

# Annual Report 2017



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# NOTICE OF ANNUAL GENERAL MEETING OF CALBANK LIMITED

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of CAL Bank Limited will be held at 10:00 a.m. on Thursday, 3rd May, 2018 at the Conference Auditorium of the Ghana College of Physicians and Surgeons, Ridge, Accra, Ghana to transact the following business:

## **AGENDA**

### **ORDINARY BUSINESS**

1. to receive and consider the Accounts of the Bank for the year ended December 31, 2017 together with the reports of the Directors and the External Auditor thereon;
2. to re-elect the following Directors retiring by rotation from the Bank:
  - (a) Mr. Paarock VanPercy;
  - (b) Dr. Kobina Quansah; and
  - (c) Mr. Philip Owiredu;
3. to re-elect the following Directors appointed to fill casual vacancies on the Board;
  - (a) Ms. Rosalind Kainyah;
  - (b) Mr. Kofi Osafo-Mafo; and
  - (c) Nana Otuo Acheampong;
4. to authorise the Directors to fix the fees of the External Auditor; and
5. to approve the remuneration of the Directors.

### **SPECIAL BUSINESS**

#### **as special resolutions:**

- a. to increase the authorised shares of the Bank from 1,000,000,000 ordinary shares to 2,000,000,000 ordinary shares by amending and adopting Regulation 7 of the Bank's Regulations as follows;
 

*"The Company is registered with 2,000,000,000 ordinary shares of no par value";*
- b. to authorise an increase in the stated capital of the Bank through, a transfer of GH¢171.68 million from income surplus to stated capital;
- c. to approve a transfer of GH¢78.32 million from income surplus to stated capital and to undertake a capitalisation issue by issuing 1 ordinary share to each existing shareholder for every 7 ordinary shares held; and

#### **as an ordinary resolution:**

- d. to approve the purchase by the Bank of up to 15% of its issued shares, after the capitalisation issue.

Date this 19th day of March 2018

**BY ORDER OF THE BOARD  
VERITAS ADVISORS LIMITED  
COMPANY SECRETARY**

#### **Note**

A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. Such a proxy need not be a member of the Company.

The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person. Where a member attends the meeting in person, the proxy appointment shall be deemed to be revoked.

A copy of the Form of Proxy may be deposited at the registered office of the Registrar of the Company, Central Securities Depository Ghana Limited, 4th floor, Cedi House, Accra or posted to the Registrar at PMB CT 465 Cantonments, Accra to arrive not later than 10a.m. on Monday April 30, 2018.

# FOUR-YEAR GROUP CONSOLIDATED FINANCIAL SUMMARY

	2017	2016	2015	2014
<i>in thousands of Ghana Cedis</i>				
Interest Income	668,128	557,631	466,822	355,027
Interest Expense	(317,096)	(306,317)	(218,192)	(170,943)
Net Interest Income	351,032	251,314	248,630	184,084
Commissions and fees	68,063	67,133	65,330	51,902
Other Operating Income	43,137	48,730	87,056	89,092
Operating Income	462,232	367,177	401,016	325,078
Operating Expenses	(188,422)	(150,883)	(144,031)	(106,067)
Net Impairment Loss on Financial Assets	(54,947)	(199,243)	(35,677)	(20,478)
Profit Before Income Tax	218,863	17,051	221,308	198,533
Income Tax Expense	(65,965)	(6,843)	(55,070)	(55,382)
Profit after Taxation	152,898	10,208	166,238	143,151
Total assets	4,223,138	3,618,858	3,364,500	2,715,392
Total Deposits	2,497,623	2,375,194	1,602,832	1,395,841
Loans and Advances	1,853,674	1,966,394	1,805,285	1,337,205
Total Shareholders' Equity	672,070	519,503	519,499	399,541
Earnings per share (Ghana Cedis per share)	0.2793	0.0187	0.3032	0.2611
Dividends per share (Ghana Cedis per share)	0.0000	0.0000	0.0970	0.0810
Number of Shares ('000)	548,262	548,262	548,262	548,262
Return on Assets	3.6%	0.3%	4.9%	5.3%
Return on Equity	22.8%	2.0%	32.0%	35.8%
Capital Adequacy Ratio	21.9%	19.3%	21.4%	21.8%
Cost-to-Income Ratio	40.8%	41.1%	35.9%	32.6%

# CALBANK LIMITED BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

## BOARD OF DIRECTORS

Paarock Asuman VanPercy **(Chairman)**  
Frank Brako Adu Jnr. **(Managing Director)**  
Philip Owiredu  
Malcolm Dermott Pryor  
Dr. Kobina Quansah  
James Chamberlain Brenner  
Helen Nankani  
Nana Otu Acheampong **(Appointed 2/11/17)**  
Mrs. Rosalind Nana Emela Kainyah **(Appointed 2/11/17)**  
Kofi Osafo-Mafo **(Appointed 2/11/17)**  
Noel Addo **(Resigned 9/5 /17)**  
Ken K. D. Alor **(Resigned 19/5 /17)**

## SECRETARY

Veritas Advisors Limited  
Acquah Place  
68 Mahogany Crescent  
Akufo-Addo Residential Area  
P.O. Box CT 9376, Cantonments.  
Accra  
Ghana

## SOLICITORS

Reindorf Chambers  
61 Jones Nelson Road  
Adabraka  
P. O. Box 821  
Accra  
Ghana

## AUDITORS

KPMG  
Marlin House  
13 Yiyiwa Drive  
Abelenkpe  
P.O. Box GP 242  
Accra - Ghana

## REGISTRAR

Central Securities Depository (GH) Limited  
4th Floor Cedi House  
Liberia Road  
PMB CT 465, Cantonments  
Accra  
Ghana

## REGISTERED OFFICE

23 Independence Avenue  
P. O. Box 14596  
Accra  
Ghana

## BOARD OF DIRECTORS



**Mr. Paarock A. VanPercy – Chairman**

Mr. VanPercy, age 58, is an Investment Banker. He is a Chartered Accountant by training and is a Fellow of the Institute of Chartered Accountants (England & Wales). He is the Chairman of CalAsset Management Company Limited and holds directorships on the Boards of the Liberia Bank for Development and Investment, Sierra Leone Investments Limited, Afri-Invest Management Company Limited, and Afri Holdings Limited. He is also the Principal Consultant of Afri Telecommunications & Media (ATM).



**Mr. Frank B. Adu Jr. – Managing Director**

Mr. Frank Adu Jr, age 55, is the Managing Director of CalBank Limited with over 27 years' experience in the banking industry. He is the Chairman of The Roman Ridge School and serves on the Advisory Board of the College of Humanities of the University of Ghana and is a member of the Governors of Presbyterian Boys Secondary School. He is a member of the Boards of the Foundation for Orthopaedics and Complex Spine, Metropolitan Life Ghana Limited and Quality Insurance Company Limited. He also serves on the Board of Legacy Bond Limited, a special purpose vehicle set up for the repayment of debt owed by the Ghana Government to the Bulk Distribution Companies (BDCs).

Frank holds a Bachelor of Arts (Hons.) in Geography, an MBA (Finance) and an Honorary Doctorate Degree from the University of Ghana. He is an Honorary Fellow of the Chartered Institute of Bankers and also an alumni of the Oxford Strategic Leadership Programme, SAID Business School, University of Oxford.



**Mr. Philip Owiredu – Executive Director**

Mr. Philip Owiredu, age 51, is the Chief Finance Officer/Executive Director of CalBank Limited and has varied experiences spanning over twenty-five years in accounting, finance and banking. Prior to his current position, he was the General Manager and Financial Controller of the Bank, joining from KPMG, a leading firm of chartered accountants, management consultants and tax advisers in Ghana.

Mr. Owiredu serves on the board of CalAsset Management Limited and is a fellow of the Association of Chartered Certified Accountants.



**Mrs. Helen Nankani – Non-Executive Director**

Mrs. Nankani, age 71, is a retired Senior Economist who worked with the World Bank for eighteen years. She was one of the pioneers of the World Bank's work on Privatization of Public Enterprises, and Private Sector Development. She managed projects aimed at determining the economic and financial feasibility of private participation in the water sector principally in South Asia, the Caribbean and Brazil, where she lived for four years. Prior to joining the World Bank, she worked as a consultant with Arthur D. Little Inc., Cambridge, Massachusetts, and The United Nations, New York, N.Y. She was also a partner at Financial Development Services, a consulting firm in Arlington, Virginia in the USA.

## BOARD OF DIRECTORS



**Mr. Malcolm D. Pryor – Non-Executive Director**

Mr. Pryor, age 71, has worked as an Investment Banker for thirty-four years. He began his career as an Institutional Fixed Income Salesman with Goldman Sachs & Co. He was Chief Executive Officer of Pryor, Counts & Co. Inc. for twenty-four years. He was the Chief Executive of a Private Equity Fund investing in the Southern Africa region (SAEDF). He has been a principal investor in West and Central Africa since 1987, principally in the financial services sector and he is a founding shareholder of CalBank.



**Dr. Kobina Quansah – Non-Executive Director**

Dr. Kobina Quansah, age 74, a retired seasoned banker, and was the first Ghanaian Managing Director of Barclays Bank Ghana. He is currently Chairman of Vodafone Ghana and Core Nett Limited. He is a director of Newmont Ghana Gold Limited and Pioneer Aluminum Kitchenware Limited. He serves as an advisory member on the University of Ghana Appeals Board and also a Non-Executive Director of Jubail Specialist Hospital.



**Mr. James C. Brenner – Non-Executive Director**

Mr. Brenner, age 60, is the President and CEO of Broad Cove Partners, a Director of Eco-homes Liberia Inc. and is a member and founding Chairman of the Board of the Overseas Vote Foundation.



**Ms. Rosalind Nana Emela Kainyah – Non-Executive Director**

Ms. Rosalind Nana Emela Kainyah, age 60, is a lawyer by profession and Managing Director of Kina Advisory Limited (UK), advising companies on how best to contribute to socio-economic development in the countries in which they operate. Rosalind has extensive experience in Government relations, political risk management, social investment and corporate and environmental law, focusing on the mining and oil industries in Africa. She has held senior positions with Tullow Oil plc, De Beers and has advised governments on policy and legislative matters. She holds a BA (English) from the University of Ghana and an LLM from University College, University of London. She was called to the Bar of England and Wales (Gray's Inn) in 1988 and is a member of the Chartered Institute of Arbitrators.



## BOARD OF DIRECTORS



**Nana Otuo Acheampong – Non-Executive Director**

Nana Otuo Acheampong, age 68, is currently a banking consultant and the former Executive Head of the Osei Tutu II Centre for Executive Education & Research (OTCEER) in Ghana. Prior to this appointment, he headed the Faculty of Financial Reporting and Investment Banking at the National Banking College for four years, where he headed various subcommittees. He formerly chaired the Award Planning Board of the Ghana Banking Awards (GBA). He holds an undergraduate degree in Accounting and a postgraduate diploma in Management from University of Northumbria in Newcastle as well as a graduate degree in Accounting & Management Science from the University of Southampton all in the UK. He was a Senior Lecturer in Finance at the University of Portsmouth from 1990 to 2004. He has been a member of the British Accounting Association since 1994. He serves on other Boards including the Board Chair for Health Facilities Regulatory Agency (HeFRA), Board member for the Graphic Communications Company Group Ltd. (GCGL) and the Board Chair for G-PAK Ltd, a wholly owned subsidiary of GCGL.



**Mr. Kofi Osafo-Maafa – Non-Executive Director**

Mr. Kofi Osafo-Maafa, age 48, is the Deputy Director General, Investments & Development at Social Security & National Insurance Trust (SSNIT) of Ghana. He is a senior investment professional with 22 years' experience in the UK investment management and investment banking Industry. Kofi has held senior positions at Pictet Asset Management, Unicredit Bank and HSBC Global Asset Management. He has experience across a wide range of sectors including Oil & Gas, Mining, Building & Construction and Agriculture and Chemicals, covering transactions across Europe, North America, and Global Emerging Markets including Africa. Kofi holds an MA (International Business & Finance) from University of Reading (UK) and a BSc (Economics) from Queen Mary's College, University of London.



**Mr. Jojo Acquah**

Company Secretary  
Veritas Advisors Limited

# CHAIRMAN'S REPORT



## Introduction

Distinguished Shareholders, on behalf of the Board of Directors, I welcome you all to the Annual General Meeting of CalBank Limited for the year ended 31 December 2017.

The Bank saw a resurgence in its financial performance in comparison to the previous year, thereby fulfilling our promise to get back on track to deliver sterling performance.

## Economic Review

We started 2017 with a new Government, following successful elections in 2016. Policies announced by the Government had a positive impact on the economy as the country's economic performance realized an improvement, especially in the second half of 2017 resulting in an estimated GDP growth of 9.3% as at September 2017, up from the original forecast of 6.3%. This was spurred by a recovery in the non-oil sectors, lower inflation and the newly developed hydrocarbon wells of Tweneboa, Enyenra and Ntomme as well as the Sankofa gas fields.

Inflation continued to decline during the year to end the year at 11.8% from 15.4% in December 2016, creating the

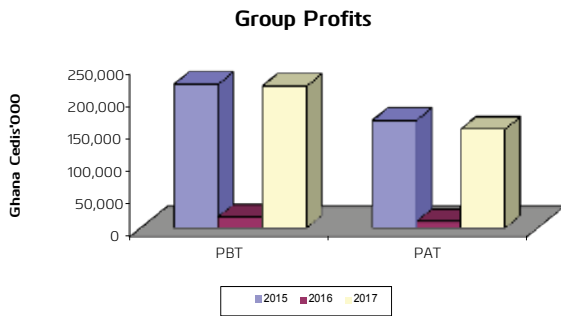
avenue for the Bank of Ghana to reduce its policy rate from 25.5% to 20.0%, a cumulative reduction of 550 basis points over the review period. Consequently, the benchmark 91-day Treasury Bill rate decreased to 13.3% compared to 16.8% the previous year. The local currency however depreciated against all the major currencies, depreciating by 4.5% against the US dollar, our major foreign exchange trading currency.

## Financial Review

The Group made significant improvement to deliver an enhanced performance over last year when significant provisions for impairment were made to address debt service challenges in the energy and commerce sectors, affirming the prudent decision taken in 2016.

The Bank recorded a profit after tax of GH¢145.2 million and GH¢152.9 million by the Group. This was achieved by an improvement in operating income of 25.9% and a reduction in total operating cost by 30.5%. The results underline the efficient deployment of our resources and the use of the right technology in pursuit of our digital transformation agenda to ensure we are effective and

**CHAIRMAN'S REPORT (Continued)**



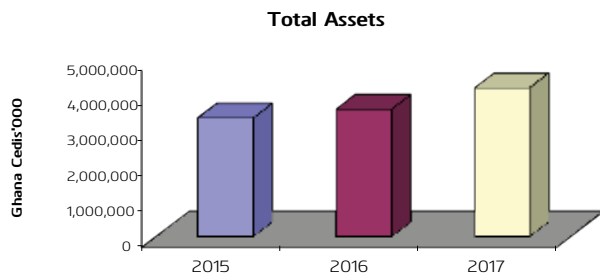
efficient in delivering the hallmark innovative products and services that offers convenience to our customers.

Overall, there were improvements in most revenue lines and we were able to manage our impairment charge although, some of the legacy issues associated with the energy sector still remain unresolved.

Total assets of both the Group and the Bank realized an appreciable increase ending the year at GH¢4.22 billion and GH¢4.21 billion, a growth of 16.7% and 17.0% respectively.

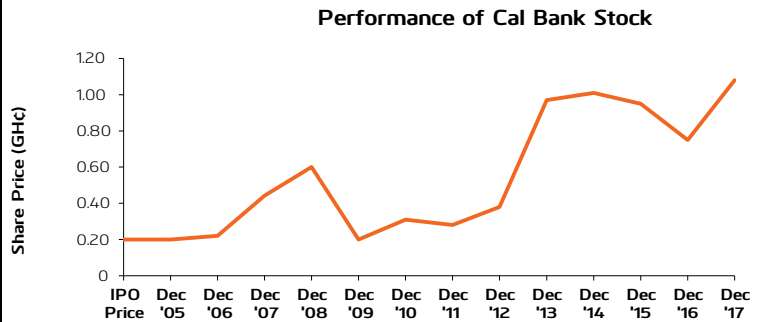
**Capitalisation**

The Bank of Ghana in September 2017 issued a directive to all banks to increase their Stated Capital to a minimum



of GH¢400 million by the end of December 2018. The directive provided three options available to the banks to comply with this directive, viz, (a) fresh injection of capital, (b) capitalisation of income surplus, and (c) a combination of fresh capital injection and capitalisation of income surplus. After thorough consideration, your Board has opted for the option to capitalise the Bank's income surplus as we deem it the most appropriate at this time considering the amount on the income surplus account, and to avoid asking shareholders to infuse more capital. In view of this, we will

be putting before you a resolution to transfer an amount of GH¢250 million from the income surplus account to Stated Capital to increase the Bank's Stated Capital to GH¢350



million and make up the difference through our operational results for the year 2018.

**Dividend and Bonus Shares**

In our quest to meet the statutory requirement regarding the minimum capitalisation, your Board is not recommending the payment of a dividend as this will have the consequence of reducing funds available for capitalisation. In lieu of the dividend payment, the Board is recommending a bonus issue of one share for every seven shares held. This should compensate shareholders for not receiving a direct cash dividend, at the same time providing value to the Bank for the income surplus transfer.

**Corporate Governance**

The Board remains committed to fulfilling its corporate governance obligations and responsibilities in the best interests of the Bank and its shareholders. The CalBank Board Charter establishes the framework through which our responsibilities are executed and also the basis for evaluating our performance.

The Board is conscious that best practice in the area of corporate governance is continuously evolving, and will continue to anticipate and respond to further corporate governance developments in the best interest of all stakeholders.

**CHAIRMAN'S REPORT (Continued)****Directorship**

Your Bank is committed to ensuring that the composition of the Board continues to include Directors who bring an appropriate mix of skills, experience and diversity to the Board.

During the course of the year, Messrs. Eduardo Gutierrez, Noel Addo and Ken Alor all being Non-Executive Directors of the Bank, resigned their positions. Consequently, Ms. Rosalind Kainyah, Mr. Kofi Osafo Maafo and Nana Otuo Acheampong were appointed to fill the casual vacancies. These appointments have been approved by the Bank of Ghana however, in accordance with our regulations, they would have to be approved by shareholders for which I would entreat you to consider favourably.

Also, in accordance with statutory requirements and the Bank's regulations the following Directors, Dr. Kobina Quansah, Mr. Philip Owiredu, and Mr. Paarock VanPercy retire by rotation and being eligible for re-election have offered themselves for consideration.

We take this opportunity to thank all the retired directors for their immense contribution to the growth and development of the Bank and wish them all the best in their endeavours. We also welcome the new Directors with the confidence that they would contribute to the continued growth and prosperity of the Bank.

**Outlook**

We remain optimistic about the prospects of the economy and therefore expect a robust rate of growth in 2018 as investor confidence continues to rise. We believe CalBank is well placed for the year ahead as we embark on the final year of implementing our three-year strategy of 2016 to 2018. We will ensure a new strategy is developed to tap into the opportunities in the market and to create sustainable growth.

We will continue to deepen our relationships with our customers and offer them the superior customer experience through the right technology and innovative products and

services while maintaining our focus on minimizing and diversifying risk, as well as improving productivity and efficiency.

The Bank is well placed to meet all the regulatory requirements to ensure we remain a strong institution operating in a strengthened industry.

