lecturer in Social Research at the Obafemi Awolowo University, Nigeria, in 1990. He joined the Lagos office of Arthur Andersen (now KPMG Professional Services) in 1992 and rose to become a Senior Consultant in 1996. In 1997, he joined GTBank Plc for the first time and was responsible for managing the Financial Control Department. In 2000, he moved to First City Monument Bank Limited (now First City Monument Bank Plc - FCMB) where he was responsible for the financial control and strategy of the bank and was appointed as Chief Operating Officer of four of the companies in the FCMB Capital Markets Group in 2002. He also briefly worked at the then Platinum Bank Limited (now Bank PHB Plc) as Vice President and Group Head, Performance Management Group before returning to the GTBank Plc in October 2003.

Following a secondment to the Budget Office of the Federation, Federal Ministry of Finance, Abuja, where he had responsibility for developing and implementing recurrent expenditure strategy and developing reform initiatives for Budgeting and Public Expenditure Control for the Federal Government of Nigeria, Mr. Odeyemi returned to GTBank Plc in 2006 to assume the position of Head, Corporate Planning, Strategy, Financial Control and Group Coordination. Mr. Odeyemi was appointed to GTBank Plc Board in October 2011. He also serves on the Boards of GTBank UK, GTBank Liberia and several companies in which the GTBank Plc holds equity investments.

Mobolaji Jubril Lawal (Non-Executive Director)

Mr. Lawal was appointed to the GTBank Ghana Board in July 2011. Mr. Lawal joined GTBank Plc in 2003 to assume the position of Head, Corporate Finance Group and was directly involved in the execution of GTBank Plc's strategic initiatives as well as debt syndication transactions. He currently heads GTBank Plc's e-Business Division.

He holds a Bachelor of Laws degree (LLB) (1990) from Obafemi Awolowo University (previously, the University of Ile Ife), Nigeria, a Barrister at Law (B.L) degree from the Nigerian Law School (1991) and an MBA from Oxford University, United Kingdom (2002). He has also attended courses at various institutions, including Citibank School of Banking, New York, Venture Capital Institute, Atlanta Georgia, USA and Harvard Business School, Boston, Massachusetts, USA. He has over 18 years of managerial experience covering, among other things, Corporate Banking, Commercial Banking and Risk Management.

CORPORATE GOVERNANCE (continued)

1.4 Profile of Board of Directors (continued)

Rasheed Ibrahim-Non-Executive Director

Mr. Rasheed Ibrahim was appointed to the Board of the Bank in November 2018 as a Non-Executive Director.

Mr. Ibrahim holds a Bachelor of Science degree (B.Sc. Hons.) in Business Administration from the Abraham Lincoln University, Pennsylvania, United States of America.

He is a Businessman with diverse experience. He holds and has held various executive and managerial positions in Dara Salam Group of Companies, Chrome Energy Resources Limited, Dara Salam Estate Limited, Osagyefo Leadership International School and Daboya Real Estate Limited.

His key areas of competence and skills acquired over the period include business development, contract negotiation, project and risk management as well as marketing and corporate sponsorships.

Kwasi M. Tagbor (Non-Executive Director)

Mr. Kwasi M. Tagbor was appointed to the Board of the Bank in November 2018 as an Independent Non-Executive Director. He is a retired Engineer and Petrophysicist.

Mr. Tagbor holds a Bachelor of Science (B.Sc.) degree in Electrical Engineering from the Kwame Nkrumah University of Science and Technology and a Post Graduate Diploma in Computer Science from the University of Ghana, Legon.

He started off his career as a Resident Project Engineer with Finco Engineers, Lagos, Nigeria in 1977, a position he left in 1980 to pursue other interests. He has over 33 years' experience in the Upstream sector of the Oil and Gas Industry through which he has obtained various qualifications and certifications. He is the first Ghanaian trained engineer from the Kwame Nkrumah University of Science and Technology to be recruited by Schlumberger as a wireline logging field engineer.

His illustrious career path spans operations management to technical equipment and maintenance management, training and development management, personnel training, wireline logging, formation evaluation/log analysis in shady sand thin reservoirs among others.

1.5 Board Performance Evaluation

The Board carries out regular evaluation or self-assessment of its performance as a whole, including its sub-committees and of individual board members in order to review the effectiveness of its own governance practices and procedures including Anti-Money Laundering/Combating the Fighting of Terrorism (AML/CFT).

CORPORATE GOVERNANCE (continued)

2. Management Committees

Management Committees are various committees comprising of senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyse and make recommendations on risks arising from the day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers. The key Management Committees in the Bank are:

- Management Credit Committee;
- Criticised Assets Committee;
- Assets and Liability Management Committee; and
- IT Steering Committee.

2.1 Management Credit Committee (MCC)

Management Credit Committee is responsible for ensuring that the Bank complies fully with the Credit Policy Guide as laid down by the Board of Directors. The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not exceeding, in aggregate, a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approving all credits that are above the approval level of the Managing Director as determined by the Board. The Committee meets at least once a week or once a fortnight depending on the number of credit applications to be considered.

The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The Secretary of the committee is the Head of Credit Administration Unit of the Bank.

2.2 Criticised Assets Committee (CAC)

The Criticised Assets Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and external regulatory framework, and ensures that triggers are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines.

The members of the Committee include the Managing Director, General Manager, and other relevant Senior Management Staff of the Bank.

2.3 Assets and Liabilities Management Committee (ALMAC)

The Assets and Liability Management Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies.

The members of the Committee include the Managing Director, General Manager, the Treasurer, Head, Risk Management Group, the Head, Currency Trading Unit and relevant Management Staff of the Bank.

CORPORATE GOVERNANCE (continued)

2. Management Committees (continued)

2.4 IT Steering Committee

The IT Steering Committee is responsible for the review of technology deployments in the Bank, planning of new IT products and the review of developments in the Technology industry.
The Committee is chaired by the Managing Director and has the Head of Technology Unit as the Secretary. Other members include; the General Manager, the Group Heads of Investment Bank, Retail Bank, Alternative Channels, Settlements; and Heads of Corporate Affairs, Risk Management, Systems and Control, and Financial Control and Strategy.

2.5 Profile of Senior Management

Daniel Attah (General Manager/Divisional Head, Operations)
Daniel Attah holds a Bachelor of Science Degree in Agricultural Economics from ABU Zaria and Master of Business Administration (MBA) from Ambrose Alli University in 1994 and 2000 respectively. He is a member of Chartered Institute of Management of Nigeria and a professional student member of The Chartered Institute of Bankers of Nigeria (CIBN).

He has over 20 years' experience working with Citizens Bank (now Enterprise Bank), Main Street Bank and Guaranty Trust Bank Nigeria PLC (GTBank). He was seconded to Guaranty Trust Bank (Ghana) Limited in 2015 as the General Manager in charge of Operations and Technology. He also deputizes for the Managing Director.

Daniel's banking experience covers Clearing, Transaction Services, Customer Service, Funds Transfer, Domestic Operations, Remittances - Western Union, International Operations and Treasury Operations. Within these broad functional areas, he has handled specific functions which include cheque presentation and clearing, review of account opening forms, funds transfer, branch operations head, customer service, reconciliation of ledger and accounts, investigations and resolution of customers complaints, preparation of audit summaries and schedules, customer third party transfers via Nigeria Interbank Settlement System, CBN funds transfer platform, settlement of interbank transactions, settlement of foreign and local placements and takings, settlement of treasury bills and bonds, customer and interbank FX transactions settlement, non-proprietary asset settlement, handling customer importation documents, payment for services abroad, liaison with CBN and other regulatory bodies amongst others.

He has attended several local and foreign trainings including Citibank New York Seminar in California (2013), ICC FIT training (2011), Understudy of Offshore Banks Operations (Citibank London, Deutsche London and GTB UK, - 2011), Structured LC/Trade Finance organized by Citibank NA (2010), BASIS Software Training in Amman Jordan (2009), CBN Foreign Exchange Seminars, Personal Effectiveness Course, Fixed Income Securities Trainings on Bond and Treasury Bills, Fraud Detection, Prevention and Control training, Banking Operations and The Whole Manager (Facilitated by Human Performance Solutions).

Iris Richter-Addo (Divisional Head, Internal Services)

Ms. Richter-Addo oversees Human Resources, Legal, Administration and also serves as the Company Secretary of the Bank, a position she has held since inception of the Bank. She holds a Bachelor of Laws Degree from the University of Ghana and Barrister at Law qualification from the Ghana School of Law. She also holds a Master's Degree (cum laude) in International Trade and Investment Law jointly run by the University of the Western Cape, Cape Town, South Africa/American University,

CORPORATE GOVERNANCE (continued)

2.5 Profile of Senior Management (continued)

Iris Richter-Addo-Divisional Head, Internal Services (continued)

Washington DC, USA. She was called to the Ghana Bar in 1995 and has over 22 years' post-qualification experience in diverse areas of law.

Prior to joining the Bank, she worked as an associate lawyer with Messrs. Fugar & Company, a reputable law firm with offices in Accra, Ghana, providing legal and company secretarial services to several clients. Other professional training courses she has undertaken include the Ghana Stock Exchange Courses in Basic Securities, Advanced Securities and Securities Trading.
Ms. Richter-Addo is a member of the Ghana Bar Association.

Nelson Ofosu (Head, Corporate Banking)

Mr. Ofosu joined the Bank in February 2010 as the Head of Tema Branch and was later appointed as the Group Head for the Tema Business Group comprising of the Corporate, Commercial and Retail Teams of the branches within Tema. Later, he became the Divisional Head overseeing the Corporate, Retail and Advantium (SME & Commercial) Business Groups as well as the seven branches within the Tema and Spintex area. Currently, he is the Divisional Head overseeing the Tema Corporate Bank Division.

Mr. Ofosu started his banking career with the Bank for Housing and Construction (in-official -liquidation) as Commercial Banking Officer in 1998. He had previously worked for the Ghana Education Service and taught for one academic year at the Presbyterian Boys' Secondary School, Legon. Thereafter, he worked with a team of implementation consultants from the International Projekt Consult, Frankfurt-Germany, to set up ProCredit Savings and Loans Company Limited, in Ghana. In 2002, Mr. Ofosu was employed as Credit Officer and later assumed responsibility as Deputy Credit Manager (in charge of Risk Management) and eventually as the Head of Credit of ProCredit, a senior management position he held until September, 2006. He later moved to Intercontinental Bank Ghana Limited as a Microfinance Specialist to manage the Microfinance Department.

He holds a Bachelor of Science degree (Second Class Upper Division) in Physics from the Kwame Nkrumah University of Science and Technology and Master's degree in Business Administration (Finance Option) from the University of Ghana.

Leopold L. L. Armah (Divisional Head, Digital Banking & Alliances)

Mr. Armah is currently leading the Bank's digitalization drive in the capacity of the Divisional Head, strategic Alliance and Transaction Bank, managing both the technical and business components of the electronic banking value-chain. Prior to this, he had held the position of Group Head of Technology from June 2012 to May 2017. Leopold has an enviable mix of experience, and versatility in the automation of both the private and public sectors of the Ghanaian economy, particularly within Banking, Telecommunication, Pensions and Insurance sub-sectors. In acknowledgement of his contribution to the industry, he was recently adjudged the "Chief Information Officer for the Year" during the Ghana Information Technology and Telecommunication Awards (GITTA) in July 2017. He was also nominated as the "National ICT Young Personality" on a similar platform in 2008.

Leopold graduated from the University of Ghana with Bachelor of Science Degree in Computer Science & Statistics (Combined Major), and also holds Executive MBA in Information Technology Management with Paris Graduate School of Management. Additionally, he has Postgraduate Certificate in Public Administration from GIMPA and also holds Certificate in Digital Money from Digital Frontiers Institute. Leopold is also an Alumnus of Internet Governance Capacity Building Programme.

CORPORATE GOVERNANCE (continued)

2.5 Profile of Senior Management (continued)

Ernest Kumi (Dvisional Head, Retail Bank 1)

Mr. Kumi holds a Bachelor's degree in Banking and Finance from the Central University. He is currently the Divisional Head, Retail Division 1 prior to the new role, he was the head of the Currency Trading Group of the Bank and has been in-charge of the leadership the Investment Bank Group. He has over twenty years of Banking experience.

Prior to joining the Bank, Mr. Kumi had worked with CAL Bank Ltd in various capacities including holding the Risk Officer position as well as Head of Treasury Back Office. He also worked with erstwhile Intercontinental Bank as Head of the Trading and Investment Banking Unit.

Nana Kwabena Afoom (Divisional Head, Accra Corporate Bank 1)

Nana Kwabena Afoom currently heads the Accra Corporate Banking 1 Division of the Bank. He joined the Bank in 2008 as the Unit Head of the Commercial Banking Group in charge of FMCG businesses. He was responsible for setting up the SME Group of the Bank in 2013 before being appointed the Group head of Corporate Banking Group in 2015. Prior to setting up the SME group, he was the Pioneer Branch Head of the Achimota Branch from 2009 to 2011, Branch Head of the Airport branch from 2011 to 2012 and then Regional head for Retail Banking, 2012 to 2013.

