FBNBANK GHANA LIMITED

A subsidiary of FirstBank of Nigeria Limited (An FBN Holdings Company)
(Incorporated in Ghana)

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

ANNUAL REPORT

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CORPORATE INFORMATION

Directors

Hon. Joseph Yieleh Chireh	Chairman
Gbenga Odeyemi	Managing Director/Chief Executive Officer
Abdul Kofarsauri	Non-executive director
Olasanu Otudeko	Non-executive director
Hannah A. Amoateng	Non-executive director
Alebiosu Olusegun	Non-executive director
Bashirat Odunewu	Non-executive director

Registered office

FBNBANK GHANA LIMITED
Plots No. 6, 7 and 9
Liberation Road
Airport – Accra
P. M. B. 16
Accra-North

Secretary

Perpetual Quarcoo Kudze

Independent auditor

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

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the Bank for the year ended 31 December 2018.

Statement of directors' responsibilities

The Bank's directors are responsible for the preparation of the financial statements that give a true and fair view of FBNBank 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 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.

Principal activities

The Bank is licensed to operate as a universal bank under the Banks and Specialised Deposit-Taking Institutions Act, 2017 (Act 930).

Holding company

The Bank is a subsidiary of FirstBank of Nigeria Limited, a bank incorporated in the Federal Republic of Nigeria.

Financial results

The financial results are set out below:

	GH¢
Profit after tax	**9,399,992**
To which is added balance on income surplus brought forward of	**26,282,147**
Change in initial application of IFRS 9	
Increase in impairment charge	**(2,643,529)**
Transfer from credit risk reserve	**2,643,529**
Restated income surplus balance	**35,682,139**
Out of which is transferred to statutory reserve fund	**(4,699,996)**
Transfer to credit risk reserve	**(7,484,128)**
Transfer to stated capital	**(24,048,165)**
Tax on transfer to stated capital	**(2,211,386)**
Leaving a balance carried forward of	**(2,761,536)**

Dividend

The directors do not recommend dividend for the year ended 31 December 2018.

REPORT OF THE DIRECTORS (continued)

Auditor

The Bank's auditor, PricewaterhouseCoopers, has been in office for five (5) years and 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 financial statements

The financial statements of the Bank were approved by the Board of Directors on 12 March 2019 and signed on their behalf by:

Director
Gbenga Odeyemi
(Managing Director/CEO)

Director
Hon. Joseph Yieleh Chireh
(Chairman)

CORPORATE GOVERNANCE FRAMEWORK

The Bank operates in a highly regulated industry and therefore recognises the importance of complying with legislation, regulation and codes of best practice. The Bank is committed to business integrity and professionalism in all its activities. As part of this commitment the Board supports the highest standards of corporate governance and the development of best practice.

FBNBank Ghana Limited has adopted its own internal corporate governance guidelines, which is embodied in the Bank governance practices. These practices are constantly being monitored to ensure that they are the best fit for the Bank and serve to enhance business and community objectives.

BOARD OF DIRECTORS

The Bank advocates for an integrated approach to corporate governance as evidenced by the governance framework. The Board consists of a non-executive Chairman, one executive director and five non-executive directors. The independent board provides strategic direction and has ultimate responsibility for the functioning of the Bank.

The Board is accountable for all decisions taken by its Board committees and management. The Board and its committees all operate in terms of agreed mandates, which set out their terms of reference, and are reviewed and revised regularly in order to keep pace with international developments. The Board currently has four sub-committees each with its terms of reference.

BOARD AUDIT AND RISK ASSESSMENT COMMITTEE

The Committee assists the Board in carrying out its oversight responsibility for ensuring the integrity of financial statements and financial reporting, audit functions, account opening and operating procedures, establishment of standards and guidelines for risk assessment, risk management and compliance with legal and regulatory requirements.

Composition of the Committee

The Committee currently comprises of four (4) non-executive directors one of whom acts as the Committee Chairman. The Company Secretary acts as the Secretary of the Committee.

Chairman of the Committee

The Chairman of the Committee is a non-executive director appointed by the Board for a three (3) year term renewable for a further term of 3 years. In the absence of the Chairman, members of the Committee shall choose one of the non-executive directors to chair the meeting. The Chairman of the Committee shall report on the proceedings of the Committee to the Board. The Board has the authority to determine the membership of the Committee as it deems fit. The Board Chairman is not a member and/or the Chairman of the Committee.

CORPORATE GOVERNANCE FRAMEWORK (continued)
BOARD AUDIT AND RISK ASSESSMENT COMMITTEE (continued)

Responsibilities of the Committee

The responsibilities of the Committee include:

Enterprise Risk Management (ERM)

Oversees the establishment of a formal written policy on the overall risk management framework. Such a policy shall define risks and the risk limits that are acceptable and unacceptable to the Bank;

Compliance

Review activities of the Bank as it relates to its Code of Conduct and Ethics as well as the adequacy and effectiveness of the compliance framework for the management of compliance risks within the Bank and review reports from regulators;

Statutory Audits and Financial Reporting

Review and approve the Bank's accounting policies to be used in the preparation of audited financial statements and approve all external disclosures regarding related party transactions;

Internal Audits

Monitor and assess the internal audit functions of the Bank and its independence and review reports on all attempted and actual frauds, theft and breaches of the law; and

Any other responsibilities which may be assigned to it by the Board

The Board audit committee comprises four independent non-executive directors who are financially literate and suitably qualified for the committee to perform its mandate.

The Board Audit Committee meets at least four times a year with the Bank's senior management, the internal audit team and the external auditors, to review, among other things, the Bank's annual and interim financial statements, internal audit and compliance reports, risk reports and the effectiveness of the Bank's system of internal control.

BOARD CREDIT COMMITTEE

Purpose

The Committee is to advise the Board in carrying out its oversight responsibility for the Bank's credit exposure and management, the quality of the Bank's credit portfolio, overseeing the effectiveness and administration of the Bank's credit policies and reviewing the processes for determining provisions for credit losses and the adequacy of provisions made.

CORPORATE GOVERNANCE FRAMEWORK (continued)
BOARD CREDIT COMMITTEE (continued)

Composition of the Committee

The Committee currently comprises of three (3) non-executive directors one of whom acts as the Committee Chairman and one (1) executive member. The Head of Credit Risk Management shall act as the Secretary of the Committee. Members are appointed for a 3 year term renewable for a further 3 year term. The Board Chairman is not a member and/or the Chairman of the Committee. The Board has the authority to determine the membership of the Committee as it deems fit.

Chairman of the Committee

The Chairman of the Committee is a non-executive director appointed by the Board for a 3 year term renewable for a further term of 3 years. She/he must be a person with much knowledge in credit and accounting practices and concepts. In the absence of the Chairman, members of the Committee shall choose one of the non-executive directors to chair the meeting. The Chairman of the Committee shall report on the proceedings and recommendations of the Committee to the Board.

Responsibilities of the Committee

The responsibilities of the Committee include:

i. Review and approve credit facilities to be granted by the Bank;
ii. Recommend for approval credit risk appetite and credit portfolio in line with the Bank's strategy;
iii. Review, endorse and recommend for Board for approval the establishment of or any material change to the Bank's investment policy and framework;
iv. General oversight of the Bank's credit portfolio and related credit risk management processes;
v. See to the administration, effectiveness and compliance with the Bank's credit policies;
vi. Review and asses the adequacy of provisions made for credit losses;
vii. Approval of new credit products and processes; and
viii. Other matters relating to the credit operations of the Bank.

BOARD FINANCE AND GENERAL PURPOSE COMMITTEE

Purpose

This Committee is to consider and approve the Bank's capital expenditure plan and specific capital projects above the management's approval limit and advise the Board in its oversight responsibilities in relation to recruitment, compensation/ benefits, promotions and disciplinary issues.

Composition of the Committee

The Committee currently comprises of three (3) non-executive directors, one of whom acts as the Chairman. Members have sound management experience in the finance/banking industry. The Heads, Human Resources, Financial Control and General services have a standing invitation to the Committee's meetings. Members are appointed for a 3 year term renewable for a further 3 year term. The Board Chairman is not a member and/or the Chairman of the Committee. The Board has the authority to determine the membership of the Committee as it deems fit.

CORPORATE GOVERNANCE FRAMEWORK (continued)
BOARD FINANCE AND GENERAL PURPOSE COMMITTEE (continued)

Chairman of the Committee

The Chairman of the Committee is a non-executive director appointed by the Board for a 3 year term renewable for a further term of 3 years. In the absence of the Chairman, members of the committee shall choose one of the non-executive directors to chair the meeting. The Chairman of the committee shall report on the proceedings and recommendations of the Committee to the Board.

Responsibilities of the Committee

The responsibilities of the Committee include:

i. Approval of capital expenditure within the monetary amounts specified by the Board;
ii. Ensure that principles of transparency, fairness and openness are adhered to in procurement processes;
iii. Regularly review and recommend to the Board limits of capital expenditure for various levels of management and executive management;
iv. Ensuring the performance of contracts in accordance with contractual terms and conditions;
v. Ensuring that all expenditure is within the Bank's stipulated limits;
vi. Ensuring development of suppliers list and efficient performance;
vii. Considering and recommending of contracts for the approval of directors or appropriate authorities; and
viii. Other matters relating to the credit operations of the Bank.