**Conclusion**

On behalf of the Board, I thank all our Stakeholders for the confidence reposed in CalBank. To our Shareholders, in particular, I am grateful for the support and encouragement we continue to receive from you. I am confident that we can continue to count on this support in the years ahead.

My appreciation also goes to my fellow Board members, Management and Staff of the Bank for working tirelessly and relentlessly in returning our business to the performance levels we are noted for, and look forward to this same zeal and enthusiasm in the coming years.

Ladies and Gentlemen, I thank you all for your kind attention and I wish you a rewarding year ahead.

**Paarock VanPercy**

Chairman

# MANAGING DIRECTOR'S REPORT

*"Your legacy should be that you made it better than it was when you got it."  
Lee Iacocca – Chairman and CEO, Chrysler Corporation*



## Introduction

Our 2017 results reflect a significant improvement over our prior year's performance, an indication of the success of our internal rebuilding process and the external stabilization of the market and economic conditions. Although we have seen a turnaround in our financial performance there still remain some legacy issue in respect of the energy sector yet to be addressed which should further improve our performance in subsequent years once resolved.

The Ghanaian economy saw a turnaround in 2017 following subdued growth the previous year largely due to a slowdown in economic activity. Inflation dropped from 15.4% in December 2016 to 11.8% in December 2017. Interest rate equivalent on the 91-day Government paper reduced from 16.8% in December 2016 to 13.3% in December 2017. The policy rate nonetheless remained

high at 20% as at December 2017 although it dropped from 25.5% in December 2016. Exchange rates also saw some relative stability with the US dollar, our main trading currency, depreciating by 4.5%.

There was a healthy growth in GDP; estimated at 9.3% at September 2017 as well as an improvement in fiscal deficit to 5.4% and a debt to GDP ratio of 68.8%.

Broadly the global economy saw an upturn with some commodity prices appreciating, a gradual rebound in oil prices, a healthy global trade and a general easing of monetary policy in the developed world.

The above developments had its attendant opportunities and associated risks on our business. We however positioned ourselves strategically to ensure we take advantage of these

**MANAGING DIRECTOR'S REPORT (Continued)**

opportunities and ensured all risks were well mitigated to deliver value to our stakeholders.

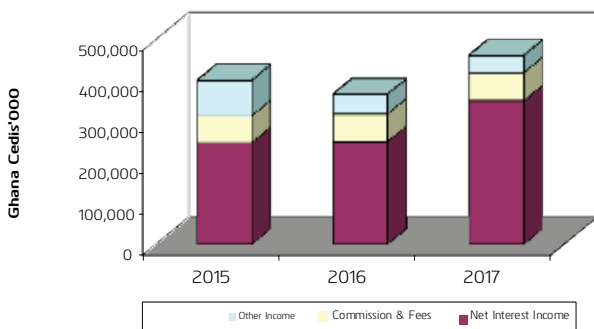
This year marks the end of our three-year strategic plan, we have to a large extent delivered most of our strategic initiatives and are already in the process of charting what our strategic objectives will be for the next three years.

**Financial Performance**

Following on from the challenges in 2017 primarily arising out of the significant provisions we had to take, I am pleased to announce a rebound in our profitability recording a Group profit before tax of GH¢218.9 million compared to GH¢17.1 million the previous year and a Group profit after tax of GH¢152.9 million compared to GH¢10.2 million the previous year. This was achieved based on improvements in some revenue lines, prudent cost management and enhanced operational efficiency.

Group total assets increased by 16.7% to GH¢4.22 billion from GH¢3.62 billion the previous year, total assets of the Bank also increased by 17.0% from GH¢3.60 billion to GH¢4.21 billion. We adopted a cautious approach to growing our loan portfolio in sectors that had been impacted adversely by the difficult market conditions in previous years whilst deepening our credit support to individuals and businesses operating in economic sectors with high growth opportunities. The growth in the Group's assets was funded principally by an increase of 62.7% in borrowings amounting to GH¢931.8 million, and only marginally by increased deposits. Clearly increasing our deposits at the regular 30% as we often

**Operating Income**



do year on year was challenged in 2017. Nonetheless it is also important to know that the Bank remained liquid throughout the year and met all liquidity ratios and was actually a net lender on the market. It is also pleasing to note that CalBank continues to attract partners who are willing to make fairly large sums of borrowings available to the Bank on extended tenure basis.

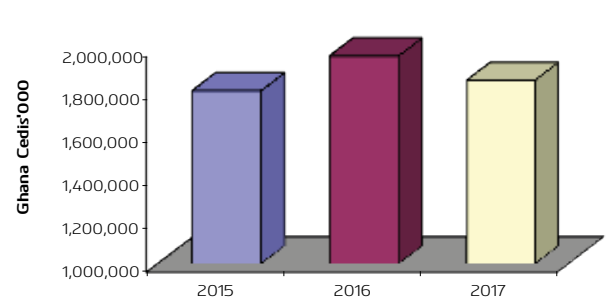
**Total Deposits**



We are currently in discussion with various international financial institutions to raise over US\$100 million to fund our medium and long-term transactions.

The non-performing loan ratio increased to 10.9% compared to 8.0% at the end of the previous year reflecting the impact of tough economic conditions from previous years on our credit portfolio. We are ardently pursuing recovery of these delinquent loans. We have also enhanced our monitoring and relationship management to ensure challenges in the credit portfolio are identified early enough for remedial

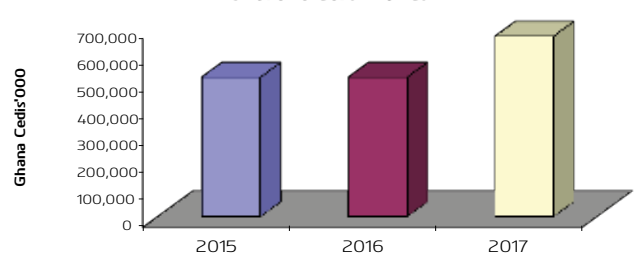
**Net Loans and Advances**



action to be taken in good time.

Following our return to improved performance consistent with past performance, our capital adequacy ratio improved to 21.1% and 21.9% for the Bank and Group respectively from 18.2% and 19.3% for the previous year for the Bank and Group respectively. Our relatively strong capital position will be handy in the sustenance of our planned future growth

**Shareholders' Funds**



**MANAGING DIRECTOR'S REPORT (Continued)****Operational Performance**

To ensure we meet the changing needs of clients and stay ahead of the competition in an efficient and effective manner, we focused on deploying the necessary tools as well as enhancing our processes in every facet of the organization. The upgrade of our core banking application was successfully completed and went live on 1 May 2017. This is significant to support our long-term growth prospects, streamline our operations and offer us the launch pad to deploy our digital based banking solutions to offer convenience to our customers. As a direct result, we deployed the Sekondi Road Branch as our first paperless branch during the year, which we plan to replicate with upcoming and existing business offices going forward.

To ensure a safe and secure payment cards environment, we have gone through a rigorous independent assessment process paving the way for CalBank to be awarded the Payment Card Industry Data Security Standard (PCI DSS) certificate; the highest global payment cards security certification. This is particularly notable as it has enhanced our card security environment and underpins customer confidence in our platforms.

We have also initiated steps towards becoming ISO 27001 certified to further enhance our overall IT security environment as we continue our digital transformation. This will involve a review of our policy framework and procedures including legal, physical and technical controls involved in our information risk management processes, adding another layer of security in managing and protecting valuable data and information assets.

We are at an advanced stage of deploying the CalBank Agency Banking channel as part of our strategy to grow our retail franchise and promote financial inclusion. We expect to go live in the second quarter of 2018. We expect the CalBank Agency Banking channel to enhance our retail business and create additional business for our clients and provide opportunities to yet to be recruited agents.

CalBank has reinvented itself to be able to meet emerging challenges and tap into opportunities in the economy. Our new brand which comprises a new logo, tag line, core values and visual representation was unveiled on 2 August 2017. Dealings with all our stakeholders now reflect the new CalBank identity which provides us with the visibility we desire in the market.

Consequent to the unveiling of our new brand identity we commenced the process of refreshing the look and feel of our branches and relocating some to provide a more congenial atmosphere for our clientele. We ended the year with 28 branches having added two additional ones at Sekondi and Tamale, our first foray into the Northern sector of the country. We also enhanced our various electronic channels including our internet banking solution, CalBank Mobile app, CalBank school fees collections and CalBank Mobile banking service running on short code \*771# as part of the process of enhancing customer experience and engagement.

The development of our head office project is progressing steadily with June 2018 as the revised completion date. Upon completion, the new head office will provide an enhanced ambience conducive for business.

**Regulation**

Globally, banking regulations continue to evolve and our environment is no exception. A new banking act "Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) became effective during the year, an act which gives wide ranging powers to the Central Bank.

In September 2017 the Central Bank announced a revision to the minimum capital requirement for Banks, requiring an increase in stated capital to GH¢400 million by the end of 2018 in line with the broader financial sector reform aimed at strengthening the sector.

As detailed out in the Chairman's statement the directors of the Bank have opted to capitalize available income surplus balances for both 2017 and 2018 to meet this requirement.

In accordance with directives from the Bank of Ghana we have commenced the implementation of International Financial Reporting Standards 9 (IFRS 9) effective 1 January 2018 and the process of implementing Basel II/III has also commenced with an effective date of 1 July 2018. These principles seek to ensure Banks take cognizance of the inherent risks associated with all aspects of their operations and ensure adequate capital is provided for the operations of Banks.

Following the enactment of the Ghana Deposit Protection Act, 2016 (Act 931), the deposit protection scheme is expected to become operational soon to provide a safety net for vulnerable depositors in the event of bank failure.

**MANAGING DIRECTOR'S REPORT (Continued)****Corporate Social Responsibility**

Corporate social responsibility, a key component of our business and corporate culture through which we impact positively on society continues to be a focal point of our business delivery. Some significant activities during the year included:

The Bank partnering UNICEF and General Electric (through the Ghana Health Service) to undertake a project to install three units of Life Care systems (i.e. Infant Warmers, Manual Resuscitator and Phototherapy Units) at the Children's Ward of the New Tafo Government Hospital. This initiative will mitigate the adverse effect of pre-term cases and prevalent child mortality in the Eastern Region and by extension, Ghana.

In line with the Bank's strategy of promoting and developing tertiary education in Ghana, the Bank supported four best graduating students who excelled in various academic fields from the Business School of University of Ghana, Legon. The Bank also continued to support various student organizations and awarded scholarships to brilliant but needy students in the communities we operate in.

We supported the 60th Anniversary edition of the Asantehene Golf Open Championship at the Royal Golf course, Kumasi and continued our sponsorship of the National Beach Soccer Championship as part of our efforts aimed at developing and promoting lesser known sports in the country.

**Subsidiaries**

Our subsidiaries continue to grow, becoming companies of choice in their areas of operations and contributing to the growth and development of the Group.

CalAsset Management Company Limited remained profitable with a profit after tax of GH¢6.3 million compared to the previous year's amount of GH¢4.5 million, an increase of 40.0%. CalBrokers Limited results reflect a strong rebound with a profit of GH¢1.3 million compared to a loss of GH¢1.5 million the prior year.

Funds under management by the group increased to GH¢880.6 million from GH¢648.0 million the previous year, an increase of 35.9%, a reflection of an increased clientele base of the Asset Management Company as well as an increase in business level activity arising out of the Company taking advantage of and being competitive in the pensions market. I would like to publicly commend and recognise the hard working staff at CalAsset Management and CalBrokers.

Our custody offering being managed through CalBank Nominees Limited continued to gain market share and increased its client base to 39. Assets under custody increased significantly to GH¢1.2 billion from GH¢388.3 million at the end of the previous year. This milestone was attained through our efforts geared towards gaining a significant share of the pension funds custody market. The custody business remains an important strategic priority for the Group and we see growth opportunities ahead.

**Conclusion**

CalBank is on the path of sustainable growth with clear goals outlined for 2018. We continue to employ the right tools, systems and processes to utilise the ingenuity of our people, forge stronger partnerships with the right institutions and deepen the relationships that we have formed with our customers to deliver our strategy and earn competitive returns, thus benefiting our many stakeholders.

We will formulate our strategies for the years 2019 – 2021 which will ensure your Bank remains sustainable and profitable in the years ahead. In doing this, we recognise the onerous dictates of Basel II/III with regard to adequacy of capital to support the type of risks an institution takes on. In this regard whilst we do not necessarily require to raise additional capital to achieve the new minimum capital requirement of GH¢400 million, we envisage that during 2019 – 2020, the Bank may need a fresh injection of capital. This will simply be because of the implementation of Basel II/III.

As always the Board and Management will plan ahead to make sure that compliance with the dictates of the new Basel accords is done seamlessly and efficiently.

I take this opportunity to thank my fellow directors for the guidance provided during the year, my colleagues who work tirelessly to deliver our promise, the strong support of our shareholders and other stakeholders and especially our customers, who continue to keep faith in us, for their continued support as we move forward together.

Thank you and God bless us all.

**Frank Brako Adu Jr.**

Managing Director



## REPORT OF THE DIRECTORS TO THE MEMBERS OF CALBANK LIMITED

The Board of Directors has the pleasure to submit this report of the group for the year ended 31 December 2017.

### Statement of Directors Responsibilities

The directors are responsible for the preparation of the consolidated and separate financial statements for the financial year, which give a true and fair view of the state of affairs of the Group, the consolidated and separate statement of profit or loss and consolidated and separate statement of cash flows for the year. In preparing these financial statements, the directors have selected and applied consistently suitable accounting policies, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards. The directors have made an assessment of the group's ability to continue as a going concern and have no reason to believe the Group will not be a going concern in the year ahead.

### Financial Statement

	2017	2016
Profit for the year ended 31 December before taxation is	218,863	17,051
from which is deducted taxation of	(65,965)	(6,843)
giving a profit for the year after taxation of	152,898	10,208
to which is added balance on Retained Earnings brought forward (excluding amounts transferred to Regulatory Reserves) of	162,464	220,909
leaving a balance of	315,362	231,117
Less: Transfer to Regulatory Reserves	(14,229)	(15,585)
giving a cumulative amount available for distribution of	301,133	215,532
less dividend paid amounting to	-	(53,068)
leaving a balance on Retained Earnings carried forward of	<b>301,133</b>	<b>162,464</b>

### Nature of Business

The nature of business of the Group is as follows:

- To carry on the business of banking;
- To carry on the business of underwriters of securities, finance house and issuing house;
- To undertake corporate finance operations, loan syndications and securities portfolio management;
- To engage in counseling and negotiation in acquisitions and mergers of companies and undertakings;
- To engage in the business of acceptance of bills of exchange, dealing in bullion, export trade development and financing;
- To carry on the business of hire-purchase financing and the business of financing the operations of leasing companies; and
- To engage in the counseling and financing of industrial, agricultural, mining, service and commercial ventures, subject to the relevant rules and regulations for the time being in force on that behalf.

**REPORT OF THE DIRECTORS (Continued)****Substantial Shareholders**

Details of the Bank's twenty largest shareholders are disclosed in Note 34 of the Annual Report

**Retirement and Re-Election of Directors**

The following directors of the company, Mr. Paarock VanPercy, Dr. Kobina Quansah and Mr. Philip Owiredu, will retire in accordance with section 298(a) of the Companies Act, 1963 (Act 179) and Regulation 78(b) of the Regulations of the company.

Mr. Paarock VanPercy, Dr. Kobina Quansah and Mr. Philip Owiredu, who are eligible for re-election, have offered themselves to be re-elected as directors of the company. The Board will recommend that they be so re-elected.

Ms. Rosalind Kainyah, Mr. Kofi Osafo-Mafo and Nana Otuo Acheampong were appointed on November 2, 2017 to fill casual vacancies on the Board created by the resignations of Messrs. Eduardo Gutierrez, Noel Addo and Ken Alor. In accordance with the Bank's regulations, the directors so appointed are to serve until the next general meeting, when they will be subject to re-election by the shareholders.

**Subsidiaries**

CalBrokers Limited, a company incorporated in Ghana as a securities broker and a licensed dealing member of the Ghana Stock Exchange.

CalAsset Management Company Limited, licensed to manage assets by the Securities and Exchange Commission.

CalBank Nominees Limited, incorporated in Ghana to hold and administer securities and other assets as a custodian (registered owner) on behalf of beneficial owners.

CalTrustee Limited incorporated in Ghana to manage pension funds on behalf of beneficial owners as per guidelines set out by National Pension Regulatory Authority (NPRA)

**Associated Undertakings**

Ghana Leasing Company Limited (a non-banking financial institution) and Transaction Management Services Limited (in liquidation) both incorporated in Ghana are associated undertakings of the Bank. These investment have been fully impaired from the Bank's book.

**Going Concern**

The Board of Directors have made an assessment of the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**Dividend**

The Directors do not recommend the payment of a dividend. No dividend was paid with respect to the 2016 financial year.

**Auditors**

In accordance with Section 134(6) of the Companies Act, 1963 (Act 179), KPMG will remain in office as auditors for the group.

**Acknowledgement**

The Board of Directors hereby expresses its sincere appreciation for the support, loyalty and dedicated service of the staff, management and all stakeholders of the Bank over the past year.

BY ORDER OF THE BOARD

**FRANK B. ADU JNR.**  
Director

**DR. KOBINA QUANSAH**  
Director

Dated 19 March 2018

# CORPORATE GOVERNANCE STATEMENT

## Introduction

The CalBank Group is committed to fulfilling its corporate governance obligations and responsibilities in the best interests of all stakeholders by ensuring that its policies and practices reflect a high standards of corporate governance practices based on fairness, transparency and accountability. We remain committed to the continual strengthening of governance within the Group, reflecting our efforts toward building a sustainable business in accordance with our long term strategic objectives.

CalBank Limited (the "Bank") which is the parent company of the Group has CalBrokers Limited, CalAsset Management Limited, CalBank Nominee Limited and CalTrustee Company Limited as subsidiaries, each subsidiary company having an independent Board of Directors.

## Compliance and Regulations

Compliance with applicable legislation, regulations, standards and codes remains an essential characteristic of the Group's culture. The Board of Directors monitors compliance with these by means of management reports. Information on the outcomes of any significant interaction with key stakeholders such as the Bank's regulators is also provided to the Board.

The Group complies with all applicable legislation, regulations, standards and codes in Ghana.

## The Board

The Board of the Bank is the ultimate decision-making body for the Group. It has overall responsibility for management of the business and affairs of the Group, the establishment of Group strategy and the allocation and raising of resources, and is accountable to shareholders for financial and operational performance. The Board provides effective leadership, considers strategic issues, ensures the Group manages risk effectively through approving and monitoring the Group's risk appetite and exercises judgement in guiding management to achieve growth and deliver long term sustainable shareholder value.

The Board of Directors is made up of a Non-Executive Chairman, seven (7) Non-Executive directors and two (2) Executive Directors. The Group is committed to ensuring that the composition of the Board continues to include Directors who bring an appropriate mix of skills, experience and diversity to Board decision-making in both current and emerging issues.

The roles of the Chairman and Managing Director are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all executive and non-executive directors. The Managing Director has responsibility for all Group businesses and acts in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Managing Director.

All directors participate in discussing strategy, performance, financial and risk management issues of the Group, meetings of the Board are structured to allow sufficient time for consideration of all items through constructive deliberations.

In addition to its statutory responsibilities, as enshrined under the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the Regulations of the Bank, the Board is also guided by a voluntary Board Charter adopted by the Bank, which sets out in further detail the individual duties and responsibilities of the Chairman and members of the Board, the Company Secretary and the Board as a whole.

There is regular interaction between the Board and executive management. The Board meets once every quarter in closed sessions, employees are invited as required to make presentations to the Board on material issues under consideration. Directors are also provided with unrestricted access to management and company information, as well as resources required to carry out their responsibilities.