He started his banking career as a Credit officer with the Dansoman Branch of the Agricultural Development Bank (ADB) in 2000 before becoming the credit manager of the branch in 2003. His other work experiences are in the areas of marketing and events management.

He holds a B. Sc. (Agricultural Economics) degree from the University of Ghana (1994 - 1998) and an M.Sc. (International Economics, Banking & Finance) degree from Cardiff Business School, Cardiff, Wales 2003-2004

Robert Allan Barnes (Divisional Head, Commercial Bank Division)

Mr. Barnes is a Senior Executive of GTBank Ghana, possessing immense business experience in Sales, Relationship Management, Credit and Business Development. He is currently the Divisional Head of the Bank’s Commercial Bank Business, managing all the commercial teams across Accra, Tema and Kumasi. He is directly in charge of identifying business opportunities for the bank, strategizing, spearheading, diversifying and maximizing the company’s commercial portfolio under the areas that he overseas. Prior to his current role, Robert was the Branch Manager of the North Industrial Area Branch from June 2009 – July 2012, before which he had been the Unit Head of the bank’s Import Desk from May 2008 – June 2009.

He retains a wealth of experience in Administration, Finance and Banking gathered through years of working in various companies within Ghana and the UK. He maintains just the right blend of innovation, tenacity, ingenuity and exceptional client relationship management skills, with a keen eye and ear for industry trends. In addition to all these qualities, he possesses an immeasurable wealth of experience in credit writing and analysis.

CORPORATE GOVERNANCE (continued)

2.5 Profile of Senior Management (continued)

Robert Allan Barnes-Divisional Head, Commercial Bank Division (continued)

Robert graduated with honors from the University of Ghana with a Bachelor's Degree in Political Science and History (Combined Major). He also holds an MSc in Business Management from the University of Hull – UK and is an Alumnus of St. Augustine's College (Advanced and Ordinary Levels). In addition, he holds several certificates from a plethora of workshops and seminars including Project Loan Appraisal, Induction to Banking, Fundamentals of Credit Analysis and Management, Service Marketing as well as Credit Risk Management.

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GUARANTY TRUST BANK (GHANA) LIMITED

To the Members of Guaranty Trust Bank (Ghana) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guaranty Trust Bank (Ghana) Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2018, and the statements comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 117.

In our opinion, these financial statements give a true and fair view of the financial position of Guaranty Trust Bank (Ghana) Limited as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

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

Key audit matters

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

Impairment of loans and advances to customers Refer to note 19(ii) to the separate financial statements	
The key audit matter	*How the matter was addressed in our audit*
On 1 January 2018, a new accounting standard for financial instruments (IFRS 9) became effective, which introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under International Accounting Standards (IAS) 39. At 31 December 2018 the Bank reported total gross loans of GHS431,799,493 and GHS 19,308,923 of expected credit loss provisions.	As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. • We tested the design and operating effectiveness of key controls across the processes relevant to the

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Key judgments and estimates in respect of the timing and measurement of expected credit losses (ECL) include: • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios; • Measurements of individually assessed provisions including the assessment of multiple scenarios; and • Accuracy and adequacy of the financial statements disclosures. Measurement of impairment under IFRS 9 is deemed a key audit matter as the determination of assumptions for the measurement of impairments requires Management to apply judgments about future events.	ECL. This included the allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, individual provisions and production of journal entries and disclosures. • We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment. • We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; this included peer benchmarking to assess staging levels. We tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage. • With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques in determining the Probability of Default, Loss Given Default and Exposure at Default. • To verify data quality, we tested the data used in the ECL calculation by reconciling to source systems. • We assessed whether forecasted macroeconomic variables were appropriate, such as interest rates and foreign exchange rates. • We selected a sample (based on quantitative thresholds) of larger clients where impairment indicators had been identified by the Bank to assess the individual exposure of these clients. We obtained the Bank's assessment of the recoverability of these exposures and challenged whether individual impairment allowance, or lack of, were appropriate. • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39.

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Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act,2016 Act 930), which we obtained prior to the date of this auditor's report date and the Chairman's Statement, Managing Director's Review and the Annual Report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 85 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept, and the statements of financial position and comprehensive income are in agreement with the books of account.

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendments and Regulations governing the Acts.

The engagement partner on the audit resulting in this independent auditor's report is **Frederick Nyan Dennis**
(ICAG/P/1426).

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For and on behalf of:
KPMG: (ICAG/F/2019/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

26 February 2019

STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in Ghana Cedis)

		Year ended 31 December	
	Note	**2018**	**2017**
Interest income	7	**265,835,075**	241,382,393
Interest expense	7	**(104,925,477)**	(97,087,641)
Net interest income		**160,909,598**	144,294,752
Fee and commission income	8	**69,085,736**	47,932,902
Net trading income	9	**51,249,970**	31,943,484
Net income from other financial instruments carried at FVTPL	10	**20,617,302**	5,614,280
Other operating income	11	**12,044,758**	326,929
Net trading and other income		**83,912,030**	37,884,693
Operating Income		**313,907,364**	230,112,347
Net impairment reversal on financial assets	19	**19,308,923**	1,516,565
Personnel expenses	12	**(45,495,279)**	(34,514,819)
Amortisation of prepaid operating lease rental	13	**(7,039,583)**	(6,721,198)
Depreciation and amortisation	23	**(8,282,510)**	(6,909,422)
Other operating expenses	14	**(57,200,363)**	(55,972,466)
Profit before income tax and national fiscal stabilisation levy		**215,198,552**	127,511,007
National fiscal stabilisation levy	15	**(10,759,928)**	(6,375,550)
Income tax expense	15	**(53,849,693)**	(32,939,416)
Profit after income tax and national fiscal stabilisation levy		**150,588,931**	88,196,041
Other comprehensive income		**-**	-
Total comprehensive income for the year attributable to owners of the bank		**150,588,931**	88,196,041
Earnings per share for profit attributable to equity holders			
- basic and diluted (Ghana cedis per share)	16	**0.0106**	0.0120

The notes on pages 23 to 117 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are in Ghana Cedis) **As at 31 December**

	Note	2018	2017
Assets			
Cash and cash equivalents	17	**832,689,912**	452,637,443
Non-pledged trading assets	6,20(ii)	**32,169,981**	97,216,168
Loans and advances to customers	6,19(i)	**424,714,417**	396,464,980
Investment securities	6,20(i)	**875,344,769**	856,587,581
Property and equipment	21	**48,023,210**	25,973,551
Intangible assets	22	**1,981,487**	2,135,827
Deferred income tax assets	24	**1,219,550**	1,679,392
Other assets	25	**67,618,662**	41,182,273
Total assets		**2,283,761,988**	1,873,877,215
Liabilities			
Deposits from customers	6,26	**1,664,299,711**	1,467,120,773
Borrowings	33	**6,049,216**	27,683,446
Current income tax liabilities	15	**1,952,745**	1,385,934
Deferred income tax liabilities	24	**1,856,961**	1,763,506
Guarantee Contract Liabilities	27	**56,803**	57,407
Other liabilities	27	**29,075,076**	40,490,218
Total liabilities		**1,703,290,512**	1,538,501,284
Equity			
Stated capital	28	**404,895,476**	82,655,378
Credit risk reserve	29	**16,812,201**	63,264,636
Statutory reserve	29	**153,766,392**	111,102,919
Income surplus		**4,997,407**	78,352,998
Total shareholders funds		**580,471,476**	335,375,931
Total liabilities and equity		**2,283,761,988**	1,873,877,215

The financial statements on pages 19 to 22 were approved by the Board on 06 February 2019 and signed on its behalf by

J. K. Agbaje ……………………………… ………………………………

Olusegun Agbaje — *Ag. Board Chairman*

Thomas Attah John — *Managing Director*

The notes on pages 23 to 117 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(All amounts are in Ghana Cedis)
For the year ended 31 December 2018

	Stated Capital	Statutory Reserve Fund	Credit Risk Reserve	Income Surplus	Total
Balance at 1 January 2018	82,655,378	111,102,919	63,264,636	78,352,998	335,375,931
Adjustment on initial application of IFRS 9	-	-	-	(6,554,003)	(6,554,003)
Excess in credit risk reserve per IFRS 9 computation transferred to retained earnings	-	-	(6,554,003)	6,554,003	-
Restated balance at 1 January 2018	82,655,378	111,102,919	56,710,633	78,352,998	328,821,928
Profit for the year	-	-	-	150,588,931	150,588,931
Total Comprehensive Income	**-**	**-**	**-**	**150,588,931**	**150,588,931**
Transactions with owners of the company					
Additional issued shares	120,237,500	-	-	-	120,237,500
Retained earnings capitalized	202,002,598	-	-	(202,002,598)	-
Stamp Duty Paid	-	-	-	(1,611,440)	(1,611,440)
Withholding tax on transfer from retained earnings	-	-	-	(17,565,443)	(17,565,443)
Total transactions with equity holders	322,240,098			(221,179,481)	101,060,617
Transfers					
Transfer from credit risk reserve	-	-	(39,898,432)	39,898,432	-
Transfer to statutory reserve	-	42,663,473	-	(42,663,473)	-
Total Transfers	-	42,663,473	(39,898,432)	(2,765,041)	-
Total transaction recognized directly in equity	322,240,098	42,663,473	(39,898,432)	(223,944,522)	101,060,617
Balance at 31 December 2018	**404,895,476**	**153,766,392**	**16,812,201**	**4,997,407**	**580,471,476**

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

Balance at 1 January 2017	82,655,378	100,078,414	62,211,008	38,175,184	283,119,984
Profit for the year	-	-	-	88,196,041	88,196,041
Total comprehensive income	**-**	**-**	**-**	**88,196,041**	**88,196,041**
Transactions with owners of the company					
Dividend paid for 2016	-	-	-	(35,940,094)	(35,940,094)
Transfers					
Transfer to credit risk reserve	-	-	1,053,628	(1,053,628)	-
Transfer to statutory reserve fund	-	11,024,505	-	(11,024,505)	-
Total Transfers	-	11,024,505	1,053,628	12,078,133	-
Total transactions recognized directly in equity	-	11,024,505	1,053,628	(48,018,227)	(35,940,094)
Balance at 31 December 2017	**82,655,378**	**111,102,919**	**63,264,636**	**78,352,998**	**335,375,931**

The notes on pages 23 to 117 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in Ghana Cedis)

	Note	For the year ended 31 December **2018**	2017
Cash flows from operating activities			
Profit before tax		**150,588,931**	88,196,041
Adjustments for:			
Depreciation and amortization	23	**8,282,510**	6,909,422
Impairment on financial assets		**(18,848,745)**	(6,461,633)
Foreign exchange difference on borrowings	33	**1,400,645**	2,560,313
Profit on disposal of property and equipment		**(458,738)**	(156,509)
Change in loans and advances to customers		**(16,596,961)**	236,559,837
Change in trading assets and investment securities		**46,288,999**	(468,828,818)
Change in other assets		**(26,436,389)**	(18,341,985)
Change in deposits from customers		**197,178,937**	298,517,580
Change in other liabilities		**(11,041,296)**	(3,843,183)
Income tax expense		**64,609,621**	39,314,966
Effect of Exchange rate fluctuations on cash and cash equivalents		**(10,131,999)**	-
		384,835,515	174,426,031
Income tax paid	15	**(52,658,450)**	(31,041,403)
National fiscal stabilization levy paid	15	**(10,563,245)**	(6,076,812)
Net cash used in operating activities		**321,613,820**	137,307,816
Cash flows from investing activities			
Purchase of property and equipment	21	(27,926,768)	(7,653,921)
Purchase of intangible assets	22	(2,298,466)	(250,435)
Proceeds from sale of property and equipment	21	506,143	365,450
Net cash used in investing activities		**(29,719,091)**	(7,538,906)
Cash flows from financing activities			
Fresh capital inflow		**120,237,500**	-
Stamp duty paid		**(1,611,441)**	-
Dividend paid		**-**	(35,940,094)
Repayment of borrowings	33	**(23,034,875)**	(22,345,783)
Withholding tax paid on transfer from retained earnings		**(17,565,443)**	-
Net cash from financing activities		**78,025,741**	(58,285,877)
Net increase in cash and cash equivalents		**369,920,470**	71,483,033
Cash and cash equivalents at 1 January	17	**452,637,443**	381,154,410
Effect of Exchange rate Fluctuations		**10,131,999**	-
Cash and cash equivalents at end of period	17	**832,689,912**	452,637,443

The notes on pages 23 to 117 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Guaranty Trust Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The address of the Bank's registered office is 25A Castle Road Ambassadorial Area, Ridge, PMB CT 416, Cantonments, Accra. The Bank is a subsidiary of Guaranty Trust Bank Plc Nigeria. The Company is licensed to operate as a bank with a universal banking license that allows it to undertake all banking and related services.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of comprehensive income, in these financial statements.

The Bank is not listed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 1963, (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2.2 Basis of measurement

The financial statements are prepared under the historical cost convention. The statement of comprehensive income classifies income and expenses based on their nature while the statement of financial position classifies assets and liabilities according to their order of liquidity.