BOARD GOVERNANCE COMMITTEE

Purpose

The primary purpose of the Board Governance Committee is to oversee and advise the Board on its oversight responsibilities in relation to among others determining Board composition, designing and executing the process for appointments of new Board members and removal of non-performing Board members; developing and maintaining an appropriate corporate governance framework for the Bank; evaluating the Board, Board committees and individual directors as well as providing direction and oversight for director orientation and continuing education programs.

Composition of the Committee

The Committee currently comprise of three (3) non-executive directors, one of whom acts as the Chairman. Membership comprise of people representing a balance of views, knowledge and who have over twelve (12) years management experience in the finance industry. Members are appointed for an initial term of three (3) years and can be re-elected for a subsequent term of three (3) years, subject to satisfactory performance.

Chairman of the Committee

The Chairman of the Committee is a non-executive director appointed by the board, for an initial period of three years which is renewable for another second term of three years. In the absence of the Chairman, members of the committee shall choose one of the non-executive directors to chair the meeting. The Chairman of the committee shall report on the proceedings and recommendations of the Committee to the Board.

CORPORATE GOVERNANCE FRAMEWORK (continued)
BOARD GOVERNANCE COMMITTEE (continued)

Responsibilities of the Committee

The responsibilities of the Committee include:

i. Determining Board composition, designing and executing the process for appointments of new Board members and removal of non-performing Board members;
ii. Developing and maintaining an appropriate corporate governance framework for the Bank;
iii. Evaluating the Board, Board committees and individual directors;
iv. Providing direction and oversight for director orientation and continuing education programs;
v. Developing appropriate policy on remuneration of directors both executive and non-executive;
vi. Ensuring proper reporting and disclosure of the Bank's corporate governance to stakeholders;
vii. Evaluating the role of the other Board Committees; and
viii. Ensuring proper succession planning for the Bank.

Attendance at Board meetings

The Banks Board met five times in 2018. The record of attendance is provided below.

Name	24 January	19 April	01 August	17 October	19 December
Hon. Joseph Yieleh Chireh	√	√	√	√	√
Mr. Gbenga Odeyemi	√	√	√	√	√
Mr. Abdul Kofarsauri	√	√	√	√	√
Mr. Olasanu Otudeko	√	√	√	√	√
Mrs. Hannah A. Amoateng	√	√	×	√	√
Mr. Alebiosu Olusegun	√	√	√	√	√
Mrs. Bashirat Odunewu	√	√	√	√	√

SYSTEMS OF INTERNAL CONTROL

FBNBank Ghana Limited has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the business are being controlled.

The corporate internal assurance function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness 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 Bank's Code of Conduct, to its employees in the discharge of their duties.

This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, and strict adherence to the principles so as to eliminate the potential for illegal practices.

CORPORATE GOVERNANCE FRAMEWORK (continued)
CODE OF BUSINESS ETHICS (continued)

Anti-Money Laundering

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

Whistle Blowing Policy

In line with the Whistle Blowing Act 720 of 2006, FBNBank Ghana Limited has a Whistle Blowing policy in place to enable employees and other relevant stakeholders report acts of impropriety to appropriate authorities. The policy consists of responsible and effective procedures for disclosure or reporting of misconduct and impropriety so that appropriate remedial action can be taken if concerns are deemed legitimate. It encourage staff and other relevant stakeholders to report unethical or illegal conduct or conduct of employees, management, directors and other stakeholders to appropriate authorities in a confidential manner without any fear of harassment, intimidation, victimization or reprisal of anyone for raising a concern.

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 FBN 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 FBNBank Ghana Limited (the "Bank") for the year ended 31 December 2018.

The financial statements on pages 15 to 79 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 judgment, 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 Bank's 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)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers (GHS6 million) The adoption of IFRS 9- Financial Instruments saw a significant increase in the impairment allowance of loans and advances of the Bank. Impairment allowances represent management's best estimate of expected credit loss ('ECL'). In estimating the ECL, management had to build and implement suitable models to achieve compliance with the requirements of the standard. The development of the model led to the application of significant estimates and judgements. Key judgements and estimates include: • The definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank; • Setting of appropriate thresholds for what is considered a Significant Increase in Credit Risk (SICR); • The completeness and appropriateness of the model to ensure that data sources are reasonable and reliable; • The determination of forward looking macroeconomic scenarios and the probability weights applied to ECLs; • The probability of default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon); and • The loss given default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default) The accounting policies, critical estimates and judgements and impairment charge are set out in notes 3.1.2,6, and 11 to the financial statements.	We understood and evaluated the design of the key controls over the determination of ECLs and tested their operating effectiveness. These included understanding the controls over the loans origination, monitoring and provisioning process. We assessed the criteria applied by management in determining significant increase in credit risk since initial recognition on loans that do not have objective evidence of impairment. We assessed management definition of default. We assessed the reasonableness of forward looking information incorporated into the impairment calculations by challenging the multiple economic scenarios chosen and the weighting applied. We assessed the completeness and accuracy of data used in the ECL model and re-performed the calculation of ECL for a sample of loans and advances. We ensured that the ECL calculations were consistent with the approved model methodologies. We assessed the reasonableness of PD assumptions applied and tested the reasonableness of the LGD by reviewing on a sample basis the valuation of the collateral held. We tested the underlying disclosures related to the implementation impact and compared the disclosed impact to underlying accounting records.

Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors, Corporate Governance Framework and Value added Statement but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

iv) 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;

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

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

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

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

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

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

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

With respect to the provisions of the Anti-Money Laundering Act, 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 Oseini Amui (ICAG/P/1139).

Pricewaterhousecoopers

PricewaterhouseCoopers (ICAG/F/2019/028)

Chartered Accountants

Accra, Ghana

27 March 2019

pwc

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in Ghana Cedis)

	Note	2018	2017
Interest income	7	**64,210,098**	84,153,774
Interest expense	8	**(21,372,191)**	(32,034,962)
Net interest income		**42,837,907**	52,118,812
Fee and commission income	9	**9,353,536**	7,656,488
Fee and commission expense	9	**(314,658)**	(320,368)
Net fee and commission income		**9,038,878**	7,336,120
Net trading income	10	**16,280,476**	10,797,457
Other income	22	**273,514**	2,827
Operating income		**68,430,775**	70,255,216
Impairment loss on financial assets	11	**(862,528)**	(1,744,723)
Personnel expenses	12	**(22,818,116)**	(20,369,561)
Depreciation and amortisation	24	**(6,637,863)**	(4,811,655)
Operating expenses	13	**(25,500,958)**	(25,171,752)
Profit before tax		**12,611,310**	18,157,525
Income tax expense	14	**(2,580,752)**	(5,818,425)
National stabilisation levy	15	**(630,566)**	(907,876)
Profit for the year after tax		**9,399,992**	11,431,224
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,399,992**	11,431,224
Earnings per share			
Earnings per share (basic and diluted)	29	**0.02**	0.19

The accompanying notes on pages 19 to 79 form 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	17	**213,247,550**	184,398,779
Investment securities	18	**668,300,907**	264,478,502
Loans and advances	19	**71,905,033**	66,706,038
Current income tax assets	14	**551,008**	-
Other assets	20	**15,048,609**	8,474,071
Investments in associates	21	**8,088,100**	8,088,100
Property and equipment	22	**10,414,972**	12,187,720
Intangible assets	23	**1,075,793**	1,384,603
Deferred income tax asset	16	**992,097**	585,662
Total assets		**989,624,069**	546,303,475
Liabilities			
Customer deposits	25	**304,313,552**	293,167,852
Deposits from banks and other financial institutions	26	**190,306,421**	115,656,164
Other liabilities	27	**50,449,790**	13,042,243
Current income tax liability	14	**-**	379,822
Total liabilities		**545,069,763**	422,246,081
Shareholders' funds			
Stated capital	28	**400,000,000**	60,000,000
Income surplus	30	**(2,761,536)**	26,282,147
Statutory reserve	33	**37,619,160**	32,919,164
Credit risk reserve	34	**8,407,730**	3,567,131
Capital surplus	32	**1,288,952**	1,288,952
Shareholders' funds		**444,554,306**	124,057,394
Total liabilities and shareholders' funds		**989,624,069**	546,303,475

The accompanying notes on pages 19 to 79 form an integral part of these financial statements.

