ZENITH BANK (GHANA) LIMITED

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mary Chinery-Hesse (Dr)	- *Chairperson*
	Henry Oroh	- *Managing Director*/CEO
	Ebenezer Onyeagwu	
	Kwame Sarpong	
	Gabriel Ukpeh	
	Anthony Oteng-Gyasi	
	Dennis Olisa	- *(Appointed – 10 April, 2018)*

SECRETARIES

Michael O. Otu
Daniel Agamah

AUDITOR

PricewaterhouseCoopers
No. 12 Airport City
UNA Home , 3rd Floor
PMB CT 42, Cantonments
Accra -Ghana

SOLICITORS

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

REGISTERED OFFICE

Zenith Heights
No. 31 Independence Avenue
PMB CT 393
Accra

BANKERS

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

REPORT OF THE DIRECTORS

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2018 report as follows:

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Zenith Bank (Ghana) Limited's financial position at 31 December 2018, and of the profit or loss and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of this directors' report.

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

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

Financial results and dividend

The financial results of the Bank for the year ended 31 December 2018 are set out in the attached financial statements, highlights of which are as follows:

31 December	**2018** ***GH¢***	2017 *GH¢*
Profit before taxation is	281,843,518	250,534,472
from which is deducted taxation of	(95,958,949)	(77,985,101)
giving a profit after taxation for the year of	185,884,569	172,549,371
less net transfer to statutory reserve fund and other reserves of	(115,179,667)	(92,563,687)
leaving a balance of	70,704,902	79,985,684
to which is added a balance brought forward on retained earnings of	459,583,785	379,598,101
less changes on initial application of IFRS 9 and other reserves of	(22,442,217)	-
less transfers to stated capital and cost of transfer of	(301,606,677)	-
leaving a balance of	206,239,793	459,583,785

In accordance with Section 34(1)(a) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of *GH¢*92,942,285 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to *GH¢*243,723,706 at the year end.

The Directors do not recommend the payment of a dividend (2017: Nil).

REPORT OF THE DIRECTORS (CONTINUED)

Nature of Business

The Bank is authorised by Bank of Ghana to carry on the business of universal banking.

Holding Company

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

Directors

The names of the directors who served during the year are provided on page 3. No director had a material interest at any time during the year, in any contract of significance, other than a service contract with the Bank.

Auditor

The auditor, PricewaterhouseCoopers, will continue in office in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179) and Section 81 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Approval of the Financial Statements

The financial statements of the Bank were approved by the Board of Directors on **01 February 2019** and were signed on their behalf by:

Mary Chinery-Hesse	
…………………………………………	…………………………………………
Mary Chinery-Hesse (Dr) (Chairperson)	**Henry Oroh (Managing Director/CEO)**

CORPORATE GOVERNANCE REPORT

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

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

The Board and Board Committees

The Board of Directors is made up of a Non-Executive Chairman, five (5) Non-Executive Directors and one (1) Executive Director.

The Board comprises of persons of mixed skills with experience in different fields of human endeavour. The Directors are conscious of their statutory responsibilities as well as their responsibilities to shareholders and other stakeholders. The Board is responsible for the strategic direction of the Bank.

The Managing Director/Chief Executive Officer is responsible for the day-to-day running of the Bank assisted by the Executive Committee. The roles of Chairman and Managing Director are separate with a clear division of responsibilities between them.

Responsibilities of the Board

The Board is responsible for:

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

The Board meets at least once every quarter, but may hold extraordinary sessions as the business of the Bank demands.

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Committees

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

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, two (2) other Non-Executive Directors and one (1) Executive Director as members. The Board Credit Committee is chaired by a Non-Executive Director who is well versed in credit matters. All loan applications above the level of Management Credit Committee are sent to the Committee for consideration and approval.

The composition of the Committee is as follows:

Name of Director	Position
Mr Ebenezer Onyeagwu	Chairman
Mr Kwame Sarpong	Member
Mr Henry Oroh	Member
Mr Dennis Olisa	Member

Board Audit Committee

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

Members of the Committee are:

Name of Director	Position
Mr Gabriel Ukpeh	Chairman
Mr Kwame Sarpong	Member
Mr Anthony Oteng-Gyasi	Member
Mr Dennis Olisa	Member

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Board Risk Management Committee

The Committee is made up of a Non-Executive Chairman, three (3) other Non-Executive Directors and one (1) Executive Director. The Risk Management Committee has oversight responsibility for the overall risk function of the business of the Bank and encompasses strategic, operational, financial and compliance risk. The Chief Risk Officer has access to this Committee and makes quarterly presentations for the consideration of the Committee.

Members of the Committee are as follows:

Name of Director	Position
Mr Kwame Sarpong	Chairman
Mr Ebenezer Onyeagwu	Member
Mr Gabriel Ukpeh	Member
Mr Henry Oroh	Member
Mr. Anthony Oteng-Gyasi	Member

Board Governance, Nominations and Remuneration Committee

The purpose is to seek and nominate qualified candidates for appointment to Zenith's Board of Directors. The Committee is made up of a Non-Executive Chairman and three (3) other Non-Executive Directors. The Committee is scheduled to meet every quarter and at such times that the need arises.

Members of the Committee are as follows:

Name of Director	Position
Mr Ebenezer Onyeagwu	Chairman
Mr Gabriel Ukpeh	Member
Mr Anthony Oteng-Gyasi	Member
Mr Dennis Olisa	Member

Board Finance and General Purpose Committee

The purpose of the Board Finance and General Purpose committee is to assist the board to discharge its obligations relating to capital expenditure, capital structure, tax planning, financial strategy, dividend policy, branch expansion, performance targets for executive directors and other senior staff and the working conditions of the bank's employees.

The Committee is made up of a Non-Executive Chairman, one (1) other Non-Executive Director and one (1) Executive Director. The Committee is scheduled to meet every quarter and at such times that the need arises.

Members of the Committee are as follows:

Name of Director	Position
Mr Kwame Sarpong	Chairman
Mr Henry Oroh	Member
Mr Gabriel Ukpeh	Member

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Schedule of attendance at Board Committee Meetings

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

Directors	BC	FGPC	CC	GNRC	AC	RMC
Mary Chinery-Hesse	4	N/A	N/A	N/A	N/A	N/A
Kwame Sarpong	4	4	4	N/A	4	4
Ebenezer Onyeagwu	4	N/A	4	4	N/A	4
Gabriel Ukpeh	4	4	N/A	4	4	4
Henry Oroh	4	4	4	N/A	N/A	4
Anthony Oteng-Gyasi	4	N/A	N/A	4	4	2
Dennis Olisa	3	N/A	2	N/A	1	N/A

*Board Committee (BC), Finance and General Purpose Committee (FGPC), Credit Committee (CC), Governance, Nominations and Remuneration Committee (GNRC), Audit Committee (AC), Risk Management Committee (RMC).

N/A as used above implies 'Not applicable' that is, the Director in question was not a member of the stated committee and hence could not have been expected to attend the Committee meeting.

Other Committees

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

Executive Committee (EXCO)

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

The Executive Committee is made up of the following members:

Name of Member	Position
Mr Henry Oroh	Chairman
Mrs Maebelle Nortey	Member
Mr Abiodun Durosinmi	Member
Mr Daniel Agamah	Member
Mr George Blavo	Member
Mr Kwame Adadey	Member
Mr James Akenten	Member

Asset and Liability Committee (ALCO)

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

CORPORATE GOVERNANCE REPORT - (CONTINUED)

Management Committee

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

Systems of Internal Control

The Bank has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Internal Control and Audit function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of Business Ethics

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

Independent Board Appraisal

The Board engaged KPMG in 2018 to conduct an independent appraisal of the Board and its members for the period January 2015 to December 2017. The scope of the engagement included roles and responsibilities, competencies, structure and composition, processes and relationships, and other key governance issues. KPMG submitted its report in October 2018, which made a number of recommendations to the Board. The Board is currently studying these recommendations for the necessary actions.

Shares held by Directors and other related parties

No Director or related party held shares as at 31 December 2018.

Other Directorship Positions

Other directorship positions held by the Board members as at 31 December 2018 are as follows:

<table>
<tr><th>Name</th><th>Name of Company</th></tr>
<tr><td>Mary Chinery-Hesse (Dr)</td><td>N/A</td></tr>
<tr><td>Henry Oroh</td><td>N/A</td></tr>
<tr><td>Ebenezer Onyeagwu</td><td>1. Zenith Nominees
2. Zenith Pension & Custodian</td></tr>
<tr><td>Kwame Sarpong</td><td>1. Sarp-Chin Bamboo Products Limited
2. Lowe Lintas (Ghana) Limited
3. Ghana Cocoa Board</td></tr>
<tr><td>Gabriel Ukpeh</td><td>N/A</td></tr>
<tr><td>Anthony Oteng Gyasi</td><td>1. Tropical Cable & Conductor Limited
2. Western Rod & Wire Limited
3. Electronic Supplies & Engineering Services Limited</td></tr>
<tr><td>Dennis Olisa</td><td>N/A</td></tr>
</table>

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of Zenith Bank (Ghana) Limited (the "Bank") for the year ended 31 December 2018.

The financial statements on pages 17 to 91 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of financial assets

At 31 December 2018, the Bank’s financial assets and respective impairment, where applicable, were as follows:

<table>
<tr><th>Financial assets measured at amortised cost</th><th>Amounts outstanding</th><th>Impairment</th></tr>
<tr><td></td><td>GHS'000</td><td>GHS'000</td></tr>
<tr><td>Cash and cash equivalents</td><td>754,242</td><td>-</td></tr>
<tr><td>Investment securities</td><td>2,869,292</td><td>7,368</td></tr>
<tr><td>Investments other than securities</td><td>655,239</td><td>809</td></tr>
<tr><td>Loans and advances to customers</td><td>733,084</td><td>88,086</td></tr>
<tr><td>Off balance sheet exposures</td><td>740,185</td><td>6,403</td></tr>
</table>
The impairment of these financial assets were determined on an expected credit loss basis under IFRS 9 as against the incurred loss model under IAS 39. IFRS 9 is a new and complex accounting standard which requires considerable judgement and interpretation in its implementation. These judgements were key in the development of the new models which have been built and implemented to measure the expected credit losses on relevant financial assets measured at amortised cost.