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

2.3 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Bank

The Bank has initially adopted IFRS 9 and IFRS 15 from 1 January 2018. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements. Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

Except for the changes below, the Bank has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Bank (continued)

IFRS 9 *Financial Instruments (Continued)*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements.

Additionally, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below. The full impact of adopting the standard is set out in Note 3.3.

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39.
Having completed its initial assessment for classification and measurement under IFRS 9, the Bank has concluded that except for the change in name of the classes of financial assets and liabilities, there were no change in the measurement basis of these financial assets and liabilities as indicated below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Bank (continued)

Financial assets and liabilities	IAS 39 classification	IFRS 9 classification	Measurement under IAS 39 & IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	Amortised cost
Non-pledged trading assets	Fair value through P&L	Fair value through P&L	Fair value
Loans and advances	Loans and receivables	Amortised cost	Amortised cost
Investment securities	Held to maturity	Amortised cost	Amortised cost
Other assets	Loans and receivables	Amortised cost	Amortised cost
Deposits from banks	Financial liabilities - other	Amortised cost	Amortised cost
Deposits from customers	Financial liabilities - other	Amortised cost	Amortised cost
Borrowings	Financial liabilities - other	Amortised cost	Amortised cost
Other liabilities	Financial liabilities - other	Amortised cost	Amortised cost

(b) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9 refer to Note 2.12.6.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.
– Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The Bank used the exemption not to restate comparative periods.

– The determination of the business model within which a financial asset is held have been based on the facts and circumstances that existed at the date of initial application.

– If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Bank (continued)

IFRS 15 – REVENUE FROM CONTRACT WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.
The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15.

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

(ii) New and amended standards not yet adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2018, and have been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to early adopt these Standards.

IFRS 16 *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Bank is yet to assess the potential impact of IFRS 16 on the financial statements.
The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Bank (continued)

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgments made;
- Assumptions and other estimates used; and
- The potential impact of uncertainties that are not reflected.

The Bank is yet to assess the potential impact on the financial statements.
IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

***Prepayment Features with Negative Compensation* (Amendments to IFRS 9)**

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
The Bank is yet to assess the potential impact on the financial statements.
The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The Bank is yet to assess the potential impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Bank (continued)

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier.

2.4 Foreign currency transactions

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Interest income and expense

(i) Policy applicable from 1 January 2018

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

a. Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance prior to 1 January 2018).

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

b. Calculation of interest income and expenses

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

c. Presentation

Interest income and expense presented in the statement of comprehensive income includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Interest income and expense (continued)

c. Presentation (continued)

Interest income and expense on all trading assets are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets in net income from other financial instruments carried at FVTPL.

(ii) Policy applicable before 1 January 2018

a Interest income and expense

Effective interest rate
Interest income and expense for all interest-earning and interest-bearing financial instruments are recognised in the statement of comprehensive income within "interest income" and "interest expense" using the effective interest method.
The calculation of the effective interest rate includes contractual fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:
- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis.

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets and liabilities measured at amortised cost. Interest income and expense on all trading assets are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets in net income from other financial instruments carried at FVTPL

2.6 Fees and commission:- policy applicable for current and comparative periods

Fees and Commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission which relates mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognised as the related services are provided / performed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Net trading income: policy applicable for current and comparative periods

Net trading income comprises gains less losses related to foreign exchange transactions undertaken on behalf of customers.

2.8 Dividend income: policy applicable for current and comparative periods

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on long term equity investments is recognised as a component of other operating income.

2.9 Leases

i) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Leased assets – lessee

Leases in which the Bank assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases for which a significant portion of the risks and rewards of ownership are retained by another party other than the Bank are operating leases and are not recognised on the Bank's statement of financial position.

2.10 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Income tax (continued)

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2.12 Financial instruments

2.12.1 Recognition and initial measurement

The Bank initially recognizes loans and advances to customers and deposits from customers on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2.12.2 Classification of financial instruments

Policy applicable from 1 January 2018

The Bank classified its financial assets under IFRS 9, into the following measurement categories:

- those to be measured at fair value or through profit or loss (FVTPL)); and
- Those to be measured at amortised cost.

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the cash flow characteristics of the financial assets (i.e. solely payments of principal and interest – SPPI test).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

2.12.2 Classification of financial instruments (continued)

Policy applicable from 1 January 2018 (continued)

All other financial assets held by the Bank that are not measured at amortised cost and are also not held at FVOCI are classified at FVTPL.

Business model assessment

The bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business model is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and; in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Assessment of whether contractual cash flows are solely payment of principal and interest on principal outstanding

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs (liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing of amount of contractual cash flows such that it would not meet this condition. In making this assessment, the bank considers:

- Contingent events that could change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension features; and
- Features that modify consideration of the time value of money (ie periodic reset of interest rates)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

2.12.2 Classification of financial instruments (continued)

Policy applicable prior to 1 January 2018 (continued)

Financial assets

The bank classified its financial assets in one of the following categories

- Loans and receivables
- Held to maturity
- Fair value through profit or loss (FVTPL)

Financial liabilities

The Bank classifies its financial liabilities as liabilities at amortised cost. Management determines the classification of the financial instruments at initial recognition.

The Bank classified its financial assets under IAS 39 as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale securities.

2.12.3 Subsequent measurement

a. Financial assets - policy applicable from 1 January 2018

(i) Debt instruments

The subsequent measurement of the asset depends on its initial classification:

Amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- *The asset is held within a business model whose objective is to hold assets 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*.

The gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as ‘Interest income’.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12.3 Subsequent measurements (continued)

a. Financial assets - policy applicable from 1 January 2018 (continued)

Fair value through profit or loss -FVTPL (continued)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt instrument that is subsequently measured at fair value through profit or loss is included directly in the statement of comprehensive income and reported as 'Net gains/(losses) in financial instruments classified as FVTPL' in the period in which it arises. Interest income from these financial assets is recognised in profit or loss as 'Interest income'.

b. Financial assets - policy applicable prior to 1 January 2018

(i) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a significant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and Reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassifications after the Bank has collected substantially all the asset's original Principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(ii) Financial assets at fair value through profit or loss

Financial assets classified as held for trading

Trading assets are those assets that the Bank acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit.

Trading assets (including derivatives other than those designated as hedging instruments) are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12.3 Subsequent measurements (continued)

b. Financial assets - policy applicable prior to 1 January 2018 (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Financial assets for which the fair value option is applied are recognised in the Statement of Financial Position as ‘Financial assets held for trading’. Fair value changes relating to financial assets measured at fair value through profit or loss are recognised in ‘Net gains/(losses) on financial instruments classified as held for trading.

(iii) Loans and receivables

The Bank’s loans and receivable comprises loans and advances, cash and cash equivalent and other receivables. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.
When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank’s financial statements.

c. Financial liabilities - policy applicable for current and comparative periods

The Bank’s holding in financial liabilities is financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

(i) Financial liabilities at amortised cost

Financial liabilities measured at amortised cost are deposits from banks or customers.

2.12.4 Reclassifications

(i) Policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the objective of the Bank’s business model occurs only when the Bank either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

The following are not considered to be changes in the business model:
- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the Group to which the bank belongs with different business models

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12.4 Reclassifications (continued)

(i) Policy applicable from 1 January 2018 (continued)

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the ‘reclassification date’. Reclassification date is ‘the first day of the first reporting period following the change in business model. . Gains, losses or interest previously recognised are not restated when reclassification occurs.

(ii) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, reclassifications of each financial asset was done in accordance with IAS 39. Please see 2.12.4 above

2.12.5 Modifications of financial assets and financial liabilities

Policy applicable from 1 January 2018

(i) Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as ‘gains and losses arising from the derecognition of financial assets measured at amortised cost’.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank considers the following non-exhaustive criteria.

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the present value of the remaining cash flows of the original financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12.5 Modifications of financial assets and financial liabilities (continued)

(i) Financial assets (continued)

In addition to the above, the bank also considers qualitative factors as detailed below.

Qualitative criteria

Scenarios where modifications will lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, are:

Loans and advances

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term
- Conversion of a loan from one currency to another currency

Other factor to be considered:

- Extension of maturity dates

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see below) and Expected Credit Loss (ECL) is measured as follows:

- *If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset*

- *If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.12.5 Modifications of financial assets and financial liabilities (continued)

(ii) Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(i) Policy applicable before 1 January 2018

Financial asset

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognized and a new financial asset was recognized at fair value.

Financial liabilities

The Bank derecognized a financial liability when its terms were modified and the cash flows of the modified financial liability were substantially different. In this case, a new financial liability based on the modified terms was recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the consideration paid was recognized in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including new modified financial liability.

2.12.6 Impairment of financial assets

(ii) Policy applicable from 1 January 2018

The Bank recognises Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Risk free debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a risk free debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12 month ECL is recognized is referred to as “Stage 1 financial instruments”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.12.6 Impairment of financial assets (continued)

(iii) Policy applicable from 1 January 2018 (continued)

Life-time ECL are the ECL that result from default events over the expected life of the financial instrument. Financial instruments for which a life-time ECL is recognized but which are not credit-impaired are referred to as “State 2 financial instruments”.

1. Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

a. Financial assets that are not credit-impaired at the reporting date: ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

b. Financial assets that are credit-impaired at the reporting date: ECL represents the difference between the gross carrying amount and the present value of estimated future cash flows;

c. Undrawn loan commitments: ECL is the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive;

d. Financial guarantee contracts: This is the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

2. Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days or more overdue are considered impaired except for certain specialized loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.12.6 Impairment of financial assets (continued)

2. Credit-impaired financial assets (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision in other liabilities;

4. Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- It is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialed by the approving authority.

Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) in line with Section 75(3) and 92(2)ii of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The Bank's Credit Committee determines the loans/securities that are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions are generally based on a product specific past due status.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.12.6 Impairment of financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Write-off (continued)

A write-off constitutes a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as other operating income in profit or loss.

(i) Impairment - Policy applicable prior to 1 January 2018

a. Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granted to the borrower a concession that the lender would not otherwise consider;
(iv) it became probable that the borrower will enter bankruptcy or other financial re-organisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there was a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease were not yet identified with the individual financial assets in the portfolio, including:
   a. adverse changes in the payment status of borrowers in the portfolio; and
   b. national economic conditions that correlated with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification was determined by local management for each identified portfolio. In general, the periods used varied between three (3) months and twelve (12) months.

The Bank first assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, and individually or collectively for financial assets that were not individually significant. If the Bank determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment.

Assets that were individually assessed for impairment and for which an impairment loss was or continued to be recognised were not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

2.12.6 Impairment of financial assets (continued)

(ii) Impairment - Policy applicable prior to 1 January 2018 (continued)

a. Assets carried at amortised cost (continued)

The amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in the statement of comprehensive income.

If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflected the cash flows that resulted from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure was probable.

For the purposes of a collective evaluation of impairment, financial assets were grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considered asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics were relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment were estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience was based and to remove the effects of conditions in the historical period that did not exist.

Estimates of changes in future cash flows for groups of assets reflected and were directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows were reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan was uncollectible, it was written off against the related allowance for loan impairment. Such loans were written off after all the necessary procedures had been completed and the amount of the loss had been determined. Impairment charges relating to loans and advances to banks and customers were presented in loan impairment charges whilst impairment charges relating to investment securities (held to maturity category) were presented in 'Net gains/ (losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss was reversed by adjusting the allowance account. The amount of the reversal was recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12.7 Fair value measurement

(i) Policy applicable from 1 January 2018

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

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management’s best estimates and the discount rate is a market-related rate at the reporting date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the reporting date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

(ii) Policy applicable prior to 1 January 2018

The same policy as stated above applies.

2.12.8 Offsetting financial instruments: -policy applicable for current and comparative periods

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

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

2.12.9 De-recognition of financial instruments: -policy applicable for current and comparative periods

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as ‘Assets pledged as collateral’, if the transferee has the right to sell or repledge them.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12.9 De-recognition of financial instruments: -policy applicable for current and comparative periods (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.13 Financial guarantees and loan commitments

(i) Policy applicable from 1 January 2018

Financial guarantees are contracts that require the Bank to make specific payments to reimburse the holder of a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this unamortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Bank recognises a provision in accordance with IAS 37 if the contract was considered to be onerous.

(ii) Policy applicable prior to 1 January 2018

The same policy as stated above applies.

2.14 Cash and cash equivalents

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

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

2.15 Pledged assets

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Subsequent costs

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

Depreciation

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

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

Leasehold Land, building and leasehold improvements	50 years
Computer and accessories	3 years
Furniture and equipment	5 years
Motor vehicle	4 years

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Intangible assets - software

Software acquired by the Bank is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. Amortisation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

2.18 Leasehold land

Leasehold land is included in property, plants and equipment and accounted for at cost less accumulated depreciation. They are depreciated over the lease period of 50 years.

2.19 Impairment of non-financial assets

The carrying amounts of the Bank’s non-financial assets other than deferred income tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets.

Impairment losses are recognised in the profit or loss..

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.20 Deposits from customers

Deposits are the Bank’s sources of assets funding. Deposits are initially measured at fair value minus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through the profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

Defined contribution plans

The defined contribution pension scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank's obligations to these schemes for its employees are recognised as an expense in the profit or loss when they are due.

Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

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

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

2.22 Stated capital

Ordinary shares

Ordinary shares are classified as 'stated capital' in equity. Incremental costs that are directly attributable to the issue of equity instruments are deducted from the initial measurement of the equity instrument.

Dividend on ordinary shares

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

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction

The Bank's business involves taking on risk in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in the market, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits forgone, which may be caused by internal or external factors.

3.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Asset and Liability Committee (ALMAC) and Management Credit Committee and the Risk Management Unit, which are responsible for developing and monitoring risk management policies in their specified areas.

All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The Board Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Financial assets and financial liabilities

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Classification		Carrying amount	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial Assets				
Cash and cash equivalents	L&R	AC	452,637,443	452,637,443
Non-pledged trading assets	L&R	AC	97,216,168	97,216,168
Loans and advances to customers	L&R	AC	396,464,980	390,630,062
Investment securities	HTM	AC	856,587,581	856,587,581
			1,802,906,172	**1,797,071,254**
Financial liabilities				
Deposits from customers	OL	AC	1,467,120,773	1,467,120,773
Other liabilities	OL	AC	40,547,625	40,547,625
			1,507,668,398	**1,507,668,398**

Key:

L&R – Loans and receivables

HTM – Held-to-Maturity

AC – Amortised cost

OL – Other liabilities

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on the transition to IFRS 9 on 1 January 2018.

	Carrying amount		
	IAS 39	**Impact of IFRS 9 ECL**	**IFRS 9**
Financial Assets			
Amortised cost			
Cash and cash equivalents:			
Opening balance	452,637,443		452,637,443
Re-measurement	-	-	-
Closing balance	**452,637,443**	-	**452,637,443**
Non-pledged trading assets:			
Opening balance	97,216,168		97,216,168
Re-measurement	-	-	-
Closing balance	**97,216,168**	-	**97,216,168**
Loans and advances to customers:			
Opening balance	396,464,980		396,464,980
Recognition of ECL under IFRS 9	-	(5,834,918)	(5,834,918)
Closing balance	**396,464,980**	**(5,834,918)**	**390,630,062**
Investment securities:			
Opening balance	856,587,581		856,587,581
Recognition of ECL under IFRS 9	-	-	-
Closing balance	**856,587,581**	-	**856,587,581**
Financial liabilities			
Deposits for customers:			
Opening balance	1,467,120,773		1,467,120,773
Recognition of ECL under IFRS 9	-	-	-
Closing balance	**1,467,120,773**	-	**1,467,120,773**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Financial assets and financial liabilities (continued)

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	Impact of adopting IFRS 9 at 1 Jan. 2018
Retained earnings	
Opening balance under IAS 39 (1 January 2018)	78,352,998
- Reclassification under IFRS 9	6,554,003
- Recognition of expected credit losses under IFRS 9 (including financial guarantees)	(6,554,003)
Opening balance under IFRS 9 (1 January 2018)	**78,352,998**

The following table reconciles:

- the opening impairment for financial assets in accordance with IAS 39 and provision for loan commitments and financial guarantee contracts as at 1 January 2018; to
- the ECL allowance determined in accordance with IFRS 9 as at 1 January 2018

	1 January 2018 IAS 39	Re-measurement	1 January 2018 IFRS 9
Loans and advances	396,464,980	(5,834,918)	390,630,062
Investment securities	856,587,581	-	856,587,581
Cash and cash equivalent	452,637,443	-	452,637,443
IFRS 9 ECL also includes impairment for off balance sheet items (guarantees and undrawn portions of OD)	318,673,319	(1,583,613)	317,089,706

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure

3.4.1. Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Managing Director, Management Credit Committee, and the Board Credit Committee/Board of Directors as appropriate.

- *Reviewing and assessing credit risk*. Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Developing and maintaining the Bank's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The Risk grades are subject to regular reviews by the Risk Management unit of the Bank.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Risk Management unit of the Bank on the credit quality of local portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk. Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorities authorised by the Board Credit Committee. Each business unit with the responsibility of initiating credit has experienced credit managers who report on all credit related matters to local management of the Board Credit Committee and respond to issues at the Bank's Criticised Assets Committee (CAC). Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.
- *Regular review of business units and credit quality* are undertaken by internal audit function of the bank and the parent company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets and debt investments measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.
The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

	2018						2017
In thousands of Ghana cedis	**Gross loans**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Net loans**	**Total**
Loans and advances to customer at amortised cost -Bankwide							
Grades 1–3: Low–fair risk	399,122	(4,878)	-	-	-	394,244	329,760
Grades 4: Watch list	14,900	-	-	-	-	14,900	3,740
Grade 5: Substandard & Doubtful	-	-	-	-	-	-	-
Grade 6: Loss	17,777	-	-	(2,207))	-	15,570	82,880
	431,799	(4,878)	-	(2,207)	-	424,714	416,380
Loss allowance	(7,085)	(4,878)	-	(2,207)	-	-	(19,916)
Carrying amount	**424,714**					**424,714**	**396,464**
Debt investment securities at amortised cost (held-to-maturity)							
Grades 1–3: Low–fair risk	875,345		-	-	-	875,345	856,588
Loss allowance	-		-	-	-	-	-
Carrying amount	875,345		-	-	-	875,345	856,588

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (continued)

The following table sets out the credit analysis for non-trading financial assets..

In thousands of Ghana cedis	December 2018	December 2017
Loans and advances to customer at amortised cost		
Grades 1–3: Low–fair risk	399,122	329,760
Grades 4: Watch list	14,900	3,740
Grade 5 : Substandard & Doubtful		-
Grade 6: Loss	17,777	82,880
Total carrying amount	431,799	**416,380**
Debt investment securities		
Grades 1–3: Low–fair risk	875,345	856,585
Grades 4 : Watch list	-	-
Grade 5 : Substandard & Doubtful	-	-
Grade 6: Loss	-	-
Total carrying amount	**875,345**	**856,585**
Carrying amount		

The following table sets out the credit quality of trading debt securities.

In thousands of Ghana cedis	2018	2017
Government bonds and treasury bills		
Rated AAA	-	-
Rated AA- to AA+	-	-
Rated A- to A+	-	-
Rated BBB+ and below	-	-
Not rated	31,967	76,887
	31,967	76,887
Corporate bonds		
Rated AA- to AA+	-	-
Rated A- to A+	-	-
Rated BBB+ and below	-	-
Not rated	203	19,812
	203	19,812

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (continued)

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The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

	Note	2018	2017
Individually impaired			
Grade 6: impaired (loss)		**17,777,118**	82,880,279
Grade 5: impaired (substandard and doubtful)		**-**	-
Gross amount		**17,777,118**	82,880,279
Allowance for impairment	19	**(2,206,877)**	(13,199,249)
Carrying amount		**15,570,241**	69,681,030
Neither past due nor impaired - Collectively impaired			
Grade 1-3: Normal		**399,122,015**	329,760,758
Allowance for impairment	19	**(4,878,199)**	(6,641,513)
Carrying amount		**394,243,816**	323,119,245
Past due but not impaired			
Grade 4 : Watch list and other loans exceptionally mentioned		**14,900,360**	3,740,759
Allowance for impairment	19	**-**	(76,054)
Carrying amount		**14,900,360**	3,664,705
Past due but not impaired comprises:			
60-90 days		-	-
90-180 days		**-**	-
Over 180 days		**14,900,360**	3,664,705
Carrying amount		**-**	-
Total carrying amount on statement of financial position	6, 19	**424,714,417**	396,464,980

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (continued)

Credit risk exposures relating to off-balance sheet items are as follows:

	2018	2017
Concentration by product		
Bonds and Guarantees	**48,855,442**	35,381,444
Letters of Credit	**76,564,469**	39,900,649
	125,419,911	75,282,093
Less: impairment	**(314,140)**	(1,583,613)
	125,105,771	73,698,480
Undrawn loan commitment	**29,681,613**	243,391,226
	154,787,384	317,089,706

Key ratios on loans and advances

The total loans loss provision made by the bank constitutes 1.7% (2017: 4.8%) of the gross loans.
As at the reporting date, gross non-performing loans classified under the Bank of Ghana Prudential Guideline constitute 4.12% (2017: 19.9%) of total gross loans and advances.

The total non-performing loans and advances amounts to GH¢17.8 million (2017: GH¢82.9 million) and the gross loan book was GH¢431.8 million at 31 December 2018 (2017: GH¢416.4 million).

The fifty largest exposure (gross funded and non-funded) to total exposure is 95.5% (2017: 96.3%).

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded 5 to 6 in the Bank's internal credit risk grading system.

Past due but not impaired loans and advances

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank. These loans are graded 4 in the Bank's internal credit risk grading system.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (continued)

An analysis of the gross and net (of allowances for impairment) amounts of individually impaired financial assets by risk grade is set out below:

	Loans and advances to customers	
	2018	**2017**
31 December 2018		
Grade 6: Individually impaired	**17,777,118**	82,880,279
Grade 5: impaired (substandard and doubtful)	-	-
Gross amount	**17,777,118**	82,880,279
Allowance for impairment	**(2,206,877)**	(13,199,249)
Carrying amount	**15,570,241**	69,681,030

Other types of collateral and credit enhancements

In addition to the above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

At 31 December 2018, the Bank did not hold any financial instruments for which no loss allowance is recognised because of collateral.

During the period, there was no change in the Bank's collateral policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (exposure)

Credit collateral

Details of financial and non-financial assets held as collaterals by the Bank for the year ended 31 December 2018 against loans and advances under IFRS 9 for 2018 are shown below.

	2018
Against stage 1 loans and advances	
Property	**1,010,836,906**
Equities	**59,546**
Cash	**17,594,582**
Guarantees	**50,411,649**
Stocks	**-**
Others	**702,273**
Total	**1,079,604,956**
Against stage 2 loans and advances	
Property	**228,823,310**
Equities	**-**
Cash	**-**
Guarantees	**-**
Stocks	**-**
Others	**-**
Total	**228,823,310**
Against stage 3 loans and advances	
Property	**20,001,161**
Equities	**-**
Cash	**-**
Guarantees	**-**
Stocks	**-**
Others	**-**
Total	**20,001,161**
Grand total	**1,328,429,427**

There are no repossessed collateral as at 31 December 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (exposure)

Credit collateral (continued)

Credit collateral

Details of financial and non-financial assets held as collaterals by the Bank for the year ended 31 December 2018 against loans and advances under IAS 39 for 2017 are shown below.

	2017
Against collective impaired	
Property	18,939,300
Debt securities	-
Cash	
Against past due but not impaired	
Property	108,210,121
Other	400,547
Against neither past due nor impaired	
Property	1,161,067,376
Other	20,751,010
Total	1,309,368,354

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (exposure)

Credit concentration

The Bank monitors concentrations of credit risk by product, by industry and by customer.

An analysis of concentrations of credit risk in respect of loans and advances at the reporting date is shown below:

	2018	2017
Carrying amount	**424,714,417**	396,464,980
Concentration by product		
Overdraft	**62,851,630**	113,816,290
Term loan	**368,947,863**	302,565,506
Gross	**431,799,493**	416,381,796
Less: impairment	**(7,085,076)**	(19,916,816)
Net	**424,714,417**	396,464,980
Concentration by industry		
Mining and quarrying	**-**	-
Manufacturing	**144,079,136**	133,552,156
Construction	**18,979,500**	39,258,264
Electricity, gas and water	**22,389,599**	4,006,883
Commerce and finance	**129,680,298**	103,659,487
Transport, storage and communication	**-**	83,968,021
Services	**44,163,296**	34,618,533
Miscellaneous	**72,507,664**	17,318,452
Gross	**431,799,493**	416,381,796
Less: impairment	**(7,085,076)**	(19,916,816)
Net	**424,714,417**	396,464,980
Concentration by customer		
Individuals	**18,500,208**	15,203,284
Private enterprise	**413,299,285**	401,178,512
Gross	**431,799,493**	416,381,796
Less: impairment	**(7,085,076)**	(19,916,816)
Net	**424,714,417**	396,464,980

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk exposure (exposure)

Credit concentration (continued)

Concentration by industry for loans and advances are measured based on the industry in which a customer operates. Where the nature of business operation of a customer cannot be clearly identified, it is classified as miscellaneous.

At 31 December 2018, the gross staff loans amount to GH¢6.4 million comprising various types of loans granted to staff at concessionary rates. The valuation of staff loans at year end resulted in a fair value loss of GH¢1,176,443.00 (2017: GH¢645,559).

An analysis of credit in respect of Bonds, Guarantees and Letters of Credit to customers at the reporting date is shown below:

Investments securities

Investment securities amounting to GH¢875.3 million (2017: GH¢856.6 million) held in Government of Ghana Treasury Bills and bonds and are exposed to low credit risk. The investment securities set out in Note 20 represent the maximum credit risk exposure of the bank.

Due from banks and other financial institutions

Amount due from local banks of GH¢573.7 million (2017: GH¢208.2 million) and foreign banks of GH¢105.7 million (2017: GH¢44.9 million) are held with correspondent banks and financial institutions and not considered impaired. The amounts due from banks and other financial institutions set out in Note 17 represent the maximum credit risk exposure of the Bank by holding these placements.