The financial statements on pages 15 to 79 were approved by the Board of Directors on 12 March 2019 and signed on its behalf by:

Director
Gbenga Odeyemi
(Managing Director/CEO)

Director
Hon. Joseph Yieleh Chireh
(Chairman)

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

	Stated capital	Income surplus	Statutory reserves	Credit risk reserve	Revaluation reserve	Total
Year ended 31 December 2017						
At 1 January 2017	60,000,000	16,891,574	30,061,358	4,384,286	1,288,952	112,626,170
Profit for the year	-	11,431,224	-	-	-	11,431,224
Total comprehensive income	-	11,431,224	-	-	-	11,431,224
Transfer to statutory reserve	-	(2,857,806)	2,857,806	-	-	-
Transfer from credit risk reserve	-	817,155	-	(817,155)	-	-
Total transactions with owners	-	(2,040,651)	2,857,806	(817,155)	-	-
At 31 December 2017 and 1 January 2018	60,000,000	26,282,147	32,919,164	3,567,131	1,288,952	124,057,394
Changes on initial application of IFRS 9						
Increase in impairment provisioning	-	**(2,643,529)**	-	-	-	**(2,643,529)**
Transfer from credit risk reserve	-	**2,643,529**	-	**(2,643,529)**	-	-
Restated balance at 1 January 2018	**60,000,000**	**26,282,147**	**32,919,164**	**923,602**	**1,288,952**	**121,413,865**
Profit for the year	-	**9,399,992**	-	-	-	**9,399,992**
Total comprehensive income	-	**9,399,992**	-	-	-	**9,399,992**
Transfer to statutory reserve	-	**(4,699,996)**	**4,699,996**	-	-	-
Transfer to credit risk reserve	-	**(7,484,128)**	-	**7,484,128**	-	-
Transfer to stated capital	**24,048,165**	**(24,048,165)**	-	-	-	-
Additional capital from parent	**315,951,835**	-	-	-	-	**315,951,835**
Tax on transfer to stated capital	-	**(2,211,386)**	-	-	-	**(2,211,386)**
Total transactions with owners	**340,000,000**	**(38,443,675)**	**4,699,996**	**7,484,128**	-	**313,740,449**
At 31 December 2018	**400,000,000**	**(2,761,536)**	**37,619,160**	**8,407,730**	**1,288,952**	**444,554,306**

The accompanying notes on pages 19 to 79 form an integral part of these financial statements.

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

	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		**12,611,310**	18,157,525
Adjustment for:			
Depreciation and amortisation	24	**6,637,863**	4,811,655
Impairment loss on financial assets	11	**1,215,249**	2,123,468
Gain on disposal of property and equipment	22	**(273,514)**	(2,827)
Changes in loans and advances to customers		**(9,010,877)**	24,319,666
Changes in restricted balances		**(2,507,208)**	(2,327,332)
Changes in other assets		**(6,574,538)**	405,858
Changes in customer deposits		**11,145,700**	15,198,977
Changes in deposits from banks and other financial institutions		**74,650,257**	(42,985,364)
Changes in other liabilities		**35,227,110**	(3,121,914)
Changes in investment securities		**(541,077,390)**	(40,494,652)
Cash used in operations		**(417,956,038)**	(23,914,940)
Tax paid	14	**(3,918,017)**	(5,009,875)
National stabilisation levy paid	15	**(588,170)**	(895,180)
Net cash used in operating activities		**(422,462,225)**	(29,819,995)
Cash flows from investing activities			
Purchase of property and equipment	22	**(4,008,537)**	(4,238,612)
Purchase of intangible assets	23	**(547,768)**	(862,389)
Proceeds from disposal of property and equipment	22	**273,514**	82,992
Net cash used in investing activities		**(4,282,791)**	**(5,018,009)**
Cash flows from financing activities			
Proceeds from issue of shares	28	**315,951,835**	-
Other statutory payments		**(120,241)**	-
Net cash from financing activities		**315,831,594**	-
Decrease in cash and cash equivalents		**(110,913,422)**	(34,838,004)
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at 1 January		**354,557,025**	389,395,029
Decrease in cash and cash equivalents		**(110,913,422)**	(34,838,004)
Cash and cash equivalents at 31 December	17	**243,643,603**	354,557,025

The accompanying notes on pages 19 to 79 form an integral part of these financial statements.

NOTES

1. GENERAL INFORMATION

FBNBank Ghana is a limited liability company, incorporated and domiciled in Ghana. The Bank is a subsidiary of First Bank of Nigeria Limited, a company incorporated in the Federal Republic of Nigeria. The registered office is Plots No. 6, 7 and 9, Liberation Road, Airport – Accra. FBNBank is licensed to operate as a bank under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy below.

The preparation of financial statements is in conformity with IFRS and requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2018. However, these standards and amendments as detailed below, do not significantly impact the financial statements of the Bank. The nature and the impact of each new standards and amendments are described below:

(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 early 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'.

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 and amended standards adopted by the Bank (continued)

(i) IFRS 9 – Financial instruments (continued)

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 2.4 below.

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 compared 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)	184,398,779	Amortised cost	184,398,779
Investment securities	Amortised cost (Held to maturity)	264,478,502	Amortised cost	264,478,502
Loans and advances to customers	Amortised cost (Loans and receivables)	66,706,038	Amortised cost	64,126,364
Other assets	Amortised cost (Loans and receivables)	8,474,071	Amortised cost	8,474,071

There were no changes to the classification or measurement of financial liabilities. They remained classified as financial liabilities 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 analysis of cash flow characteristics.

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:

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 and amended standards adopted by the Bank (continued)

(i) IFRS 9 – Financial instruments (continued)

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

	IAS 39 Carrying amount 31 December 2017	Remeasure-ments	IFRS 9 Carrying amount 1 January 2018
Cash and cash equivalents			
Closing balance under IAS 39 and opening balance under IFRS 9	184,398,779	-	184,398,779
Investment securities (Held to maturity)			
Closing balance under IAS 39 and	264,478,502	-	-
Opening balance under IFRS 9	-	-	264,478,502
Loans and advances to customers			
Closing balance under IAS 39	66,706,038	-	-
Remeasurement: Expected credit loss (ECL) allowance	-	(2,579,674)	-
Opening balance under IFRS 9	-	-	64,126,364
Other assets (excluding prepayment)			
Closing balance under IAS 39 and opening balance under IFRS 9	3,177,020	-	3,177,020
Total financial assets	518,760,339	(2,579,674)	516,180,665
Off balance sheet exposures	-	(63,855)	(63,855)
Total	**518,760,339**	**(2,643,529)**	**516,116,810**

There were no reclassifications.

The expected credit loss at 1 January 2018 for off balance sheet (loan commitments and guarantees) amounts to GH¢ 63,855, and has been recognised in other liabilities. The total remeasurement loss of GH¢ 2,643,529 was recognised in opening income surplus and reserves at 1 January 2018.

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 now measured at amortised cost.

NOTES (continued)

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 and amended standards adopted by the Bank (continued)

(i) IFRS 9 – Financial instruments (continued)

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

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 loss model at 1 January 2018:

Measurement category	**Loan loss allowance under IAS 39/Provision under IAS 37**	**Remeasure ment**	**Loan loss allowance under IFRS 9**
Cash and cash equivalents	-	-	-
Investment securities	-	-	-
Loans and advances to customers	5,728,588	2,579,674	8,308,262
Other assets	-	-	-
Provisions, loan commitments and financial guarantees	-	63,855	63,855
Total	5,728,588	2,643,529	8,372,117

There were no reclassifications.

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 3.1.2.

(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

The standards and interpretations that are issued, but not yet effective as at 31 December 2018 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become 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 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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 Bank is in the process of assessing the impact of the adoption of IFRS 16. The standard will affect the Bank's operating leases.

(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.

2.2 Foreign currency translation

Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The Bank of Ghana Interbank Exchange rates are used to translate foreign currency items into the functional currency.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation (continued)

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

2.3 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or pledge the collateral; the counterparty liability is included in due to other banks or customer deposits, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or due from other banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.4 Financial assets and liabilities

All financial assets and liabilities are recognised in the statement of financial position and measured in accordance with their assigned category.

2.4.1 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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 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.

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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Measurement methods (continued)

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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Debt instruments (continued)

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

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

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 3.1.2 for further details on the impairment process of financial assets.

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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Derecognition other than on a modification

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

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

2.4.2 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.

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

2.4.3 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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.3 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.

Classification

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.

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.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9.

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 2.4.5.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.3 Accounting policies applied until 31 December 2017 (continued)

Identification and measurement of impairment

The Bank assesses at each reporting date whether objective evidence of impairment exists for any financial asset. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (identified impairment). If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (unidentified impairment). Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.3 Accounting policies applied until 31 December 2017 (continued)

Identification and measurement of impairment (continued)

(i) Due from banks and loans and advances to customers (continued)

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate.

(ii) Held-to-maturity financial instruments

For held-to-maturity instruments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial assets'.

(iii) Derecognition of financial assets and liabilities

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

2.4.4 Financial liabilities

Classification

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

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.

Derecognition

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4 Financial assets and liabilities (continued)

2.4.5 Fair value measurement

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

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

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

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

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

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

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

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

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

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.6 Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for derecognition are classified as "assets pledged as collateral" and are included as part of investment securities in the statement of financial position. Initial recognition is at fair value while subsequent measurement is at amortised cost.

2.7 Leases

Leases are divided into finance leases and operating leases.