There is an increase in the data inputs required by these IFRS 9 models. The data is from a number of systems that have not been used previously for the preparation of the accounting records. This increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Expected credit losses (ECLs) are required to incorporate forward-looking information, reflecting management’s view of potential future economic environment. The complexity involved requires management to develop new methodologies involving the use of significant judgements.
</td><td>
We obtained an understanding of and evaluated controls supporting management’s estimates, judgements and assumptions and tested selected key controls focusing on:

- the integrity, completeness and accuracy of data used as input to the models including the transfer of data between source systems and the impairment models;
- significant increase in credit risk determination
- determination of default
– model development, validation and approval to ensure compliance with IFRS 9 requirements;
- review and approval of forward looking information, scenarios and weights allocation to scenarios prior to use in the models;
- review and approval of post model adjustments recorded by management; and
- review and approval of the output of IFRS 9 models and related implementation impacts.

We tested data used and assessed the measurement decisions and the ECL models developed by the Bank which include challenging management’s determination of:
- significant increase in credit risk,
- default,
- probability of default,
- exposure at default,
- loss given default, and
- credit conversion factors.
</td></tr>
</table>

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias: - Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank - Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank - Probability of Default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon) - Exposure At Default - EAD - (amount expected to be owed the Bank at the time of default) - Loss Given Default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default) - Credit Conversion Factor - CCF (chance of off balance sheet credit risk exposures becoming on balance sheet items) - Forward looking economic information and scenarios used in the models - Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations. The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.10, 3.2.2, 9, 17, 18 and 19 to the financial statements.	We re-performed certain model calculations to evaluate the inputs and risk parameter outputs. We assessed the reasonableness of forward looking information incorporated into the impairment calculations by challenging the multiple economic scenarios chosen and the weighting applied to capture non-linear losses. We considered post-model adjustments in the context of key model and data limitations identified by management, challenged their rationale and recalculated where necessary. We tested the underlying disclosures related to the implementation impact and compared the disclosed impact to underlying accounting records. We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date and formed our own judgement.

Other information

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

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Overview Report, Our Business Report, Chairman's Statement, Chief Executive Officer's Review Report, Executive Management Report and the Corporate Events Report, and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 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 financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iii) the balance sheet (statement of financial position) and profit and loss account (part of the statement of comprehensive income) are in agreement with the books of account.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ZENITH BANK (GHANA) LIMITED (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

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

i) the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;

ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor;

iii) the Bank's transactions were within its powers; and

iv) the Bank has, in all material respects, complied with the provisions of this Act.

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2019/028)

Chartered Accountants

Accra, Ghana

4 March 2019

pwc

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in Ghana cedis)

	Note	**2018**	2017
Interest income	5	695,267,926	546,336,401
Interest expense	5	(271,848,892)	(231,449,097)
Net interest income		423,419,034	314,887,304
Fees and commission income	6	92,924,327	73,346,499
Fees and commission expense	6	(6,410,736)	(5,267,491)
Net fees and commission income		86,513,591	68,079,008
Net trading income	7(a)	41,723,027	34,799,061
Net income - financial instruments carried at fair value	7(b)	7,032,220	2,671,830
Other income	8	11,617,579	4,805,373
Net trading and other income		60,372,826	42,276,264
Revenue		570,305,451	425,242,576
Impairment loss on financial assets	9	(56,556,643)	(7,495,211)
Personnel expenses	10	(87,645,809)	(63,497,940)
Operating lease expense	11	(6,957,068)	(9,482,145)
Depreciation and amortization	20(a)	(17,794,696)	(12,761,665)
Other expenses	12	(119,507,717)	(81,471,143)
Profit before income tax		281,843,518	250,534,472
Income tax expense	13	(95,958,949)	(77,985,101)
Profit after tax attributable to equity holders of the Bank		185,884,569	172,549,371
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to equity holders of the Bank		185,884,569	172,549,371
Earnings per share - Basic & Diluted	14	0.05	0.14

The notes on pages 22 to 91 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
(All amounts are in Ghana cedis)

	Note	2018	2017
Assets			
Cash and cash equivalents	15	754,241,999	967,294,529
Non-pledged trading assets	16(a)	112,071,343	111,677,673
Pledged trading assets	16(b)	209,108,542	-
Investment securities	17	2,869,292,514	1,645,272,918
Investments (other than securities)	18	654,430,857	769,320,693
Loans and advances to customers	19	733,084,008	876,918,402
Property, plant and equipment	20	182,306,520	185,197,952
Intangible assets	21	2,059,014	2,330,161
Deferred tax assets	22	8,991,208	5,122,728
Other assets	23	46,888,707	112,218,669
Total assets		5,572,474,712	4,675,353,725
Liabilities			
Borrowings	25	982,900,693	353,187,887
Deposits from customers	24	3,407,542,026	3,473,416,209
Deposits from banks and non-bank financial institutions	24	26,707,612	34,579,019
Other liabilities	26	264,322,710	57,371,133
Deferred tax liabilities	22	5,523,274	4,457,816
Current tax payable	13	13,277,516	5,006,601
Total liabilities		4,700,273,831	3,928,018,665
Equity			
Stated capital	27(a)	400,000,000	122,021,496
Statutory reserve	27(b)	243,723,706	150,781,421
Credit risk reserve	27(b)	22,237,382	14,948,358
Income surplus account	27(b)	206,239,793	459,583,785
Total equity		872,200,881	747,335,060
Total equity and liabilities		5,572,474,712	4,675,353,725

Mary Chinery-Hesse

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Mary Chinery-Hesse (Dr) (Chairperson) **Henry Oroh (Managing Director/CEO)**

The financial statements of the Bank on page 17 to 91 were approved by the Board of Directors on **01 February 2019**.

The notes on pages 22 to 91 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(All amounts are in Ghana cedis)

	Stated Capital	Statutory Reserve	Credit risk Reserve	Income surplus account	Total
Balance at 1 January 2018	122,021,496	150,781,421	14,948,358	459,583,785	747,335,060
Changes on initial application of IFRS 9					
- Increase in impairment provisioning	-	-	-	(37,390,609)	(37,390,609)
- Transfer between reserves	-	-	(14,948,358)	14,948,358	-
Restated balance at 1 January 2018	122,021,496	150,781,421	-	437,141,534	709,944,451
Profit for the year	-	-	-	185,884,569	185,884,569
Other comprehensive income, net of tax	-	-	-	-	-
Regulatory and other reserves transfers					
Transfer to credit risk reserve	-	-	22,237,382	(22,237,382)	-
Transfer to statutory reserve	-	92,942,285	-	(92,942,285)	-
Transactions with owners:					
Transfer to stated capital	277,978,504	-	-	(277,978,504)	-
Cost of transfer to stated capital	-	-	-	(23,628,139)	(23,628,139)
Net transfers to reserves and transactions with owners	277,978,504	92,942,285	22,237,382	(230,901,741)	162,256,430
Balance at 31 December 2018	400,000,000	243,723,706	22,237,382	206,239,793	872,200,881

STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts are in Ghana cedis)

	Stated Capital	Statutory Reserve	Credit risk Reserve	Income surplus account	Total
Balance as at 1 January 2017	61,221,496	107,644,078	26,322,014	379,598,101	574,785,689
Profit for the year	-	-	-	172,549,371	172,549,371
Other comprehensive income, net of tax	-	-	-	-	-
Regulatory and other reserves transfers					
Transfer from credit risk reserve	-	-	(11,373,656)	11,373,656	-
Transfer to statutory reserve	-	43,137,343	-	(43,137,343)	-
Transactions with owners:					
Transfer to stated capital	60,800,000	-	-	(60,800,000)	-
Net transfers to/(from) reserves and transactions with owners:	60,800,000	43,137,343	(11,373,656)	79,985,684	172,549,371
Balance at 31 December 2017	122,021,496	150,781,421	14,948,358	459,583,785	747,335,060

The notes on page 22 to 91 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in Ghana cedis)	Note	2018	2017
Profit before tax		281,843,518	250,534,472
Adjustments for:			
Depreciation and amortization	20(a)	17,794,696	12,761,665
Net impairment loss on financial assets	9	56,556,643	7,495,211
Net interest income	5	(423,419,034)	(314,887,304)
Profit on disposal of property, plant and equipment	20(b)	(221,130)	(484,926)
Asset write-off	20	33,589	-
Fair value changes recognised in profit or loss	7b	(7,032,220)	(2,671,830)
		(74,443,938)	(47,252,712)
Changes in:			
Investments (other than securities)	18	623,113,513	(476,452,190)
Non-pledged trading assets	16	(393,670)	(111,677,673)
Pledged trading assets	16	(209,108,542)	-
Investments securities	17	(2,583,848,253)	(19,257,890)
Mandatory cash reserve	15	(10,013,519)	(80,078,428)
Loans and advances to customers	19	143,834,394	207,377,941
Other assets	23	65,329,962	(110,850,066)
Borrowings	25	629,712,806	243,062,464
Deposits from customers	24	(73,745,590)	836,704,733
Other liabilities	26	206,951,577	9,827,973
		(1,282,611,260)	451,404,152
Interest received	5	695,267,926	546,336,401
Interest paid	5	(271,848,892)	(231,449,097)
Taxes paid on bonus shares issued		(23,628,139)	-
Corporate taxes paid	13	(90,491,056)	(68,560,046)
Net cash flow (used in)/from operating activities		(973,311,421)	697,731,410
Cash flow from investing activities			
Acquisition of property, plant and equipment	20	(13,870,842)	(66,730,407)
Proceeds from disposal of property, plant and equipment	20b	277,306	694,740
Acquisition of intangible assets	21	(851,040)	(2,148,648)
Net cash flow used in investing activities		(14,444,576)	(68,184,315)
Net (decrease)/increase in cash and cash equivalents		(987,755,997)	629,547,095
Balance at beginning	15	2,213,257,120	1,588,724,910
Cash and cash equivalents at 31 December		1,225,501,123	2,218,272,005
Effect of exchange rate fluctuations on cash and cash equivalents held		(12,034,147)	(5,014,885)
Cash and cash equivalents at 31 December		1,213,466,976	2,213,257,120

The notes on page 22 to 91 are an integral part of these financial statements.