3.4.3 Amount arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Credit risk grades (continued)

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Risk grading

A risk rating is a grade given to a loan (or group of loans), reflecting its quality. The ratings are either stated in numbers or as a description from one (1) to six (6).

The bank's internal rating scale is as follows:

Description	Ratings	Characteristics of Credits
Superior Credits	1	They are credits that have overwhelming capacity to repay obligations. The business has adequate cash flow and high quality revenue from continuing business. It has strong equity when related to the quality of its assets with track record of at least consistent profit for three (3) years. Full cash collateralised credits are classified as Superior Credits.
Above average Credits	2	These have majority of attributes of superior credits but may have weaknesses in not more than two of the characteristics of superior credits. These weaknesses should not impair repayment capacity of the borrower.
Average Credits	3	Average credits have most of the attributes of Above Average Credits but may have one or more of the following weaknesses which if not closely managed could impair repayment capacity of the borrower: Low capitalisation and equity base, short track record, low market share, price control on its products and highly cyclical demand.
Watch-list Credits/ Other Loans Exceptionally Mentioned (OLEM)	4	This category applies to existing credits that have shown signs of deterioration because they have well-defined weaknesses which could affect the ability of the borrower to repay. Immediate corrective actions are set in motion to avoid complete loss.
Substandard and Doubtful	5	This rate is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Some attributes are interest and

		principal past due for 90 days or more, borrower has recorded losses consistently for 2 years, borrowers net worth is grossly eroded due to major business failure or disaster and security offered has deteriorated.
Bad and Lost	6	This applies when all or part of the outstanding loans are uncollectible based on present conditions. Attributes are principal and interest overdue and unpaid for more than 180 days, legal processes do not guarantee full recovery of outstanding debt, clients request for a waiver of part of interest accrued has been granted, borrower is under receivership or in the process of liquidation, borrower has absconded and or documentation is shoddy or incomplete to pursue recovery through legal means.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes • Data from Credit from credit reference agencies, press articles, changes in external credit ratings • Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data on customer behaviour – e.g. utilisation of credit card facilities • Affordability metrics • External data from credit reference agencies including industry-standard credit scores	• Payment record– this includes overdue status as well as a range of variables about payment ratios • Utilisation of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions • Existing and forecast changes in business, financial and economic conditions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by economic sectors by type of product and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Asset and Liability Management Committee (ALMAC) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range. Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties referred to as 'forbearance activities' to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired or in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

The Bank considers a financial asset to be in default when:

i. the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
ii. the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

i. qualitative – e.g. breaches of covenant;
ii. quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
iii. based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Bank's Market Risk Unit and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and Bank of Ghana and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2018 included the following ranges of key indicators for Ghana for the years ending 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Incorporation of forward-looking information (continued)

	2018	**2017**
US Exchange rate	Base 9% Range between 5 and 10%	Base 5% Range between 4 and 6%
Interest rates	Base 18% Range between 16 and 20%	Base 20% Range between 18 and 20%

Predicted forward looking macro-economic scenarios have been considered for all portfolios held by the bank.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

(i) Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated repayment rates.

(ii) Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Loss Given Default represents the bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type of exposure and seniority of claim and availability of collateral or other credit support.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Measurement of ECL (continued)

(iii) Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as undrawn portion of overdrafts are considered for impairment. These include estimates based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristic that include instrument type; credit risk grading; collateral type; Loan - To-Value ratio (LTV) for mortgages; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, Bank of Ghana guidelines as well as external benchmark information is used to supplement the internally available data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3.3.2i. Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39:

	2018					2017
In thousands of Ghana cedis	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**	**Total**
Loans and advances to customer at amortised cost –corporate customers						
Loss Allowance at 1 January 2018	317,684	-	82,880	-	400,564	380,647
12-month ECL	(4,687)	-	-	-	(4,687)	-
lifetime ECL not credit-impaired	-	-	-	-	-	-
lifetime ECL credit-impaired	-	-	(2,207)	-	(2,207)	-
Net remeasurement of loss allowance	-	-	-	-	-	-
New financial assets originated or purchased	86,711	-	-	-	86,711	-
Financial assets that have been de-recognised	-	-	(164)	-	(164)	-
Write-offs	-	-	(17,987)	-	(17,987)	-
Recoveries of amounts previously written off	(8,873)	-	(46,952)	-	(55,825)	-
Loss Allowance at 31 December 2018	**390,835**	-	**15,570**	-	**406,405**	380,647

The loss allowance in these tables below includes ECL on loan commitments for certain retail products such as credit cards and overdrafts.

Notes to the financial statements (continued)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Loss allowance

	2018					2017
In thousand Ghana cedis	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit impaired**	**Purchased credit-impaired**	**Total**	**Total**
Loans and advances to customer at amortised cost-retail customers						
Balance at 1 January 2018	15,249	-	569	-	**15,818**	15,818
12-month ECL	(191)	-	-	-	**(191)**	-
lifetime ECL not credit-impaired	-	-	-	-	**-**	-
lifetime ECL credit-impaired	-	-	-	-	**-**	-
Net remeasurement of loss allowance	-	-	-	-	**-**	-
New financial assets originated or purchased	3,251	-	-	-	**3,251**	-
Financial assets that have been de-recognition	-	-	-	-	**-**	-
Write-offs	-	-	(569)	-	**(569)**	-
Recoveries of amounts previously written off	-	-	-	-	**-**	-
Balance at 31 December 2018	**18,309**	-	-	-	**18,309**	15,818

Notes to the financial statements (continued)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Loss allowance

	2018					2017
In thousand Ghana cedis	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit impaired**	**Purchased credit-impaired**	**Total**	**Total**
Total Loans and advances to customer at amortised cost-Bankwide						
Balance at 1 January 2018	332,933	-	83,449	-	416,382	396,465
12-month ECL	(4,878)	-	-	-	(4,878)	-
lifetime ECL not credit-impaired	-	-	-	-	-	-
lifetime ECL credit-impaired	-	-	(2,207)	-	(2,207)	-
Net remeasurement of loss allowance	-	-	-	-	-	-
New financial assets originated or purchased	89,962	-	-	-	89,962	-
Financial assets that have been de-recognition	-	-	(164)	-	(164)	-
Write-offs	-	-	(18,556)	-	(18,556)	-
Recoveries of amounts previously written off	(8,873)	-	(46,952)	-	(55,825)	-
Balance at 31 December 2018	**409,144**	-	**15,570**	-	**424,714**	**396,465**

Notes to the financial statements (continued)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

(ii) Exposure at default (EAD) (continued)

Impaired financial assets – Comparative information under IAS 39

The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers. This would be the structure under IAS 39 if IFRS 9 was not used.

In thousand Ghana cedis	**Loans and advances to customers 2018**	**Loans and advances to customers 2017**
Individually impaired		
Grade 6: impaired (loss)	17,777	82,880
Grade 5: impaired (substandard and doubtful)	-	-
Gross amount	**17,777**	82,880
Allowance for impairment	**(2,207)**	(13,199)
Carrying amount	**15,570**	69,681
Past due but not impaired		
Grade 4 : Watch list and other loans exceptionally mentioned)	14,900	3,740
Allowance for impairment	-	-
Carrying amount	**14,900**	3,740
Past due but not impaired comprises		
60-90 days	-	-
90-180 days		
Over180 days	14,900	3,740
Carrying amount	**14,900**	3,740
Neither past due nor impaired		
Collectively impaired		
Gross amount	**399,122**	329,761
Allowance for impairment	(4,878)	(6,717)
Carrying amount	**394,244**	323,044
Total carrying amount on balance sheet	**424,714**	396,465

Loans and investment debt securities that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at FVTPL. There were no loans and advances from Banks as at December 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Exposure estimate for off-balance sheet items

CCF for loan commitment
The modelling approach for credit conversion factor (CCF)/utilization rate reflects expected changes in the utilization of the undrawn amount over the lifetime of the loan commitment that are permitted by the current contractual terms. The model also considers the bank's credit mitigation policies applied during period of increased credit risk for the undrawn commitment.

The modelling of CCF on loan commitments needs to be consistent with the expectations of drawdowns on that loan commitment. It should consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses.
It should consider the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses.

CCF translates an off balance sheet exposure to its credit exposure equivalent. It is the percentage of undrawn credit lines (UCL) which has not been paid out, but can be utilized by the borrower until the point of default.

The following percentages were used in converting the notional amount of the transaction using a credit conversion factor (CCF) into an on-balance sheet credit equivalent amounts (CEA), direct Credit Substitutes-100%, Performance-Related Contingencies-50%, Trade-Related Contingencies-20%, and Commitment with certain Drawdowns-100%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Exposure estimate for off-balance sheet items

The table below shows the movement in off balance sheet items upon which the CCF was used to determine the impairment on off balance sheet items.

	2018	2017
In thousands of Ghana cedis	**12-month ECL**	**Total**
Loan commitments and financial guarantee contracts		
Balance at 1 January	75,282	52,119
Net re-measurement of loss allowance	-	-
New financial assets originated or purchased	50,138	23,163
Financial assets that have been de-recognition	-	-
Write-offs	-	-
Recoveries of amounts previously written off	-	-
Changes in models/risk parameters	-	-
Foreign exchange and other movement	-	-
Balance at 31 December	**125,420**	75,282

Notes to the financial statements (continued)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4.3 Amount arising from ECL (continued)

Summary of on-balance sheet impairment.

The following table sets out a reconciliation of changes in the impairment of loans and advances to customers:

In thousands of Ghana cedis

	2018	2017
Credit-impaired loans and advances to customers at 1 January	19,916	26,379
Change in allowance for impairment	6,554	-
Classified as credit-impaired (2017: impaired) during the year	-	-
Transferred to not credit-impaired (2017: impaired) during the year	-	-
Net repayments	-	-
Write off	(18,556)	(4,946)
Disposals	-	-
Other movements	(109)	(1,517)
Balance at 31 December	**7,805**	**19,916**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank. The liquidity requirements of business units are met through short-term loans and investments from Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The Bank maintains liquidity limits imposed by the regulator, Bank of Ghana. The overall liquidity is within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset and Liabilities Management Committee (ALMAC). Daily reports on the liquidity position of the bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALMAC on monthly basis.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the composition of net liquid assets to deposits from customers (liquid ratio). For this purpose net liquid assets comprise cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks. The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

Exposure to liquidity risk (continued)

The Bank's liquid ratio determined by the total deposit liabilities covered by the total liquid assets is set out below:

	2018	2017
Liquid Assets		
Cash on hand	46,830,725	42,461,978
Balance with banks	106,280,678	41,112,608
Due from bank of Ghana	106,474,224	157,082,467
Placements with local banks	573,104,285	208,191,338
Placements with foreign banks	-	3,789,052
Treasury bills and notes Maturing 1 year	299,350,314	602,082,176
Government bonds maturing in 1 year	240,361,024	16,339,474
Total liquid assets	**1,372,401,250**	**1,071,059,093**
Demand	1,056,927,439	843,415,575
Savings	175,149,930	137,525,640
Time/Term	290,401,425	472,323,305
Takings (banks)	-	-
Security deposits	141,820,917	13,856,253
Total deposit liabilities	**1,664,299,711**	**1,467,120,773**
Liquid ratio	**82.46%**	**73.00%**

The Bank's ratio of net liquid assets to deposits at 31 December 2018 and during the reporting period then ended are as follows:

	2018 %	2017 %
At 31 December	**82.46**	73.00
Average for the period	**75.00**	74.67
Maximum for the period	**81.13**	76.10
Minimum for the period	**67.99**	69.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

Assets used in managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise cash and balances with central banks, due from other banks and investments securities including Government bonds and securities that are readily acceptable in repurchase agreements with the central bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED))
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

Maturity analysis for financial liabilities and financial assets

The table below shows the undiscounted cash flows on the Bank's financial liabilities and financial assets on the basis of their earliest possible contractual maturity.