Meetings of the Board are held quarterly with an additional meeting to consider Group strategy. The Board of Directors are provided with comprehensive board documentation at least one week prior to each scheduled meeting.

**CORPORATE GOVERNANCE STATEMENT (Continued)**

**In 2017, attendance by Directors at the meetings of the Board and its committees were as stated below:**

<b>Board Members</b>	<b>Board</b>	<b>Audit</b>	<b>Risk</b>	<b>Compensation &amp; Governance</b>
Paarock VanPercy	5/5	4/4	4/4	2/2
Frank B. Adu Jnr	5/5	n/a	4/4	2/2
Kobina Quansah	5/5	4/4	4/4	2/2
Malcolm Pryor	5/5	n/a	4/4	2/2
Helen Nankani	5/5	4/4	4/4	1/2
James Brenner	5/5	n/a	4/4	n/a
Philip Owiredu	5/5	n/a	n/a	n/a
Rosalind Kainyah	1/5	n/a	n/a	n/a
Kofi Osafo Marfo	1/5	n/a	n/a	n/a
Nana Otuo Acheampong	1/5	n/a	n/a	n/a
Eduardo Guitierrez	1/5	n/a	1/4	n/a
Ken K.D Alor	3/5	2/4	2/4	n/a
Noel Addo	3/5	2/4	n/a	n/a

**Board effectiveness review**

The Board conducts an annual self-evaluation to assess itself against its objectives, the aim of the evaluation is to assist the Board in improving its effectiveness. The evaluation process affords individual Board members the opportunity to evaluate the Board as a whole as well as their own performance and to make recommendations for areas of improvement.

As outlined in the Board charter and in accordance with good corporate governance principles, there are in place Audit, Risk Management, Governance and Compensation Committees to assist with the execution of the various responsibilities.

**Audit Committee**

The Audit Committee which is made up of five (5) non-executive directors is chaired by Dr. Kobina Quansah and has Mr. Paarock VanPercy, Ms. Helen Nankani as members, as well as Messrs Kofi Osafo – Marfo and Nana Otuo Acheampong who have replaced Messrs Ken K. D. Alor and Noel Addo who both resigned as directors of the Bank in the second quarter of the review period. The Internal Auditor of the Bank reports directly to the Audit Committee and sits in all meetings of the Committee.

The Audit Committee provides reasonable assurance that the Bank is compliant with the relevant laws and regulations, is conducting its affairs ethically, and is maintaining effective control on employee conflict of interest and fraud. The Audit Committee is also responsible for providing assurance that financial disclosures made by management reasonably reflect the Bank’s financial position, results of operation, plans and

long-term commitments. The Committee provides a formal report to the Board at each meeting of the Board.

During the review period, the Audit Committee considered and discussed reports on control environment weaknesses, their root causes, management responses and remediation actions.

**External Auditor**

The Audit Committee exercised oversight over the work undertaken by the external auditor, KPMG which has taken over from Deloitte & Touche, the previous auditors in compliance with the Central Bank’s directive on the rotation of external auditors. During the year, the Committee met with the audit team including the partner to enable Committee members gain greater insight into the challenges faced in the Group’s markets from an external audit perspective.

The Committee discussed with KPMG the business and financial risks and have sought assurance that these risks have been properly addressed in the audit strategy and plan that has been reviewed by the Committee. The Committee is satisfied that KPMG has allocated sufficient experienced resources to address identified risks.

The Committee also scrutinised the audit process, the quality and experience of the audit partner engaged, and the audit plan which provided details of the number of years KPMG partners and senior team members have been involved in similar audits. KPMG’s lead audit partner for CalBank has experience in auditing banks and understands the markets in which the Group operates.

**CORPORATE GOVERNANCE STATEMENT (Continued)**

During the review period, the Bank did not engage KPMG in the provision of any non-audit services.

**Risk Management Committee**

The Risk Management Committee which is made up of seven (7) non-executive directors and one executive director is chaired by Mr. Paarock VanPercy with the following as members, Dr. Kobina Quansah, Mr. Malcolm D. Pryor, Ms. Rosalind Kainyah, Mr. James Brenner, Ms. Helen Nankani, Nana Otuo Acheampong and Frank B. Adu Jnr. (ex-officio). Messrs Ken K. D. Alor and Eduardo Gutierrez resigned as members of the Committee upon their resignation from the Board.

The Committee core functions are;

- monitor the execution of the Board's risk strategy for different business and geographic markets of operation,
- monitor the effectiveness of the risk management organisational structure,
- advise management on the adoption and implementation of an appropriate risk management policy,
- keep under review the status and application of risk management responsibilities and accountabilities and,
- review and monitor any requirement for reporting on risk management to the Board.

Details of the risk management framework is presented in note 4 of this annual report.

The Committee as part of the governance structure has delegated the day-to-day risk management functions to the Assets and Liability Management Committee (ALMC).

The ALMC is chaired by the Managing Director with Group Heads and some Heads of Departments as members. Its purpose is to recommend policies and guidelines to the Board for the management of balance sheet growth; deposits, advances and investments; foreign exchange activities and positions; and risks associated with exchange rates and liquidity.

**Governance and Compensation Committee**

The objectives of the Governance and Compensation Committee is to review the appointments and compensation

of the executive and senior management and make recommendations to the Board for their consideration and approval. During the year the Committee met twice and discussed the remuneration structure and recommended it for the Board's approval.

The Committee is chaired by Mr. Paarock VanPercy and has Dr. Kobina Quansah, Mr. Malcolm D. Pryor, Mr. Kofi Osafo Marfo, Ms. Helen Nankani and Mr. Frank B. Adu Jnr. (ex-officio) as members. Mr. Noel Addo resigned as a member of the Committee upon his resignation from the Board.

**Remuneration philosophy**

The Group's remuneration philosophy aligns with its core values, including growing our people and delivering value to our shareholders. The philosophy continues to emphasize the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce.

The Board of Directors sets the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests.

A key success factor for the Bank is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives

The following key factors have informed the implementation of reward policies and procedures that support the achievement of business goals;

- the provision of rewards that enable the attraction, retention and motivation of employees and the development of a high-performance culture;
- maintaining competitive remuneration in line with our markets, trends and required statutory obligations;
- moving to a cost-to-company remuneration structure;
- rewarding people according to their performance; and
- educating employees on the full employee value proposition.

**CORPORATE GOVERNANCE STATEMENT (Continued)****Remuneration structure***Non-executive directors*

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement. A third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election in accordance with the Companies Act 1963 (Act 179). If recommended by the directors, the Board then proposes their re-election to shareholders. There is no limitation to the number of times a non-executive director may stand for re-election.

Non-executive directors receive fixed fees for service on the Board's and Board's sub-committees, this includes a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

The Board member's remuneration is reviewed by the Governance and Compensation Committee and approved by the full Board and shareholders.

*Executive directors*

The executive directors receive a remuneration package and qualifies for long-term incentives on the same basis as other employees. The components of their package are as follows:

- guaranteed remuneration – based on their market value and the role they play;
- annual performance based bonus used to incentivise the achievement of group objectives; and
- pension which provides a competitive post-retirement benefit in accordance with group policy applicable to all employees

The remuneration of executive management is reviewed by the Governance and Compensation Committee and approved by the Board.

*Management*

The terms and conditions of employment of managers are guided by the labour laws in Ghana and are aligned to best practice. Managerial remuneration is based on a total cost-to-company structure comprising of a fixed

cash portion, compulsory benefits including medical aid and long service award and optional benefits. Market data is used to benchmark salary levels and benefits which are reviewed annually. For all employees, performance-related payments have formed a significant proportion of total remuneration. All employees (executives, managers and general staff) are individually rated on the basis of performance and potential and this is used to influence actual performance-related remuneration.

*Long-term incentives*

It is essential for the Group to retain key skills over the longer term which is done particularly through employee long service awards. The purpose of these is to align the interests of the Bank, its subsidiaries to that of the employees, as well as to attract and retain skilled, competent people.

**Induction of New Directors and Ongoing Development**

New Directors are provided with a letter of appointment and participate in a comprehensive induction program covering the Group's financial, strategic, operational and risk management overviews. Appointees are provided with an information pack including governance policies and business information, and presentations are made on the Group's business functions and activities by key members of the executive and senior management teams.

During the year a training session was held for the Board on the Banks and Specialized Deposits Taking Institutions Act, 2016 (Act 930)

More broadly, the directors are supported by dedicated corporate secretariat resources and have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors. Processes are also in place to ensure the timely provision of information to directors.

**Sustainability**

The Group's economic, social and environmental impacts and responsibilities are effectively entrenched in the Group's culture through the emphasis placed on the application of the Group's vision and values in all its operations.

CalBank believes environmental protection and social development are among the most pressing issues facing the world today. The Bank therefore regards sustainable and social development as a fundamental aspect of sound business management. Consequently, the Bank is

**CORPORATE GOVERNANCE STATEMENT (Continued)**

committed to continuing the integration of environmental and social management into its business activities. The Bank has therefore put in place an environmental and social management systems (ESMS) and policy which are integrated into our credit assessment process. Our ESMS policy includes sound objectives and well defined processes, procedures and responsibilities to ensure optimal benefit from this policy.

We continuously improve upon our systems by providing the needed training to our staff. We also communicate with our clients and provide the needed guidelines to ensure a healthy environment and social development. Our benchmarks are the local legislations as well as the Environmental and Social Policies and Guidelines of the World Bank Group and the Conventions of the International Labour Organisation.

**Ethics and Organisational Integrity**

The Group's code of ethics is designed to empower employees and enable faster decision making at all levels of our business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice. The code interprets and defines CalBank's values in greater detail and provides value-based decision-making principles to guide our conduct. It is aligned with other policies and procedures, and supports the relevant industry regulations and laws of Ghana. The code of ethics is made available to all staff annually and also published on the Group's intranet.

**Related Party Transactions**

The Group has in place policies and procedures to ensure that all related party transactions are carried out at arm's length and in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This is intended to ensure that there is no favourable treatment given to a related party.

Therefore, in any connected transactions or continuing connected transactions in the ordinary and usual course of business, and on normal commercial terms with a related party or its associate, we ensure all the necessary approvals are obtained prior to the execution of the transaction.

**Conflict of Interest**

Directors have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty in relation to any matter which is or is

likely to be brought before the Board.

The Bank receives from each of the independent non-executive directors an annual confirmation of independence pursuant to the Board code of ethics and still considers all of the non-executive directors to be independent. The Bank has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions.

At no time during the year did any director hold a material interest in any contract of significance with the Bank or any of its subsidiary undertakings. The Group is not party to any significant agreements that would automatically take effect, alter or terminate following a change of control of the Bank. The Bank has established a robust process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. The Board reviews actual or potential conflicts of interest annually.

Authorisations are reviewed annually by the Board to consider if they continue to be appropriate, and also to revisit the terms upon which they were provided. The Board is satisfied that our processes continue to operate effectively.

Subject to the Companies Act 1963 (Act 179), the regulation of the Group and the authority granted to directors in general meetings, the directors may exercise all the powers of the Group and may delegate authorities to Committees. The Company's regulations contain provisions relating to the appointment and removal of directors which is also in accordance with the Companies Act 1963 (Act 179) and best practices.

The Group does not place a limitation on the number of board positions any director can hold. However, any position taken up by a director would have to be disclosed to the Board to ensure there are no conflict of interest issues. Executive directors are required to inform the Board of any intention to take up any directorship role for their consent prior to taking up the formal appointment.

**Material issues facing the Bank**

There are no material issues facing the Bank.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALBANK LIMITED

## Report on the Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of CalBank Limited ("the Group"), which comprise the statements of financial position at 31 December 2017 and the statements of comprehensive income, changes in equity and cash flows for the year ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information, as set out on pages 25 to 85.

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of CalBank Limited at 31 December 2017, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

### Basis for Opinion

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

### Key Audit Matters

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

### **Impairment of loans and advances to customers (GH¢154.10 million) Refer to Note 19 to the consolidated and separate financial statements**

Impairment of loans and advances to customers is a key audit matter due to the significance of the balances and the complexity and subjectivity in estimating the timing and the amount of impairment. Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that an impairment exists on an individual basis, loans are assessed collectively for impairment. The estimation of the impairment loss allowance on an individual basis requires management to make judgments to determine whether there is objective evidence of impairment and to make assumptions about the financial conditions of the borrower and expected future cash flows. The key judgment for individual provisions on these portfolios is the recoverable value of any underlying collateral. The collective impairment loss allowance relates to losses incurred but not yet identified on other loans and advances. The two key judgments in the collective provisioning assessment are the likelihood of default and the emergence period and it is the latter which is the single most critical judgment as there is limited historic data on which to accurately assess it and the most sensitive to adjustment.

### How the matter was addressed in our audit:

- We assessed and tested the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers;



**INDEPENDENT AUDITOR'S REPORT (Continued)**

- We assessed and tested the design and operating effectiveness of controls over the Group's loan impairment process regarding management's review process over impairment calculations;
- We substantively validated the year end impairment models for collective and individual provisioning by re performing calculations and agreeing a sample of data inputs to source documentation. We also assessed whether the data used in the models is complete and accurate through testing a sample of relevant data fields and their aggregate amounts against data in the source systems;
- We critically assessed and challenged the assumptions used by the Group in their impairment models using our understanding of the Group, the historical accuracy of its estimates, current and past performance of the Group's loans and our knowledge of the industry in respect of similar loan types;
- We undertook a detailed assessment of a sample of exposures for individual impairment on corporate portfolios, taking a risk based approach to focus on those with the greatest potential impact on the financial statements. Our assessment specifically challenged the Group's assumptions of expected future cash flows including the valuation of realizable collaterals through inquiry with credit managers and inspecting correspondence and independent valuation reports;
- We critically assessed and analyzed the assumptions and data used by the Group in determining the likelihood of default and emergence period for collective impairment assessment;
- We examined a sample of performing loans to evaluate if any indicators of impairment existed to test the completeness of individual impairment provisions; and
- We considered the adequacy of the Group's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions.

**Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Directors' Report as required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) as well as the Chairman's Statement and Managing Director's Report, which we obtained prior to the date of this auditor's report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

The Directors are responsible for the preparation of consolidated and separate 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 consolidated and separate financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

**INDEPENDENT AUDITOR'S REPORT (Continued)**

and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**INDEPENDENT AUDITOR'S REPORT (Continued)****Other Matter**

The financial statements of CalBank Limited at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on these financial statements on 24 March 2017.

**Report on Other Legal and Regulatory Requirements**

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

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

In our opinion, proper books of account have been kept, and the consolidated and separate statements of financial position and profit or loss and other comprehensive income are in agreement with the books of account.

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

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), as amended by Anti-Money Laundering Amendments Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) and the Regulations governing the Acts.

The engagement partner on the audit resulting in this independent auditor's report is:

**Frederick Nyan Dennis (ICAG/P/1426)**

KPMG

FOR AND ON BEHALF OF:  
 KPMG: (ICAG/F/2018/038)  
 CHARTERED ACCOUNTANTS  
 13 YIYIWA DRIVE, ABELENKPE  
 P O BOX GP 242  
 ACCRA

19 March 2018

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER**

*in thousands of Ghana Cedis*

	Notes	2017		2016	
		Bank	Group	Bank	Group
Interest Income	8	668,055	668,128	552,679	557,631
Interest Expense	8	(322,818)	(317,096)	(304,302)	(306,317)
<b>Net Interest Income</b>		<b>345,237</b>	<b>351,032</b>	<b>248,377</b>	<b>251,314</b>
Fees and Commissions Income	9	63,818	72,985	64,546	71,570
Fees and Commissions Expense	9	(4,887)	(4,922)	(4,407)	(4,437)
<b>Net Fees and Commissions</b>		<b>58,931</b>	<b>68,063</b>	<b>60,139</b>	<b>67,133</b>
Net Trading Income	10	40,671	40,671	43,297	43,297
Other Operating Income	11	1,470	2,466	5,633	5,433
		<b>42,141</b>	<b>43,137</b>	<b>48,930</b>	<b>48,730</b>
<b>Operating Income</b>		<b>446,309</b>	<b>462,232</b>	<b>357,446</b>	<b>367,177</b>
Net Impairment Loss on Financial Assets	19	(54,947)	(54,947)	(199,243)	(199,243)
Personnel Expenses	12	(100,255)	(103,021)	(73,110)	(75,538)
Depreciation and Amortisation	24, 25	(8,300)	(8,332)	(5,585)	(5,613)
Other Expenses	13	(74,470)	(77,069)	(67,423)	(69,732)
<b>Total Operating Expenses</b>		<b>(237,972)</b>	<b>(243,369)</b>	<b>(345,361)</b>	<b>(350,126)</b>
<b>Profit Before Income Tax</b>		<b>208,337</b>	<b>218,863</b>	<b>12,085</b>	<b>17,051</b>
Income Tax Expense	14	(63,171)	(65,965)	(4,882)	(6,843)
<b>Profit For The Period</b>		<b>145,166</b>	<b>152,898</b>	<b>7,203</b>	<b>10,208</b>
<b>Other Comprehensive Income, Net of Income Tax</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Available-for-sale financial assets		36	36	(58)	(58)
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Net change in revaluation surplus		113	113	43,983	43,983
Remeasurement of defined benefit liability		(656)	(640)	(1,042)	(1,080)
<b>Other comprehensive income for the year</b>		<b>(507)</b>	<b>(491)</b>	<b>42,883</b>	<b>42,845</b>
<b>Total Comprehensive Income for the year</b>		<b>144,659</b>	<b>152,407</b>	<b>50,086</b>	<b>53,053</b>
<b>Earnings per share (Ghana Cedis per share)</b>	15				
- Basic		0.2652	0.2793	0.0132	0.0187
- Diluted		0.2652	0.2793	0.0132	0.0187

The notes on pages 30 to 85 are an intergral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

*in thousands of Ghana Cedis*

	Notes	2017		2016	
		Bank	Group	Bank	Group
<b>Assets</b>					
Cash and Cash Equivalents	17	512,376	512,376	428,756	428,756
Investment Securities	18	1,479,153	1,486,965	800,427	818,032
Loans and Advances to Customers	19	1,853,674	1,853,674	1,966,394	1,966,394
Investments in Subsidiaries	20	2,038	-	2,038	-
Current Tax Assets	22	-	600	43,872	44,406
Deferred Tax Assets	23	17,706	17,706	6,007	6,020
Intangible Assets	25	17,922	17,922	7,613	7,613
Other Assets	21	51,039	55,085	92,020	95,305
Property Plant and Equipment	24	278,730	278,810	252,228	252,332
<b>Total Assets</b>		<b>4,212,638</b>	<b>4,223,138</b>	<b>3,599,355</b>	<b>3,618,858</b>
<b>Liabilities</b>					
Deposits From Banks and Other Financial Institutions	27	84,913	69,422	63,376	62,803
Deposits From Customers	26	2,428,201	2,428,201	2,312,391	2,312,391
Borrowings	28	931,816	931,816	572,810	572,810
Current Tax Liabilities	22	1,836	1,836	-	802
Deferred Tax Liabilities	23	-	8	-	3
Other Liabilities	29	118,445	119,785	148,010	150,546
<b>Total Liabilities</b>		<b>3,565,211</b>	<b>3,551,068</b>	<b>3,096,587</b>	<b>3,099,355</b>
<b>Equity</b>					
Stated Capital	30i	100,000	100,000	100,000	100,000
Income Surplus		275,883	301,133	144,946	162,464
Revaluation Reserve	30iii	63,526	63,526	63,413	63,413
Statutory Reserve	30ii	163,312	163,312	145,166	145,166
Credit Risk Reserve	30iv(a)	51,869	51,869	55,786	55,786
Other Reserves	30iv(b)(c)	(7,163)	(7,770)	(6,543)	(7,326)
<b>Total Shareholders' Equity</b>		<b>647,427</b>	<b>672,070</b>	<b>502,768</b>	<b>519,503</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>4,212,638</b>	<b>4,223,138</b>	<b>3,599,355</b>	<b>3,618,858</b>
Net Assets Value per Share (Ghana Cedis per Share)		1.1809	1.2258	0.9170	0.9475

The notes on pages 30 to 85 are an intergral part of these financial statements.