NOTES

1. REPORTING ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). They were authorised for issue by the Board of Directors on **1 February 2019**.

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

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

2.1.1 Changes in accounting policies and disclosures

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

(i) IFRS 9 – Financial instruments

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not earlier adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening income surplus and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2.10 below.

NOTES (continued)
(All amounts are Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

(i) IFRS 9 – Financial instruments (continued)

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are as follows:

	IAS 39		IFRS 9	
Financial assets	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and cash equivalents	Amortised cost (Loans and receivables)	967,294,529	Amortised cost (Hold to Collect)	967,294,529
Non-pledged trading assets	FVTPL (Held for trading)	111,677,673	FVTPL (Hold to sell)	111,677,673
Investment securities	Amortised cost (Held to maturity)	1,645,272,918	Amortised cost (Hold to Collect)	1,645,272,918
Investments other than securities	Amortised cost (Held to maturity)	769,320,693	Amortised cost (Hold to Collect)	768,360,829
Loans and advances to customers	Amortised cost (Loans and receivables)	876,918,402	Amortised cost (Hold to Collect)	839,527,827
Other assets (less prepayments)	Amortised cost (Loans and receivables)	102,946,584	Amortised cost (Hold to Collect)	102,946,584

There were no changes to the classification or measurement of financial liabilities. They remained classified as financial liabilities 'Other' and measured at amortised cost.

Reclassification from retired categories with no change in measurement

As indicated above, some financial assets have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were "retired" with no changes to their measurement basis. They include those previously classified as held to maturity and loans and receivables and measured at amortised cost.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and their cash flow characteristics.

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Bank (continued)
(i) IFRS 9 – Financial instruments (continued)

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	IAS 39 Carrying amount 31-Dec-17	Reclassific-ations	Remeasure-ments	IFRS 9 Carrying amount 1-Jan-18
Cash and cash equivalents – Amortised Cost				
Closing balance under IAS 39 and opening balance under IFRS 9	967,294,529	-	-	967,294,529
Non-pledged trading assets – FVTPL				
Closing balance under IAS 39 and opening balance under IFRS 9	111,677,673	-	-	111,677,673
Investment securities (Held to maturity)– Amortised cost				
Closing balance under IAS 39	1,645,272,918	-	-	-
Remeasurement: ECL allowance	-	-		
Opening balance under IFRS 9	-	-		1,645,272,918
Investment other than securities– Amortised cost				
Closing balance under IAS 39	769,320,693	-	-	-
Remeasurement: ECL allowance	-	-	(959,864)	-
Opening balance under IFRS 9	-	-	-	768,360,829
Loans and advances to customers – Amortised Cost				
Closing balance under IAS 39	804,676,754	-	-	-
Remeasurement: ECL allowance	-	-	(23,771,246)	-
Opening balance under IFRS 9	-	-	-	780,905,508
Other assets – Amortised Cost (less prepayments)				
Closing balance under IAS 39 and opening balance under IFRS 9	102,946,584	-	-	102,946,584
Total financial assets	**4,401,189,151**	-	**(24,731,110)**	**4,376,458,041**

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

(i) IFRS 9 – Financial instruments (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

The expected credit loss recognised at 1 January 2018 for off balance sheet items (Letters of credit and guarantees) was GH¢ 12.66 million, this is recognised in Other liabilities.

The total re-measurement loss of GH¢ 37.39 million was recognised in opening reserves at 1 January 2018.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Measurement	Loss allowance under IFRS 9
Cash and cash equivalents	-	-	-	-
Investment securities	-	-	-	-
Investments other than securities	-	-	959,864	959,864
Loans and advances to customers	52,222,205	-	23,771,246	75,993,451
Other assets	-	-	-	-
Other liabilities (off balance sheet exposures)	-	-	12,659,499	12,659,499
Total	52,222,205	-	37,390,609	89,612,814

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(ii) IFRS 15, Revenue from contracts with customers

The Bank has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Bank has adopted the new rules with the cumulative effect method. However, no adjustments were passed on adoption on IFRS 15. There were no material effect on revenue recognised by the Bank on the adoption of IFRS 15.

(b) Standards issued but not yet effective

(i) IFRS 16 Leases

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard will affect primarily the accounting for the Bank's operating leases.

The Bank has reviewed all leasing arrangements in light of the new lease accounting rules in IFRS 16 and the impact is disclosed below.

As at 31 December 2018, the Bank had non-cancellable operating lease commitments of GH¢25,747,086. The Bank took advantage of the exemption under IFRS 16 on short-term leases and low value leases approximately GH¢ 109,896 and GH¢14,460 respectively and recognised these on a straight-line basis as expense in profit or loss.
The Bank expects to recognise a total right-of-use assets of approximately GH¢63,061,810 on 1 January 2019, lease liabilities of GH¢57,712,803 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Bank has used the simplified retrospective approach hence there is no impact on the income statement as at the transition date. Had the full retrospective approach been used on transition date, the Bank's net profit before tax for the year ended 31 December 2018 would have decreased by GH¢162,548 representing additional depreciation charge of GH¢2,243,588 on right of use of assets and finance cost of GH¢4,881,028 on the lease liabilities over the current operating lease charge of GH¢6,957,068 to profit or loss.

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

(i) IFRS 16 Leases (continued)

The Bank will apply the standard for its mandatory adoption date of 1 January 2019. The Bank intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(ii) Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017:

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change. Any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling separately recognise any changes in the asset ceiling through other comprehensive income.

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.3 Interest income and expense

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

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

2.4 Fees and commission income

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Net trading income

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

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

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

2.7 Dividend income

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

2.8 Leases

Minimum lease payments under finance leases are apportioned between finance expense and the outstanding lease liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases under which the Bank assumes substantially all the risks and rewards of ownership of the underlying asset 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 present value of minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are classified as operating leases.

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.9 Income tax

Current income tax

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Income tax (continued)

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Income tax (continued)

Deferred tax (continued)

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

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

2.10 Financial assets and liabilities

2.10.1 Financial assets

Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement

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

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

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

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

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

(i) Classification and subsequent measurement

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10 Financial assets and liabilities

2.10.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement (continued)

(i) Classification and subsequent measurement (continued)

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

Debt instruments (continued)

(i) Classification and subsequent measurement (continued)

The above classifications are done using:

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

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

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

Equity instruments

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

(ii) Impairment

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

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

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

(iii) Modification of loans

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

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

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ((continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

(iv) De-recognition other than on a modification

Financial assets

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

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

Financial guarantee contracts and loan commitments

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

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

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

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

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

v) Accounting policies applied until 31 December 2017

The Bank has applied IFRS 9 prospectively and has not restated the comparative information. The comparative information provided continues to be accounted for in accordance with the Bank’s previous accounting policy.

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

v) Accounting policies applied until 31 December 2017 (continued)

A financial asset or financial liability was measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that were directly attributable to its acquisition or issue.

(a) Classification

Financial assets

The Bank classified its financial assets in the following categories: loans and receivables, held to maturity, available-for-sale or at fair value through profit or loss within the category of held for trading or designated at fair value through profit or loss. Management determined the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period. The classification depended on the purpose for which the investments were acquired.

(b) Reclassification

The Bank could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Bank could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Bank had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

On reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives are re-assessed, and if necessary separately accounted for.

(c) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see Note 2.10.1 above.
Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in profit or loss. Details on how the fair value of financial instruments is determined are disclosed in note 2.10.3.

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

v) Accounting policies applied until 31 December 2017 (continued)

(d) Identification and measurement of impairment

At each reporting date, the Bank assessed whether there was objective evidence that financial assets not carried at fair value through profit or loss were impaired. A financial asset or a group of financial assets was impaired when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank used statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than was suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries were regularly benchmarked against actual outcomes to ensure that they remained appropriate.

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset were renegotiated or modified or an existing financial asset was replaced with a new one due to financial difficulties of the borrower, then an assessment was made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In such case, the original financial asset was derecognised and the new financial asset was recognised at fair value.

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10 Financial assets and liabilities (continued)

2.10.1 Financial assets (continued)

v) Accounting policies applied until 31 December 2017 (continued)

(d) Identification and measurement of impairment (continued)

The impairment loss before an expected restructuring was measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset were included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset was treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount was discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

The Bank wrote off a loan or an investment in debt security, either partially or in full, and any related allowance for impairment losses, when the Bank Credit Committee determined that there was no realistic prospect of recovery and approval for write-off granted by the Board of Directors and the Central Bank.

Assets carried at amortised cost

For loans and receivables, 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 and the amount of the loss was recognised in profit or loss. 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 could measure impairment on the basis of an instrument's fair value using an observable market price.

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 reversal of the previously recognised impairment loss was recognised in profit or loss.