2.7.1. The Bank as the lessee

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Finance lease

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowing. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.7.2. The Bank as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

2.8 Property and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed regularly to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property and equipment (continued)

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as capital surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against capital surplus directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvement	Over the period of lease
Building	5%
Computers	$33^{1}/_{3}$%
Motor vehicles	25%
Equipment	20%
Furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to income surplus.

2.9 Intangible assets

Intangible assets comprise computer software licenses and other intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 3 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Bank have a definite useful life.

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

2.10 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.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets (continued)

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.

2.11 Income taxes

Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 Employee benefits

Pension obligations

The Bank makes contributions to mandatory pension schemes for eligible employees. Contributions by the Bank to the mandatory pension schemes is determined by law and are defined contributions plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the statutory pension scheme or the provident fund. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Employee benefits (continued)

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

2.13 Provisions

Provisions are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Borrowings

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

2.15 Stated capital

Ordinary shares

Ordinary shares are classified as "Stated capital" in equity.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

2.16 Cash and cash equivalents

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

NOTES (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, 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 (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. 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 the future cash flows for the purpose of measuring the impairment loss.

2.18 Fee and commission

Fee and commission are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis.

3. FINANCIAL RISK MANAGEMENT

Risk management structure

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

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

The Bank’s risk management policies are established to analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks arising from financial instruments to which the Bank is exposed are financial risks, which includes credit risk, liquidity risk and market risk.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management

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

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, who reports to the Board of Directors.

3.1.1 Risk limit control and mitigation policies

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

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

The Bank also 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.

Collaterals

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.

Long-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 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 related collateral held in order to mitigate potential losses are shown below:

Credit impaired assets	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Term loans	12,306,441	(3,729,271)	8,577,170	12,632,165
Overdrafts	108,583	(71,718)	36,865	367,519
Total credit impaired assets	**12,415,024**	**(3,800,989)**	**8,614,035**	**12,999,684**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1.1 Risk limit control and mitigation policies (continued)

Financial covenants (for credit related commitments and loan books)

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants). The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1.2 Expected credit loss measurement (continued)

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

Backstop

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

Low credit risk exemption

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

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1.2 Expected credit loss measurement (continued)

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.

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 Bank 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.2 Expected credit loss measurement (continued)

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.

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. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

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

Forward-looking information incorporated in the ECL models

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

Economic variable assumptions

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

Scenario	**Unemployment rate**	**Ease of doing business**
Base case	2.36%	60.00%
Best case	2.15%	31.58%
Worst case	5.32%	63.16%

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

- Unemployment rate – The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force.

- Ease of doing business - Ease of doing business ranks countries against each other based on how the regulatory environment is conducive to business operation and stronger protections of property rights. Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights. Economies with a high rank (1 to 20) have simpler and more friendly regulations for businesses.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum credit risk exposures relating to on-balance sheet assets are as follows:

	2018	2017
Balances with Bank of Ghana	**40,186,937**	31,362,182
Investment securities	**668,300,907**	264,478,502
Due from other banks	**146,639,366**	136,660,544
Loans and advances to customers	**71,905,033**	66,706,038
Other assets (excluding prepayments)	**2,005,677**	3,177,020
	929,037,920	502,384,286
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee	**7,421,264**	9,380,120
Loan commitments	**3,141,603**	3,211,587
	10,562,867	12,591,707
Total on and off balance sheet exposure	**939,600,787**	514,975,993

The above table represents a worst case scenario of credit risk exposure to the Bank 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.

Investment securities are held in government treasury bills and bonds.

At 31 December 2018, the Bank's credit exposures were categorised under IFRS 9 as follows:

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Credit risk management (continued)

3.1.4 Maximum exposure to credit risk – financial instruments subject to impairment

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

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Cash and cash equivalents	213,247,550	-	-	213,247,550	184,398,779
Investment securities	668,300,907	-	-	668,300,907	264,478,502
Loans and advances to customers	23,499,236	42,131,823	12,415,024	78,046,083	72,434,626
Other assets (excluding prepayment)	2,005,677	-	-	2,005,677	3,177,020
Gross carrying amount	907,053,370	42,131,823	12,415,024	961,600,217	524,488,927
Loss allowance	(130,255)	(2,209,806)	(3,800,989)	(6,141,050)	(8,308,262)
Carrying amount	**906,923,115**	**39,922,017**	**8,614,035**	**955,459,167**	**516,180,665**

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

- Current;
- Olem;
- Substandard;
- Doubtful; and
- Loss

The Bank's loans and advances exposure are categorised as follows:

Maximum exposure to credit risk	**2018**	2017
Neither past due nor impaired	**23,499,236**	18,788,685
Past due but not impaired	**42,131,823**	46,599,884
Individually impaired facilities	**12,415,024**	7,046,057
	78,046,083	72,434,626
Less: Allowance for impairment	**(6,141,050)**	(5,728,588)
Carrying amount	**71,905,033**	66,706,038

Loans and advances graded current are not considered past due nor impaired and are analysed by type of advance as follows:

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.4 Maximum exposure to credit risk – financial instruments subject to impairment (continued)

Neither past due nor impaired

The quality of credit exposures to customers that are current are neither past due nor impaired is made up as follows:

At 31 Dcember 2018	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade				
Current	**14,445,139**	**6,075,805**	**2,978,292**	**23,499,236**
At 31 December 2017				
Grade				
Current	11,064,696	4,808,964	2,915,025	18,788,685

Past due but not impaired loans

Loans and advances graded internally as "other loans exceptionally mentioned" (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 are as follows:

At 31 December 2018	**Term loans**	**Overdrafts**	**Total**
Past due up to 30 days	**7,239,457**	**2,672,083**	**9,911,540**
Past due 30 to 60 days	**-**	**5,309**	**5,309**
Past due 60 to 90 days	**32,097,961**	**117,013**	**32,214,974**
Total	**39,337,418**	**2,794,405**	**42,131,823**
At 31 December 2017			
Past due up to 30 days	33,577,825	36,965	33,614,790
Past due 30 to 60 days	2,090,144	-	2,090,144
Past due 60 to 90 days	10,771,403	123,547	10,894,950
Total	46,439,372	160,512	46,599,884

Individually impaired loans

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

Year ended 31 December 2018	**Term loans**	**Overdrafts**	**Total**
Substandard	231,467	17,892	249,359
Doubtful	204,643	2,148	206,791
Loss	11,870,331	88,543	11,958,874
Individually impaired loans	**12,306,441**	**108,583**	**12,415,024**
Specific impairment allowance	**(3,729,271)**	**(71,718)**	**(3,800,989)**
Total	**8,577,170**	**36,865**	**8,614,035**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Credit risk management (continued)

3.1.4 Maximum exposure to credit risk – financial instruments subject to impairment (continued)

Individually impaired loans (continued)

Year ended 31 December 2017	Term loans	Overdrafts	Total
Substandard	84,094	1,658	85,752
Doubtful	237,911	10,777	248,688
Loss	6,586,094	125,523	6,711,617
Individual impaired loans	6,908,099	137,958	7,046,057
Specific impairment allowance	(5,329,071)	(71,386)	(5,400,457)
Total	1,579,028	66,572	1,645,600

Repossessed assets

The type and carrying amount of collateral that the Bank has taken possession of in the period are measured at the lower of its carrying amount and fair value less costs to sell and stated as per below:

	Loans and advances to customers	
	2018	2017
Against individually impaired		
Property	-	432,641

Renegotiated loans

There were no renegotiated loans which have been reclassified as at 31 December 2018 (2017: Nil).

3.1.5 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

3.2 Liquidity risk management

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.1 Liquidity risk management process

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

(i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and

(iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Bank's Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Sources of liquidity are regularly reviewed by the Bank's Treasury to maintain a wide diversification by currency, provider, product and term.

3.2.2 Exposure to liquidity risk

The Bank holds a diversified portfolio of cash and liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise cash and balances with Bank of Ghana, placements and balances with other banks, government treasury bills and bonds, and loans and advances.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers set out as follows:

	2018	2017
At 31 December	**178.23%**	109.80%
Average for the period	**126.43%**	106.93%
Maximum for the period	**210.73%**	112.50%
Minimum for the period	**111.36%**	102.38%

For this purpose net liquid assets are considered as including cash and cash equivalents and debt securities for which there is an active and liquid market less any deposits from banks and other financial institutions, other borrowings and commitments maturing within the next month.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.2 Exposure to liquidity risk (continued)

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 below are the contractual undiscounted cash flows for the non-derivative financial assets and liabilities held by the Bank.