**FRANK B. ADU JNR.**  
Director

**DR. KOBINA QUANSAH**  
Director

The Directors approved the financial statements on 19 March 2018

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

*in thousands of Ghana Cedis*

**Attributable to equity holders**

The Bank	Other Reserves							Total Equity
	Stated Capital	Statutory Reserve	Revaluation Reserve	Retained Earnings	Treasury Shares	Fair Value Reserves	Regulatory Credit Risk Reserve	
Balance at 1 January 2017	100,000	145,166	63,413	144,946	-	(6,543)	55,786	502,768
<b>Total comprehensive income</b>								
Profit	-	-	-	145,166	-	-	-	145,166
<b>Other comprehensive income</b>								
Net change in revaluation surplus	-	-	113	-	-	-	-	113
Available-for-sale financial assets	-	-	-	-	-	36	-	36
Remeasurement of defined benefit liability	-	-	-	-	-	(656)	-	(656)
<b>Transactions with shareholders</b>								
Dividend paid	-	-	-	-	-	-	-	-
<b>Transfer to/from reserves</b>								
Statutory reserve	-	18,146	-	(18,146)	-	-	-	-
Regulatory credit risk reserve	-	-	-	3,917	-	-	(3,917)	-
<b>Balance at 31 December 2017</b>	<b>100,000</b>	<b>163,312</b>	<b>63,526</b>	<b>275,883</b>	<b>-</b>	<b>(7,163)</b>	<b>51,869</b>	<b>647,427</b>

The Group	Other Reserves							Total Equity
	Stated Capital	Statutory Reserve	Revaluation Reserve	Retained Earnings	Treasury Shares	Fair Value Reserves	Regulatory Credit Risk Reserve	
Balance at 1 January 2017	100,000	145,166	63,413	162,464	(678)	(6,648)	55,786	519,503
<b>Total comprehensive income</b>								
Profit	-	-	-	152,898	-	-	-	152,898
<b>Other comprehensive income</b>								
Net change in revaluation surplus	-	-	113	-	-	-	-	113
Available-for-sale financial assets	-	-	-	-	-	36	-	36
Remeasurement of defined benefit liability	-	-	-	-	-	(640)	-	(640)
<b>Transactions with shareholders</b>								
Dividend paid	-	-	-	-	-	-	-	-
Net Changes in Bank's shares held by subsidiary	-	-	-	-	160	-	-	160
<b>Transfer to/from reserves</b>								
Statutory reserve	-	18,146	-	(18,146)	-	-	-	-
Regulatory credit risk reserve	-	-	-	3,917	-	-	(3,917)	-
<b>Balance at 31 December 2017</b>	<b>100,000</b>	<b>163,312</b>	<b>63,526</b>	<b>301,133</b>	<b>(518)</b>	<b>(7,252)</b>	<b>51,869</b>	<b>672,070</b>

The notes on pages 30 to 85 are an integral part of these financial statements.

in thousands of Ghana Cedis

The Bank	Other Reserves							Total Equity
	Stated Capital	Statutory Reserve	Revaluation Reserve	Retained Earnings	Treasury Shares	Fair Value Reserves	Regulatory Credit Risk Reserve	
Balance at 1 January 2016	100,000	144,266	19,430	206,509		(5,443)	41,101	505,863
<b>Total comprehensive income</b>								
Profit	-	-	-	7,203	-	-	-	7,203
<b>Other comprehensive income</b>								
Net change in revaluation surplus	-	-	43,983	-	-	-	-	43,983
Available-for-sale financial assets	-	-	-	-	-	(58)	-	(58)
Remeasurement of defined benefit liability	-	-	-	-	-	(1,042)	-	(1,042)
<b>Transactions with shareholders</b>								
Dividend paid	-	-	-	(53,181)	-	-	-	(53,181)
<b>Transfer to/from reserves</b>								
Statutory reserve	-	900	-	(900)	-	-	-	-
Regulatory credit risk reserve	-	-	-	(14,685)	-	-	14,685	-
<b>Balance at 31 December 2016</b>	<b>100,000</b>	<b>145,166</b>	<b>63,413</b>	<b>144,946</b>	<b>-</b>	<b>(6,543)</b>	<b>55,786</b>	<b>502,768</b>

The Group	Other Reserves							Total Equity
	Stated Capital	Statutory Reserve	Revaluation Reserve	Retained Earnings	Treasury Shares	Fair Value Reserves	Regulatory Credit Risk Reserve	
Balance at 1 January 2016	100,000	144,266	19,430	220,909	(697)	(5,510)	41,101	519,499
<b>Total comprehensive income</b>								
Profit	-	-	-	10,208	-	-	-	10,208
<b>Other comprehensive income</b>								
Net change in revaluation surplus	-	-	43,983	-	-	-	-	43,983
Available-for-sale financial assets	-	-	-	-	-	(58)	-	(58)
Remeasurement of defined benefit liability	-	-	-	-	-	(1,080)	-	(1,080)
<b>Transactions with shareholders</b>								
Dividend paid	-	-	-	(53,068)	-	-	-	(53,068)
Net Changes in Bank's shares held by subsidiary	-	-	-	-	19	-	-	19
<b>Transfer to/from reserves</b>								
Statutory reserve	-	900	-	(900)	-	-	-	-
Regulatory credit risk reserve	-	-	-	(14,685)	-	-	14,685	-
<b>Balance at 31 December 2016</b>	<b>100,000</b>	<b>145,166</b>	<b>63,413</b>	<b>162,464</b>	<b>(678)</b>	<b>(6,648)</b>	<b>55,786</b>	<b>519,503</b>

The notes on pages 30 to 85 are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

*in thousands of Ghana Cedis*

	Notes	2017		2016	
		Bank	Group	Bank	Group
<b>Profit for the Period</b>		<b>145,166</b>	<b>152,898</b>	<b>7,203</b>	<b>10,208</b>
<b>Adjustments for:</b>					
Depreciation and Amortisation	24,25	8,300	8,332	5,585	5,613
Impairment on Financial Assets	19	54,947	54,947	199,243	199,243
Net Interest Income	8	(345,237)	(351,032)	(248,377)	(251,314)
Income Tax Expense	14	63,171	65,965	4,882	6,843
		<b>(73,653)</b>	<b>(68,890)</b>	<b>(31,464)</b>	<b>(29,407)</b>
Change in Loans and Advances to Customers		112,720	112,720	(160,279)	(161,109)
Change in Other Assets		40,981	40,220	(35,411)	(36,268)
Change in Deferred Tax Assets		(11,699)	(11,686)	4,185	4,198
Change in Deposits From Banks & Other Financial Institutions		21,537	6,619	3,477	4,494
Change in Customer Deposits		115,810	115,811	667,868	667,868
Change in Other Liabilities and Provisions		(29,565)	(30,761)	26,828	28,292
Interest and Dividends Received		655,539	655,648	379,714	397,006
Interest Paid		(250,181)	(244,459)	(235,864)	(306,317)
Net Income Tax Paid		(29,048)	(32,693)	(62,500)	(64,251)
<b>Net Cash From Operating Activities</b>		<b>552,441</b>	<b>542,529</b>	<b>556,554</b>	<b>504,506</b>
<b>Cash Flows From Investing Activities</b>					
Purchase of Investment Securities		(678,726)	(668,806)	(508,889)	(521,406)
Purchase of Investments in Subsidiaries		-	-	(10)	-
Purchase of Property and Equipment	24	(33,480)	(33,488)	(71,054)	(71,076)
Purchase of Intangible Assets	25	(11,631)	(11,631)	(4,941)	(4,941)
Proceeds From Treasury Shares		-	-	-	55,813
<b>Net Cash Used in Investing Activities</b>		<b>(723,837)</b>	<b>(713,925)</b>	<b>(584,894)</b>	<b>(541,610)</b>
<b>Cash Flows from Financing Activities</b>					
Dividends Paid		-	-	(53,181)	(53,068)
Proceeds from Borrowings		694,383	694,383	199,783	199,783
Repayment of Borrowings		(439,367)	(439,367)	(740,425)	(740,425)
<b>Net Cash Flow from/(Used in) Financing Activities</b>		<b>255,016</b>	<b>255,016</b>	<b>(593,823)</b>	<b>(593,710)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>83,620</b>	<b>83,620</b>	<b>(622,163)</b>	<b>(630,814)</b>
Cash and Cash Equivalents at 1 January		428,756	428,756	1,050,919	1,059,570
<b>Cash and Cash Equivalents at 31 December</b>		<b>512,376</b>	<b>512,376</b>	<b>428,756</b>	<b>428,756</b>

The notes on pages 30 to 85 are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

*(All currency amounts in the notes are in thousands of Ghana Cedis unless otherwise stated)*

### 1. REPORTING ENTITY

CalBank Limited (The "Bank") is a Bank incorporated in Ghana. The address and registered office of the Bank can be found on page 3 of the annual report. The Bank operates with a Universal Banking license that allows it to undertake Banking and related activities. These consolidated financial statements as at and for the year ended 31 December 2017 comprise the Bank and its subsidiary, (together referred to as the 'Group'). The separate financial statements as at and for the year ended 31 December 2017 comprise the financial statements of the Bank. For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of comprehensive income, in these financial statements.

The Bank is listed on the Ghana Stock Exchange.

### 2. BASIS OF PREPARATION

#### (A) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act 1963, (Act 179), and the Banks and Specialised Deposit-Taking Act, 2016 (Act 930).

#### (B) Basis of measurement

The financial statements are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: financial instruments at fair value through profit or loss and financial instruments classified as available-for-sale and leasehold land and buildings.

#### (C) Functional and presentation currency

The financial statements are presented in Ghana Cedis, which is the Bank's functional currency. Except as indicated, financial information presented in Ghana Cedis have been rounded to the nearest thousand, except when otherwise indicated.

#### (D) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgment, 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 other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in note 5.

#### (E) Information about significant estimation, uncertainty and critical judgements

Accounting policies that have the most significant effect on the amounts recognised in the financial statement are describe in note 5.

#### (F) Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 4 (c).

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statements unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

statements, and have been applied consistently by Group entities.

**(A) Basis of Consolidation****(i) Subsidiaries**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having

a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the Bank's reporting date.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment.

**(ii) Funds Management**

The Group manages and administers assets held in unit trust or other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements. Information about the group's fund management activities are set out in note 31 (iv).

**(B) Foreign Currency**

Foreign currency transactions and end of day balances are translated into the functional currency using the published average inter-bank exchange rates by the Bank of Ghana prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in profit or loss.

**(C) Interest**

Interest income is recognised in profit or loss for all interest-bearing financial instruments classified as held to maturity, available for sale or other loans and receivables

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected 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 instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be wholly measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

When a financial asset or a group of similar financial assets have been written down as a result of impairment, contractual effective rate of interest is used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the profit or loss in the period they arise.

**(D) Fees and commissions**

Fees and commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are

performed.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

**(E) Trading Income**

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in profit or loss, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

**(F) Dividends**

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other income.

**(G) Other Operating Income**

Other operating income comprises other income including gains or losses arising on fair value changes in trading assets and liabilities, derecognised available for sale financial assets, and foreign exchange differences.

**(H) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income (OCI) or equity, in which case it is recognised in OCI or equity.

**(i) Current Taxation**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The Group provides for income taxes at the current tax rates on the taxable profits of the Group.

**(ii) Deferred Taxation**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. However, deferred income tax is not accounted for if

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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 tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

**(iii) Levies and similar charges**

The Group recognises the liability arising from levies and similar charges when it becomes legally enforceable.

**(I) Financial assets and liabilities****(i) Date of recognition**

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

provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

**(ii) Categorisation of financial assets and liabilities**

The Group classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

**(iii) Financial assets and liabilities held at fair value through profit or loss**

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

**(iv) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

This is mainly made up of placements and overnight deposits with Banks and other financial institutions and loans and advances to customers. Loans and receivables are measured in the statement of financial position at amortised cost, i.e. gross receivable less impairment allowance.

**(v) Available for sale financial assets**

Available for sale investments are non-derivative financial investments that are designated as available for sale and are not categorised as held at fair value through profit or loss, loans and receivables or held to maturity.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(vi) Financial liabilities measured at amortised cost**

This relates to all other liabilities that are not designated at fair value through profit or loss.

**(vii) Initial recognition**

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and liabilities are recognised on trade- date (the date the Group commits to purchase or sell the asset). Loans and receivables are recognised when cash is advanced to customers or borrowers.

Financial assets and liabilities are initially recognised at fair value plus or less directly attributable transaction cost except for those that are classified as fair value through profit or loss.

**(viii) Subsequent measurement**

Available for sale financial assets are subsequently measured at fair value with the resulting changes recognised in OCI. The fair value changes on available for sale financial assets are recycled to profit or loss when the underlying asset is sold, matured or derecognised. Financial assets and liabilities classified as fair value through profit or loss are subsequently measured at fair value with the resulting changes recognised in profit or loss.

Loans and receivables and other liabilities are subsequently measured at amortised cost using the effective interest method, less impairment loss.

**(ix) Derecognition**

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Bank has transferred substantially all the risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

**(x) Fair value measurement**

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined

by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

. Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

. Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

. Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or financial liability is not actively traded, the Bank establishes fair value by using valuation techniques. These techniques include the use of discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments measured at fair value on the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Day 1' profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

**Reclassification of financial assets**

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the profit or loss.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

**(xi) Offsetting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position if, and only if, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

**(xii) Amortised cost measurement**

"The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between the initial amount

recognised and the maturity amount, minus any reduction for impairment."

**(xiii) Identification and measurement of impairment**

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrowers.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group 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. 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.

If there is objective evidence that an impairment loss on a loan and receivable 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 (excluding future credit losses that have not been incurred), 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 profit or loss. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less cost 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 credit risk characteristics (i.e. on the basis of the Group's grading process which considers 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 group of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

Impairment losses on available-for-sale financial assets are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the statement of profit or loss. When a subsequent event causes the impairment loss on an available for sale financial asset to decrease, the impairment loss is reversed through the statement of profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale financial asset is recognised directly in OCI.

**(J) Cash and cash equivalents**

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash on hand, cash and balances with the Central Bank of Ghana and amounts due from banks and other financial institutions.

**(K) Investment Securities**

This comprises investments in short-term Government securities and medium term investments in Government and other securities such as open market operations (OMO) instruments, treasury bills and bonds. Investments in securities are categorised as available-for-sale or trading financial assets and measured in the statement of financial position at fair values.

**(L) Property, Plant and Equipment****(i) Recognition and measurement**

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The Bank owns landed properties that are revalued every three years. Increases in the carrying amount arising on revaluation are credited to capital surplus. Decreases that offset previous increases of the same asset are charged against the capital surplus.

**(ii) Subsequent costs**

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

**(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

Leasehold Buildings –over the remaining life of the lease

Motor Vehicles	-	5 – 7 years
Equipment	-	5 – 10 years
Furniture and fittings	-	5 – 7 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposal of property and equipment are determined by comparing proceeds from disposal with the carrying amounts of property and equipment and are recognised in profit or loss as other income.

**(M) Intangible assets****Software**

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

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is ten years.

**(N) Events After Reporting Date**

Events after reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

**(O) Deposits, amounts due to Banks and borrowings**

This is mainly made up of customer deposit accounts, overnight placements by banks and other financial institutions and medium term borrowings. They are categorised as other financial liabilities measured in the statement of financial position at amortised cost.

**(P) Dividend**

Dividend income is recognised when the right to receive income is established. Dividend payable is recognised as a liability in the period in which they are declared.

**(Q) Provisions/Contingent Liabilities**

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

**(R) Financial guarantees**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at their fair value being the premium received, and the fair value is amortised over the life of the financial guarantee. The financial guarantees are subsequently carried at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability is recorded in of profit or loss. The premium received in the consolidated statement of profit or loss in net fees and commission income on a straight line basis over the life of the guarantee.

**(S) Employee benefits****(i) Defined contribution plans**

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

**(ii) Termination benefits**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(iii) Short-term benefits**

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

**(iv) Defined benefit scheme**

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs. The discount rate is the yield at the reporting date on a long-dated instrument on the Ghana market. The calculation is performed using the projected unit credit method. Changes in the fair value of the plan liabilities are recognised in the statement of profit or loss.

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

**(T) Impairment on non-financial assets**

The carrying amount of the Group'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 exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss.

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.

**(U) Share capital****(i) Share issue costs**

Incremental costs directly attributable to the issue of new shares or options or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

**(ii) Dividends on ordinary shares**

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

**(iii) Treasury shares**

Where the Company or any member of the Group purchases the Company's shares, the consideration paid is deducted from shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

**(V) Segment Reporting**

An operating segment is a component of an entity:

- . that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)
- . whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and
- . for which discrete financial information is available

**(W) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank after adjustments for preference dividends by the weighted average number of ordinary shares outstanding during the period. The Bank has no convertible notes and share options, which could potentially dilute its EPS and therefore the Group's Basic and diluted EPS are essentially the same.

**(X) New standards and interpretations yet to be adopted**

During the year, there were some amendments, new standards and interpretations as indicated below. These did not have any significant impact on the Bank or its subsidiaries reporting.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****IFRS 9 "Financial Instruments"**

(effective for annual periods beginning on or after 1 January 2018).

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard on the effective date and will not restate comparative information. During 2017, the Group performed a detailed impact assessment on classification, measurement and impairment as prescribed by IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the company will adopt IFRS 9. Overall, the company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank expects an increase in the loss allowance as described below.

**(a) Classification and measurement**

The Bank does not expect a significant impact on its balance sheet or equity in applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will still be measured at fair value through OCI under IFRS 9.

Debt securities are expected to be continued to be measured at amortized cost under IFRS 9 as the Bank expects only to hold these assets to collect contractual cash flows.

Loans and advances are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

**(b) Impairment**

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank will apply the simplified approach and record lifetime expected losses on all trade receivables.

**(c) Impact Assessment**

- The Bank will apply IFRS 9 as issued in July 2014 initially on 1 January 2018. Based on the assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank and Group's equity at 1 January 2018 is approximately within the range of GH¢12.4 million and GH¢13.6 million. This represents about 1.9% to 2.1% change in the Bank's equity and about 1.8% to 2.0% change in the Group's equity.
- The Bank has estimated that on adoption of IFRS 9, the impact on regulatory Tier 1 capital of the Bank and Group will be approximately between the ranges of GH¢12.4 million and GH¢13.6 million. Capital adequacy ratio for the Bank will be approximately 20.8% and that for the Group will be approximately between 21.6% and 21.5%.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

**IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based

Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

**Transfers of Investment Property — Amendments to IAS 40**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.

An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight.

Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- i. The beginning of the reporting period in which the entity first applies the interpretation Or
- ii. The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the company's current practice is in line with the Interpretation, the company does not expect any effect on its consolidated financial statements.