(e) Derecognition of financial assets and liabilities

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10 Financial assets and liabilities (continued)

2.10.2 Financial Liabilities

i) Classification

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

ii) Measurement

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

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.10.3 Fair value measurement

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10 Financial assets and liabilities (continued)

2.10.3 Fair value measurement (continued)

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

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

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

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

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

2.10.4 Repurchase and reverse repurchase agreements

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

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

2.10.5 Cash and cash equivalents

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10.6 Loans *and advances*

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

Loans and advances to customers include:

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

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

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

2.10.7 Investments

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

2.10.8 Non pledged and pledged trading assets

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

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

2.10.9 Offsetting financial instruments

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

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

2.11 Collateral

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.12 Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

2.13 Leasehold property

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.14 Intangible assets

Computer software

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

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

2.15 Impairment of non-financial assets

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

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

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

2.16 Deposits and borrowings

Deposits and borrowings from other banks are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

NOTES (continued)
(All amounts are in Ghana cedis)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee benefits

(i) Defined contribution plans

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

(ii) Provident fund

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

2.18 Stated capital and reserves

(i) Stated capital

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

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

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

2.19 Earnings per share

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction and overview

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

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

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

3.1.1 Risk management framework

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

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

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

3.2 Credit risk

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

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

Settlement risk

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.1 Credit risk management

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

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

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

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

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

3.2.2 Expected credit loss measurement

Significant increase in credit risk (SICR)

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

Quantitative criteria:

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

Qualitative criteria

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

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Significant increase in credit risk (SICR) (continued)

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow or liquidity problems such as delay in servicing of trade creditors/loans. The assessment of SICR incorporates forward-looking information and is performed on a weekly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

Backstop

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

Low Credit Risk Exemption

The Bank has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2018.

Definition of default and credit-impaired assets

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

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

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

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.2 Expected credit loss measurement (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

Forward-looking information incorporated in the ECL models

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

Economic Variable Assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2018 are set out below:

Scenario	**Weight %**	**GDP Growth %**	**Consumer Price Index %**
Base Case	40	6.3	9.5
GDP up; CPI up	13	6.4	9.6
GDP down; CPI down	14	6.2	9.4
GDP up; CPI down	15	6.4	9.4
GDP down; CPI up	18	6.2	9.6

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

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

3.2.3 Maximum exposure to credit risk before collateral held

Maximum exposure to credit risk	**2018**	2017
Credit risk exposures relating to on balance sheet assets are as follows:		
Balances with Bank of Ghana	459,275,134	465,918,725
Investment securities	3,190,472,399	1,756,950,591
Cash and balances with banks	216,957,307	407,111,489
Investments other than securities	654,430,857	769,320,693
Loans and advances to customers	733,084,008	876,918,402
Other assets (excluding prepayments)	35,384,352	102,946,584
Credit risk exposures relating to off balance sheet items are as follows:		
Financial guarantees	740,184,803	1,087,930,092
At year end	6,029,788,860	5,001,177,851

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

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

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2018, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Bank, 12% (2017: 17%) of the total maximum exposure is derived from loans and advances and investment securities represent 53% (2017: 37%).

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

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

	Note	2018	2017
Maximum exposure to credit risk			
Carrying amount	19	733,084,008	876,918,402
Amount committed/guaranteed	29	740,184,804	1,087,930,092
Grade 1–3: Low–fair risk – Current		689,838,125	860,581,616
Grade 4–5: Low–watch list		25,732,102	5,101,354
Grade 6: Substandard		2,155,479	5,226,221
Grade 7: Doubtful		10,919,140	15,462,937
Grade 8: Loss		92,525,362	42,768,479
Total gross amount		821,170,208	929,140,607
Allowance for impairment (individual and collective)		(88,086,200)	(52,222,205)
Net carrying amount		733,084,008	876,918,402
Off balance sheet - Maximum exposure			
Lending commitments - Grade 1–3: Low – fair risk		462,902,019	544,107,271
Financial guarantees - Grade 1–3: Low – fair risk		277,282,785	543,822,821
Total exposure		740,184,804	1,087,930,092
Loans with renegotiated terms			
Gross carrying amount		12,557,773	12,896,761
Allowance for impairment		(1,703,590)	(237,530)
Net carrying amount		10,854,183	12,659,231
Neither past due nor impaired			
Grade 1–3: Low – fair risk		689,838,125	860,581,616
Past due but not impaired			
Grade 4-5: Watch list		25,732,102	5,101,354

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

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

Impaired classified by number of days due	**2018**	2017
90-180 days	2,155,479	5,226,221
180-360 days	10,919,140	15,462,937
360 days +	92,525,362	42,768,479
	105,599,981	63,457,637
Individually impaired		
Substandard	2,155,479	5,226,221
Doubtful	10,919,140	15,462,937
Loss	92,525,362	42,768,479
	105,599,981	63,457,637
Allowance for impairment		
Individual	(59,118,810)	(42,269,618)
Collective	(28,967,390)	(9,952,587)
	(88,086,200)	(52,222,205)

Neither past due nor impaired

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

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

This category is made up as follows:

December 2018	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	434,954,591	240,865,153	14,018,381	689,838,125

December 2017	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	596,698,934	269,033,988	11,185,480	876,918,402

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

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

Loans and advances past due but not impaired

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

December 2018	Term loans	Overdrafts	Staff loans	Total
Past due but not impaired	24,107,613	1,624,489	-	25,732,102
Total	24,107,613	1,624,489	-	25,732,102

December 2017	Term loans	Overdrafts	Staff loans	Total
Past due but not impaired	4,119,098	982,256	-	5,101,354
Total	4,119,098	982,256	-	5,101,354

Individually impaired loans- Stage 3

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

31 December 2018	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	10,565,290	95,034,691	-	105,599,981
Specific impairment allowance	-	(59,118,810)	-	(59,118,810)
Net amount	10,565,290	35,915,881	-	46,481,171
Fair value of collateral	14,103,860	38,705,449	-	52,809,309

31 December 2017	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	15,402,785	48,054,852	-	63,457,637
Specific impairment allowance	-	(42,269,618)	-	(42,269,618)
Net amount	15,402,785	5,785,234	-	21,188,019
Fair value of collateral	-	59,090,452		59,090,452

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

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

At 31 December 2018, the Bank's loans and advances were categorised under IFRS 9 as follows:

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

		2018			2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Cash and cash equivalents	754,241,999	-	-	754,241,999	967,294,529
Investment Securities	2,876,660,751	-	-	2,876,660,751	1,645,272,918
Investments other than securities	655,239,468	-	-	655,239,468	769,320,693
Loans and advances to customers	689,838,125	25,732,102	105,599,981	821,170,208	929,140,607
Other assets (less prepayments)	35,384,352	-	-	35,384,352	102,946,584
Gross carrying amount	5,011,364,695	25,732,102	105,559,981	5,142,696,778	4,413,753,126
Loss allowance	(32,710,920)	(4,433,316)	(59,118,810)	(96,263,046)	(52,222,205)
Carrying amount	4,978,653,775	21,298,786	46,441,171	5,046,433,732	4,361,753,126

The impairment on investment securities and investments other than securities are disclosed in 17 and 18 respectively. All other financial assets of the Bank with credit risk exposure are neither past due not impaired.

3.2.4 Collaterals and other credit enhancements

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

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2.5 Concentration of credit risk

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

	Loans and advances to customers	
	2018	2017
Carrying amount	733,084,008	876,918,402
Concentration by product:		
Overdrafts	381,660,126	316,479,564
Term loans	425,491,696	601,445,830
Staff loans	14,018,386	11,185,480
Finance leases	-	29,733
Gross loans and advances	821,170,208	929,140,607
Less: Impairment	(88,086,200)	(52,222,205)
	733,084,008	876,918,402
Concentration by industry:		
Financial institutions	7,386,565	13,347,062
Manufacturing	381,811,614	367,184,591
Public sector	101,044	704,329
Retail and consumer	166,594,272	129,001,925
Energy	97,289,841	192,435,521
Telecom	44,398,234	66,506,419
Mining and construction	87,909,367	126,845,156
Others	35,230,271	33,115,604
Gross loans and advances	821,170,208	929,140,607
Less: allowance for impairment	(88,086,200)	(52,222,205)
Net loans and advances	733,084,008	876,918,402

3.2.6 Key ratios on loans and advances

i. Loan loss provision ratios is 10.73 % (2017: 5.62%)

ii. Percentage of gross non – performing loans with respect to Bank of Ghana Prudential Norms (individually impaired) to total gross loans and advances is 12.86% (2017: 6.83%)

iii. Ratio of fifty (50) largest exposure (gross funded) to total exposure is 76% (2017: 85%).

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk

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

3.3.1 Management of liquidity risk

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

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

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

At 31 December 2018

	Less than 3 months	3 - 6 months	6-12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Liabilities							
Deposits from customers	2,317,781,530	856,166	1,263,370,481	-	-	3,582,008,177	3,407,542,026
Deposits from banks	19,704,794	7,090,572	2,139,661	-	-	28,935,027	26,707,612
Borrowings	857,502,134	191,449,486	-	-	-	1,048,951,620	982,900,693
Other liabilities	139,889,280	123,415,102	9,059,131	-	-	272,363,513	264,322,710
Total liabilities (contractual maturity date)	3,334,877,738	322,811,326	1,274,569,273	-	-	4,932,258,337	4,681,473,041
Assets							
Cash and cash equivalents	754,241,999	-	-	-	-	754,241,999	754,241,999
Non-pledged trading assets	-	-	-	-	112,071,343	112,071,343	112,071,343
Pledged trading assets	-	-	-	-	209,108,542	209,108,542	209,108,542
Investment (other than securities)	-	-	654,430,857	-	-	654,430,857	654,430,857
Investment securities	946,564,698	675,494,157	692,232,896	555,000,763	-	2,869,292,514	2,869,292,514
Loans and advances to customers	573,719,008	33,970,046	42,550,112	82,844,842	-	733,084,008	733,084,008
Other assets (less prepayments)	28,879,417	6,505,935	-	-	-	35,385,352	35,385,352
Total assets held for managing liquidity risk (contractual maturity date)	2,303,405,122	715,970,138	1,389,213,865	637,845,605	321,179,885	5,367,614,615	5,367,614,615