At 31 December 2018	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Financial liabilities					
Customer deposits	61,299,723	36,405,762	34,509,007	173,897,001	306,111,493
Deposits from banks and other financial institutions	23,527,236	2,711,722	154,659,510	13,465,033	194,363,501
Other liabilities	50,449,790	-	-	-	50,449,790
Total financial liabilities	**135,276,749**	**39,117,484**	**189,168,517**	**187,362,034**	**550,924,784**
Financial assets					
Cash and cash equivalents	213,247,550	-	-	-	213,247,550
Investment securities	63,256,906	505,354	505,758,647	98,780,000	668,300,907
Loans and advances	24,016,233	3,455,000	7,130,169	37,303,631	71,905,033
Other assets (excluding prepayments)	2,005,677	-	-	-	2,005,677
Assets held for managing liquidity risk	**302,526,366**	**3,960,354**	**512,888,816**	**136,083,631**	**955,459,167**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Liquidity risk management (continued)

3.2.2 Exposure to liquidity risk (continued)

At 31 December 2017	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Financial liabilities					
Customer deposits	49,742,573	49,367,899	19,581,933	176,587,731	295,280,136
Deposits from banks and other financial institutions	106,372,688	6,085,524	5,126,415	-	117,584,627
Other liabilities	13,042,243	-	-	-	13,042,243
Total financial liabilities	169,157,504	55,453,423	24,708,348	176,587,731	425,907,006
Financial assets					
Cash and cash equivalents	184,398,779	-	-	-	184,398,779
Investment securities	200,511,891	37,736,051	4,618,938	21,611,622	264,478,502
Loans and advances	13,964,762	1,519,494	22,064,590	29,157,192	66,706,038
Other assets (excluding prepayments)	3,177,020	-	-	-	3,177,020
Assets held for managing liquidity risk	402,052,452	39,255,545	26,683,528	50,768,814	518,760,339

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks

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

Overall responsibility for management of market risk rests with Assets and Liability Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies. The Board Sub-Committee on Risk Management has oversight responsibility for market risk management.

3.3.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Bank Treasury.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.1 Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risks.

At 31 December 2018

Financial assets	Up to 1 month	1-3 months	3-12 months	over 1 year	Non-interest bearing	Total
Cash and cash equivalents	58,102,081	-	-	-	155,145,469	213,247,550
Investment securities	63,256,906	505,354	505,758,647	98,780,000	-	668,300,907
Loans and advances to customers	24,016,233	3,455,000	7,130,169	37,303,631	-	71,905,033
Other assets (excluding prepayments)	-	-	-	-	2,005,677	2,005,677
Total financial assets	145,375,220	3,960,354	512,888,816	136,083,631	157,151,146	955,459,167
Financial liabilities						
Customer deposits	4,018,139	7,228,290	31,937,668	95,423,663	165,705,792	304,313,552
Deposits from banks and other financial institutions	23,088,573	2,711,722	151,041,093	13,465,033	-	190,306,421
Other liabilities	-	-	-	-	50,449,790	50,449,790
Total financial liabilities	27,106,712	9,940,012	182,978,761	108,888,696	216,155,582	545,069,763
Total interest re-pricing gap	118,268,508	(5,979,658)	329,910,055	27,194,935		

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.1 Interest rate risk (continued)

At 31 December 2017

Financial assets	Up to 1 month	1-3 months	3-12 months	over 1 year	Non-interest bearing	Total
Cash and cash equivalents	100,324,340	-	-	-	84,074,439	184,398,779
Investment securities	200,511,891	37,736,051	4,618,938	21,611,622	-	264,478,502
Loans and advances to customers	13,964,762	1,519,494	22,064,590	29,157,192	-	66,706,038
Other assets (excluding prepayments)	-	-	-	-	3,177,020	3,177,020
Total financial assets	314,800,993	39,255,545	26,683,528	50,768,814	87,251,459	518,760,339
Financial liabilities						
Customer deposits	27,959,165	24,842,261	43,712,075	75,803,754	120,850,597	293,167,852
Deposits to banks and other financial institutions	105,053,127	5,995,270	4,607,767	-	-	115,656,164
Other liabilities	-	-	-	-	13,042,243	13,042,243
Total financial liabilities	133,012,292	30,837,531	48,319,842	75,803,754	133,892,840	421,866,259
Total interest re-pricing gap	181,788,701	8,418,014	(21,636,314)	(25,034,940)		

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.1 Interest rate risk (continued)

Interest rate sensitivity analysis

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves with all other variables unchanged. An analysis of the Bank's sensitivity to an increase in market interest rates and its impact on the net interest margin is as follows:

		Possible interest rate movements		
	Total interest repricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	**97,137,915**	**931,459**	**1,862,919**	**2,794,378**
1-3 months	**(48,493,237)**	**(405,217)**	**(810,435)**	**(1,215,652)**
3-12 months	**323,443,441**	**2,038,137**	**4,076,274**	**6,114,411**
over 1 year	**60,279,877**	**151,938**	**303,877**	**455,815**
Total		**2,716,317**	**5,432,635**	**8,148,952**
Impact on net interest income (Year ended 31 December 2018)		**6.34%**	**12.68%**	**19.02%**
Impact on net interest income (Year ended 31 December 2017)		3.10%	6.19%	9.29%

3.3.2 Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent Banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline of 5% and 10% of the net own funds for single currency position and aggregate currency position respectively as stipulated by the Bank of Ghana. These positions are reviewed on a daily basis by management.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk.

At 31 December 2018	Ghana cedi	US dollar	Euro	Pound sterling	Total
Financial assets	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and cash equivalents	106,522,324	98,887,342	3,446,220	4,391,664	213,247,550
Investment securities	668,300,907	-	-	-	668,300,907
Loans and advances to customers	71,905,033	-	-	-	71,905,033
Other assets (excluding prepayments)	2,005,677	-	-	-	2,005,677
Total financial assets	848,733,941	98,887,342	3,446,220	4,391,664	955,459,167
Financial liabilities					
Customer deposits	223,130,623	77,322,465	1,774,510	2,085,954	304,313,552
Deposits from banks and other financial institutions	37,734,169	152,572,252	-	-	190,306,421
Other liabilities	50,449,790	-	-	-	50,449,790
Total financial liabilities	311,314,582	229,894,717	1,774,510	2,085,954	545,069,763
Net on balance sheet position	537,419,359	(131,007,375)	1,671,710	2,305,710	410,389,404
Off balance sheet items					
Letters of guarantee	7,421,264	-	-	-	7,421,264
Loan commitments	3,141,603	-	-	-	3,141,603
	10,562,867	-	-	-	10,562,867

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.2 Foreign exchange risk (continued)

At 31 December 2017	Ghana cedi	US dollar	Euro	Pound sterling	Total
Financial assets	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and cash equivalents	75,241,344	94,681,034	2,628,649	11,847,752	184,398,779
Investment securities	264,478,502	-	-	-	264,478,502
Loans and advances to customers	65,803,055	902,983	-	-	66,706,038
Other assets (excluding prepayments)	3,177,020	-	-	-	3,177,020
Total financial assets	408,699,921	95,584,017	2,628,649	11,847,752	518,760,339
Financial liabilities					
Customer deposits	246,906,952	43,070,356	1,515,281	1,675,263	293,167,852
Deposits from banks and other financial institutions	52,939,883	51,832,655	-	10,883,626	115,656,164
Other liabilities	13,042,243	-	-	-	13,042,243
Total financial liabilities	312,889,078	94,903,011	1,515,281	12,558,889	421,866,259
Net on balance sheet position	95,810,843	681,006	1,113,368	(711,137)	96,894,080
Off balance sheet items					
Letters of guarantee	9,380,120	-	-	-	9,380,120
Loan commitments	3,211,587	-	-	-	3,211,587
	12,591,707	-	-	-	12,591,707

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Market risks (continued)

3.3.2 Foreign exchange risk (continued)

Foreign currency sensitivity analysis

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

	Impact on statement of comprehensive income	
	2018	2017
US Dollar	**(19,651,106)**	102,151
Euro	**250,757**	167,005
Pound Sterling	**345,857**	(106,671)

Year-end exchange rates applied in the above analysis are GH¢4.820 (2017: GH¢4.4157) to the US dollar, GH¢5.5131 (2017: GH¢5.2964) to the Euro, and GH¢6.1711 (2017: GH¢5.9669) to the Pound Sterling. The strengthening of the Ghana Cedi will produce an equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

3.4 Fair value of financial instruments

Financial instruments not measured at fair value (fair value of financial assets at amortised cost)

(i) Loans and advances

The carrying amount of loans and advances as at 31 December 2018 is GH¢71,905,033 (2017: GH¢66,706,038). Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The fair value are not significantly different from their carrying amount.

(ii) Investment securities

The carrying amount of investment securities as at 31 December 2018 is GH¢668,300,907 (2017: GH¢264,478,502). The estimated fair value of hold to collect investment securities represents the discounted amount of estimated future cash flows expected to be received.

(iii) Customer deposits

The carrying value of customer deposits as at 31 December 2018 is GH¢304,313,552 (2017: GH¢293,167,852). The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

Fair value hierarchy

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value of financial instruments (continued)

Fair value hierarchy (continued)

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii) Level 2 – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).
(iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders;
(ii) To maintain a strong capital base to support the current and future development needs of the business; and.
(iii) To comply with the capital requirements set by the Bank of Ghana.