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

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

The Interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

**4. FINANCIAL RISK MANAGEMENT****(A) Introduction and overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk • liquidity risk • market risk • operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Risk Management Committee of the Board assists the Board in carrying out this responsibility. To enable it achieve its purpose, the Committee:

- Reviews and monitors aggregate risk levels in the business and the quality of risk mitigation and controls for all areas of risk to the business
- Makes recommendations to management on areas of improvement
- Informs the Board of progress in implementing improvements.

The Board has also established the Asset and Liability Management Committee (ALCO) and Risk Management Department which are responsible for developing and monitoring risk management policies in their specified areas.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, 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 Audit Committee of the Board is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in these functions by Internal Audit and Internal Control Departments. Internal

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Audit and Internal Control undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

All Board committees are made up of non-executive members, with executives in attendance. The committees report regularly to the Board of Directors on their activities.

**(B) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

**Management of credit risk**

The Board of Directors has delegated responsibility for the day-to-day management of credit risk to the Credit Department and the overall management of credit risk to the Risk Management Department. These departments report to the Board on a quarterly basis.

These departments responsibilities includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to approving authorities of the group. Larger facilities require approval by the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing all credit exposures prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties and industries (for loans and advances), and by issuer, credit rating band and market liquidity.
- Developing and maintaining risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on

the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework reflects the varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving authority.

Risk grades are subject to regular reviews by the Credit department.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to Group Credit on the credit quality of loan portfolio and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures. Each business unit reports on all credit related matters to management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The internal risk grading scale is as follows:

<b>Group's rating</b>	<b>Description of the grade</b>	<b>Average number of days outstanding</b>
Grade A	Current	less than 30 days
Grade B	Other Loans Especially Mentioned (OLEM)	30 days to but less than 90 days
Grade C	Sub-standard	90 days to less than 180 days
Grade D	Doubtful	180 days to less than 360 days
Grade E	Loss	360 days and above

The Risk Management Department monitors and manages the Bank's global credit risk within the appetite approved by the Board and set as limits and controls within the Bank's Risk Management Policy statement. It also promotes and supports the development of good credit risk management practices.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

**Impaired loans and securities**

Impaired loans and securities are loans and securities for

which it has been determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

**Past due but not impaired**

Loans and securities where contractual interest or principal payments are past due but it is believed that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed.

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***Exposure to Credit Risk**

	2017		2016	
	Bank	Group	Bank	Group
<b>Carrying Amount</b>	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>
<b>Individually Impaired</b>				
Grade B	7,735	7,735	14,446	14,446
Grade C	20,552	20,552	6,807	6,807
Grade D	30,055	30,055	45,470	45,470
Grade E	159,424	159,424	106,809	106,809
Gross Amount	217,766	217,766	173,532	173,532
Allowance for Impairment	(149,712)	(149,712)	(96,399)	(96,399)
Carrying Amount	68,054	68,054	77,133	77,133

**Exposure to Credit Risk**

	2017		2016	
	Bank	Group	Bank	Group
<b>Collectively Impaired</b>				
Grade B	3,273	3,273	3,457	3,457
Grade C	2,916	2,916	1,516	1,516
Grade D	3,417	3,417	765	765
Grade E	1,786	1,786	977	977
Gross Amount	11,392	11,392	6,715	6,715
Allowance for Impairment	(4,386)	(4,386)	(4,649)	(4,649)
Carrying Amount	7,006	7,006	2,066	2,066
<b>Past due but not Impaired</b>				
Grade B	-	-	1,736	1,736
Grade C	-	-	-	-
Grade D	-	-	3,947	3,947
Grade E	-	-	-	-
Carrying Amount	-	-	5,683	5,683
Loans with renegotiated terms	66,338	66,338	3,100	3,100
<b>Neither past due nor impaired</b>				
Grade A	1,712,276	1,712,276	1,878,412	1,878,412
<b>Total Carrying Amount</b>	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Financial risk management (continued)

Loans and Advances to Customers

	31 December 2017				31 December 2016			
	The Bank		The Group		The Bank		The Group	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Grade B	7,735	7,735	7,735	7,735	14,446	-	14,446	-
Grade C	20,552	11,147	20,552	11,147	6,807	-	6,807	-
Grade D	30,055	7,922	30,055	7,922	45,470	-	45,470	-
Grade E	159,424	41,250	159,424	41,250	106,809	77,133	106,809	77,133
<b>Total</b>	<b>217,766</b>	<b>68,054</b>	<b>217,766</b>	<b>68,054</b>	<b>173,532</b>	<b>77,133</b>	<b>173,532</b>	<b>77,133</b>

**Loans with renegotiated terms**

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

**Allowances for impairment**

An allowance is established for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

**Write-off policy**

The Group writes off a loan / security balance (and any related allowances for impairment losses) when loan review committee determines that the loans / securities are uncollectible. This determination is reached after the loan

or security has been classified as "loss" for two consecutive years. All write-offs must be approved by the Board and Bank of Ghana.

Set out below is an analysis of the gross amounts of loans written-off.

**Loans and Advances Written-off**

	2017		2016	
	Bank	Group	Bank	Group
Balance at the beginning	215,632	215,632	56,411	56,411
Write-offs during the year	18,725	18,725	161,373	161,373
Recovery during the year	(16,829)	(16,829)	(2,152)	(2,152)
<b>Balance at the end</b>	<b>217,528</b>	<b>217,528</b>	<b>215,632</b>	<b>215,632</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4. Financial risk management (continued)****Maximum Credit Exposure**

At the financial position date, the maximum credit risk exposure of the Bank in the event of other parties failing to perform their obligations is detailed below. No account has been taken of any collateral held and the maximum exposure to loss is considered to be the instruments' financial position carrying amount, or for non-derivative off financial position transactions their contractual nominal amounts.

Credit risk exposures of financial assets on the statement of financial position are as follows:

	2017		2016	
	Bank	Group	Bank	Group
Cash and Cash Equivalents	512,376	512,376	428,756	428,756
Investment Securities	1,479,153	1,486,965	800,427	818,032
Loans and Advances to Customers	1,853,674	1,853,674	1,966,394	1,966,394
Other Assets	51,039	55,085	92,020	95,305
	<b>3,896,242</b>	<b>3,908,100</b>	<b>3,287,597</b>	<b>3,308,487</b>

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

**Credit collateral**

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated every three years. Collateral generally is not held over loans and advances to banks, except where the counterparty bank assigns securities in the form of treasury bills or government bonds. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2017 or 2016.

The main types of collateral obtained includes mortgages over commercial and residential properties, inventory, trade receivables, and cash collateral.

Management monitors the market values of collaterals and will request additional collaterals in accordance with the underlying agreement where necessary.

**Collateral repossessed**

During the year, there was no repossessed asset by the bank. There was no repossessed asset by the bank in 2016.

**Credit risk concentration**

The Group monitors concentrations of credit risk by business industry and by type of customer. An analysis of concentrations of credit risk by business industry at the reporting date is shown below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Financial risk management (continued)

Exposure to Credit Risk

Loans and Advances to Customers

	2017		2016	
	Bank	Group	Bank	Group
<b>Carrying Amount</b>	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>
<b>Concentration by industry</b>				
Agriculture, Forestry & Fishing	992	992	159	159
Mining and Quarrying	39,132	39,132	44,132	44,132
Manufacturing	153,019	153,019	127,924	127,924
Construction	369,210	369,210	431,388	431,388
Electricity, gas and water	213,688	213,688	522,583	522,583
Commerce and Finance	506,806	506,806	434,910	434,910
Transport, Storage and Communications	189,985	189,985	41,151	41,151
Services	426,228	426,228	329,691	329,691
Miscellaneous	108,712	108,712	135,504	135,504
	<b>2,007,772</b>	<b>2,007,772</b>	<b>2,067,442</b>	<b>2,067,442</b>
Allowance for Impairment	(154,098)	(154,098)	(101,048)	(101,048)
	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>
<b>Concentration by type of customer</b>				
Private Enterprises	1,756,832	1,756,832	1,791,055	1,791,055
Joint Private & State Enterprises	152,227	152,227	183,369	183,369
Individuals	98,713	98,713	93,018	93,018
	<b>2,007,772</b>	<b>2,007,772</b>	<b>2,067,442</b>	<b>2,067,442</b>
Allowance for Impairment	(154,098)	(154,098)	(101,048)	(101,048)
	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>

Settlement risk

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

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier.

(C) Liquidity risk

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

Management of liquidity risk

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

The Group maintains information regarding the liquidity profile of its financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of the businesses are met through various deposit mobilisation strategies, short-term loans from the inter-bank market to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***4. Financial risk management (continued)****Exposure to liquidity risk**

The matching and control of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank and the group. It is unusual for banks to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position may potentially enhance profitability, but may also increase the risk of losses.

The following table provides detail on the residual maturity of all financial instruments and other assets and liabilities for the group:

2017	Bank							More than 5 years
	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	
<b>Assets</b>								
Cash and Cash Equivalents	512,376	512,376	-	-	-	-	-	-
Investment Securities	1,479,153	867,910	24,043	317,422	52,828	15,473	80,698	120,779
Loans and Advances to Customers	1,853,674	391,784	201,052	78,235	222,764	316,879	211,396	431,564
Investments in Subsidiaries	2,038	-	-	-	-	-	-	2,038
Deferred Tax Assets	17,706	-	-	-	-	-	-	17,706
Intangible Assets	17,922	-	-	-	-	-	-	17,922
Other Assets	51,039	-	27,397	23,642	-	-	-	-
Property Plant and Equipment	278,730	-	-	-	-	-	-	278,730
<b>Total Assets</b>	<b>4,212,638</b>	<b>1,772,070</b>	<b>252,492</b>	<b>419,299</b>	<b>275,592</b>	<b>332,352</b>	<b>292,094</b>	<b>868,739</b>
<b>Liabilities</b>								
Deposits From Banks and Other- Financial Institutions	84,913	11,292	23,103	14,432	9,875	8,623	7,140	10,448
Deposits From Customers	2,428,201	653,604	488,980	349,616	527,729	333,801	55,219	19,252
Borrowings	931,816	88,013	60,064	466,390	45,128	79,525	66,659	126,037
Current Tax Liabilities	1,836	-	1,836	-	-	-	-	-
Other Liabilities	118,445	41,351	20,810	56,284	-	-	-	-
<b>Total Liabilities</b>	<b>3,565,211</b>	<b>794,260</b>	<b>594,793</b>	<b>886,722</b>	<b>582,732</b>	<b>421,949</b>	<b>129,018</b>	<b>155,737</b>
<b>Period liquidity gap</b>	<b>647,427</b>	<b>977,810</b>	<b>(342,301)</b>	<b>(467,423)</b>	<b>(307,140)</b>	<b>(89,597)</b>	<b>163,076</b>	<b>713,002</b>
<b>Cummulative liquidity gap</b>	<b>647,427</b>	<b>977,810</b>	<b>635,509</b>	<b>168,086</b>	<b>(139,054)</b>	<b>(228,651)</b>	<b>(65,575)</b>	<b>647,427</b>
<b>Contingent Liabilities</b>	<b>367,154</b>	<b>-</b>	<b>317,324</b>	<b>17,587</b>	<b>17,587</b>	<b>14,656</b>	<b>-</b>	<b>-</b>

2017

Group

Assets	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	More than 5 years
Cash and Cash Equivalents	512,376	512,376	-	-	-	-	-	-
Investment Securities	1,486,965	875,722	24,043	317,422	52,828	15,473	80,698	120,779
Loans and Advances to Customers	1,853,674	391,784	201,052	78,235	222,764	316,879	211,396	431,564
Current Tax Assets	600	-	600	-	-	-	-	-
Deferred Tax Assets	17,706	-	-	-	-	-	-	17,706
Intangible Assets	17,922	-	-	-	-	-	-	17,922
Other Assets	55,085	-	27,397	27,688	-	-	-	-
Property Plant and Equipment	278,810	-	-	-	-	-	-	278,810
<b>Total Assets</b>	<b>4,223,138</b>	<b>1,779,882</b>	<b>253,092</b>	<b>423,345</b>	<b>275,592</b>	<b>332,352</b>	<b>292,094</b>	<b>866,781</b>
Liabilities								
Deposits From Banks and Other-Financial Institutions	69,422	11,292	7,612	14,432	9,875	8,623	7,140	10,448
Deposits From Customers	2,428,201	653,604	488,980	349,616	527,729	333,801	55,219	19,252
Borrowings	931,816	88,013	60,064	466,390	45,128	79,525	66,659	126,037
Current Tax Liabilities	1,836	-	1,836	-	-	-	-	-
Deferred Tax Liabilities	8	-	-	-	-	-	-	8
Other Liabilities	119,785	41,370	22,131	56,284	-	-	-	-
<b>Total Liabilities</b>	<b>3,551,068</b>	<b>794,279</b>	<b>580,623</b>	<b>886,722</b>	<b>582,732</b>	<b>421,949</b>	<b>129,018</b>	<b>155,745</b>
<b>Period liquidity gap</b>	<b>672,070</b>	<b>985,603</b>	<b>(327,531)</b>	<b>(463,377)</b>	<b>(307,140)</b>	<b>(89,597)</b>	<b>163,076</b>	<b>711,036</b>
<b>Cumulative liquidity gap</b>	<b>672,070</b>	<b>985,603</b>	<b>658,072</b>	<b>194,695</b>	<b>(112,445)</b>	<b>(202,042)</b>	<b>(38,966)</b>	<b>672,070</b>
<b>Contingent Liabilities</b>	<b>367,154</b>	<b>-</b>	<b>317,324</b>	<b>17,587</b>	<b>17,587</b>	<b>14,656</b>	<b>-</b>	<b>-</b>

2016

Bank

Assets	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	More than 5 years
Cash and Cash Equivalents	428,756	278,803	149,953	-	-	-	-	-
Investment Securities	800,427	132,240	147,440	384,233	47,156	4,654	80,290	4,414
Loans and Advances to Customers	1,966,394	135,388	357,694	252,644	195,107	526,421	282,880	216,260
Investments in Subsidiaries	2,038	-	-	-	-	-	-	2,038
Current Tax Assets	43,872	-	-	43,872	-	-	-	-
Deferred Tax Assets	6,007	-	-	-	-	-	-	6,007
Intangible Assets	7,613	-	-	-	-	-	-	7,613
Other Assets	92,020	-	15,612	38,785	37,623	-	-	-
Property Plant and Equipment	252,228	-	-	-	-	-	-	252,228
<b>Total Assets</b>	<b>3,599,355</b>	<b>546,431</b>	<b>670,699</b>	<b>719,534</b>	<b>279,886</b>	<b>531,075</b>	<b>363,170</b>	<b>488,560</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. Financial risk management (continued)

	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	More than 5 years
<b>Liabilities</b>								
Deposits From Banks and Other- Financial Institutions	63,376	7,440	17,084	19,302	19,550	-	-	-
Deposits From Customers	2,312,391	245,561	410,835	544,270	356,691	477,168	240,573	37,293
Borrowings	572,810	98,405	9,665	142,324	60,322	48,501	93,706	119,887
Other Liabilities	148,010	19,826	71,042	57,142	-	-	-	-
<b>Total Liabilities</b>	<b>3,096,587</b>	<b>371,232</b>	<b>508,626</b>	<b>763,038</b>	<b>436,563</b>	<b>525,669</b>	<b>334,279</b>	<b>157,180</b>
<b>Period liquidity gap</b>	<b>502,768</b>	<b>175,199</b>	<b>162,073</b>	<b>(43,504)</b>	<b>(156,677)</b>	<b>5,406</b>	<b>28,891</b>	<b>331,380</b>
<b>Cummulative liquidity gap</b>	<b>502,768</b>	<b>175,199</b>	<b>337,272</b>	<b>293,768</b>	<b>137,091</b>	<b>142,497</b>	<b>171,388</b>	<b>502,768</b>
Contingent Liabilities	296,300	-	274,905	7,551	7,551	6,293	-	-

## 2016

## Group

	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	More than 5 years
<b>Assets</b>								
Cash and Cash Equivalents	428,756	278,803	149,953	-	-	-	-	-
Investment Securities	818,032	149,845	147,440	384,233	47,156	4,654	80,290	4,414
Loans and Advances to Customers	1,966,394	135,388	357,694	252,644	195,107	526,421	282,880	216,260
Current Tax Assets	44,406	-	-	44,406	-	-	-	-
Deferred Tax Assets	6,020	-	-	-	-	-	-	6,020
Intangible Assets	7,613	-	-	-	-	-	-	7,613
Other Assets	95,305	-	15,612	42,070	37,623	-	-	-
Property Plant and Equipment	252,332	-	-	-	-	-	-	252,332
<b>Total Assets</b>	<b>3,618,858</b>	<b>564,036</b>	<b>670,699</b>	<b>723,353</b>	<b>279,886</b>	<b>531,075</b>	<b>363,170</b>	<b>486,639</b>
<b>Liabilities</b>								
Deposits From Banks and Other- Financial Institutions	62,803	7,440	17,084	18,729	19,550	-	-	-
Deposits From Customers	2,312,391	245,561	410,835	544,270	356,691	477,168	240,573	37,293
Borrowings	572,810	98,405	9,665	142,324	60,322	48,501	93,706	119,887
Current Tax Liabilities	802	-	-	802	-	-	-	-
Deferred Tax Liabilities	3	-	-	-	-	-	-	3
Other Liabilities	150,546	19,826	73,578	57,142	-	-	-	-
<b>Total Liabilities</b>	<b>3,099,355</b>	<b>371,232</b>	<b>511,162</b>	<b>763,267</b>	<b>436,563</b>	<b>525,669</b>	<b>334,279</b>	<b>157,183</b>
<b>Period liquidity gap</b>	<b>519,503</b>	<b>192,804</b>	<b>159,537</b>	<b>(39,914)</b>	<b>(156,677)</b>	<b>5,406</b>	<b>28,891</b>	<b>329,456</b>
<b>Cummulative liquidity gap</b>	<b>519,503</b>	<b>192,804</b>	<b>352,341</b>	<b>312,427</b>	<b>155,750</b>	<b>161,156</b>	<b>190,047</b>	<b>519,503</b>
Contingent Liabilities	296,300	-	274,905	7,551	7,551	6,293	-	-

The Group’s financial liabilities are valued on the basis of their earliest possible contractual maturity. The Group’s expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

The table above analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity

date. The matching and control of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank.

**Available Counterparty Liquidity**

The Group has available lines of credit from its counterparties to finance its business. The table below summarizes the Group’s available lines of credit at year-end and the amounts stated in the table are the cedi equivalent of the foreign currencies.

**Description**

Lines for letters of credit establishment  
Lines for letters of credit refinancing/ payment

	2017		2016	
	Bank	Group	Bank	Group
Lines for letters of credit establishment	1,553,814	1,553,814	1,349,767	1,349,767
Lines for letters of credit refinancing/ payment	949,365	949,365	865,467	865,467

**(D) Market risks**

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

**Management of market risks**

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the brokerage subsidiary, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

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

**Exposure to interest rate risk – non-trading portfolios**

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future

cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management department in its day-to-day monitoring activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group’s financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves and a 50 bp parallel fall or rise in all yield curves. An analysis of the Group and company’s sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

<b>Sensitivity of projected net interest income</b>	<b>100 bp parallel increase</b>	<b>100 bp parallel decrease</b>	<b>50 bp parallel increase</b>	<b>50 bp parallel decrease</b>
At 31 December 2017	3,655	(3,655)	1,827	(1,827)
At 31 December 2016	4,848	(4,848)	2,424	(2,424)

**Concentration of assets, liabilities and off balance sheet items**

Banks take on foreign currency exchange rate exposure on their financial position and cash flows.