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

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

1 December 2017	Less than 3 months	3-6 months	6-12 months	1 to 5 years	More than 5 years	Total	Carrying amount
Liabilities							
Deposits from customers	(1,962,578,752)	(1,688,676,367)	-	-	-	(3,651,255,119)	(3,473,416,209)
Deposits from banks	(37,462,909)	-	-	-	-	(37,462,909)	(34,579,019)
Borrowings	(84,667,259)	(56,713,142)	(235,541,712)	-	-	(376,922,113)	(353,187,887)
Other liabilities	(57,371,133)	-	-	-	-	(57,371,133)	(57,371,133)
Total liabilities (contractual maturity date)	(2,142,080,053)	(1,745,389,509)	(235,541,712)	-	-	(4,123,011,274)	(3,918,554,248)
Assets							
Cash and cash equivalents	967,294,529	-	-	-	-	967,294,529	967,294,529
Non-pledged trading assets	111,677,673	-	-	-	-	111,677,673	111,677,673
Investments	1,576,647,533	47,746,412	-	20,878,953	-	1,645,272,918	1,645,272,918
Investment (other than securities)	-	-	769,320,693	-	-	769,320,693	769,320,693
Loans and advances to customers	569,773,117	18,506,050	20,509,132	268,130,103	-	876,918,402	876,918,402
Other assets (less prepayments)	20,204,709	32,568,117	45,073,844	5,099,914	-	102,107,027	102,107,027
Total assets held for managing liquidity risk (contractual maturity date)	3,245,597,561	98,820,579	834,903,669	294,108,970	-	4,473,430,779	4,473,430,779

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.3 Exposure to liquidity risk

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

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

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

	2018	2017
	%	%
At period end	195	150
Average for the year	242	140
Maximum for the year	271	156
Minimum for the year	186	126

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Liquidity risk (continued)

3.3.3 Exposure to liquidity risk (continued)

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

31 December 2018	Note	Encumbered Pledged as collateral	*Other	Unencumbered Available as collateral	Other	Total
Cash and cash equivalents	15	-	340,698,481	413,543,518	-	754,241,999
Non-pledged trading Assets	16a	-	-	112,071,343	-	112,071,343
Pledged trading assets	16b	209,108,542	-	-	-	209,108,542
Investments	17	174,015,000	-	2,695,277,514	-	2,869,292,514
		383,123,542	340,698,481	3,220,892,375	-	3,944,714,398
31 December 2017						
Cash and cash equivalents	15	96,938	330,684,962	636,512,629	-	967,294,529
Non-pledged trading Assets	16a	-	-	-	111,677,673	111,677,673
Investments	17	140,558,300	-	1,504,714,618	-	1,645,272,918
		140,655,238	330,684,962	2,141,227,247	111,677,673	2,724,245,120

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

3.4 Market risks

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

3.4.1 Management of market risks

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

3.4.1 Management of market risks (continued)

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

	Note	Market risk measure	
31 December 2018		**Carrying amount**	**Non-trading portfolios**
Assets subject to market risk			
Cash and cash equivalents	15	754,241,999	413,543,518
Non-pledged trading assets	16a	112,071,343	-
Investments	17	2,869,292,514	2,869,292,514
Investments (Other than securities)	18	654,430,857	654,430,857
Loans and advances to customers	19	733,084,008	733,084,008
		5,123,120,721	4,670,350,897
Liabilities subject to market risk			
Borrowings	25	982,900,693	982,900,963
Deposits from customers	24	3,407,542,026	3,407,542,026
Deposit- Banks and NBFI	24	26,707,612	26,707,612
		4,417,150,331	4,417,150,331
31 December 2017			
Assets subject to market risk			
Cash and cash equivalents	15	967,294,529	636,512,629
Non-pledged trading assets	16a	111,677,673	-
Investments	17	1,645,272,918	1,645,272,918
Investments (Other than securities)	18	769,320,693	769,320,693
Loans and advances to customers	19	876,918,402	876,918,402
		4,370,484,215	4,258,806,542
Liabilities subject to market risk			
Borrowings	25	353,187,887	353,187,887
Deposits from customers	24	3,473,416,209	3,473,416,209
Deposit- Banks and NBFI	24	34,579,019	34,579,019
		3,861,183,115	3,861,183,115

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

Exposure to interest rate risk – non-trading portfolios

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

31 December 2018	Note	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢	Over 5 years GH¢
Cash and cash equivalent	15	754,241,999	754,241,999	-	-	-	-
Investments (Other than securities)	18	654,430,857	510,639,479	-	143,791,378	-	-
Investment securities	17	2,869,292,514	946,564,698	675,494,157	692,232,896	555,000,763	-
Loans and advances to customers	19	733,084,008	573,719,008	33,970,046	42,550,112	82,844,842	-
Total assets		5,011,049,378	2,785,165,184	709,464,203	878,574,386	637,845,605	-
Borrowings	25	(982,900,693)	(282,946,441)	(520,560,125)	(179,394,127)	-	-
Deposits from customers	24	(3,407,542,026)	(2,204,891,105)	(814,466)	(1,201,836,455)	-	-
Deposits- Banks and NBFIs	24	(26,707,612)	(18,187,921)	(6,544,741)	(1,974,950)	-	-
Total liabilities		(4,417,150,331)	(2,506,025,467)	(527,919,331)	(1,383,205,532)	-	-
Total interest repricing gap		593,899,047	279,139,717	181,544,872	(504,631,146)	637,845,605	-
31 December 2017							
Cash and cash equivalent	15	967,294,529	967,294,529	-	-	-	-
Investments (Other than securities)	18	769,320,693	66,213,000	349,971,693	353,136,000	-	-
Investment securities	17	1,645,272,918	1,576,647,533	47,746,412	-	20,878,973	-
Loans and advances to customers	20	876,918,402	569,773,117	18,506,050	20,509,132	268,130,103	-
Total assets		4,258,806,542	3,179,928,179	416,224,155	373,645,132	289,008,076	-
Borrowings	25	(353,187,887)	(79,335,887)	(53,142,000)	(220,710,000)	-	-
Deposits from customers	24	(3,473,416,209)	(1,866,988,919)	(1,606,427,290)	-	-	-
Deposits- Banks and NBFIs	24	(34,579,019)	(34,579,019)	-	-	-	-
Total liabilities		(3,861,183,115)	(1,980,903,825)	(1,659,569,290)	(220,710,000)	-	-
Total interest repricing gap		397,623,427	1,199,204,354	(1,243,345,135)	152,935,132	289,008,996	-

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

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

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

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

	2018	2017
Sensitivity of projected net interest income		
At 31 December	**2,117,095**	1,574,437
Sensitivity of reported equity to interest rate movements		
At 31 December	**1,587,821**	1,180,827

Interest rate movements affect reported equity in the following ways:

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

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities.

A decrease of a 50 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

Exposure to currency risk – non-trading portfolios

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

	USD	GBP	EURO	Other	Total
31 December 2018					
Net foreign currency exposure:					
Assets	411,739,742	24,875,892	72,659,912	4,589,895,831	5,099,135,377
Liabilities	(2,121,796552)	(19,830,642)	(69,890,034)	(2,178,925,505)	(4,390,442,733)
Net on balance sheet position	(1,710,056,810)	5,045,250	2,769,878	2,410,970,326	708,692,654
Line facilities for LCs and Bonds and Guarantees	592,304,960	-	7,499,978	6,154,773	605,959,711
31 December 2017					
Net foreign currency exposure:					
Assets	1,243,479,288	29,708,257	57,270,316	841,085	1,331,298,946
Liabilities	(1,049,809,566)	(25,220,087)	(44,669,215)	-	(1,119,698,868)
Net on balance sheet position	193,669,722	4,488,170	12,601,101	841,085	211,600,078
Line facilities for LCs and Bonds and Guarantees	(790,894,119)	-	(7,210,161)	(474,519)	(798,578,799)

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

	Average rate		**Reporting rate**	
GH¢ to	**2018**	2017	**2018**	2017
USD 1	4.535	4.3438	4.82	4.4142
GBP 1	6.1571	5.6125	6.1711	5.9359
EURO 1	5.4337	4.9076	5.5131	5.2741

A 5% weakening of the cedi against foreign currencies at 31 December 2018 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Assets	**Liabilities**	**2018 Total**	Assets	Liabilities	2017 Total
Profit/(Loss)	25,464,552	(110,576,576)	(85,112,025)	66,564,947	(95,913,883)	(29,348,936)
Equity	25,464,552	(110,576,576)	(85,112,025)	66,564,947	(95,913,883)	(29,348,936)

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Market risks (continued)

Exposure to currency risk – non-trading portfolios (continued)

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

3.5 Capital management

Regulatory capital

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

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

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

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 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 Central Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

The table below summarizes the composition of regulatory capital and ratios of the Bank.