3.5.1 Regulatory capital

The 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:

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

(ii) 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.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.5 Capital management (continued)

3.5.1 Regulatory capital (continued)

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

	2018	2017
Tier 1 capital		
Ordinary share capital	**400,000,000**	60,000,000
Retained earnings	**(2,761,536)**	26,282,147
Statutory reserves	**37,619,160**	32,919,164
Total disclosed reserves	**34,857,624**	59,201,311
Less: other regulatory adjustments		
Intangible assets	**(14,035,029)**	(4,722,477)
Investment in capital of other banks	**(8,088,100)**	(8,088,100)
Total adjustments	**(22,123,129)**	(12,810,577)
Total tier 1 Capital	**412,734,495**	106,390,734
Tier 2 capital		
Capital surplus	**1,288,952**	1,288,952
Total tier 2 capital	**1,288,952**	1,288,952
Total regulatory capital	**414,023,447**	107,679,686
Risk-weighted assets	**217,518,639**	205,348,606
Capital adequacy ratios	**190.34%**	52.44%

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

4. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the monthly reporting and business performance reviews;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit, Internal Control and Compliance. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

5. Segment information

Operating segments are reported in accordance with the internal reports provided to the Bank's Management Committee (the chief operating decision maker), which is responsible for allocating resources to the operating segments and assesses its performance.

Retail banking

Retail Banking cuts across private individuals, businesses and public sector clients, at the lower end of the market. It also covers small and medium enterprises (SMEs), local government agencies, and affluent customers.

Corporate banking

The Institutional banking segment is the top end of the business banking value chain and consists of large organisations across our target industries including oil and gas, commerce and services, manufacturing, telecommunications, transport, financial institutions, construction and infrastructure.

Commercial banking

Commercial Banking segment is the middle end of the business banking value chain and consists of top SMEs and lower corporates. Major business target sectors include: Hospitality, Construction, Commerce, Imports and Exports, Textile, Automobile, Pharmaceutical, Manufacturing, Oil and Gas, Telecommunications, Transport , Mining, etc.

Treasury services

The corporate treasury serves the needs of the Bank in the following: cash management, liquidity planning and control, management of interest and currency risk, procurement of finance and financial investments and contacts with banks.

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

5. Segment information (continued)

Segment result of operations

Total revenue in the segment represents interest income, fee and commission income, net gains or losses on foreign exchange income, net gains/losses on investment securities, and other operating income.

The segment information provided to the Bank management committee for the reportable segments for the year ended 31 December 2018 is as follows:

	Commercial Banking	Corporate Banking	Retail Banking	Treasury Services	Unallocated	Total
Year ended 31 December 2018						
Total segment revenue	22,503,188	7,126,582	18,871,387	39,405,154	2,211,313	90,117,624
Profit/(loss) before tax	5,030,002	1,323,375	971,626	31,098,790	(25,812,483)	12,611,310
Income tax expense	-	-	-	-	(2,580,752)	(2,580,752)
National stabilisation levy	-	-	-	-	(630,566)	(630,566)
Profit/(loss) for the year	**5,030,002**	**1,323,375**	**971,626**	**31,098,790**	**(29,023,801)**	9,399,992
At 31 December 2018						
Total assets	7,512,399	54,895,001	6,553,459	889,636,557	31,026,653	989,624,069
Total liabilities	142,198,367	20,654,141	165,755,997	166,011,440	50,449,818	545,069,763

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

5. Segment information (continued)

Segment result of operations (continued)

	Corporate Banking	Retail Banking	Treasury Services	Unallocated	Total
Year ended 31 December 2017					
Total segment revenue	15,725,274	17,927,374	67,865,229	1,092,669	102,610,546
Profit/(loss) before tax	2,009,953	10,985,367	31,475,561	(26,313,356)	18,157,525
Income tax expense				(5,818,425)	(5,818,425)
National stabilisation levy				(907,876)	(907,876)
Profit/(loss) for the year	2,009,953	10,985,367	31,475,561	(33,039,657)	11,431,224
At 31 December 2017					
Total assets	39,621,952	27,084,086	456,965,381	22,632,056	546,303,475
Total liabilities	28,605,484	274,930,965	105,287,567	13,422,065	422,246,081

NOTES (continued)

6. Critical accounting estimates and judgments in applying the Bank's accounting policies

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 judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

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.

Other accounting judgements and estimates applied as at 31 December 2017

Impairment loss on loans and advances

The Bank reviews its loan portfolios to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take 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.

Where the net present value of estimated cash flows to differ by +/-1%, the impairment loss is to be estimated at GH¢15,828 higher/lower.

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

6. Critical accounting estimates and judgments in applying the Bank's accounting policies (Continued)

Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates 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 is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

If all held-to-maturity investments were to be so reclassified, the carrying value would increase by GH¢3,135,483 with a corresponding entry in the fair value reserve in shareholders' equity.

Income tax

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

Deferred income tax assets

Deferred income 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. Management judgement is required to determine the amount of deferred income 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)

7. Interest income

	2018	2017
Placement with other banks	**4,627,201**	18,396,186
Loans and advances to customers	**18,744,769**	22,941,715
Investment securities	**40,838,128**	42,815,873
	64,210,098	84,153,774

8. Interest expense

Fixed deposits	**11,818,070**	14,760,777
Savings deposits	**2,652,946**	3,420,294
Demand and call deposits	**465,172**	511,873
Deposits and takings from banks	**6,436,003**	13,342,018
	21,372,191	32,034,962

9. Fee and commission

Fees and charges	**2,430,648**	1,933,730
Trade finance fees	**5,561,590**	4,470,223
Guarantees charges and commission	**88,920**	153,653
Other commission	**1,272,378**	1,098,882
Gross fee and commission earned	**9,353,536**	7,656,488
Fee and commission expense	**(314,658)**	(320,368)
	9,038,878	7,336,120

10. Net trading income

Foreign exchange gain	**15,508,566**	10,381,522
Gain on foreign exchange translations	**771,910**	415,935
	16,280,476	10,797,457

11. Impairment loss on financial assets

Impairment losses on:		
- Loans and advances	**1,232,208**	2,123,468
- Off-balance sheet exposures	**(16,959)**	-
Total losses	**1,215,249**	2,123,468
Recoveries	**(352,721)**	(378,745)
	862,528	1,744,723

Movement in impairment losses on loans and advances is as follows:

At 1 January	**5,728,588**	4,256,174
Changes on application of IFRS 9	**2,579,674**	-
Increase in impairment charges	**1,232,208**	2,123,468
Amounts written off as uncollectible	**(3,399,420)**	(651,054)
At 31 December	**6,141,050**	5,728,588

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

11. Impairment loss on financial assets (continued)

Movement in impairment losses on off balance sheet exposures is as follows:

	2018	2017
At 1 January	-	-
Changes on application of IFRS 9	63,855	-
Decrease in impairment charges	(16,959)	-
	46,896	-

12. Personnel expenses

	2018	2017
Wages and salaries	19,395,078	17,141,645
Pension contribution	1,620,414	1,435,526
Other staff related costs	1,802,624	1,792,390
	22,818,116	20,369,561

The number of persons employed by the Bank at the end of the year was 308 (2017: 281).

13. Operating expenses

Operating expenses include:	2018	2017
Repairs and maintenance	5,169,537	4,359,746
Stationery and print expenses	1,190,503	1,088,100
Legal and consultancy fees	293,647	665,259
Directors' emoluments	1,281,437	1,579,136
Auditor's remuneration	240,987	219,079
Donations	-	18,520
Office rent	8,122,006	6,391,072
Swift and cable expenses	2,791,379	2,617,213
Fuel and lubricants	1,914,483	2,153,938
Passages and travels	1,539,936	960,518
Outsourced cost	1,278,409	1,206,784
Subscriptions	667,812	687,752
Other expenses	1,010,822	3,224,635
	25,500,958	25,171,752

14. Income tax expense

Current income tax	2,987,187	6,426,646
Deferred income tax credit (Note 16)	(406,435)	(608,221)
	2,580,752	5,818,425

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

14. Income tax expense (continued)

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

	2018	2017
Profit before income tax	**12,611,310**	18,157,525
Corporate tax rate at 25% (2017: 25%)		
Tax calculated at corporate tax rate	**3,152,828**	4,539,381
Tax impact on expenses not deductible for tax purposes	**2,075,322**	1,723,216
Tax impact on income not subject to tax	**(3,006,719)**	(1,941,064)
Adjustment for current tax of prior periods	**359,321**	1,496,892
Income tax expense	**2,580,752**	5,818,425

Current income tax

The movement on current income tax is as follows

Year of assessment	At 1 January	Paid during the year	Transfer	Charge for the year	At 31 December
Up to 2017	379,822	-	-	-	**379,822**
2018	-	(3,918,017)	-	2,987,187	**(930,830)**
	379,822	(3,918,017)	-	2,987,187	**(551,008)**

Year of assessment	At 1 January	Paid during the year	Transfer	Charge for the year	At 31 December
Up to 2016	(960,162)	-	(116,787)	-	(1,036,949)
2017	-	(5,009,875)	-	6,426,646	1,416,771
	(960,162)	(5,009,875)	(116,787)	6,426,646	379,822

15. National fiscal stabilisation levy

Year of assessment					
Up to 2017	12,696	-	-	-	**12,696**
2018	-	(588,170)	-	630,566	**42,396**
	12,696	(588,170)	-	630,566	**55,092**

Year of assessment					
Up to 2016	(116,787)	-	116,787	-	-
2017	-	(895,180)	-	907,876	12,696
	(116,787)	(895,180)	116,787	907,876	12,696

Under the National Fiscal Stabilisation Act, 2009 (Act 785), 5% levy is charged on profit before tax and is payable quarterly. The levy is not an allowable tax deduction.