	Carrying amount	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
At 31 December 2018					
Financial liability by type					
Deposits from customers	1,664,299,711	749,832,724	678,698,894	196,886,408	38,881,685
Borrowings	6,049,216		6,049,216		-
Other Liabilities	29,131,879	29,131,879	-	-	
	1,699,480,806	**778,964,603**	**684,748,110**	**196,886,408**	**38,881,685**

Assets for the management of liquidity risk are summarised below:

	Carrying amount	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
At 31 December 2018					
Financial assets by type					
Cash and bank balances (Note 17)	153,111,403	153,111,403	-	-	-
Non-pledged trading assets	32,169,981	9,247,441	2,263,954	12,486,808	8,171,778
Due from banks and other financial institutions (Note 17)	679,384,963	605,411,572	73,973,391	-	-
Loans and advances to customers	424,714,417	133,667,166	28,427,418	58,424,308	204,195,755
Investment securities	875,344,768	59,893,017	477,140,031	5,305,407	332,476,144
	2,164,725,532	**961,330,599**	**581,804,794**	**76,216,523**	**544,843,677**
Liquidity gap	**(465,244,726)**	**(182,365,996)**	**102,943,316**	**120,669,885**	**(505,961,992)**

Notes to the financial statements (continued))

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3.5 Liquidity risk (ccontinued)

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

	Total	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
At 31 December 2017					
Deposits from customers	1,573,046,893	592,177,256	742,706,230	195,816,058	42,347,349
Borrowings	27,711,129	27,711,129	-	-	-
Other liabilities	40,547,625	18,956,669	4,674,335	7,887,031	9,029,590
	1,641,305,647	**638,845,054**	**747,380,565**	**203,703,089**	**51,376,939**

Assets for the management of liquidity risk are summarised below:

	Total	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
At 31 December 2017					
Cash and bank balances	199,544,445	75,704,436	100,756,830	23,083,179	-
Due from banks	253,092,998	208,191,338	44,901,660	-	-
Investment securities and trading assets	956,233,749	249,829,605	12,426,025	366,840,055	327,138,064
Loans and advances	376,641,732	84,128,409	66,778,960	17,193,066	208,541,297
	1,785,512,924	**617,853,788**	**224,863,475**	**407,116,300**	**535,679,361**
Liquidity gap	**(144,207,277)**	**20,991,266**	**522,517,090**	**(203,413,211)**	**(484,302,422)**

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Liquidity risk (continued)

Maturity analysis for financial liabilities and financial assets (continued)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
• Non-derivative financial liabilities and financial assets	• Undiscounted cash flows, which include estimated interest payment
• Issued financial guarantee contracts, and unrecognised loan commitments	• For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognized loan commitments are not all expected to be drawn down immediately

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Market risks

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

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios

.

31 December 2018	**Carrying amount**	**Trading portfolios**	**Non-trading portfolios.**
Assets subject to market risk			
Cash and cash equivalents	573,104,285	-	573,104,285
Non-pledge trading assets	32,169,981	32,169,981	-
Loans& advances to customers	424,714,417	-	424,714,417
Investment securities	875,344,769	-	875,344,769
Total	**1,905,333,452**	**32,169,981**	**1,873,163,471**
Liabilities subject to market risk			
Non-pledge trading liabilities	-	-	-
Deposits from banks	-	-	-
Deposits from customers	1,664,299,711		1,664,299,711
Borrowings	6,049,216	-	6,049,216
Total	**1,670,348,927**		**1,670,348,927**
31 December 2017			
Assets subject to market risk			
Cash and cash equivalents	208,191,338	-	208,191,338
Non-pledge trading assets	97,216,168	97,216,168	-
Loans& advances to customers	396,464,980	-	396,464,980
Investment securities	856,587,581	-	856,587,581
Total	1,558,460,067	97,216,168	1,461,243,899
Liabilities subject to market risk			
Non-pledge trading liabilities	-	-	-
Deposits from banks	-	-	-
Deposits from customers	1,467,120,773	-	1,467,120,773
Borrowings	27,683,446	-	27,683,446
Total	1,494,804,219		1,494,804,219

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Market risks (continued)

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios, foreign exchange risk within the Bank are monitored by the Risk Management Group. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.
Overall authority for market risk is vested in the ALMAC. The Risk Management Group is responsible for the development of detailed risk management policies (subject to review and approval by ALMAC) and for the day-to-day review of their implementation.

3.6.1 Interest rate risk

The principal risk to which the bank is exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Bank's exposure to interest rate risk on non-trading portfolios is as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

FINANCIAL RISK MANAGEMENT (continued)

3.6 Market risks (continued)

3.6.1 Interest rate risk (continued)

At 31 December 2018	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Cash and bank balance	153,111,403	153,111,403			
Due from other bank and other financial inst.s	679,384,963	605,411,572	73,973,391	-	-
Investment securities and trading assets	907,514,520	69,670,628	479,403,754	17,792,215	340,647,923
Loans and advances to customers	424,714,417	133,667,166	28,427,418	58,424,308	204,195,525
Total financial assets	**2,164,725,303**	**961,860,769**	**581,804,563**	**76,216,523**	**544,843,448**
Deposits from customers	1,664,299,711	749,832,724	678,698,894	196,886,408	38,881,685
Borrowings	6,049,216		6,049,216		-
Total financial liabilities	**1,670,348,927**	**749,832,724**	**684,748,110**	**196,886,408**	**38,881,685**
Total interest repricing gap	**494,376,376**	**212,028,045**	**(102,943,547)**	**(120,669,885)**	**505,961,763**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Market risks

3.6.1 Interest rate risk (continued)

	Total	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**
At 31 December 2017					
Cash and bank balances	199,544,445	75,704,436	100,756,830	23,083,179	-
Due from other banks	253,092,998	208,191,338	44,901,660	-	-
Investment securities and trading assets	953,803,749	252,529,605	12,426,025	373,707,645	315,140,474
Loans and advances to customers	396,464,980	94,040,033	76,690,584	17,193,066	208,541,297
Total financial assets	1,802,906,172	630,465,412	234,775,099	413,983,890	523,681,771
Deposits from customers	1,467,120,773	528,621,812	700,335,554	195,816,058	42,347,349
Borrowings	27,683,446	27,683,446	-	-	-
Total financial liabilities	1,494,804,219	556,305,258	700,335,554	195,816,058	42,347,349
Total interest repricing gap	308,101,953	74,160,154	(465,560,455)	218,167,832	481,334,422

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.6 Market risks (continued)

3.6.1 Interest rate risk (continued)

Sensitivity analysis

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

Sensitivity analysis of interest rate risks increase/decrease of 100 basis points in net interest margin

	December 2018	December 2017
Interest income impact	**2,658,351**	2,413,824
Interest expense impact	**(1,029,316)**	(970,876)
Net impact on profit before tax	**1,629,035**	1,442,948

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

3.6.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The Bank applied the Bank of Ghana mid-rates indicated below to translate balances denominated in foreign currencies to Ghana cedi as at 31 December 2018:

	2018	2017
USD	4.8200	**4.4157**
GBP	6.1711	**5.9669**
EUR	5.5131	**5.2964**

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Market risks (continued)

3.6.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2018. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

At 31 December 2018	USD	GBP	EUR	CNY	NAIRA	Total
Assets						
Cash and bank balances	16,542,978	8,762,926	8,479,752	175,575	-	33,961,231
Due from banks	362,700,812	11,504,230	14,319,300	95,377	54,351	388,674,070
Investment securities and trading assets	71,211,865	-	-	-	-	71,211,865
Loans and advances to customers	84,681,270	3	16	-	-	84,681,289
Other assets	22,615,401	-	274,984	-	-	22,890,385
Total financial assets	**557,752,326**	**20,267,159**	**23,074,052**	**270,952**	54,351	**601,418,840**
Liabilities						
Deposits from customers	428,039,215	19,917,955	22,995,814	112,979	-	471,065,964
Other liabilities	2,897,442	349,204	78,238	157,973	54,351	3,537,208
Borrowings	6,048,996	-	-	-	-	6,048,996
Total financial liabilities	**436,985,653**	**20,267,159**	**23,074,052**	**270,952**	**54,351**	**480,652,168**
Net on-balance sheet financial position	**120,766,673**	**-**	**-**	**-**	**-**	**120,766,672**
Credit commitments	**109,791,481**	**-**	**1,373,865**	**-**	**-**	**111,165,346**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Market risks (continued)

3.6.2 Foreign exchange risk (continued)

At 31 December 2017	Cedi	USD	GBP	EUR	Total
Assets					
Cash and bank balances	175,341,397	15,489,979	3,621,447	5,091,622	199,544,445
Due from banks	32,080,369	187,206,983	16,325,290	17,480,356	253,092,998
Investment securities and trading assets	864,182,528	89,621,221	-	-	953,803,749
Loans and advances to customers	301,309,489	95,155,615	-	-	396,465,104
Other assets	27,943,257	-	-	-	27,943,257
Total financial assets	1,400,857,040	387,473,798	19,946,737	22,571,978	1,830,849,553
Liabilities					
Deposits from customers	1,076,708,572	356,539,285	16,984,592	16,888,324	1,467,120,773
Other liabilities	31,465,625	8,813,451	143,775	124,670	40,547,521
Borrowings	-	27,683,446	-	-	27,683,446
Total financial liabilities	1,108,174,197	393,036,182	17,128,367	17,012,994	1,535,351,740
Net on-balance sheet financial position	292,682,843	(5,562,384)	2,818,370	5,558,984	295,497,813
Credit commitments	7,504,722	39,322,280	-	28,455,091	75,282,093

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6.2 Foreign exchange risk (continued)

Sensitivity analysis

A 5% strengthening of the cedi against foreign currencies at 31 December 2018 would have increased equity and profit/(loss) by GH¢13,815.73 (December 2017: GH¢213,640).

A 5% weakening of the Ghana cedi against foreign currencies at 31 December 2018 would have had the equal but opposite effect on the amount shown above.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

3.7 Capital management

Regulatory capital

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

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax profit, income surplus and general statutory reserves.

- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

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

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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

There have been no material changes in the Bank's management of capital during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED))
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management (continued)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained. The effect of IFRS 9 on retained earnings and statutory reserve requires adjustments to the 2017 Capital Adequacy Ratio at 1 January, 2018

	2018	2017
Tier 1 capital		
Ordinary issued shares	**404,895,476**	82,655,378
Disclosed reserves (excluding credit risk reserve)	**158,763,999**	189,455,917
Shareholders' fund	**563,659,275**	272,111,295
Less:		
Intangible assets as per Bank of Ghana guideline	**18,958,301**	11,546,850
Total qualifying tier 1 capital	**544,700,974**	260,564,445
Tier 2 capital		
Fair value reserve for available for sale securities	**-**	-
Total qualifying tier 2 capital	**-**	-
Total regulatory capital	**544,700,974**	260,564,445
Adjusted risk-weighted assets including IFRS 9 impact	**693,163,505**	576,444,304
Risk weighted contingent liabilities	**125,419,911**	75,282,093
Adjusted operational risk	**202,946,170**	239,575,322
Risk adjusted net open position	**10,961,481**	2,386,946
Risk-weighted assets	**1,032,491,067**	893,688,665
Total regulatory capital expressed as a percentage of total risk-weighted assets	**52.76%**	29.16%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED))
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Capital management (continued)

Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying of risk associated with different activities associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Group Risk and Group Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALMAC). Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group’s longer-term strategic objectives. The Bank’s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.11.6

The specific counterparty component of the total allowances for impairment applies to loans and advances evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances, and to determine the required input parameters, based on historical experience and current economic conditions.

These critical assumptions have been applied consistently to all periods presented, except the Bank applied the impairment requirements under IFRS 9 from 1 January 2018 resulting in changes to the assumptions used for the calculation for provision for doubtful debts using the expected credit loss model. The comparative period has not been restated for IFRS 9. The key change under the IFRS 9 expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors. These have been discussed in note 2.3(i & ii) above – Changes in accounting policies

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation models as described in Note 6.2.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank's accounting policy on fair value measurements is discussed in Note 2.11.7

Income tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

Applicable from 1 January 2018, Bank of Ghana uses the principle-based approach to classify all its financial instruments. Classifications are based on Business Model and the nature of Cash Flow

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management for decision-making

Cash flow assessment

Contractual cash flow characteristics are tested at instrument level to determine whether they are 'Solely Payment of Principal and interest' (SPPI).

This is applicable for 2018 financial year only. For financial assets that are held for the purpose of collecting contractual cash flows, the Bank has assessed whether the contractual terms of these assets are solely payments of principal and interest on the principal amount outstanding.

Prior to January 2018 and in accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. The Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 2.11.2. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost..