	Note	**2018**	2017
Tier 1 capital			
Ordinary share capital	27(a)	400,000,000	122,021,496
Disclosed reserve			
Statutory reserve	27 (b)	243,723,706	150,781,421
Retained earnings	27 (b)	206,239,793	459,583,785
Total disclosed reserve		449,963,499	610,365,206
Total qualifying tier 1 capital		849,963,499	732,386,702
Less:			
Intangibles		13,563,369	11,602,246
Net tier 1 capital		836,400,130	720,784,456
Tier 2 capital		-	-
Total adjusted regulatory capital base		836,400,130	720,784,456
Total assets (less contra items)		5,572,474,712	4,675,353,725
Less:			
Cash on hand (cedis)	15	34,815,412	41,176,641
Cash on hand (forex)	15	43,167,147	53,087,674
Claims on Bank of Ghana:			
i Cedi clearing account balance		354,081,121	426,603,688
ii Forex account balance		105,194,013	39,315,037
Total claims on Bank of Ghana	15	459,275,134	465,918,725

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

***Capital adequacy ratio* (continued)**

	Note	**2018**	2017
Claims on Government:			
i Treasury securities (bills and bonds)	18	2,869,292,514	1,645,272,918
80% of cheques drawn on other banks		44,377,883	54,921,484
Goodwill / Intangibles	21	13,563,369	11,602,246
80% of claims on Other Banks in cedis/forex		653,401,136	886,224,262
80% of loans guaranteed by government		256,943,908	89,342,138
50% of residential mortgage loans		1,515,136	611,551
Adjusted total assets		1,196,123,073	1,427,196,086
Add: Contingent liabilities			
Commercial letters of credit outstanding		462,902,019	544,107,271
Guarantees/indemnities		277,282,785	543,822,821
Total contingent liabilities	29	740,184,804	1,087,930,092
Net contingent liabilities		740,184,804	1,087,930,092
Add:			
50% of net open position (NOP)		25,629,752	13,317,063
100% of 3yrs average annual gross income		451,154,319	362,016,199
Total risk weighted assets base		2,413,091,948	2,890,459,440
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)		34.66%	24.94%
Capital surplus (adjusted regulatory capital base less total risk weighted assets base * 10%)		595,090,935	431,738,512

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

Capital allocation

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

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

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

3.6 Fair values of financial instruments

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

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

(a) Valuation models

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments (continued)

(a) Valuation models (continued)

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

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

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

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Note	Level 1	
		2018	2017
Non-pledged trading assets	16a	112,071,343	111,677,673
Pledged trading assets	16b	209,108,542	-
		321,179,885	111,677,673

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.6 Fair values of financial instruments (continued)

(c) Financial instruments not measured at fair value

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

	Note	**Level 2 2018**	**Level 3 2018**	Level 2 2017	Level 3 2017
Assets					
Cash and cash equivalents	15	754,241,999	-	967,294,529	-
Investments (Other than securities)	18	-	654,430,857	-	769,320,693
Investment securities	17	2,811,458,443	-	1,680,053,987	-
Loans and advances to customers	19	-	721,491,747	-	895,421,380
		3,565,700,442	1,375,922,604	2,647,348,516	1,664,742,073
Liabilities					
Borrowings	25	-	982,900,693	-	353,187,887
Deposits from customers	24	3,407,542,026	-	3,473,416,209	-
Deposit - Bank and NBFIs	24	26,707,612	-	34,579,019	-
		3,434,249,638	982,900,693	3,507,995,228	353,187,887

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

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

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

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

3.7 Credit risk reserve reconciliation

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

IFRS Impairment	**2018**	**2017**
Loans and Advances	88,086,200	52,222,205
Off balance sheet exposure	6,402,825	-
Total	94,489,025	52,222,205

Bank of Ghana Provision		
Loans and Advances	109,324,559	56,291,262
Off-Balance Sheet	7,401,848	10,879,301
Total	116,726,407	67,170,563

Credit Risk Reserve		
Balance at 1 January	14,948,358	26,322,014
Transfer to retained earnings	(14,948,358)	-
Transfer to /(from) credit risk reserve	22,237,382	(11,373,656)
Balance at 31 December	22,237,382	14,948,358

NOTES (continued)
(All amounts are in Ghana cedis)

3. FINANCIAL RISK MANAGEMENT (continued)

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

	2018		2017	
	In Ghana	**Outside Ghana**	In Ghana	Outside Ghana
Assets				
Cash and cash equivalents	593,804,675	160,437,324	629,643,802	337,650,727
Non-pledged trading assets	112,071,343	-	111,677,673	-
Pledged trading assets	209,108,542	-	-	-
Investment securities	1,078,709,365	1,790,583,149	1,645,272,918	
Investments (other than securities)	510,223,677	144,207,180	-	769,320,693
Loans and advances to customers	733,084,008	-	876,918,402	-
Other assets	46,888,707	-	112,218,669	-
	3,283,890,317	2,095,227,653	3,375,731,464	1,106,971,420
Liabilities				
Borrowings	606,698,306	376,202,387	86,947,648	266,240,239
Deposits from customers	3,407,542,026	-	3,473,416,209	-
Deposits from other banks	26,707,612	-	34,579,019	-
Other liabilities	264,322,710	-	57,371,133	-
Total liabilities	4,305,270,654	376,202,387	3,5652,314,009	266,240,239
Off balance sheet items				
Letters of credit	-	462,902,019	-	544,107,271
Guarantees and indemnities	277,282,785	-	543,822,821	-
	277,282,785	462,902,019	543,822,821	544,107,271

NOTES (continued)
(All amounts are in Ghana cedis)

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Measurement of the expected credit loss allowance

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

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

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

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

(b) Fair value of financial instruments

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

(c) Income taxes

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

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

NOTES (continued)
(All amounts are in Ghana cedis)

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

(d) Hold to collect financial assets

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

Other accounting judgements, estimates and assumptions applied as at 31 December 2017

(a) Impairment losses on loans and advances

Prior to 1 January 2018, the Bank reviewed its loan portfolios to assess whether an allowance for impairment was to be recorded in the statements of comprehensive income. In particular, judgement by management was required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates were based on assumptions about a number of factors and actual results could differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also made a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, had a greater risk of default than when originally granted. This took into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

(b) Held-to-maturity instruments

In accordance with IAS 39 guidance, the Bank classified some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification required significant judgement. In making this judgement, the Bank evaluated its intention and ability to hold such investments to maturity. 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 was required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

NOTES (continued)
(All amounts are in Ghana cedis)

5 Net interest income

	2018	2017
Interest income		
Loans and advances to customers	123,638,339	177,185,265
Placement with other banks	38,122,609	53,003,602
Investments securities	533,506,978	316,147,534
Total interest income	695,267,926	546,336,401
Interest expense		
Current accounts	4,054,068	5,179,161
Time and other deposits	244,295,225	195,921,043
Overnight and call accounts	23,499,599	30,348,893
Total interest expense	271,848,892	231,449,097
Net interest income	423,419,034	314,887,304

Included within various line items under interest income for the year ended 31 December 2018 is a total of *GH¢* Nil (2017: *GH¢* Nil) relating to impaired financial assets.

6 Net fees and commission income

Fees and commission income		
Fees on loans and advances	28,219,979	14,485,867
Customer account servicing fees	22,385,030	17,978,858
Electronic and card product fees	11,540,737	12,612,762
Money transfer services fees	1,063,542	1,002,645
Letters of credit and trade services fees	29,715,039	27,266,367
Total fees and commission income	92,924,327	73,346,499
Fees and commission expense		
Visa Charges	4,213,723	3,911,206
MasterCard Charges	2,197,013	1,356,285
Total fees and commission expense	6,410,736	5,267,491
Net fees and commission income	86,513,591	68,079,008

NOTES (continued)
(All amounts are in Ghana cedis)

7 Net trading income

	2018	2017
(a) Foreign exchange gain	41,723,027	34,799,061
(b) Net income from other financial instruments carried at fair value	7,032,220	2,671,830

8 Other Income

Profit on disposal of property, plant and equipment- Note 20 (b)	221,130	484,926
Loan recoveries	6,330,889	-
Sundry income	5,065,560	4,320,447
	11,617,579	4,805,373

Sundry income comprises mainly of brokerage commission on treasury bills.

9 Net impairment losses on financial assets

Loans and advances	38,196,163	(14,738,699)
Off balance sheet exposure	(6,256,676)	-
Investment securities	7,368,237	-
Interbank placements	(151,253)	-
Loans written off	17,400,172	22,233,910
Net impairment loss on financial assets	56,556,643	7,495,211

10 Personnel expenses

Wages and salaries	76,423,011	54,837,460
Compulsory social security obligations	2,734,633	2,521,075
Contribution to defined contribution plan	2,629,902	2,424,453
Other staff cost	5,858,263	3,714,952
	87,645,809	63,497,940

The number of persons employed by the Bank at the end of the year was 700 (2017: 682).

NOTES (continued)
(All amounts are in Ghana cedis)

11 Operating lease

The Bank leases various offices, branches and other premises under non-cancellable operating lease arrangements. The lease typically run for a period of up to two years with an option to renew the lease after that date. The lease rentals are paid in advance and amortised on a straight line basis over the lease period. The outstanding balance is accounted for as a prepayment in other assets. Lease payments are increased every two years to reflect market rentals. There were no contingent rents payable.

	2018	2017
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	36,120	789,768
Between one year and five years	2,290,226	2,398,951
More than five years	17,556,571	106,528
	19,882,917	3,295,247

An amount of GH¢6,957,068 (2017: GH¢9,482,145) was charged to profit or loss as operating lease rentals on office premises.

12 Other expenses

	2018	2017
Advertising and marketing expenses	2,750,073	1,792,173
Administrative expenses	114,710,481	77,660,496
Director's emoluments	833,938	913,750
Auditor's remuneration	740,000	640,000
Donations and sponsorship (Corporate Social Responsibilities)	473,225	464,724
	119,507,717	81,471,143

13 Income tax expense

Amounts recognised in profit or loss

Current year income tax – See Note 13(a)	98,761,971	74,421,832
Deferred tax – See Note 22 (a)	(2,803,022)	3,563,269
	95,958,949	77,985,101

NOTES (continued)
(All amounts are in Ghana cedis)

13 Income tax expense (continued)

(a) Income tax

31 December 2018	Balance at 1/1/2018	Charge for the year	Payments during the year	Balance at 31/12/2018
Income tax				
2017	3,979,836	5,464,540	(5,464,540)	3,979,836
2018	-	78,178,531	(68,999,793)	9,178,738
	3,979,836	83,643,071	(74,464,333)	13,158,574
National stabilisation levy				
2017	1,026,765	1,026,724	(1,026,724)	1,026,765
2018	-	14,921,176	(14,999,999)	(907,823)
	1,026,765	15,118,900	(16,026,723)	118,942
Total	5,006,601	98,761,971	(90,491,056)	13,277,516