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

16. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2017: 25%).

At 31 December 2018	**Assets**	**Liabilities**	**Net**
Accelerated tax depreciation	**-**	**113,515**	**113,515**
Revaluation gain on building	**-**	**429,651**	**429,651**
Loans and advances	**(1,535,263)**	**-**	**(1,535,263)**
Net deferred tax assets	**(1,535,263)**	**543,166**	**(992,097)**
At 31 December 2017			
Accelerated tax depreciation	-	416,834	416,834
Revaluation gain on building	-	429,651	429,651
Loans and advances	(1,432,147)	-	(1,432,147)
Net deferred tax assets	(1,432,147)	846,485	(585,662)

Deferred income tax assets and deferred income tax credit in the statement of comprehensive income are attributable to the following items:

Year ended 31 December 2018	**At 1 January**	**Credit to profit or loss**	**At 31 December**
Accelerated tax depreciation	**416,834**	**(303,319)**	**113,515**
Revaluation gain on building	**429,651**	**-**	**429,651**
Loans and advances	**(1,432,147)**	**(103,116)**	**(1,535,263)**
	(585,662)	**(406,435)**	**(992,097)**
Year ended 31 December 2017			
Accelerated tax depreciation	656,952	240,118	416,834
Revaluation gain on building	429,651	-	429,651
Loans and advances	(1,064,044)	368,103	(1,432,147)
	22,559	608,221	(585,662)

17. Cash and cash equivalents

	2018	2017
Cash and balances with banks	**114,958,532**	52,712,257
Unrestricted balances with the central bank	**7,326,084**	1,008,537
Restricted balances with central bank	**32,860,853**	30,353,645
Money market placements	**58,102,081**	100,324,340
	213,247,550	184,398,779

Restricted balances are set aside in accordance with the Bank of Ghana guidelines. Cash in hand and balances with Bank of Ghana are non-interest-bearing.

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

17. Cash and cash equivalents (continued)

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following:

	2018	2017
Cash and balances with banks	**114,958,532**	52,712,257
Unrestricted balances with the central bank	**7,326,084**	1,008,537
Money market placements	**58,102,081**	100,324,340
Investment securities maturing within 91 days of acquisition	**63,256,906**	200,511,891
	243,643,603	354,557,025

18. Investment securities

Government of Ghana securities		
- Treasury bills	**508,137,568**	6,511,206
- Cocoa bills	**-**	37,446,335
Bonds	**98,780,000**	21,611,623
Bank of Ghana Bills	**61,383,339**	198,909,338
	668,300,907	264,478,502

Maturity analysis of investment securities		
- maturing within 91 days of acquisition	**63,256,906**	200,511,891
- maturing after 91 days but within 182 days	**505,354**	37,736,051
- maturing after 182 days of acquisition but within 1 year	**505,758,647**	4,618,938
- maturing after 1 year of acquisition	**98,780,000**	21,611,622
	668,300,907	264,478,502

Pledged assets

Investment securities amounting to GH¢189,991,600 (2017:GH¢68,006,921) have been pledged under repurchase agreements with other banks as collateral security for overnight borrowings.

The liabilities in respect of which the securities have been pledged amount to GH¢164,497,170 (2017: GH¢69,703,199). These transactions have been conducted under terms that are usual and customary for lending and borrowing activities with local banks.

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

19. Loans and advances

	2018	2017
Analysis by type of advance		
Term loans	**66,088,998**	64,412,167
Overdrafts	**8,978,793**	5,107,434
Staff	**2,978,292**	2,915,025
Gross loans and advances	**78,046,083**	72,434,626
Impairment allowance (Note 11)	**(6,141,050)**	(5,728,588)
Net loans and advances to customers	**71,905,033**	66,706,038
Analysis by type of customer		
Private enterprises	**65,600,298**	56,317,211
Public institutions	**3,829,312**	5,217,672
Individuals	**5,638,181**	7,984,718
Staff	**2,978,292**	2,915,025
Gross loans and advances	**78,046,083**	72,434,626
Impairment allowance (Note 11)	**(6,141,050)**	(5,728,588)
Net loans and advances to customers	**71,905,033**	66,706,038
Manufacturing	**3,568,295**	3,350,848
Construction	**2,387,218**	2,485,446
Electricity, gas and water	**1,160,284**	3,465,429
Commerce and finance	**59,298,129**	42,950,112
Transport, storage and communication	**1,642,689**	901,956
Services	**1,372,995**	14,998,834
Miscellaneous	**8,616,473**	4,282,001
Gross loans and advances	**78,046,083**	72,434,626
Impairment allowance (Note 11)	**(6,141,050)**	(5,728,588)
Net loans and advances to customers	**71,905,033**	66,706,038
Current	**34,093,270**	57,221,785
Non- current	**37,811,763**	9,484,253
	71,905,033	66,706,038
50 largest exposure to total loans	**94.98%**	93.09%

At 31 December 2018, non-performing loans of GH¢12,415,024 (2017: GH¢7,046,057) constitute 15.91% (2017: 9.73%) of total gross loans and advances.

The Bank of Ghana approved the write-off of non-performing loans amounting to GH¢3,399,420 (2017: GH¢651,054).

NOTES (continued)
(All amounts are in Ghana Cedis

20. Other assets

	2018	2017
Non-financial assets		
-Prepayments	**12,475,431**	4,722,477
-Stationery stocks	**567,501**	574,574
Financial assets		
Sundry assets	**2,005,677**	3,177,020
	15,048,609	8,474,071

All other assets are current.

21. Investments in associates

The Bank's investments in associates are:

Name of entity	*Country of incorporation*	*% Ownership*
FBNBank Guinea	Guinea	18
FBNBank Senegal	Senegal	20

	2018	2017
FBNBank Guinea	**4,120,775**	4,120,775
FBNBank Senegal	**3,967,325**	3,967,325
	8,088,100	8,088,100

The principal activities of the associates is banking.

The Bank's interest in the associates are not accounted for using the equity method. The Bank recognises it as an investment at cost because:

- the Bank's debt and equity instruments are not traded in a public market;

- it does not file its financial statements with a securities commission; and

- does not exert any influence on the its financial and operational decisions.

The ultimate parent company, First Bank of Nigeria Limited, incorporated in the Federal Republic of Nigeria produces consolidated financial statement available for public use that comply with International Financial Reporting Standards (IFRS).

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

22. Property and equipment

Year ended 31 December 2018	**Land and building**	**Leasehold improvements**	**Office fittings and equipment**	**Motor vehicles**	**Computers**	**Capital work in progress**	**Total**
Revaluation / cost							
At 1 January	**1,865,941**	**5,695,447**	**4,737,318**	**4,836,282**	**8,187,215**	**101,907**	**25,424,110**
Additions	**-**	**244,343**	**776,887**	**1,115,268**	**1,799,468**	**72,571**	**4,008,537**
Disposal	**-**	**-**	**(70,699)**	**(537,057)**	**(631,315)**	**-**	**(1,239,071)**
At 31 December	**1,865,941**	**5,939,790**	**5,443,506**	**5,414,493**	**9,355,368**	**174,478**	**28,193,576**
Accumulated depreciation							
At 1 January	**354,105**	**3,110,119**	**2,878,533**	**2,481,071**	**4,412,562**	**-**	**13,236,390**
Charge for year	**70,821**	**1,083,608**	**599,280**	**1,230,051**	**2,797,525**	**-**	**5,781,285**
Disposal	**-**	**-**	**(70,699)**	**(537,057)**	**(631,315)**	**-**	**(1,239,071)**
At 31 December	**424,926**	**4,193,727**	**3,407,114**	**3,174,065**	**6,578,772**	**-**	**17,778,604**
Net carrying value	**1,441,015**	**1,746,063**	**2,036,392**	**2,240,428**	**2,776,596**	**174,478**	**10,414,972**

Year ended 31 December 2017	Land and building	Leasehold improvements	Office fittings and equipment	Motor vehicles	Computers	Capital work in progress	Total
Revaluation / cost							
At 1 January	1,865,941	3,049,499	3,208,975	3,223,260	6,041,783	4,006,475	21,395,933
Additions	-	380,878	590,203	1,804,510	510,439	952,582	4,238,612
Transfers	-	2,284,017	938,140	-	1,634,993	(4,857,150)	-
Disposal	-	(18,947)	-	(191,488)	-	-	(210,435)
At 31 December	1,865,941	5,695,447	4,737,318	4,836,282	8,187,215	101,907	25,424,110
Accumulated depreciation							
At 1 January	283,284	2,248,124	2,417,540	1,842,236	3,110,625	-	9,901,809
Charge for year	70,821	874,580	460,993	756,520	1,301,937	-	3,464,851
Disposal	-	(12,585)	-	(117,685)	-	-	(130,270)
At 31 December	354,105	3,110,119	2,878,533	2,481,071	4,412,562	-	13,236,390
Net carrying value	1,511,836	2,585,328	1,858,785	2,355,211	3,774,653	101,907	12,187,720

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

22. Property and equipment (continued)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2018	2017
Cost	**232,538**	232,538
Accumulated depreciation	**(149,790)**	(139,025)
At 31 December	**82,748**	93,513

An independent valuation of the Bank's land and buildings was carried out by professional valuers in 2013. The revaluation surplus, net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'capital surplus' in the statement of changes in equity.