Determination of impairment of property, equipment and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

5. SEGMENT REPORTING

The chief operating decision maker considers the operation in Ghana as an operating segment.
The Bank's current operation is concentrated in Ghana and as such does not lend itself to segmental reporting and hence management has not provided information on segmental reporting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

6. FINANCIAL ASSETS AND LIABILITIES

6.1. Accounting classification, measurement basis and fair values under IFRS 9

	Debt Investments			**Equity**		**Derivatives**
In thousands of Ghana cedis	**BM-1 HTC Amortized cost**	**BM- 2 (HTC & Sell) FVOCI**	**BM-3 HFT**	**HFT (Yes) FVTPL**	**HFT (No) FVOCI**	**FVTPL**
Financial assets classification						
Non-pledged trading securities	-	-	32,170	-	-	-
Derivative financial assets	-	-	-	-	-	-
Assets pledged as collaterals	-	-	-	-	-	-
Investment securities	875,345					
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	424,714	-	-	-	-	-
Other assets (excluding prepayments & stocks)	60,375	-	-	-	-	-
Total	**1,360,434**	**-**	**32,170**			
Financial liabilities classification						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	1,664,300	-				
Other liabilities-due to parent company	72	-	-	-	-	-
Other borrowed funds	6,049	-	-	-	-	-
Financial liabilities held-for- trading	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
Other liabilities	32,179	-	-	-	-	-
Total	**1,702,600**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

6. Financial assets and liabilities (continued)

6.1. Accounting classification, measurement basis and fair values (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

At 31 December 2018	Original classification	New classification	New carrying amount
	under IAS 39	Under IFRS 9	
At 31 December 2018			
Total financial assets:			
Cash and bank balances	Loans and receivables	Amortised cost	153,858,720
Due from banks and other financial institutions	Loans and receivables	Amortised cost	678,831,193
Non-pledged trading assets	FVTPL	FVTPL	32,169,981
Loans and advances to customers	Amortised costs -	Amortised cost	424,714,417
Investment securities	Amortised cost	Amortised cost	875,344,769
Other assets (excluding prepayments & Stocks)	Loans and receivables	Amortised Cost	60,375,224
Deposits from customers	Amortised costs	Amortised costs	1,664,299,711
Other liabilities	Amortised costs	Amortised costs	32,178,823
Borrowings	Amortised costs	Amortised costs	6,049,216

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

6. Financial assets and liabilities (continued)

6.2 Fair values of financial instruments

The Bank has an established control framework for the measurement of fair values. This framework includes a Product control function, which is independent of front office management and reports to the Divisional Head, Enterprise Risk Management and its reports endorsed by Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Board’s Audit Committee

6.2 Fair value hierarchy

The fair value hierarchy section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:
Level 1: The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

6. Financial assets and lliabilities (continued)

6.2 Fair values of financial instruments (continued)

6.2 Fair value hierarchy (continued)

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible in entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The inputs used include the Bank of Ghana published rates and discounted cash flow techniques.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

6.3 Financial instruments measured at fair value-Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

31 December 2018

In Ghana cedi	Notes	Level 1	Level 2	Level 3	Total
Pledged trading assets					
Government bonds	-	-	-	-	-
Other securities	-	-	-	-	-
Total	-	-	-	-	-
Non-pledged trading assets	-	-	-	-	-
Government bonds	-	-	6,684,404	-	-
Treasury bills			25,485,577		
Corporate bonds	-	-	-	-	-
Equities	-	-	-	-	-
Asset-backed securities	-	-	-	-	-
Derivative assets:	-	-	-	-	-
Total			**32,169,981**		
Loans and advances to customers	-	-	-	-	-
Corporate customers					
Investment securities					
Government bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset-backed securities	-	-	-	-	-
Equities:	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

6. Financial assets and lliabilities (continued)

6.2 Fair values of financial instruments (continued)

6.3 Financial instruments measured at fair value-Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
At 31 December 2018				
Non-pledged trading assets	-	32,169,981	-	-

	Level 1	Level 2	Level 3	Total
At 31 December 2017				
Non-pledged trading assets	-	97,216,168	-	-

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were no transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The financial assets and liabilities not measured at fair value in the statement of financial position for which the fair values are disclosed in Note 6.1 are categorised as level 3 other than the investment securities classified as held to maturity which are categorised as level 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

7. Net interest income

	2018	2017
Interest income		
Money market placements	**13,456,177**	20,197,452
Loans and advances to customers	**69,823,931**	96,294,921
Non-pledged Trading Assets	**18,678,924**	9,679,782
Investment securities	**163,876,043**	115,210,238
Total interest income	**265,835,075**	241,382,393
Interest expense		
Deposits from banks	**1,243,872**	2,234,005
Deposits from customers	**101,351,837**	81,719,700
Borrowings	**2,329,768**	13,133,936
Total interest expense	**104,925,477**	97,087,641
Net interest income	**160,909,598**	144,294,752

Interest income on loans and advances to customers include GH¢958,351 (December 2017: GH¢642,105) in respect of impaired financial assets. Interest income from investment securities of GH¢163,876,043 (December 2017: GH¢115,210,238) relates to debt securities held-to-maturity.

8. Fee and commission income

	2018	2017
Commission income	**10,054,290**	21,294,578
Fees from banking activities	**4,621,343**	5,719,310
Other fees and commission	**54,410,103**	20,919,014
Fee and commission income	**69,085,736**	47,932,902

Other fees and commission income relate to income recognized on retail products including transfers, letters of credit, visa and mastercard transactions.

Notes to the financial statements (continued)
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

9. Net trading income

	2018	2017
Net foreign exchange gain on trading	**51,249,970**	31,943,484
	51,249,970	31,943,484

10. Net income from financial instruments at FVTPL

	2018	2017
Net gains on trading securities	**20,617,302**	5,614,280
	20,617,302	5,614,280

11. Other operating income

	2018	2017
Gain on disposal of property and equipment	**458,738**	156,509
Loan recoveries	**11,586,020**	170,420
	12,044,758	326,929

12. Personnel expenses

	2018	2017
Staff costs	**31,862,022**	26,688,315
Employer's pension contributions	**2,117,664**	1,553,547
Employer's provident fund contributions	**1,628,979**	1,195,042
Other staff related expenses	**9,886,614**	5,077,915
	45,495,279	34,514,819

The number of permanent persons employed by the bank as at 31 December 2018 was 471 (December 2017: 437).

Notes to the financial statements (continued)
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

13. Amortisation of prepaid operating lease rentals

	2018	2017
Operating lease rentals –Staff houses	**492,755**	535,193
Operating lease rentals on office premises	**6,546,828**	6,186,005
	7,039,583	6,721,198

14. Other operating expenses

	2018	2017
Advertising and marketing expenses	**3,287,137**	5,464,707
Administrative expenses	**43,426,322**	31,082,390
Contract services	**7,407,529**	7,506,582
Technical fees	**-**	4,627,941
Software licensing	**2,649,464**	2,853,082
Training	**-**	673,947
Directors' emoluments	**62,024**	3,145,151
Auditor's remuneration	**231,744**	508,251
Corporate social responsibility costs	**136,143**	110,415
	57,200,363	55,972,466

Below are beneficiaries of corporate social responsibility programme undertaken by the Bank:

	2018	2017
Bok Nam Kim Golf Tournament	-	5,000
Ghana CEO Summit	-	5,000
Funeral of the Asante Queen Mother		10,390
Sponsorship Package Inter-Regional School Festival (GES)	-	16,525
Sponsorship-Maiden Edition of Mayor's Excellence Awards	5,000	-
Sponsorship –Ghana Mathematics Society	1,500	-
Sponsorship- Nigerian High Commission	15,000	-
Funeral Donation to Priscilla Kwarteng (Ebony Reigns)	2,000	-
Korle-Bu Administration Block	20,000	-
Ghana SME and Young CEO's Summit	10,000	-
GT. Accra Regional Education Directorate (Superzonal Soccer Championship)	63,894	73,500
Others	18,749	-
	136,143	**110,415**

Notes to the financial statements (continued)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

15. Income tax expense and National Fiscal Stabilization Levy

	2018	2017
Corporate Income tax	**53,296,396**	31,885,296
Deferred income tax (Note 24)	**553,297**	1,054,120
Income tax expense	**53,849,693**	32,939,416
National fiscal stabilization levy	**10,759,928**	6,375,550
Total	**64,609,621**	39,314,966

Current income tax

	Balance at 1 January	**Payments during year**	**Charge for the year**	**Changes in estimates Related to prior years**	**Balance at 31 December**
Year of assessment					
Up to 2016 (31 December)	542,041	24,438	-	(566,479)	-
Up to 2017 (31 December)	843,893	(843,893)	-	-	-
December 2018	-	(51,839,071)	53,296,396	-	**1,457,325**
	1,385,934	(52,658,526)	53,296,396	(566,479)	**1,457,325**
Year of assessment					
Up to 2016 (31 December)	(375,850)	-	-	375,850	-
Up to 2017 (31 December)	298,738	(298,738)	-	-	-
December 2018	-	(10,264,508)	10,759,928	-	**495,420**
	(77,112)	(10,563,246)	10,759,928	375,850	**495,420**
Total at December 2018	-	(62,103,579)	64,056,324	-	1,952,745

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

15. Income tax expense and National Fiscal Stabilisation Levy (continued)

The tax on the Bank's profit before tax differs from the theoretical amount as follows:

	2018	**2017**
Profit before income tax	**215,198,552**	127,511,007
Income tax using the enacted corporation tax rate (25%)	**53,799,638**	31,877,752
Effect of:		
National fiscal stabilisation levy	**10,759,928**	6,375,550
Exempt income	**(3,181,603)**	(1,122,074)
Non-deductible expenses	**3,231,658**	2,183,738
Income tax expense	**64,609,621**	39,314,966
Effective tax rate	**30.02%**	30.83%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

16. Earnings per Share

Basic earnings per share
The basic earnings per share at 31 December 2018 are calculated by dividing the profit attributable to equity holders of the bank by the weighted average number of ordinary shares.

	2018	2017
Profit for the year attributable to equity holders of the bank	**150,588,931**	88,196,041
Weighted average number of ordinary shares	**14,171,890,279**	7,379,287,297
Basic earnings per share (Ghana Cedi per share)	**0.0106**	0.0120
Diluted earnings per share (Ghana Cedi per share)	**0.0106**	0.0120

There are no potentially dilutive shares outstanding at 31 December 2018 or in December 2017. Diluted earnings per share are therefore the same as the basic earnings per share.

17. Cash and cash equivalents

The Bank held cash and cash equivalents of GHS 832,689,912 at 31 December 2018 (December 2017: GHS 452,637,443). The cash and cash equivalents are held with central banks and financial institutions counterparties that are not rated.

	2018	2017
Cash and bank balances	**153,111,403**	83,574,586
Unrestricted balance with Bank of Ghana	**-**	10,370,367
Restricted balances with Bank of Ghana	**106,474,224**	146,712,100
Money market placements	**573,104,285**	211,980,390
	832,689,912	452,637,443

Cash and balances with banks

	2018	2017
Cash on hand	**46,830,725**	42,461,978
Balance with foreign banks (Nostro)	**105,726,907**	41,112,608
Balances with local banks	**553,771**	-
Cash and balances with banks	**153,111,403**	83,574,586

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

17. Cash and cash equivalents (continued)

Money market placements

	2018	2017
Placements with local banks and other financial institutions	**573,104,285**	208,191,338
Placements with foreign banks and other financial institutions	**-**	3,789,052
Money market placements	**573,104,285**	211,980,390

Cash and cash equivalents for purposes of the statements of cash flows.

	2018	2017
Cash on hand	**46,830,725**	42,461,978
Balances with Bank of Ghana	**106,474,224**	157,082,467
Cash and bank balances	**153,304,949**	199,544,445
Due from and to banks and other financial institutions	**679,384,963**	253,092,998
	832,689,912	452,637,443

Due from and to banks and other financial institutions

	2018	2017
Nostro account balances	**105,726,907**	41,112,608
Placements with Local banks and other financial institutions	**573,104,285**	208,191,338
Placements with Foreign banks and other financial institutions	**-**	3,789,052
Due from other local banks	**553,771**	-
Due from banks and other financial institutions	**679,384,963**	253,092,998
Due to banks and other financial institutions	**-**	-
Due from and to banks and other financial institutions	**679,384,963**	253,092,998

Amounts due from and to banks and other financial institutions are current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

18. Pledged assets

Assets are pledged as collateral under repurchase agreements with other banks and as security relating to overnight borrowings.

	2018	2017
Investment securities	**58,143,330**	96,876,303

Investment securities held in Government treasury bills and bonds have been pledged as collateral for liabilities of GH¢60,118,000 (December 2017: GH¢96,876,303). All transactions are conducted under normal commercial terms and conditions and at market rates. The pledged assets are part of investment securities disclosed in Note 20.

19.(i) Loans and advances to customers

	2018	2017
Gross Loans and advances to customers at amortised cost	**431,799,493**	416,381,796
Stage 3 impairment loss allowance (December 2017 :Specific allowances for impairment)	**(2,206,877)**	(13,199,249)
Stage 1 & 2 impairment loss allowance (December 2017:Collective impairment)	**(4,878,199)**	(6,717,567)
	424,714,417	396,464,980
Current	**220,518,892**	187,923,683
Non-current	**204,195,755**	208,541,297

At 31 December 2018, the gross loan and advances include non-performing loans of GH¢17.80 million (31 December 2017: GH¢82.9 million).