31 December 2017	Balance at 1/1/2017	Charge for the year	Payments during the year	Balance at 31/12/2017
Income tax				
2016	(1,484,704)	-	-	(1,484,704)
2017	-	61,895,108	(56,430,568)	5,464,540
	(1,484,704)	61,895,108	(56,430,568)	3,979,836
National stabilisation levy				
2016	629,519	-	(629,478)	41
2017	-	12,526,724	(11,500,000)	1,026,765
	629,519	12,526,724	(12,129,478)	1,026,765
Total	(855,185)	74,421,832	(68,560,046)	5,006,601

(b) Reconciliation of effective tax rate

	2018 %	**2018**	2017 %	2017
Profit before tax		281,843,518		250,534,472
Income tax using domestic tax rate	25.00	70,460,880	25.00	62,633,618
National stabilisation levy	5.00	14,092,176	5.00	12,526,724
Non-deductible expenses	2.74	7,717,651	(0.29)	(738,510)
Origination and reversal of temporary differences	(0.99)	(2,803,022)	1.42	3,563,269
Change in prior year estimate	2.30	6,491,264	-	-
Tax expenses	34.03	95,958,949	31.13	77,985,101

NOTES (continued)
(All amounts are in Ghana cedis)

14 Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of *GH¢*185,884,569 (2017: *GH¢*172,549,371) and a weighted average number of ordinary shares outstanding of 4,000,000,000 (2017: 1,220,214,960) calculated as follows:

	2018	2017
Net profit for the year attributable to equity holders of the Bank (*GH¢*)	185,884,569	172,549,371
Weighted average number of ordinary shares	4,000,000,000	1,220,214,960
Basic and diluted earnings per share	0.05	0.14

15 Cash and cash equivalents

Cash on hand	77,982,558	94,264,315
Balances with Bank of Ghana	459,275,134	465,918,725
Balances with other local Banks	1,047,629	808,907
Balances with other foreign Banks	160,437,324	337,650,727
Items in course of collection	55,472,354	68,651,855
	754,241,999	967,294,529

Included in the balances with Bank of Ghana is an amount of *GH¢*340,698,481 (2017:*GH¢*330,684,962) representing the mandatory cash reserve as per the weekly Banking Supervision Department (BSD1) returns for the week ending 26 December 2018 (2017: 27 December 2017). This reserve represents and complies with the mandatory minimum of 10% (2017: 10%) of the Bank's total deposits and is not available for use in the Bank's day-to-day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

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

	2018	2017
Cash on hand	77,982,558	94,264,315
Balances with Bank of Ghana	459,275,134	465,918,725
Balances with Banks and other financial institutions	216,984,307	407,111,489
Placements with banks	510,223,677	-
Treasury bills maturing within 90 days	289,699,781	1,576,647,553
	1,554,165,457	2,543,942,082
Less mandatory cash reserve	(340,698,481)	(330,684,962)
	1,213,466,976	2,213,257,120

NOTES (continued)
(All amounts are in Ghana cedis)

16a Non-pledged trading assets

	2018	2017
Government bonds	114,888,609	109,005,843
Fair value loss	(2,817,266	2,671,830
	112,071,343	111,677,673
Current	112,071,343	111,677,673
Non-current	-	-

16b Pledged trading assets

Government bonds	196,587,296	-
Fair value gain	12,521,246	-
	209,108,542	-
Current	209,108,542	-
Non-current	-	-

17 Investment securities

	Pledged 2018	Non-pledged 2018	Total 2018	Pledged 2017	Non-pledged 2017	Total 2017
Government bonds	174,015,000	533,877,194	707,892,194	4,815,800	16,063,153	20,878,953
Treasury bills	-	2,168,768,557	2,168,768,557	135,742,500	1,488,651,465	1,624,393,965
Impairment	-	(7,368,237)	(7,368,237)	-	-	-
Total	174,015,000	2,695,277,514	2,869,292,514	140,558,300	1,504,714,618	1,645,272,918
Current			2,314,291,751			1,624,393,985
Non-current			555,000,763			20,878,933

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

Collateral accepted as security for assets

At 31 December 2018, the Bank had pledged GH¢383,123,542 (2017: *GH¢*140,558,300) of its investments in Government securities. The Bank has not received collateral that it is permitted to sell or repledge in case of default by a counterparty.

NOTES (continued)
(All amounts are in Ghana cedis)

18 Investments (other than securities)

	2018	2017
Zenith Bank Plc	145,015,791	769,320,693
Bank of Ghana	475,208,219	-
First Atlantic Bank Limited	35,015,458	-
	655,239,468	769,320,693
Impairment	(808,611)	-
	654,430,857	769,320,693

Investments (other than securities) are all current.

19 Loans and advances to customers

	2018	2017
Loans and advances to customers at amortised cost	821,170,208	929,110,874
Finance leases	-	29,733
	821,170,208	929,140,607
Less allowance for impairment	(88,086,200)	(52,222,205)
Loans and advances to customers at amortised cost	733,084,008	876,918,402
Current	650,239,166	608,788,299
Non-Current	82,844,842	268,130,103

(a) Loans and advances to customers at amortised cost

	Gross amount 2018	Impairment allowance 2018	Carrying amount 2018	Gross amount 2017	Impairment allowance 2017	Carrying amount 2017
Individual customers	26,110,252	(1,056,723)	25,053,529	19,279,816	(718,366)	18,561,450
Corporate customers	795,059,956	(87,029,477)	708,030,479	909,860,791	(51,503,839)	858,356,952
Total loans and advances to customers	821,170,208	(88,086,200)	733,084,008	929,140,607	(52,222,205)	876,918,402

(b) Allowances for impairment

	2018	2017
Balance at the beginning of the reporting year	52,222,205	108,689,552
Opening IFRS 9 adjustment	23,771,246	-
Write offs	(26,103,414)	(41,728,648)
Charge for the year	38,196,163	(14,738,699)
Total allowances for impairment	88,086,200	52,222,205

NOTES (continued)
(All amounts are in Ghana cedis)

19 Loans and advances to customers (continued)

(c) Finance lease receivables

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

	2018	2017
Gross investment in finance leases, receivable:		
Less than one year	-	35,852
Between one and five years	-	-
	-	35,852
Unearned finance lease income	-	(6,119)
Net investment in finance lease	-	29,733
Net investment in finance leases, receivable:		
Less than one year		29,733
Between one and five years	-	-
	-	29,733

NOTES (continued)
(All amounts are in Ghana cedis)

20 Property, plant and equipment

	Leasehold Property	Leasehold improvements	Furniture and equipment	Computers	Motor vehicles	Capital work in progress	Total
Cost							
Balances at 1 January 2017	5,039,270	13,198,682	15,729,386	15,780,832	15,119,552	109,143,668	174,011,390
Acquisitions	19,732,645	1,071,757	9,358,784	6,241,425	5,031,410	25,294,386	66,730,407
Transfers	85,340,927	252,800	25,850	6,936,286	-	(92,555,863)	-
Disposals	-	(149,684)	-	-	(1,481,025)	-	(1,630,709)
Balance at 31 December 2017	110,112,842	14,373,555	25,114,020	28,958,543	18,669,937	41,882,191	239,111,088
Balance at 1 January 2018	110,112,842	14,373,555	25,114,020	28,958,543	18,669,937	41,882,191	239,111,088
Acquisitions	6,605,949	1,057,159	1,882,391	808,466	2,230,818	1,286,059	13,870,842
Write Off	-	-	-	-	-	(33,589)	(33,589)
Transfers	24,025,197	-	9,934	105,298		(24,370,626)	(230,197)
Disposals	-	-	(162,497)	(482,312)	(459,182)	-	(1,103,991)
Balance at 31 December 2018	140,743,988	15,430,714	26,843,848	29,389,995	20,441,573	18,764,035	251,614,153
Depreciation							
Balances at 1 January 2017	491,085	10,281,803	11,347,063	12,897,032	8,932,598	-	43,949,581
Depreciation for the year	1,147,519	1,048,311	2,352,029	3,773,123	3,063,468	-	11,384,450
Disposals	-	(27,442)	-	-	(1,393,453)	-	(1,420,895)
Balance at 31 December 2017	1,638,604	11,302,672	13,699,092	16,670,155	10,602,613	-	53,913,136
Balance at 1 January 2018	1,638,604	11,302,672	13,699,092	16,670,155	10,602,613	-	53,913,136
Depreciation for the year	2,660,753	1,164,877	3,470,652	5,714,637	3,431,393	-	16,442,312
Disposals	-	-	(157,743)	(479,132)	(410,940)	-	(1,047,815)
Balance at 31 December 2018	4,299,357	12,467,549	17,012,001	21,905,660	13,623,066	-	69,307,633
Carrying amounts							
Balances at 1 January 2017	4,548,185	2,916,879	4,382,323	2,883,800	6,186,954	109,143,668	130,061,809
Balance at 31 December 2017	108,474,238	3,070,883	11,414,928	12,288,388	8,067,324	41,882,191	185,197,952
Balance at 31 December 2018	136,444,631	2,963,165	9,831,847	7,484,335	6,818,507	18,764,035	182,306,520

There was no indication of impairment of property, plant and equipment held by the Bank at 31 December 2018 (2017: Nil). None of the property, plant and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property, plant and equipment at the reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2017: Nil).

NOTES (continued)
(All amounts are in Ghana cedis)

20 Property, plant and equipment (continued)

(a) **Depreciation and amortisation expense**	**2018**	2017
Property, plant and equipment (Note 20)	16,442,312	11,384,450
Intangible assets (Note 21)	1,352,384	1,377,215
	17,794,696	12,761,665

(b) **Profit on disposal**

Cost	1,103,991	1,630,709
Accumulated depreciation	(1,047,815)	(1,420,895)
Carrying amount	56,176	209,814
Proceeds from disposal	(277,306)	(694,740)
Profit on disposal	(221,130)	(484,926)

21 Intangible assets

Cost		
Balance at 1 January	6,773,608	4,624,960
Acquisitions	851,040	2,148,648
Transfer	230,197	-
Balance at 31 December	7,854,845	6,773,608
Amortisation		
Balance at 1 January	4,443,447	3,066,232
Amortisation for the year	1,352,384	1,377,215
Balance at 31 December	5,795,831	4,443,447
Carrying amount		
Balance at 1 January	2,330,161	1,558,728
Balance at 31 December	2,059,014	2,330,161

Intangible assets represent licenses for computer software. There was no indication of impairment of intangible assets held by the Bank at reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2017: Nil).