The table below summarises the group and bank's exposure to foreign currency exchange rate risks at year-end. The amounts stated in the table are the Ghana Cedi equivalent of the foreign currencies.

<b>2017</b>	<b>US Dollars</b>	<b>British Pounds</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and Cash Equivalents	131,088	9,415	39,865	2,597	182,965
Loans and Advances to Customers	710,685	6	74	-	710,765
Other Assets	3,280	-	-	-	3,280
<b>Total Assets</b>	<b>845,053</b>	<b>9,421</b>	<b>39,939</b>	<b>2,597</b>	<b>897,010</b>
<b>Liabilities</b>					
Deposits From Customers	379,872	9,492	29,069	-	418,433
Borrowings	797,911	-	-	-	797,911
Other Liabilities	23,521	967	1,302	-	25,790
<b>Total Liabilities</b>	<b>1,201,304</b>	<b>10,459</b>	<b>30,371</b>	<b>-</b>	<b>1,242,134</b>
<b>Net On-Balance Sheet Position</b>	<b>(356,251)</b>	<b>(1,038)</b>	<b>9,568</b>	<b>2,597</b>	<b>(345,124)</b>
<b>Off-Balance Sheet Credit Commitments</b>	<b>262,906</b>	<b>5,251</b>	<b>42,968</b>	<b>-</b>	<b>311,125</b>
<b>Total Exposure</b>	<b>(93,345)</b>	<b>4,213</b>	<b>52,536</b>	<b>2,597</b>	<b>(33,999)</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Financial risk management (continued)

2016	US Dollars	British Pounds	Euro	Others	Total
<b>Assets</b>					
Cash and Cash Equivalents	72,829	8,282	50,685	1,544	133,340
Loans and Advances to Customers	839,594	4	44	-	839,642
Other Assets	3,321	-	-	-	3,321
<b>Total Assets</b>	<b>915,744</b>	<b>8,286</b>	<b>50,729</b>	<b>1,544</b>	<b>976,303</b>
<b>Liabilities</b>					
Deposits From Customers	343,224	7,789	53,580	-	404,593
Borrowings	473,992	-	-	-	473,992
Other Liabilities	27,271	978	832	1	29,082
<b>Total Liabilities</b>	<b>844,487</b>	<b>8,767</b>	<b>54,412</b>	<b>1</b>	<b>907,667</b>
<b>Net On-Balance Sheet Position</b>	<b>71,257</b>	<b>(481)</b>	<b>(3,683)</b>	<b>1,543</b>	<b>68,636</b>
<b>Off-Balance Sheet Credit Commitments</b>	<b>88,679</b>	<b>2,957</b>	<b>34,216</b>	<b>-</b>	<b>125,852</b>
<b>Total Exposure</b>	<b>159,936</b>	<b>2,476</b>	<b>30,533</b>	<b>1,543</b>	<b>194,488</b>

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis.

The table below indicates the currencies to which the Group had significant exposure at 31 December 2017 and 2016 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the cedis (all other variables being held constant) on profit or loss

and equity (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

Negative amount in the table reflects a potential net reduction in statement of profit or loss or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the cedis would have resulted in an equivalent but opposite impact.

	2017			2016		
	Exchange Rate at 31 Dec	Change in currency rate	Effect on profit before tax	Exchange Rate at 31 Dec	Change in currency rate	Effect on profit before tax
US Dollars	4.4157	5%	(17,382)	4.2002	10%	6,874
British Pounds	5.9669	13%	(134)	5.1965	(8%)	39
Euro	5.2964	16%	1,553	4.4367	7%	(253)



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4. Financial risk management (continued)****(E) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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 Group 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 reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

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

**(F) Capital management  
Regulatory capital**

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

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

Tier 1 capital, which includes ordinary share capital, retained earnings and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

The carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation and investments in the capital of banks and certain other regulatory items are deducted from capital.

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

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. Financial risk management (continued)**

Bank of Ghana (BoG), in its bid to ensure the stability of the Ghanaian Banking Sector and keep pace with global development and growth in risk management practices rolled out, in October 2017, a Capital Requirement Directive (CRD) which require banks to implement Pillar 1 principles of Basel II and the Basel III Capital Framework effective 1 July 2018.

The Capital Requirement Directive has four main parts, the first part provides principles for capital management and the constituents of eligible regulatory capital. The second, third

and fourth parts provide guidance on the role of the board in the management of credit, operational and market risk respectively. Guidelines for the computation of credit risk weighted asset, operational and market risk capital charges are also detailed in the CRD document.

It is expected that the implementation of Basel principles will have an impact on the overall risk culture of banks and will ultimately enhance the risk and capital management of banks.

**Exposure to Credit Risk**

	Notes	2017		2016	
		Bank	Group	Bank	Group
<b>Tier 1 capital</b>					
Ordinary share capital	30i	100,000	100,000	100,000	100,000
<b>Disclosed Reserves</b>		<b>439,195</b>	<b>464,445</b>	<b>290,112</b>	<b>307,630</b>
Income Surplus		275,883	301,133	144,946	162,464
Statutory Reserves	30ii	163,312	163,312	145,166	145,166
<b>Less:</b>					
Regulatory Deductions		(34,905)	(32,950)	(22,790)	(20,935)
<b>Total</b>		<b>504,290</b>	<b>531,495</b>	<b>367,322</b>	<b>386,695</b>
<b>Tier 2 capital</b>					
Fair Value Reserves		(7,163)	(7,252)	(6,543)	(6,648)
Revaluation Reserve (Limited to 50% in 2017)		31,763	31,763	63,413	63,413
Qualifying subordinated liabilities	28	128,826	128,826	122,466	122,466
<b>Total</b>		<b>153,426</b>	<b>153,337</b>	<b>179,336</b>	<b>179,231</b>
<b>Total regulatory capital</b>		<b>657,716</b>	<b>684,832</b>	<b>546,658</b>	<b>565,926</b>
<b>Risk-weighted assets</b>					
On-balance sheet items		2,371,057	2,381,592	2,382,954	2,312,092
Off-balance sheet items		367,154	367,154	296,300	296,300
<b>Total risk-weighted assets</b>		<b>2,738,211</b>	<b>2,748,746</b>	<b>2,679,254</b>	<b>2,608,392</b>
50% of net open position (NOP)		17,280	17,280	13,306	13,318
100% of 3yrs average annual gross income		354,608	364,372	307,139	315,031
<b>Adjusted Asset Base</b>		<b>3,110,099</b>	<b>3,130,398</b>	<b>2,999,699</b>	<b>2,936,741</b>
<b>Capital ratios</b>					
Capital Adequacy (Total Regulatory Capital as a percentage of Adjusted Asset Base)		21.1%	21.9%	18.2%	19.3%
<b>Regulatory Deductions</b>					
Goodwill/Intangibles		32,867	32,950	20,752	20,935
Investments in the capital of Other Banks & Fin Insts.		2,038	-	2,038	-
		<b>34,905</b>	<b>32,950</b>	<b>22,790</b>	<b>20,935</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

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

**Regulatory Quantitative Disclosures**

	2017		2016	
	Bank	Group	Bank	Group
Capital Adequacy Ratio	21.1%	21.9%	18.2%	19.3%
Non - Performing Loans Ratio	10.9%	10.9%	8.0%	8.0%
Liquid Ratio	125%	125%	106%	106%
<b>Compliance with statutory liquidity requirement</b>				
(i) Default in Statutory Liquidity	Nil	Nil	Nil	Nil
(ii) Default in Statutory Liquidity Sanction (GH¢'000)	Nil	Nil	Nil	Nil

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***5. USE OF ESTIMATES AND JUDGEMENTS**

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

**Key sources of estimation uncertainty****Allowances for credit losses**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(I) (xii).

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items can not yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

**Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(I)(x). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements made in applying the Group's accounting policies include:

**Financial asset and liability classification**

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

In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(I).

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3(I)(ix).

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***6. OPERATING SEGMENTS**

The group has five reportable segments. Information regarding each reportable segment is presented below. For management purposes the group is organised into five reportable segments based on products and services as follows;

- **Corporate Banking:** is responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to corporate clients, institutional clients and public sector entities. It also provides corporate finance services, mergers and acquisitions advice, specialised financial advice and custody services.
- **Retail & Business Banking:** provide loans and overdrafts as well as handles the deposits and other transactions of small and medium enterprises (SMES), individuals customers such as funds transfer, standing orders and ATM's Card services.
- **Treasury:** undertakes the Bank's funding and centralised risk management activities through borrowings, and investing in liquid assets such as short-term placements and government debt securities. It also trade in foreign currencies.
- **Brokerage:** subscribe for, underwrite, buy, hold, manage, and sell securities either on or off a stock exchange either as principals or agents. It also provides issuing house underwriting services and sponsorship to corporate clients.
- **Asset Management:** provide asset management, investment portfolio management, cash management, money management and other investment advisory services to institutional investors, businesses and high net worth individuals and manage mutual funds.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment

performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Interest income is reported net, as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

For the purpose of segmental reporting, surplus funds or deficit per business unit is either sold to or purchased from the Bank pool based on a pool rate determined by Treasury using the Bank's cost of funds plus a margin for both local and foreign currencies.

The assets that are not allocated to any reportable segment are made up of other assets, current tax assets, deferred tax assets, property and equipment, intangible assets and cash balances held at head office. The liabilities are also made up of current tax liabilities, deferred tax liabilities, accruals and other liabilities that are not allocated to any business.

No single customer revenue is 10% or more of the total external revenue

The tables below shows an analysis of the performance of the business units of the Group.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. Operating segments (Continued)

The Group has five reportable segments. Information regarding each reportable segment is presented below.

	Corporate Banking & Project Finance	Consumer & Retail Business Banking	Treasury	Brokerage	Asset Management	Unallocated	Consolidated
<b>31 December 2017</b>							
External Revenues							
Net Interest Income	215,433	102,662	29,835	80	3,022	-	351,032
Net Fees and Commissions	34,743	25,605	1,514	308	5,893	-	68,063
Net Trading Income	-	-	40,671	-	-	-	40,671
Other Operating Income	1,324	312	-	830	-	-	2,466
Intersegment Revenue	(5,716)	-	-	2,700	3,016	-	-
<b>Total Segment Revenues</b>	<b>245,784</b>	<b>128,579</b>	<b>72,020</b>	<b>3,918</b>	<b>11,931</b>	<b>-</b>	<b>462,232</b>
Operating Costs	(10,344)	(44,894)	(24,993)	(2,479)	(2,915)	(157,744)	(243,369)
<b>Segment Results</b>	<b>235,440</b>	<b>83,685</b>	<b>47,027</b>	<b>1,439</b>	<b>9,016</b>	<b>(157,744)</b>	<b>218,863</b>
Income Tax Expense	-	-	-	(92)	(2,705)	(63,168)	(65,965)
<b>Profit For The Period</b>	<b>235,440</b>	<b>83,685</b>	<b>47,027</b>	<b>1,347</b>	<b>6,311</b>	<b>(220,912)</b>	<b>152,898</b>
Segment Assets	1,465,731	484,988	1,991,528	10,199	18,705	251,986	4,223,137
<b>Total Assets</b>	<b>1,465,731</b>	<b>484,988</b>	<b>1,991,528</b>	<b>10,199</b>	<b>18,705</b>	<b>251,986</b>	<b>4,223,137</b>
Segment Liabilities	891,864	914,923	1,622,653	792	555	120,281	3,551,068
<b>Total Liabilities</b>	<b>891,864</b>	<b>914,923</b>	<b>1,622,653</b>	<b>792</b>	<b>555</b>	<b>120,281</b>	<b>3,551,068</b>
Impairment Loss on Financial Assets	(46,356)	(8,591)	-	-	-	-	(54,947)
Depreciation and Amortisation	1,188	2,736	-	13	20	4,375	8,332
Expenditure on non-current assets	809	1,862	-	419	28	2,978	6,096

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 6. Operating segments (Continued)

#### 31 December 2016

	Corporate Banking & Project Finance	Consumer & Retail Business Banking	Treasury	Brokerage	Asset Management	Unallocated	Consolidated
External Revenues							
Net Interest Income	187,168	59,116	4,141	892	(3)	-	251,314
Net Fees and Commissions	41,021	16,486	932	-	7,015	1,679	67,133
Net Trading Income	-	-	43,297	-	-	-	43,297
Other Operating Income	916	554	-	3	(67)	4,027	5,433
Intersegment Revenue	182	-	-	595	2,015	(2,792)	-
<b>Total Segment Revenues</b>	<b>229,287</b>	<b>76,156</b>	<b>48,370</b>	<b>1,490</b>	<b>8,960</b>	<b>2,914</b>	<b>367,177</b>
Operating Costs	(184,276)	(70,964)	(7,892)	(2,923)	(2,560)	(81,511)	(350,126)
<b>Segment Results</b>	<b>45,011</b>	<b>5,192</b>	<b>40,478</b>	<b>(1,433)</b>	<b>6,400</b>	<b>(78,597)</b>	<b>17,051</b>
Income Tax Expense	-	-	-	(26)	(1,935)	(4,882)	(6,843)
<b>Profit For The Period</b>	<b>45,011</b>	<b>5,192</b>	<b>40,478</b>	<b>(1,459)</b>	<b>4,465</b>	<b>(83,479)</b>	<b>10,208</b>
Segment Assets	1,785,870	748,287	1,005,336	10,446	13,093	55,826	3,618,858
<b>Total Assets</b>	<b>1,785,870</b>	<b>748,287</b>	<b>1,005,336</b>	<b>10,446</b>	<b>13,093</b>	<b>55,826</b>	<b>3,618,858</b>
Segment Liabilities	1,273,319	757,610	1,033,530	2,386	1,254	31,256	3,099,355
<b>Total Liabilities</b>	<b>1,273,319</b>	<b>757,610</b>	<b>1,033,530</b>	<b>2,386</b>	<b>1,254</b>	<b>31,256</b>	<b>3,099,355</b>
Impairment Loss on Financial Assets	(167,972)	(31,271)	-	-	-	-	(199,243)
Depreciation and Amortisation	1,494	2,352	-	12	15	1,740	5,613
Expenditure on non-current assets	271	4,637	2	12	9	71,085	76,016

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***6. Operating segments (Continued)**

The Group operated in four geographical markets in Ghana. The following tables show the distribution of operating profit and assets allocated based on the location of the customers and assets respectively for the years ended 2017 and 2016.

2017	Northern	Ashanti	Western	Greater Accra	Consolidated
Interest Income	33	33,630	48,593	585,872	668,128
Interest Expense	(428)	(14,321)	(7,807)	(294,540)	(317,096)
<b>Net Interest Income</b>	<b>(395)</b>	<b>19,309</b>	<b>40,786</b>	<b>291,332</b>	<b>351,032</b>
Net Fees and Commissions	42	5,733	9,013	53,275	68,063
Net Trading Income	-	-	-	40,671	40,671
Other Operating Income	15	379	476	1,596	2,466
<b>Operating Income</b>	<b>(338)</b>	<b>25,421</b>	<b>50,275</b>	<b>386,874</b>	<b>462,232</b>
Net Impairment Loss on Financial Assets	(2)	5	(7,919)	(47,031)	(54,947)
Personnel Expenses	(556)	(5,730)	(4,260)	(92,475)	(103,021)
Depreciation and Amortisation	(131)	(987)	(811)	(6,403)	(8,332)
Other Expenses	(408)	(2,505)	(2,346)	(71,810)	(77,069)
<b>Total Operating Expenses</b>	<b>(1,097)</b>	<b>(9,217)</b>	<b>(15,336)</b>	<b>(217,719)</b>	<b>(243,369)</b>
<b>Profit Before Income Tax</b>	<b>(1,435)</b>	<b>16,204</b>	<b>34,939</b>	<b>169,155</b>	<b>218,863</b>
Income Tax Expense	-	-	-	-	(65,965)
Profit For The Period	(1,435)	16,204	34,939	169,155	152,898
Segment Assets	685	119,862	185,650	3,916,941	4,223,138
<b>Total Assets</b>	<b>685</b>	<b>119,862</b>	<b>185,650</b>	<b>3,916,941</b>	<b>4,223,138</b>
Segment Liabilities	975	189,988	157,749	3,202,356	3,551,068
<b>Total Liabilities</b>	<b>975</b>	<b>189,988</b>	<b>157,749</b>	<b>3,202,356</b>	<b>3,551,068</b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 6. Operating segments (Continued)

2016	Northern	Ashanti	Western	Greater Accra	Consolidated
Interest Income	-	28,680	48,356	480,595	557,631
Interest Expense	-	(9,214)	(27,690)	(269,413)	(306,317)
<b>Net Interest Income</b>	<b>-</b>	<b>19,466</b>	<b>20,666</b>	<b>211,182</b>	<b>251,314</b>
Net Fees and Commissions	-	4,199	7,956	54,978	67,133
Net Trading Income	-	-	-	43,297	43,297
Other Operating Income	-	996	532	3,905	5,433
<b>Operating Income</b>	<b>-</b>	<b>24,661</b>	<b>29,154</b>	<b>313,362</b>	<b>367,177</b>
Net Impairment Loss on Financial Assets	-	(203)	(16,463)	(182,577)	(199,243)
Personnel Expenses	-	(5,473)	(3,791)	(66,274)	(75,538)
Depreciation and Amortisation	-	(971)	(946)	(3,696)	(5,613)
Other Expense	-	(3,756)	(2,699)	(63,277)	(69,732)
<b>Total Operating Expenses</b>	<b>-</b>	<b>(10,403)</b>	<b>(23,899)</b>	<b>(315,824)</b>	<b>(350,126)</b>
<b>Profit Before Income Tax</b>	<b>-</b>	<b>14,258</b>	<b>5,255</b>	<b>(2,462)</b>	<b>17,051</b>
Income Tax Expense	-	-	-	-	(6,843)
<b>Profit For The Period</b>	<b>-</b>	<b>14,258</b>	<b>5,255</b>	<b>(2,462)</b>	<b>10,208</b>
Segment Assets	-	276,458	302,402	3,039,998	3,618,858
<b>Total Assets</b>	<b>-</b>	<b>276,458</b>	<b>302,402</b>	<b>3,039,998</b>	<b>3,618,858</b>
Segment Liabilities	-	186,293	129,946	2,783,116	3,099,355
<b>Total Liabilities</b>	<b>-</b>	<b>186,293</b>	<b>129,946</b>	<b>2,783,116</b>	<b>3,099,355</b>

## 7. FINANCIAL ASSETS AND LIABILITIES

## Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities. 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 Group has access at that date.