Disposal

	2018	2017
Cost	**1,239,071**	210,435
Accumulated depreciation	**(1,239,071)**	(130,270)
Net book value	**-**	80,165
Disposal proceeds	**(273,514)**	(82,992)
Gain on disposal	**273,514**	2,827

23. Intangible assets

Cost		
At 1 January	**6,091,995**	5,229,606
Additions	**547,768**	862,389
At 31 December	**6,639,763**	6,091,995
Accumulated amortisation		
At 1 January	**4,707,392**	3,360,588
Charge for the year	**856,578**	1,346,804
At 31 December	**5,563,970**	4,707,392
Net carrying value	**1,075,793**	1,384,603

Intangible assets represent computer software purchased by the Bank.

24. Depreciation and amortisation

Property and equipment (Note 22)	**5,781,285**	3,464,851
Intangible assets (Note 23)	**856,578**	1,346,804
	6,637,863	4,811,655

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

25. Customer deposits

	2018	2017
Savings deposits	**73,778,058**	77,178,390
Demand and call deposits	**165,705,792**	120,850,597
Fixed deposits	**64,829,702**	95,138,865
	304,313,552	293,167,852
Current	**85,629,511**	116,580,121
Non-current	**218,684,041**	176,587,731
	304,313,552	293,167,852
Analysis of type of deposits		
Individuals	**147,700,678**	140,541,047
Private enterprises	**146,106,916**	149,405,018
Government departments & agencies	**10,505,958**	3,221,787
	304,313,552	293,167,852

The 20 largest deposits constitute 32.41% (2017: 27%) of the total deposits.

26. Deposits from banks and other financial institutions

	2018	2017
Money market deposits from local banks	**21,098,140**	105,287,567
Other deposits from local banks	**24,294,981**	10,368,597
Foreign banks	**144,913,300**	-
	190,306,421	115,656,164

Deposits from banks are placements from various banks with maturity period of less than one year.

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

27. Other liabilities

	2018	2017
Provision on legal proceedings	**462,833**	447,518
Accrued expenses	**6,943,210**	8,247,824
Banker's cheques	**1,965,312**	1,309,798
Sundry liabilities	**41,023,343**	3,024,407
National fiscal stabilisation levy (Note 15)	**55,092**	12,696
	50,449,790	13,042,243

All other liabilities are current.

The movement in provision made in respect of legal proceedings against the Bank is as follows:

	2018	2017
At 1 January	**447,518**	389,738
Additional provisions	**15,315**	57,780
At 31 December	**462,833**	447,518

28. Stated capital

The authorised shares of the Bank is 450,000,000 (2017: 60,000,000) ordinary shares at no par value, of which have been issued as follows;

	2018		2017	
	Number of shares	**Proceeds**	Number of shares	Proceeds
At 1 January	**60,000,000**	**60,000,000**	60,000,000	60,000,000
Transfer from income surplus	**24,048,165**	**24,048,165**	-	-
Issued for cash consideration	**315,951,835**	**315,951,835**	-	-
At 31 December	**400,000,000**	**400,000,000**	60,000,000	60,000,000

In accordance with Section 74 of the Companies Act, 1963 (Act 179), the members passed a special resolution on 19 April 2018 to transfer GH¢24,048,165 from income surplus to stated capital.

There is no unpaid liability on shares and there are no call or instalments in arrears. There are no treasury shares.

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

29. Earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows:

	2018	2017
Profit attributable to equity holders	**9,399,992**	11,431,224
Weighted average number of shares issued	**400,000,000**	60,000,000
Basic earnings per share	**0.02**	0.19
Diluted earnings per share	**0.02**	0.19

30. Income surplus account

The income surplus represents the profits retained after appropriations.

31. Dividends

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

32. Capital surplus

The capital surplus is unrealised appreciation of landed property arising from revaluation. The capital surplus in not available for distribution.

33. Statutory reserve

The statutory reserve represents amount set aside in accordance with Section 34 of the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity and is not distributable.

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

34. Credit risk reserve

Credit risk reserve is the amount set aside from the income surplus account to meet the minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances. The movement included in the statement of changes in equity represents the following:

	2018	2017
Bank of Ghana prudential guidelines provision	**14,548,780**	9,295,719
IFRS provision	**(6,141,050)**	(5,728,588)
Credit risk reserve	**8,407,730**	3,567,131

35. Contingent liabilities and commitments

Legal proceedings

There are legal proceedings against the Bank. Except as indicated in note 27 there are no contingent liabilities as at 31 December 2018 associated with legal actions as professional advice indicates that it is unlikely that any significant loss will arise (2017: Nil).

Capital commitments

At the balance sheet date, the bank had no capital commitments (2017: GH¢289,577) in respect of authorised and contracted projects.

Loan commitments, guarantee and other financial facilities

At 31 December 2018, the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2018	2017
Loan commitments	**3,141,603**	3,211,587
Letters of guarantee	**7,421,264**	9,380,120
	10,562,867	**12,591,707**

Letters of guarantee commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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

35. Contingent liabilities and commitments (continued)

Operating lease rentals

The bank is committed to making the following future payments in respect of operating leases for buildings.

	2018	2017
Within one year	**4,318,112**	5,542,385
Between two and five years	**6,165,810**	11,011,980
More than five years	**525,043**	1,782,911
	11,008,965	18,337,276

36. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is a wholly owned subsidiary of First Bank of Nigeria Limited. FBN Holding Limited is the ultimate controlling party of the Bank.

All transactions with related parties are in the normal course of business and based on terms that would be available to third parties.

(i) *Transactions with related parties*

The following transactions were carried out with related parties:

	2018	2017
Interest income		
FBNBank UK	**4,603**	-
Interest expense		
FBNBank Gambia	-	5,060
FBNBank Guinea	-	183,368
FBNBank Sierra Leone	-	28,076
FirstBank of Nigeria Limited	**313,300**	-
	313,300	216,504
Placements by related parties		
FirstBank of Nigeria Limited	**144,600,000**	-
	144,600,000	-
Interest payable on placements		
FirstBank of Nigeria Limited	**313,300**	-
	313,300	-

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

36. Related party transactions (continued)

(ii) Year end balances arising from sale or purchase of services

Due to related parties	**2018**	2017
FBNBank Gambia	**4,296**	3,935
FBNBank Guinea	**11,568**	10,598
	15,864	14,533

Due from related parties		
First Bank of Nigeria Limited	**2,478,803**	-
FBNBank UK	**597,821**	45,254
	3,076,624	45,254

(iii) Key management compensation

The remuneration of key management staff during the year were as follows:

Salaries and other short term employment benefits	**432,614**	387,178

Key management staff constitutes staff with grades of Deputy General Manager and above.

(iv) Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Bank.

Loans to directors

There were no loans disbursed to directors during the year. (2017: Nil)

Director's emoluments

	2018	2017
Fees and emoluments	**930,477**	1,188,228
Other directors expenses	**350,960**	390,908
	1,281,437	1,579,136

37. Regulatory disclosures

The regulator did not sanction the Bank for regulatory breaches during the year.

VALUE ADDED STATEMENT
(All amounts are in Ghana Cedis)

	2018	2017
Interest earned and other operating income	**73,563,634**	91,810,262
Direct cost of services	**(45,906,370)**	(55,947,946)
Value Added by banking services	**27,657,264**	35,862,316
Non-banking income	**16,553,990**	10,800,284
Impairments	**(862,528)**	(1,744,723)
Value Added	**43,348,726**	44,917,877
Distributed as follows:		
To Employees:		
Directors (without executive)	**1,281,437**	1,579,136
Executive directors	**432,614**	387,178
Other employees	**22,385,502**	19,982,383
	24,099,553	21,948,697
To Government:		
Income tax	**3,211,318**	6,726,301
To Expansion and Growth:		
Depreciation	**5,781,285**	3,464,851
Amortisation	**856,578**	1,346,804
Retained earnings	**9,399,992**	11,431,224
	16,037,855	16,242,879
	43,348,726	44,917,877