NOTES (continued)
(All amounts are in Ghana cedis)

22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	2018 Net	Assets	Liabilities	2017 Net
PPE and intangibles	-	(5,523,274)	(5,523,274)	-	(4,457,816)	(4,457,816)
Allowances for loan losses	8,991,208	-	8,991,208	5,122,728	-	5,122,728
Net tax assets/(liabilities)	8,991,208	(5,523,,274)	3,467,934	5,122,728	(4,457,816)	664,912

(a) Movements in temporary differences during the year

	Balance at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December
For the year ended 31 December 2018				
PPE and intangibles	(4,457,816)	(1,065,458)	-	(5,523,274)
Allowances for loan losses	5,122,728	3,868,480	-	8,991,208
	664,912	2,803,022	-	3,467,934
For the year ended 31 December 2017				
PPE and intangibles	(1,110,962)	(3,346,854)	-	(4,457,816)
Allowances for loan losses	5,339,143	(216,415)	-	5,122,728
	4,228,181	(3,563,269)	-	664,912

Recognised deferred tax assets

Recognition of deferred tax assets of *GH¢*8,991,208 (2017: *GH¢*5,122,728) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicated that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

NOTES (continued)
(All amounts are in Ghana cedis)

23 Other assets

	2018	2017
Prepayments	11,504,355	9,272,085
Mobile money drawers	20,444,447	100,107,027
Others	14,939,905	2,839,557
	46,888,707	112,218,669
Current	40,673,865	107,118,755
Non-current	6,214,842	5,099,914

24 Customer deposits

	2018	2017
Demand deposits	1,867,798,676	1,745,549,692
Term deposits	1,366,079,732	1,606,424,828
Savings deposits	200,371,230	156,020,708
	3,434,249,638	3,507,995,228
Analysis by type of depositors		
Financial institutions (regulated)	26,707,612	34,579,019
Individual and other private enterprises	3,268,318,509	3,189,595,221
Public enterprises	139,223,517	283,820,988
	3,407,542,026	3,473,416,209
	3,434,249,638	3,507,995,228
Current	3,434,249,638	3,507,995,228
Non-Current	-	-
Ratio of 20 largest depositors to total deposits	17.38%	32%

25 Borrowings

	2018	2017
Balances due to other banks and financial institutions	982,900,693	353,187,887
Current	982,900,693	353,187,887
Non-current	-	-

NOTES (continued)
(All amounts are in Ghana cedis)

25 Borrowings (continued)

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

Institution	Currency	Amount	Interest Rate (%)
Standard Chartered Bank - SCB	USD	231,360,000	5.90
Zenith Bank Uk – ZB UK	USD	96,400,000	5.61
Cargill Financial Services	USD	34,794,255	6.63
International Finance Corporation - IFC	USD	144,600,000	7.15
First Rand Bank Ltd - FRBL	USD	192,800,000	6.02
Ghana International Bank - GIB	USD	96,400,000	5.54
First Atlantic Bank - FAB	USD	24,100,000	3.85
Guaranty Trust Bank - GTB	USD	72,300,000	4.28
Social Security And Nat. Ins. Trust - SSNIT	GHS	70,000,000	15.50

A portion of these amounts were on-lended to Zenith Bank Plc at agreed terms disclosed in Note 18. The movement in borrowings is shown below:

Lenders	At 1 January	Draw downs	Interest	Repayments	Exchange Difference	At 31 December
SCB	-	214,260,622	11,607,011	-	17,099,378	242,967,011
ZB - UK	-	96,351,115	330,270	-	48,885	96,730,270
CARGILL	-	32,428,390	1,473,871	-	2,365,865	36,268,126
IFC	177,068,777	-	11,590,654	(47,687,861)	4,083,484	145,055,054
FRBL	-	188,961,867	4,032,064	-	3,838,133	196,832,064
FAB	30,909,218	24,087,779	36,083	(30,909,218)	12,221	24,136,083
GTB	-	72,263,337	165,888	-	36,663	72,465,888
GIB	89,171,462	95,548,932	1,748,937	(89,171,462)	851,068	98,148,937
FIDELITY	46,828,912	-	-	(46,828,912)	-	-
ENERGY	9,209,518	-	-	(9,209,518)	-	-
SSNIT	-	70,000,000	297,260	-	-	70,297,260
	353,187,887	793,902,041	31,282,038	(223,806,971)	28,335,698	982,900,693

NOTES (continued)
(All amounts are in Ghana cedis)

26 Other liabilities

	2018	2017
Due to parent company	7,749,121	12,667,986
Accruals and other payables	42,170,438	40,138,486
Deferred income	4,122,617	4,564,661
Obligation on investment held for customers	210,280,534	-
	264,322,710	57,371,133
Current	264,322,710	56,458,004
Non-current	-	913,129

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

27 Capital and reserves

(a) Stated capital

	2018 No. of Shares	**2018 Proceeds**	2017 No. of Shares	2017 Proceeds
Authorised				
Ordinary Shares of no par value	4,500,000,000	-	2,000,000,000	-

Issued and fully paid	**2018**	2017
Issued for cash consideration		
At 1 January	122,021,496	61,221,496
Transfer from income surplus account	277,978,504	60,800,000
	400,000,000	122,021,496

The transfer from income surplus to stated capital was approved by a shareholders resolution dated 2 February 2018 to help the Bank meet the new minimum capital requirement by Bank of Ghana.

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

(b) Nature and purpose of reserves

Income surplus

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

Statutory reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2017 (Act 930) and guidelines from the Central Bank.

Credit risk reserve

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

NOTES (continued)
(All amounts are in Ghana cedis)

28. Dividends

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2018 (2017: Nil).

29 Contingencies

(a) Claims and litigation

The Bank is defending legal actions brought by various persons for claims. No provision in relation to these claims has been recognised in the financial statements as legal advice indicates that it is not probable that a significant liability will arise (2017: Nil)

(b) Contingent liabilities and commitments

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

Nature of instruments

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

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

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

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

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

	2018	2017
Contingent liabilities: Bonds and guarantees	277,282,785	543,822,821
Commitments: Clean line facilities for letters of credit	462,902,019	544,107,271
	740,184,804	1,087,930,092

(c) Commitments for capital expenditure

At 31 December 2018, the Bank's commitment for capital expenditure was nil (2017: nil).

NOTES (continued)
(All amounts are in Ghana cedis)

30 Related parties

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

(a) Parent

The parent company, which is also the ultimate parent company, is Zenith Bank Plc. Transactions between Zenith Bank Plc. and subsidiaries also meet the definition of related party transactions.

The parent company incurred expenditures in the normal course of business, mainly in the form of salary payments to seconded staff from Nigeria and licence fees, which were recharged to the Bank at cost. During the year ended 31 December 2018, the Bank transacted the following business with the parent bank:

	Note	**2018**	2017
Transactions during the year		1,811,387	1,637,715
Due to Parent company at year end	26	7,749,121	12,667,986

The Bank also has the following placements with the parent company as detailed out Note 18.

	2018	2017
Due from Zenith Bank Plc	145,015,791	769,320,693

An amount of GH¢639,468 (2017: *GH¢*18,489,226) representing interest receivable from the placements with Zenith Bank Plc has been included in other assets in Note 23.

At 31 December 2018, the Bank also held Government of Nigeria bills amounting to GH¢ 1.79 billion via Zenith Nominees Limited, an affiliate entity.

(b) Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive 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 Zenith Bank Plc.

Key management personnel and their immediate relatives have the following outstanding loan balances with the bank at the reporting period:

	2018	2017
Executive Director	2,132,563	468,101
Officers and other employees	11,885,819	10,717,379
	14,018,382	11,185,480

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

NOTES (continued)
(All amounts are in Ghana cedis)

30 Related parties (continued)

(c) Other related parties

Balances with associated companies as at reporting period were:	**2018**	2017
Bank balances with Zenith Bank (UK) (Nostros)	45,164,167	42,691,255
Balance due to Zenith Bank (UK)	96,400,000	-

(d) Shareholders

No.	**Name**	**2018 No. of shares held**	**2018 Percentage shareholding**	2017 No. of shares held	2017 Percentage shareholding
1.	Zenith Bank PLC	3,922,800,000	98.07%	1,196,664,811	98.07%
2.	Meridian Cross Acquisitions	38,400,000	0.96%	11,714,064	0.96%
3.	Equatorial Cross Acquisitions	23,200,0000	0.58%	7,077,247	0.58%
4.	Mak Young Investment	15,600,000	0.39%	4,758,838	0.39%
		4,000,000,000	100%	1,220,214,960	100.00%

31 Subsequent events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events at the reporting date and at 31 December 2017.

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

(All amounts are in Ghana cedis)

	Note	**2018**	2017
Interest earned and other operating income		836,947,500	657,153,791
Direct cost of services and other costs		(403,890,475)	(326,756,126)
Value added by banking services		433,057,025	330,397,665
Non-banking income		11,617,579	4,805,373
Impairments	9	(56,556,643)	(7,495,211)
Value added		388,117,961	327,707,827
Distributed as follows:			
To employees			
Directors (without executives)	12	(833,938)	(913,750)
Executive directors		(757,792)	(802,265)
Other employees		(86,888,017)	(62,695,675)
Total		(88,479,747)	(64,411,690)
To Government			
Income tax	13	(95,958,949)	(77,985,101)
To providers of capital			
Dividends to shareholders		-	-
To expansion and growth			
Depreciation and amortization	20(a)	(17,794,696)	(12,761,665)
Retained earnings		185,884,569	172,549,371