The Bank	Held to Maturity	Loans and receivables	Available for sale	Fair Value Through Profit or Loss	Other amortised cost	Total carrying amount	Fair value
<b>2017</b>							
Cash and Cash Equivalents	-	512,376	-	-	-	512,376	512,376
Investment Securities	1,262,211	-	216,942	-	-	1,479,153	1,479,153
Loans and Advances to Customers	-	1,853,674	-	-	-	1,853,674	1,853,674
Investments in Subsidiaries	-	-	2,038	-	-	2,038	2,038
	<b>1,262,211</b>	<b>2,366,050</b>	<b>218,980</b>	<b>-</b>	<b>-</b>	<b>3,847,241</b>	<b>3,847,241</b>
Deposits From Banks and Other-Financial Institutions	-	-	-	-	84,913	84,913	84,913
Deposits From Customers	-	-	-	-	2,428,201	2,428,201	2,428,201
Borrowings	-	-	-	-	931,816	931,816	931,816
Other Liabilities	-	-	-	-	118,445	118,445	118,445
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,563,375</b>	<b>3,563,375</b>	<b>3,563,375</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Financial assets and liabilities (Continued)

The Group	Held to Maturity	Loans and receivables	Available for sale	Fair Value Through Profit or Loss	Other amortised cost	Total carrying amount	Fair value
<b>2017</b>							
Cash and Cash Equivalents	-	512,376	-	-	-	512,376	512,376
Investment Securities	1,265,337	-	216,942	4,686	-	1,486,965	1,486,965
Loans and Advances to Customers	-	1,853,674	-	-	-	1,853,674	1,853,674
	<b>1,265,337</b>	<b>2,366,050</b>	<b>216,942</b>	<b>4,686</b>	<b>-</b>	<b>3,853,015</b>	<b>3,853,015</b>
Deposits From Banks and Other-Financial Institutions	-	-	-	-	69,422	69,422	69,422
Deposits From Customers	-	-	-	-	2,428,201	2,428,201	2,428,201
Borrowings	-	-	-	-	931,816	931,816	931,816
Other Liabilities	-	-	-	-	119,785	119,785	119,785
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,549,224</b>	<b>3,549,224</b>	<b>3,549,224</b>

The Bank	Held to Maturity	Loans and receivables	Available for sale	Fair Value Through Profit or Loss	Other amortised cost	Total carrying amount	Fair value
<b>2016</b>							
Cash and Cash Equivalents	-	428,756	-	-	-	428,756	428,756
Investment Securities	795,830	-	4,597	-	-	800,427	800,427
Loans and Advances to Customers	-	1,966,394	-	-	-	1,966,394	1,966,394
Investments in Subsidiaries	-	-	2,038	-	-	2,038	2,038
	<b>795,830</b>	<b>2,395,150</b>	<b>6,635</b>	<b>-</b>	<b>-</b>	<b>3,197,615</b>	<b>3,197,615</b>
Deposits From Banks and Other-Financial Institutions	-	-	-	-	63,376	63,376	63,376
Deposits From Customers	-	-	-	-	2,312,391	2,312,391	2,312,391
Borrowings	-	-	-	-	572,810	572,810	572,810
Other Liabilities	-	-	-	-	148,010	148,010	148,010
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,096,587</b>	<b>3,096,587</b>	<b>3,096,587</b>

The Group	Held to Maturity	Loans and receivables	Available for sale	Fair Value Through Profit or Loss	Other amortised cost	Total carrying amount	Fair value
<b>2016</b>							
Cash and Cash Equivalents	-	428,756	-	-	-	428,756	428,756
Investment Securities	809,021	-	4,597	4,414	-	818,032	818,032
Loans and Advances to Customers	-	1,966,394	-	-	-	1,966,394	1,966,394
	<b>809,021</b>	<b>2,395,150</b>	<b>4,597</b>	<b>4,414</b>	<b>-</b>	<b>3,213,182</b>	<b>3,213,182</b>
Deposits From Banks and Other-Financial Institutions	-	-	-	-	62,803	62,803	62,803
Deposits From Customers	-	-	-	-	2,312,391	2,312,391	2,312,391
Borrowings	-	-	-	-	572,810	572,810	572,810
Other Liabilities	-	-	-	-	150,546	150,546	150,546
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,098,550</b>	<b>3,098,550</b>	<b>3,098,550</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****7. Financial assets and liabilities (Continued)**

(a) Fair value approximates carrying value due to the minimal credit losses and short-term nature of the financial assets and liabilities.

(b) Financial instruments at fair value are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

(c) The fair value for loans and advances, and other lending is estimated using discounted cash flows, applying either market rates where practicable or, where the counterparty is a bank, rates currently offered by other financial institutions for placings with similar characteristics. In certain cases the fair value approximates carrying value because the instruments are short term in nature or reprice frequently.

(d) Fair values of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) approximate to their carrying value. The fair value of all other deposits and other borrowings (including repurchase agreements and cash collateral on securities lent) is estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Group for deposits of similar remaining maturities.

(e) Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques.

(f) Fair value hierarchy

Fair value measurement

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or financial liability is not actively traded, the Bank establishes fair value by using valuation techniques. These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. Financial assets and liabilities (Continued)**

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in fair value hierarchy, into which the fair value measurement is categorised.

The Level 1 was valued using the Bank of Ghana quoted bid prices.

The Level 2 was valued using Government of Ghana quoted market prices for similar instruments.

Level 3 – valuation techniques are based on significant observable inputs

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>The Bank</b>								
Investment Securities	-	216,942	-	216,942	-	4,597	-	4,597
	<b>-</b>	<b>216,942</b>	<b>-</b>	<b>216,942</b>	<b>-</b>	<b>4,597</b>	<b>-</b>	<b>4,597</b>
<b>The Group</b>								
Investment Securities	4,686	216,942	-	221,628	4,414	4,597	-	9,011
	<b>4,686</b>	<b>216,942</b>	<b>-</b>	<b>221,628</b>	<b>4,414</b>	<b>4,597</b>	<b>-</b>	<b>9,011</b>

**8. NET INTEREST INCOME**

	2017		2016	
	Bank	Group	Bank	Group
<b>INTEREST INCOME</b>				
Loans and Advances to Customers	454,839	454,838	442,036	441,853
Investment Securities	213,216	213,290	110,643	115,778
<b>Total Interest Income</b>	<b>668,055</b>	<b>668,128</b>	<b>552,679</b>	<b>557,631</b>
<b>INTEREST EXPENSE</b>				
Deposits from Banks	40,603	34,881	10,115	10,115
Deposits from Customers	240,789	240,789	226,956	228,971
Debt Security Issued	41,426	41,426	67,231	67,231
<b>Total Interest Expense</b>	<b>322,818</b>	<b>317,096</b>	<b>304,302</b>	<b>306,317</b>
<b>Net Interest Income</b>	<b>345,237</b>	<b>351,032</b>	<b>248,377</b>	<b>251,314</b>

Included within various captions under interest income for the year ended 31 December 2017 is a total of GH¢1.24 million (2016: GH¢1.75 million) accrued on impaired financial assets.

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***9. NET FEE AND COMMISSION INCOME**

	2017		2016	
	Bank	Group	Bank	Group
<b>Fee and Commission Income</b>				
Retail Banking Customer Fees	11,026	11,026	15,143	15,143
Corporate Banking Credit Related Fees	32,636	32,630	41,108	41,108
Corp Finance & Advisory Fees	9,570	18,743	1,113	8,151
Other	10,586	10,586	7,182	7,168
<b>Total Fee and Commission Income</b>	<b>63,818</b>	<b>72,985</b>	<b>64,546</b>	<b>71,570</b>
<b>Fee and Commission Expense</b>				
Inter-bank transaction fees	4,887	4,922	4,407	4,437
<b>Total Fee and Commission Expense</b>	<b>4,887</b>	<b>4,922</b>	<b>4,407</b>	<b>4,437</b>
<b>Net Fee and Commission Income</b>	<b>58,931</b>	<b>68,063</b>	<b>60,139</b>	<b>67,133</b>

**10. NET TRADING INCOME**

	2017		2016	
	Bank	Group	Bank	Group
Fixed Income	3,009	3,009	-	-
Foreign Exchange	37,662	37,662	43,297	43,297
<b>Net Trading Income</b>	<b>40,671</b>	<b>40,671</b>	<b>43,297</b>	<b>43,297</b>

**11. OTHER OPERATING INCOME**

	2017		2016	
	Bank	Group	Bank	Group
Other Income	1,457	2,418	5,633	5,386
Dividend Income	13	48	-	47
	<b>1,470</b>	<b>2,466</b>	<b>5,633</b>	<b>5,433</b>

**12. PERSONNEL EXPENSES**

	2017		2016	
	Bank	Group	Bank	Group
Salaries	53,142	55,652	26,677	28,353
Contributions to Defined Contribution Plans	5,849	6,051	5,062	5,803
Other Personnel Expenses	41,264	41,318	41,371	41,382
	<b>100,255</b>	<b>103,021</b>	<b>73,110</b>	<b>75,538</b>

The average number of persons employed by the bank during the year was 802 (2016: 774)

**13. OTHER EXPENSES**

	2017		2016	
	Bank	Group	Bank	Group
Software Licensing and Other Information Technology Cost	13,363	13,836	11,198	11,713
Auditors' Remuneration	210	250	269	316
Directors Fees	1,179	1,241	1,119	1,179
Other Expenses	59,718	61,742	54,837	56,524
	<b>74,470</b>	<b>77,069</b>	<b>67,423</b>	<b>69,732</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. Other Expenses (Continued)**

(a) Other expenses includes premise rent, communications, insurance, printing & stationery, fuel & lubricants, and outsourced costs

**(b) Social Responsibility**

Amount spent on fulfilling social responsibility obligations was GH¢0.78 million (2016: GH¢0.34 million).

**14 INCOME TAX EXPENSE**

**Recognised in the income statement**

		2017		2016	
		Bank	Group	Bank	Group
<b>Income tax expense</b>					
Current tax expense	22	74,757	77,533	12,508	14,456
Deferred tax expense	23	(11,586)	(11,568)	(7,626)	(7,613)
<b>Total income tax expense</b>		<b>63,171</b>	<b>65,965</b>	<b>4,882</b>	<b>6,843</b>
<b>Reconciliation of effective tax rate</b>					
Profit before tax		208,337	218,863	12,085	17,051
Corporate Tax Rate		25%	25%	25%	25%
National Fiscal Stabilisation Levy Rate		5%	5%	5%	5%
Income tax using the domestic tax rate		52,084	54,715	3,021	4,263
Non-deductible expenses		4,957	4,612	3,876	4,368
Capital allowances		(5,104)	(5,122)	(2,619)	(2,641)
National Fiscal Stabilisation Levy		10,417	10,943	604	853
Prior year tax adjustments		817	817	-	-
<b>Current income tax charge</b>		<b>63,171</b>	<b>65,965</b>	<b>4,882</b>	<b>6,843</b>
Effective tax rate		30.3%	30.1%	40.4%	40.1%

**15. EARNINGS PER SHARE**

**Basic earnings per share**

The calculation of basic earnings per share as at 31 December 2017 was based on the profit attributable to ordinary shareholders of GH¢152.90 million (2016: GH¢10.21 million) and a weighted average number of ordinary shares outstanding of 547 million (2016: 547 million), calculated as follows:

**Profit attributable to ordinary shareholders**

	The Group	
	2017	2016
Net profit for the period attributable to ordinary shareholders	152,898	10,208
<b>Weighted average number of ordinary share</b>		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 January	548,262	548,262
Effect of treasury shares held by subsidiaries	(819)	(1,085)
<b>Weighted average number of ordinary shares at 31 December</b>	<b>547,443</b>	<b>547,177</b>
<b>Basic Earnings Per Share (GH¢)</b>	<b>0.2793</b>	<b>0.0187</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****15. Earnings Per Share (Continued)**

There was no additional shares issued during the year.

**Diluted earnings per share**

The calculation of diluted earnings per share as at 31 December 2017 was based on the profit attributable to ordinary shareholders of GH¢152.90 million (2016: GH¢10.21 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 547.4 million (2016: 547.2 million), calculated as follows:

**Profit attributable to ordinary shareholders**

	The Group	
	2017	2016
Profit for the period attributable to ordinary shareholders	152,898	10,208
<b>Weighted average number of ordinary shares (diluted)</b>		
<i>In thousands of shares</i>		
Weighted average number of ordinary shares	548,262	548,262
Effect of treasury shares held by subsidiaries	(819)	(1,085)
<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>547,443</b>	<b>547,177</b>
<b>Diluted Earnings Per Share (GH¢)</b>	<b>0.2793</b>	<b>0.0187</b>

**16. DIVIDEND PER SHARE**

The directors do not recommend payment of dividend in respect of the year ended 31 December 2017. There was no dividend payment in respect of the year ended 2016.

**17. CASH AND CASH EQUIVALENTS**

	2017		2016	
	Bank	Group	Bank	Group
Cash and Balance with Banks	183,172	183,172	130,111	130,111
Unrestricted Balances with Bank of Ghana	59,955	61,504	55,232	55,232
Restricted Balances with Bank of Ghana	251,311	249,762	231,239	231,239
Items in course of collection	17,938	17,938	12,174	12,174
	<b>512,376</b>	<b>512,376</b>	<b>428,756</b>	<b>428,756</b>

**18. INVESTMENT SECURITIES**

	2017		2016	
	Bank	Group	Bank	Group
Held to Maturity	1,262,211	1,265,337	795,830	809,021
Available for Sale	216,942	221,628	4,597	9,011
	<b>1,479,153</b>	<b>1,486,965</b>	<b>800,427</b>	<b>818,032</b>
<b>A. Held to Maturity Investment Securities</b>				
Money Market Placements	867,904	870,562	125,000	137,780
Treasury Bills	341,479	341,947	634,925	635,336
Government Notes	52,828	52,828	35,905	35,905
	<b>1,262,211</b>	<b>1,265,337</b>	<b>795,830</b>	<b>809,021</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Investment Securities (Continued)

	2017		2016	
	Bank	Group	Bank	Group
<b>B. Available for Sale Investment Securities</b>				
Government Bonds	216,936	216,936	4,597	4,597
Equities	6	4,692	-	4,414
	<b>216,942</b>	<b>221,628</b>	<b>4,597</b>	<b>9,011</b>

In the normal course of our business, a total of GH¢77.1 million (2016: GH¢36.6 million) of Investment Securities have been used as security for interbank and short term borrowing.

19. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by portfolio

	2017		2016	
	Bank	Group	Bank	Group
<b>Retail:</b>				
Mortgage	45,733	45,733	44,834	44,834
Personal Loans	43,955	43,955	46,589	46,589
SME	304,544	304,544	322,162	322,162
Retail Gross Loans and Advances	<b>394,232</b>	<b>394,232</b>	<b>413,585</b>	<b>413,585</b>
<b>Corporate:</b>				
Financial Institutions	236,954	236,954	123,585	123,585
Other Secured	1,376,586	1,376,586	1,530,272	1,530,272
Corporate Gross Loans and Advances	<b>1,613,540</b>	<b>1,613,540</b>	<b>1,653,857</b>	<b>1,653,857</b>
<b>Gross Loans and Advances</b>	<b>2,007,772</b>	<b>2,007,772</b>	<b>2,067,442</b>	<b>2,067,442</b>
<b>Less:</b>				
Identified Impairment - Corporate	(144,354)	(144,354)	(95,422)	(95,422)
Identified Impairment - Retail	(5,358)	(5,358)	(977)	(977)
Unidentified Impairment - Corporate	(3,456)	(3,456)	(3,645)	(3,645)
Unidentified Impairment - Retail	(930)	(930)	(1,004)	(1,004)
Carrying Amount	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>
<b>(b) Analysis by type</b>				
Overdrafts	535,109	535,109	752,402	752,402
Term Loans	1,472,663	1,472,663	1,315,040	1,315,040
<b>Gross Loans and Advances</b>	<b>2,007,772</b>	<b>2,007,772</b>	<b>2,067,442</b>	<b>2,067,442</b>
<b>Less:</b>				
Identified Impairment	(149,712)	(149,712)	(96,399)	(96,399)
Unidentified Impairment	(4,386)	(4,386)	(4,649)	(4,649)
Carrying Amount	<b>1,853,674</b>	<b>1,853,674</b>	<b>1,966,394</b>	<b>1,966,394</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

- i. The above constitute loans and advances (including credit bills negotiated) to customers and staff.
- ii. Loan loss provision ratio is 7.7% of gross advances (2016: 4.9%).
- iii. Gross Non-performing loans ratio per Bank of Ghana requirement is 10.9% (2016: 8.0%).
- iv. Fifty (50) largest exposures (gross funded and non-funded) to total exposures is 77.6% (2016: 76.4%).
- v. The maximum amount due from officers of the bank during the year amounted to GH¢25.69 million (2016: GH¢24.01 million).

Loans and advances are carried at amortised cost. There were no loans carried at fair value through profit or loss.

**Allowances for Identified Impairment**

	2017		2016	
	Bank	Group	Bank	Group
Balance at 1 January	96,399	96,399	56,776	56,776
Impairment Charge for the year	72,038	72,038	200,996	200,996
Write-offs	(18,725)	(18,725)	(161,373)	(161,373)
<b>Balance at 31 December</b>	<b>149,712</b>	<b>149,712</b>	<b>96,399</b>	<b>96,399</b>

**Allowances for Unidentified Impairment**

Balance at 1 January	4,649	4,649	4,255	4,255
Impairment Charge for the year	(263)	(263)	394	394
<b>Balance at 31 December</b>	<b>4,386</b>	<b>4,386</b>	<b>4,649</b>	<b>4,649</b>

**Credit Loss Expense**

Net increase/(decrease) in impairments	71,775	71,775	201,390	201,390
Excess impairment on written off accounts	-	-	4	4
Amounts recovered previously written off	(16,828)	(16,828)	(2,151)	(2,151)
<b>Net charge to the income statement</b>	<b>54,947</b>	<b>54,947</b>	<b>199,243</b>	<b>199,243</b>

**20. INVESTMENTS IN SUBSIDIARIES****(a) The Principal Subsidiaries are:**

2017	Name	Nature of Business	Country of Incorporation	Amounts Invested	Percentage Interest
	CalBank Nominees Limited (CBNL)	Custodial Service	Ghana	10	100
	CalBrokers Limited (CBL)	Security Brokerage	Ghana	1,500	100
	CalAsset Management Limited (CAML)	Fund Management	Ghana	518	100
	CalTrustee Company Limited (CTCL)	Trustee	Ghana	10	100
				<u>2,038</u>	

2016	Name	Nature of Business	Country of Incorporation	Amounts Invested	Percentage Interest
	CalBank Nominees Limited (CBNL)	Custodial Service	Ghana	10	100
	CalBrokers Limited (CBL)	Security Brokerage	Ghana	1,500	100
	CalAsset Management Limited (CAML)	Fund Management	Ghana	518	100
	CalTrustee Company Limited (CTCL)	Trustee	Ghana	10	100
				<u>2,038</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Investments in Subsidiaries (Continued)

	2017		2016	
	Bank	Group	Bank	Group
<b>Investments in subsidiaries are stated at cost and comprise:</b>				
Investments in Subsidiaries	2,038	-	2,038	-

(b) Summary of Subsidiary Accounts

	2017			
	CBL	CAML	CBNL	CTCL
Revenue	3,918	11,931	-	-
Expenses	(2,479)	(2,915)	-	-
Income Tax and National Fiscal Stabilization Levy	(92)	(2,705)	-	-
Profit (Loss) for the year	1,347	6,311	-	-
Total Assets	10,199	18,705	10	10
Total Liabilities	792	555	-	-
Total Shareholder's Equity	9,407	18,150	10	10
Total Cash Inflows	19,518	127,972	10	10
Total Cash Outflows	(21,281)	(121,987)	-	-
Net Cash Inflow (Outflow)	(1,763)	5,985	10	10

	2016			
	CBL	CAML	CBNL	CTCL
Revenue	1,490	8,960	-	-
Expenses	(2,923)	(2,560)	-	-
Income Tax and National Fiscal Stabilization Levy	(26)	(1,935)	-	-
Profit (Loss) for the year	(1,459)	4,465	-	-
Total Assets	10,446	13,093	10	10
Total Liabilities	2,386	1,254	-	-
Total Shareholder's Equity	8,059	11,838	10	10
Total Cash Inflows	34,906	161,845	10	10
Total Cash Outflows	(34,192)	(157,920)	-	-
Net Cash Inflow (Outflow)	714	3,926	10	10

21. OTHER ASSETS

	2017		2016	
	Bank	Group	Bank	Group
Sundry Debtors	18,172	22,135	76,395	79,553
Prepayments	32,867	32,950	15,625	15,752
	<b>51,039</b>	<b>55,085</b>	<b>92,020</b>	<b>95,305</b>

Sundry debtors includes receivables from Money Transfer Operations and Mobile Money Operations

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## The Bank

## 22. CURRENT TAX ASSETS/LIABILITIES

	Balance 1/1/2017	(Payments)/ Refund During the year	Charge for the year	Balance 31/12/2017
<b>Income Tax</b>				
Up to 2016	(37,818)	37,118	700	-
2017	-	(62,086)	63,523	1,437
	<b>(37,818)</b>	<b>(24,968)</b>	<b>64,223</b>	<b>1,437</b>
<b>National Fiscal Stabilisation Levy</b>				
Up to 2016	(6,054)	5,938	116	-
2017	-	(10,018)	10,417	399
	<b>(6,054)</b>	<b>(4,080)</b>	<b>10,533</b>	<b>399</b>
<b>Total</b>	<b>(43,872)</b>	<b>(29,048)</b>	<b>74,757</b>	<b>1,836</b>

## The Group

	Balance 1/1/2017	(Payments)/ Refund During the year	Charge for the year	Balance 31/12/2017
<b>Income Tax</b>				
2009 - 2016	(37,635)	37,118	700	183
2017	-	(65,728)	65,772	44
	<b>(37,635)</b>	<b>(28,610)</b>	<b>66,472</b>	<b>227</b>
<b>Dividend Tax</b>				
2017	-	(3)	3	-
<b>National Fiscal Stabilisation Levy</b>				
2009 - 2016	(5,969)	5,938	116	85
2017	-	(10,018)	10,942	924
	<b>(5,969)</b>	<b>(4,080)</b>	<b>11,058</b>	<b>1,009</b>
<b>Total</b>	<b>(43,604)</b>	<b>(32,693)</b>	<b>77,533</b>	<b>1,236</b>

Liabilities up to and including 2016 for the Bank has been agreed with the tax authorities where as liabilities up to and including 2009 for the subsidiaries have also been agreed. All liabilities are subject to agreement with the Ghana Revenue Authority.