19 (ii). Impairment allowance on loans and advances

	2018	2017
At 1 January (IAS 39 for 2017)	**19,916,816**	26,379,049
Adjustment on initial application of IFRS 9	**6,554,003**	-
Write offs	**(1,179,264)**	(4,945,668)
Specific impairment (released) charge	**(15,596,411)**	498,088
Collective impairment (released)/charge	**(2,610,068)**	(2,014,653)
At 31 December	**7,085,076**	19,916,816
Impairment charge for the year:		
Specific impairment charge/(release)	(15,596,411)	498,088
Collective impairment charge/(release)	(2,610,068)	(2,014,653)
Off balance sheet impairment charge/(release)	(1,102,444)	-
Loan impairment (released)/charge	**(19,308,923)**	(1,516,565)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED))
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

20. Investment securities and non-pledged trading assets
20 (i). Investment securities

Held-to-maturity investments

	2018	2017
Treasury bills	**292,547,434**	469,153,842
Government bonds	**582,797,335**	387,433,739
Impairment at IFRS 9 transition, 1 January 2018	**-**	-
Re-stated balance	**875,344,769**	856,587,581
Impairment on investment securities	**-**	-
Net	**875,344,769**	856,587,581
Maturing within 90 days from purchase	**16,034,594**	251,071,427
Maturing over 90 days from purchase	**859,310,175**	605,516,154
Current	**536,382,921**	590,736,822
Non–current	**338,961,848**	265,850,759

20 (ii). Non pledged trading assets

Held for trading portfolio

	2018	2017
Treasury bills and government bonds	**32,169,981**	97,216,168
	32,169,981	**97,216,168**
Maturing within 90 days from purchase	**560,930**	2,437,925
Maturing over 90 days from purchase	**31,609,051**	94,778,243
Current	**12,453,420**	35,928,863
Non–current	**19,716,561**	61,287,305

Non-pledged trading assets are financial assets classified as held for trading investments carried at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED))
(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

21. Property and equipment

	Leasehold Land, Build. & Leasehold Improvement	Furniture and equipment	Computer and accessories	Motor vehicle	Capital work in progress	Total
Cost						
Year ended 31 December 2017						
At 1 January	19,579,987	15,529,004	8,666,496	6,861,600	45,372	50,682,459
Additions	6,520	3,802,781	467,077	3,377,553	-	7,653,931
Disposal	-	(50,978)	-	(1,297,715)	-	(1,348,693)
Transfers	-	-	-	-	(45,372)	(45,372)
Adjustment						
At 31 December 2017	19,586,507	19,280,807	9,133,573	8,941,438	-	56,942,325
Year ended 31 December 2018						
At 1 January	26,622,729	19,280,807	9,133,573	8,941,438	-	63,978,547
Additions	-	5,394,077	2,905,276	6,726,356	8,274,260	23,299,969
Disposal	-	(423,223)	-	(1,946,140)	-	(2,369,363)
Transfers	(75,994)		-	-	75,994	-
Adjustments		(5,093)				(5,093)
At 31 December	**26,546,735**	**24,246,568**	**12,038,849**	**13,721,654**	**8,350,254**	**84,904,060**
Depreciation						
Year ended 31 December 2017						
At 1 January	4,547,272	10,709,638	6,401,407	4,773,392	-	26,431,709
Charge for the year	752,191	1,792,803	1,520,448	1,611,375	-	5,676,817
Released on disposal	-	(50,169)	-	(1,089,583)	-	(1,139,752)
At 31 December 2017	5,299,463	12,452,272	7,921,855	5,295,184	-	30,968,774
Year ended 31 December 2018						
At 1 January	6,453,621	12,452,272	7,921,855	5,295,184	-	32,122,932
Charge for the year	975,337	2,594,900	1,444,021	2,452,805	-	7,467,063
Adjustment	(241,631)	123,900	(268,979)			(386,710)
Released on disposal	-	(422,212)	-	(1,900,223)	-	(2,322,435)
At 31 December	**7,187,327**	**14,748,860**	**9,096,897**	**5,847,766**	**-**	**36,880,850**
Carrying amount						
At 31 December 2017	14,287,044	6,828,535	1,211,718	3,646,254	-	25,973,551
At 31 December 2018	**19,359,408**	**9,497,708**	**2,941,952**	**7,873,888**	**8,350,254**	**48,023,210**

Reclassification of Leasehold Land from other assets to Property, Plant and Equipment hence the difference in the opening balance of 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED))

(All amounts are in Ghana cedis otherwise in thousands of Ghana cedis in the respective notes)

22. Intangible assets

	Purchased software	Developed software	Total
Cost			
Year ended 31 December 2017			
At 1 January	5,831,044	53,421	5,884,465
Additions	295,797	-	295,797
At 31 December 2017	6,126,841	53,421	6,180,262
Year ended 31 December 2018			
At 1 January	6,126,841	53,421	6,180,262
Additions	702,535	-	702,535
At 31 December 2018	**6,829,376**	**53,421**	6,882,797
Amortisation			
Year ended 31 December 2017			
At 1 January	2,974,415	53,421	3,027,836
Amortization for the year	1,016,599	-	1,016,599
At 31 December 2017	**3,991,014**	**53,421**	**4,044,435**
Year ended 31 December 2018			
At 1 January	3,991,014	53,421	4,044,435
Adjustment	41,428		41,428
Amortisation for the year	815,447	-	815,447
At 31 December 2018	**4,847,889**	**53,421**	4,901,310
Carrying amount			
At 31 December 2017	**2,135,827**	**-**	**2,135,827**
At 31 December 2018	**1,981,487**	**-**	**1,981,487**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

23. Depreciation and amortisation

The depreciation and amortisation charged to the year is as follows:

	2018	2017
Property and equipment (Note 21)	**7,467,063**	5,892,822
Intangible assets (Note 22)	**815,447**	1,016,599
	8,282,510	6,909,422

24. Deferred income tax

Movements in deferred income tax during the year is as follows:

	At 1 January	**Recognised in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Year ended 31 December 2018					
Property, equipment and software	1,763,506	93,455	1,856,961	-	1,856,961
Allowance for loan losses	(1,679,392)	459,842	(1,219,550)	(1,219,550)	-
	84,114	**553,297**	**637,411**	(1,219,550)	1,856,961
Year 31 December 2017					
Property, equipment and software	1,212,933	550,573	1,763,506	-	1,763,506
Allowance for loan losses	(2,182,939)	503,547	(1,679,392)	(1,679,392)	-
	(970,006)	**1,054,120**	**84,114**	(1,679,392)	1,763,506

25. Other assets

	2018	2017
National fiscal stabilisation levy recoverable (Note 14)	**-**	77,112
E-Cash Accounts	**41,230,238**	-
Prepaid expenses – premises	**8,357,249**	9,641,163
Prepaid expenses-Others	**3,592,627**	-
Stationery and stocks	**958,381**	580,376
Others	**13,480,167**	25,001,558
	67,618,662	35,300,209
Current	**61,809,433**	27,558,003
Non-current	**5,809,229**	7,742,206

Others relate to clearing balances held at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

26. Deposits from customers

	2018	2017
By type of deposit		
Current and call account	**1,056,927,439**	843,415,575
Savings account	**175,149,930**	137,525,640
Cash collateral	**141,820,918**	13,856,253
Term deposit	**290,401,424**	472,323,305
	1,664,299,711	1,467,120,773
Current	**1,625,418,026**	1,424,773,424
Non-current	**38,881,685**	42,347,349

The twenty largest depositors constitute 31.05% (2017: 34.81%) of total deposit.

	2018	2017
By type of customer		
Financial institutions	**185,785,178**	244,692,511
Individuals and other private enterprises	**1,426,613,856**	1,145,551,762
Public enterprises	**51,900,677**	76,876,500
	1,664,299,711	1,467,120,773

27. Other liabilities

	2018	2017
Due to parent company	**72,025**	98,452
Bankers draft	**18,102,610**	8,008,517
Provision on off-balance sheet items	**314,140**	-
Others	**10,586,301**	32,383,249
	29,075,076	40,490,218
Guarantee contract Liabilities	**56,803**	57,407

Other liabilities are current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

28. Stated capital

The authorised shares of the Bank are 15,000,000,000 ordinary shares of no par value of which 14,171,890,279 ordinary shares have been issued as follows;

	No. of shares	Proceeds
Issued and fully paid		
Issued for cash consideration	12,351,006,764	402,910,076
Issued for consideration other than cash	1,820,883,515	1,985,400
Stated Capital in Account	14,171,890,279	404,895,476

The stated capital increased by a sum of GHS 248,543,900 as at December 2018 from the September 2018 figure of GHS 154,740,136 arising from the capitalization of 2018 retained earnings and fresh capital inflow from Guaranty Trust Bank PLC in order to meet the required minimum capital as set by Bank of Ghana. This resulted in an increase in the number of shares. There is no unpaid liability on any shares and there are no treasury shares.

Number of shareholders

The company's shareholders at 31 December 2018 are as follows:

Number of Ordinary shares	Shareholding	Percentage %
Guaranty Trust Bank Plc	13,933,838,405	98.32%
Alhaji Yusif Ibrahim	238,051,874	1.68%
	14,171,890,279	100.00

29. Other reserves

Credit risk reserve

Credit risk reserve represents the amounts set aside in respect of the excess impairment provision determined in accordance with of Bank of Ghana prudential guidelines over the total impairment provision recognised under the International Financial Reporting Standards framework. The movement is included in the statement of changes in equity.

Statutory reserve fund

Statutory reserve fund represents transfer from net profit for the year to reserve in accordance with requirements of Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

30. Dividends

At the next shareholders meeting on the financial performance for the year ended 31 December 2018, no dividend will be declared

31. Leasing

The Bank acts as lessee under operating leases and lessor under finance leases, leasing assets for its own use and providing asset financing for its customers.

Finance Lease

The Bank did not have any finance lease receivables at 31 December 2018 (2017: Nil).

Operating Lease

The Bank leases various office and other premises under non-cancellable operating lease arrangements. The lease rentals are paid in advance and amortised on a straight line basis over the lease period. The unexpired lease payments is accounted for as a prepayment in other assets (Note 25).
There are no contingent rents payable.

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
Less than one year	**3,030,467**	1,902,151
Between one and five years	**3,270,390**	2,065,483
More than five years	**2,056,392**	5,673,529
	8,357,249	**9,641,163**

32. Contingencies

i. Claims and Litigation

The bank has pending legal suits in respect of claims arising in the ordinary course of business as at 31 December 2018. It is not anticipated that any material liabilities will arise from the contingent liabilities (2017: Nil).

ii. Contingent liabilities and commitments

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

32. Contingencies (continued)

ii. Contingent liabilities and commitments (continued)

Nature of instruments

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

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

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

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

The following table summarise the amount of contingent liabilities and commitments with off-balance sheet risk.

	2018	2017
Contingent liabilities:		
Bonds and guarantees	**49,746,886**	35,381,444
Commitments:		
Clean line facilities for letters of credit	**75,673,025**	39,900,649
Undrawn commitment	**38,556,388**	243,391,226

iii. Commitments for capital expenditure

The Bank's commitments for capital expenditure as at 31 December 2018 amounts to GH¢ 6,737,888 (2017: GH¢22,333,048).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

33. Borrowings

Year ended 31 December 2018	**FMO**	**Export Development and Investment Fund**	**Total**
At 1 January	27,683,446	-	**27,683,446**
Exchange difference	1,400,645	-	**1,400,645**
Repayments	(23,034,875)	-	**(23,034,875)**
At 31 December	**6,049,216**	**-**	**6,049,216**
Current	6,049,216	-	6,049,216
Non-current	-	-	-
Year ended 31 December 2017			
At 1 January	47,375,712	93,204	**47,468,916**
Exchange difference	2,560,313	-	**2,560,313**
Repayments	(22,252,579)	(93,204)	**(22,345,783)**
At 31 December 17	27,683,446	-	27,683,446
Current	27,683,446	-	27,683,446
Non-current	-		-

The Bank secured a loan facility of US$20 million in 2014 from Nederlandse financierings-maatschappij voor ontwikkelingslanden n.v. (FMO) at 3-month Libor plus 3.75% with a one-year moratorium. The loan is due in 2019.

34. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The ultimate controlling party is the parent company Guaranty Trust Bank Plc, a bank licensed in the Federal Republic of Nigeria.

Parent company transactions

At 31 December 2018, the Bank had the following payables due to the Parent Bank:

	2018	2017
Transactions on behalf of the Bank	**72,025**	98,452
Technical service fee	**-**	7,587,412
	72,025	7,685,864

Transactions on behalf of the Bank are on similar terms as in the normal course of business with other customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
(All amounts are in Ghana Cedis otherwise in thousands of Ghana cedis in the respective notes)

34. Related parties (continued)

Transactions with key management personnel and disclosures

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

Transactions with companies with directors' interest

Transaction with companies with interest of directors and key management personnel with the bank during the year is as follows:

	2018	2017
Secured loans	**951,266**	1,353,525
Interest income on loans to directors and key management personnel	45,786	90,532

Key management personnel compensation

The compensation paid to key management for employee services is shown below;

	2018	2017
Salaries and other short term benefits	**1,135,029**	1,198,337

There are no short-term employee and post-employment benefits outstanding as at 31 December 2018 (2017: Nil).

35. Regulatory non-compliance

The Bank was not penalised by the regulator for any breach of regulations during the period ended 31 December 2018 (2017: GH¢ Nil).

36. Subsequent events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the period under review and the effect is material. There were no subsequent events at the reporting date, 31 December, 2018.

Appendix 1:

Value Added Statement
(All amounts are in Ghana cedis)

	2018	2017
Interest and other operating income	**418,332,284**	326,873,059
Direct cost of services	**(168,985,418)**	(156,636,155)
Value added by banking services	**249,346,866**	170,236,904
Non-banking income	**458,738**	326,929
Impairments	**19,308,923**	1,516,566
Value added	**269,114,527**	172,080,399
Distributed as follows:		
To employees:-		
Directors (without executives)	**-**	3,145,151
Executive directors	**1,135,029**	1,198,337
Other employees	**44,360,250**	33,316,482
To government:		
Income tax	**64,609,621**	39,314,966
To providers of capital		
Retained earnings capitalized	145,729,710	-
Dividends to shareholders	**-**	35,940,094
To expansion and growth		
Depreciation	**6,708,969**	5,892,823
Amortisation	**1,573,541**	1,016,599
Retained earnings	**4,997,407**	52,255,947