## 23. DEFERRED TAXATION

	2017		2016	
	Bank	Group	Bank	Group
Balance at the beginning	(6,007)	(6,017)	(10,192)	(10,215)
Origination/reversal of temporary differences:				
recognised in statement of profit or loss	(11,586)	(11,568)	(7,626)	(7,613)
recognised in OCI	(113)	(113)	11,811	11,811
<b>Balance at the end</b>	<b>(17,706)</b>	<b>(17,698)</b>	<b>(6,007)</b>	<b>(6,017)</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Deferred Taxation (Continued)

Recognised deferred tax assets and liabilities:

Deferred tax liabilities are attributable to the following:

	Bank - 2017			Group - 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	20,590	20,590	9	20,590	20,599
Impairment Allowance	(38,522)	-	(38,522)	(38,522)	-	(38,522)
Others	-	226	226	-	225	225
Net tax (assets)/liabilities	(38,522)	20,816	(17,706)	(38,513)	20,815	(17,698)

Recognised deferred tax assets and liabilities:

Deferred tax liabilities are attributable to the following:

	Bank - 2016			Group - 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	(22,199)	-	(22,199)	(22,212)	3	(22,209)
Impairment Allowance	-	15,910	15,910	-	15,910	15,910
Others	-	282	282	-	282	282
Net tax (assets)/liabilities	(22,199)	16,192	(6,007)	(22,212)	16,195	(6,017)

Deferred tax arising from the revaluation of landed properties have been recognised directly in OCI. Reversals of temporary differences attributable to this deferred tax liability are also recognised directly in OCI.

24. PROPERTY, PLANT AND EQUIPMENT

2017	The Bank				
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
<b>Cost</b>					
Balance at the Beginning	97,017	35,334	6,678	137,766	276,795
Additions	-	2,960	1,502	29,018	33,480
Transfers	19,676	13,923	-	(33,599)	-
<b>Balance at the end</b>	<b>116,693</b>	<b>52,217</b>	<b>8,180</b>	<b>133,185</b>	<b>310,275</b>
<b>Accumulated Depreciation</b>					
Balance at the Beginning	3,134	18,056	3,377	-	24,567
Charge for the year	1,455	4,556	967	-	6,978
<b>Balance at the end</b>	<b>4,589</b>	<b>22,612</b>	<b>4,344</b>	<b>-</b>	<b>31,545</b>
<b>Net Book Value</b>	<b>112,104</b>	<b>29,605</b>	<b>3,836</b>	<b>133,185</b>	<b>278,730</b>

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***24. Property, Plant And Equipment (Continued)****The Group**

2017	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
<b>Cost</b>					
Balance at the Beginning	97,017	36,173	6,678	137,766	277,634
Additions	-	2,968	1,502	29,018	33,488
Transfers	19,676	13,923	-	(33,599)	-
<b>Balance at the end</b>	<b>116,693</b>	<b>53,064</b>	<b>8,180</b>	<b>133,185</b>	<b>311,122</b>
<b>Accumulated Depreciation</b>					
Balance at the Beginning	3,134	18,790	3,378	-	25,302
Charge for the year	1,455	4,588	967	-	7,010
<b>Balance at the end</b>	<b>4,589</b>	<b>23,378</b>	<b>4,345</b>	<b>-</b>	<b>32,312</b>
<b>Net Book Value</b>	<b>112,104</b>	<b>29,686</b>	<b>3,835</b>	<b>133,185</b>	<b>278,810</b>

**The Bank**

2016	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
<b>Cost</b>					
Balance at the Beginning	42,080	29,423	5,663	77,070	154,236
Additions	13,453	1,464	1,015	55,122	71,054
Surplus on Revaluation	39,252	-	-	12,253	51,505
Transfers	2,232	4,447	-	(6,679)	-
<b>Balance at the end</b>	<b>97,017</b>	<b>35,334</b>	<b>6,678</b>	<b>137,766</b>	<b>276,795</b>
<b>Accumulated Depreciation</b>					
Balance at the Beginning	6,321	15,013	2,701	-	24,035
Charge for the year	1,101	3,043	676	-	4,820
Release on Revaluation	(4,288)	-	-	-	(4,288)
<b>Balance at the end</b>	<b>3,134</b>	<b>18,056</b>	<b>3,377</b>	<b>-</b>	<b>24,567</b>
<b>Net Book Value</b>	<b>93,883</b>	<b>17,278</b>	<b>3,301</b>	<b>137,766</b>	<b>252,228</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Property, Plant And Equipment (Continued)

2016	The Group				Total
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	
<b>Cost</b>					
Balance at the Beginning	42,080	30,240	5,663	77,070	155,053
Additions	13,453	1,486	1,015	55,122	71,076
Surplus on Revaluation	39,252	-	-	12,253	51,505
Transfers	2,232	4,447	-	(6,679)	-
<b>Balance at the end</b>	<b>97,017</b>	<b>36,173</b>	<b>6,678</b>	<b>137,766</b>	<b>277,634</b>
<b>Accumulated Depreciation</b>					
Balance at the Beginning	6,321	15,719	2,702	-	24,742
Charge for the year	1,101	3,071	676	-	4,848
Release on Revaluation	(4,288)	-	-	-	(4,288)
<b>Balance at the end</b>	<b>3,134</b>	<b>18,790</b>	<b>3,378</b>	<b>-</b>	<b>25,302</b>
<b>Net Book Value</b>	<b>93,883</b>	<b>17,383</b>	<b>3,300</b>	<b>137,766</b>	<b>252,332</b>

The Group's leasehold Land and Buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's leasehold land and buildings as at 31 December 2016 was performed by Messrs Apex Valuation, Surveying & Property Consult and Assenta Property Consulting. Messrs Apex Valuation, Surveying & Property Consult and Assenta Property Consulting are Chartered Surveyors, members of the Ghana Institute of Surveyors and they have the appropriate qualifications and experience in the fair value measurement of properties in the relevant locations.

The fair value of the leasehold land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

None of the assets of the bank has been used as security for any loan.

	The Bank				The Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>2017</b>								
Bank Premises	-	112,104	-	112,104	-	112,104	-	112,104
	-	112,104	-	112,104	-	112,104	-	112,104
<b>2016</b>								
Bank Premises	-	93,883	-	93,883	-	93,883	-	93,883
	-	93,883	-	93,883	-	93,883	-	93,883

There was no transfer between different levels of hierarchy during the year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25. INTANGIBLE ASSETS

## Purchased Software

	2017		2016	
	Bank	Group	Bank	Group
<b>Cost</b>				
Balance at the beginning	11,548	11,548	6,607	6,607
Acquisitions	11,631	11,631	4,941	4,941
<b>Balance at the end</b>	<b>23,179</b>	<b>23,179</b>	<b>11,548</b>	<b>11,548</b>
<b>Amortisation</b>				
Balance at the beginning	3,935	3,935	3,170	3,170
Charge for the year	1,322	1,322	765	765
<b>Balance at the end</b>	<b>5,257</b>	<b>5,257</b>	<b>3,935</b>	<b>3,935</b>
<b>Carrying Amounts</b>	<b>17,922</b>	<b>17,922</b>	<b>7,613</b>	<b>7,613</b>

## 26. CUSTOMER DEPOSITS

## Analysis by product

	2017		2016	
	Bank	Group	Bank	Group
Current Account	897,740	897,740	1,042,106	1,042,106
Time Deposits	1,392,038	1,392,038	1,156,778	1,156,778
Savings deposits	138,423	138,423	113,507	113,507
	<b>2,428,201</b>	<b>2,428,201</b>	<b>2,312,391</b>	<b>2,312,391</b>

## Analysis by portfolio

	2017		2016	
	Bank	Group	Bank	Group
<b>Retail</b>				
Current Account	367,442	367,442	328,135	328,135
Time Deposits	409,625	409,625	341,934	341,934
Savings deposits	137,856	137,856	112,774	112,774
	<b>914,923</b>	<b>914,923</b>	<b>782,843</b>	<b>782,843</b>

## Corporate

Current Account	530,298	530,298	713,971	713,971
Time Deposits	982,413	982,413	814,844	814,844
Savings deposits	567	567	733	733
	<b>1,513,278</b>	<b>1,513,278</b>	<b>1,529,548</b>	<b>1,529,548</b>

	<b>2,428,201</b>	<b>2,428,201</b>	<b>2,312,391</b>	<b>2,312,391</b>
<b>Analysis by type</b>				
Individual and other private enterprise	2,253,993	2,253,993	1,945,739	1,945,739
Public enterprises	174,208	174,208	366,652	366,652
	<b>2,428,201</b>	<b>2,428,201</b>	<b>2,312,391</b>	<b>2,312,391</b>

Twenty largest depositors to total deposit ratio is 30% (2016: 34%).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 27. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2017		2016	
	Bank	Group	Bank	Group
Current Account	35,449	35,449	38,223	38,223
Time Deposit	49,464	33,973	25,153	24,580
	<b>84,913</b>	<b>69,422</b>	<b>63,376</b>	<b>62,803</b>

## 28. BORROWINGS

	2017		2016	
	Bank	Group	Bank	Group
<b>(A) Payable after the next 12 months</b>				
<b>Long-term borrowings</b>				
CitiBank	36,797	36,797	66,679	66,679
Ghana Export – Import Bank	5,930	5,930	49,067	49,067
Ghana International Bank	36,797	36,797	3,306	3,306
International Finance Corporation	49,676	49,676	-	-
The OPEC Fund for International Development (OFID)	16,983	16,983	17,295	17,295
PROPARCO	-	-	7,839	7,839
	<b>146,183</b>	<b>146,183</b>	<b>144,186</b>	<b>144,186</b>
<b>Subordinated-term borrowings</b>				
PROPARCO	128,826	128,826	122,466	122,466
	<b>128,826</b>	<b>128,826</b>	<b>122,466</b>	<b>122,466</b>
<b>(B) Payable within the next 12 months</b>				
<b>Short-term borrowings</b>				
CitiBank	30,251	30,251	35,002	35,002
Ghana Export – Import Bank	39,906	39,906	384	384
Ghana International Bank	65,351	65,351	4,200	4,200
Kassardjian Armen	14,734	14,734	46,903	46,903
PROPARCO	8,139	8,139	7,637	7,637
SSNIT	75,611	75,611	36,564	36,564
Standard Chartered Bank London	398,851	398,851	-	-
The OPEC Fund for International Development (OFID)	7,212	7,212	16,962	16,962
International Finance Corporation	16,752	16,752	-	-
Mashreq Bank	-	-	90,974	90,974
Bank One	-	-	67,532	67,532
	<b>656,807</b>	<b>656,807</b>	<b>306,158</b>	<b>306,158</b>
<b>Carrying Amount</b>	<b>931,816</b>	<b>931,816</b>	<b>572,810</b>	<b>572,810</b>

**CitiBank** – This is a trade finance line of credit granted in 2014 to be exclusively used to finance eligible SME transactions. Interest is set at 3 months Libor plus 3.1% per annum maturing in January 2020.

**Ghana Export and Import Bank** – These are various facilities granted by the Ghana Export and Import Bank to be extended to operators in the export sector. Interest is at a rate of 2.5% per annum



**NOTES TO THE FINANCIAL STATEMENTS (Continued)****28. Borrowings (continued)**

**Ghana International Bank** – This facility was granted for on-lending to the private sector. Interest is at a rate of 3 months US Libor plus 5.2% per annum maturing in 2020. The second facility was granted for general corporate purposes. Interest rate is set at 3 months Libor plus 2.9% per annum maturing in 2018.

**International Finance Corporation** – This facility was granted in 2017 to be used to finance SME transactions. Interest rate is 6 months Libor plus 4.8% per annum maturing in 2021.

**Proparco (Subordinated Term Loan)** – This is a facility granted by Proparco to be used as Tier 2 capital. Interest is at a rate of 6 months Libor plus 5.8% per annum maturing in September 2024.

**Proparco** – This is a facility granted for on-lending to the private sector and expiring in October 2018. Interest is at a rate of 6 months US Libor plus 2.5% per annum.

**The OPEC Fund for International Development (OFID)** – This is a trade finance line of credit granted to be exclusively used to finance eligible trade transactions. Interest rate is set at 6 months BBA Libor plus 4.0% per annum maturing in 2021.

**Kassardjian Armen** – This is a facility granted by Kassardjian Armen for on-lending. Interest is at a rate of 20.0% and matured in January 2018.

**SSNIT** – These are several short-term facilities with maturity periods of up to one year. Interest rate is tied to the respective treasury bill/note rates ruling on the day of borrowing. The weighted average interest rate on these facilities is 16.7% (2016: 21.1%).

**Standard Chartered Bank London** – These are three short-term facilities with maturity periods of up to 6 months. Interest rate is USD Libor plus 3.0% per annum.

**Bank One** – This is a facility granted for refinancing trade transactions. Interest is at a rate of 3 months US Libor plus 3.0% per annum maturing in 2017

**Mashreq Bank** – This is a facility granted for refinancing selected trade transactions as agreed with the lender. Interest is at a rate of 6 months US Libor plus 4.0% per annum matured in 2017.

**29. OTHER LIABILITIES**

Creditors				
Accruals				
Recognised liability for Other Long-term Employee Benefit				
Short-Term Employee benefits				
Other liabilities				

	2017		2016	
	Bank	Group	Bank	Group
	55,398	56,348	85,069	87,006
	24,484	24,456	7,072	7,072
	1,703	1,749	1,397	1,679
	94	94	85	85
	36,766	37,138	54,387	54,704
	<b>118,445</b>	<b>119,785</b>	<b>148,010</b>	<b>150,546</b>
<b>(a) Movement in the liability for defined benefit obligations</b>				
Liability for defined benefit obligations at 1 January	1,397	1,469	1,199	1,443
Benefits paid by the plan	(351)	(360)	(844)	(844)
Expense charged to comprehensive income	657	640	1,042	1,080
<b>Liability for defined benefit obligations at 31 December</b>	<b>1,703</b>	<b>1,749</b>	<b>1,397</b>	<b>1,679</b>
<b>Expenses recognised in profit or loss</b>				
Net actuarial losses/profits recognised during the year	657	640	1,042	1,080
	657	640	1,042	1,080

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Other Liabilities (Continued)

Actuarial assumptions

Principal assumptions at the reporting date (expressed in weighted averages)

	2017		2016	
	Bank	Group	Bank	Group
Discount rate at 31 December	18.0%	18.0%	18.00%	18.00%
Future salary increases	15.0%	15.0%	15.00%	15.00%
Inflation rate	11.6%	11.6%	13.50%	13.50%

Assumptions regarding future mortality based on published statistics and mortality tables 1983 Unisex Group Annuity mortality.

The sensitivity analysis as at the year end for the Bank and Group is as follows:

2017	Main Basis	Investment return (2%)	Investment return 2%	Salary scale (2%)	Salary scale 2%	Mortality (20%)
Actuarial Liability	1,749	1,829	1,676	1,671	1,832	1,746
Percentage Change	n/a	5%	(4%)	(4%)	5%	0%

2016	Main Basis	Investment return (2%)	Investment return 2%	Salary scale (2%)	Salary scale 2%	Mortality (20%)
Actuarial Liability	1,470	1,542	1,404	1,399	1,544	1,471
Percentage Change	n/a	5%	(5%)	(5%)	5%	0%

The Group's long term employee benefit is valued every year. The fair value measurement of the Group's long term employee benefit as at the year end of 2017 was performed by Messrs Stallion Consultant Limited and signed by its executive chairman Mr. Charles Osei-Akoto, (ASA, MAAA). Stallion Consultant Limited has appropriate qualification and experience in the fair value measurement of defined benefit.

30. CAPITAL AND RESERVES

i. Stated Capital

	2017		2016	
	Number ('000)	Value	Number ('000)	Value
<b>Authorised:</b>				
Ordinary shares of no par value	1,000,000		1,000,000	
<b>Issued:</b>				
For cash	414,871	93,305	414,871	93,305
Transfer from Retained Earnings	-	6,695	-	6,695
Bonus issue	133,391	-	133,391	-
	548,262	100,000	548,262	100,000

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***30. Capital and Reserves (continued)**

There is no call or installment unpaid on any share.

At the year end 2017 the authorised share capital comprised 1 billion ordinary shares (2016: 1 billion) of no par value. All issued shares are fully paid for.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

**ii. Statutory Reserve Fund**

	2017		2016	
	Bank	Group	Bank	Group
Balance at the beginning	145,166	145,166	144,266	144,266
Transfer from Income Surplus	18,146	18,146	900	900
<b>Balance at the year end</b>	<b>163,312</b>	<b>163,312</b>	<b>145,166</b>	<b>145,166</b>

Statutory reserve represents the cumulative amounts set aside from annual net profit after tax as required by Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

**iii. Revaluation Surplus**

At 1 January	63,413	63,413	19,430	19,430
Revaluation surplus transferred	-	-	51,506	51,506
Depreciation releases on properties revalued	-	-	4,288	4,288
Deferred Tax on Revaluation	113	113	(11,811)	(11,811)
<b>At 31 December</b>	<b>63,526</b>	<b>63,526</b>	<b>63,413</b>	<b>63,413</b>

This refers to the effects from the fair value measurement of Available-for-sale (AFS) financial assets after deduction of deferred taxes. It also involves unrealised surplus/gains on non financial assets. These unrealised gains or losses are not recognised in profit or loss until the asset has been sold/matured or impaired. Deferred tax on revaluation of the Bank's leasehold land and buildings is recognised directly in Other Comprehensive Income (OCI).

**iv. Other Reserves****(a) Regulatory credit risk reserve**

	2017		2016	
	Bank	Group	Bank	Group
Specific Provision on Loans and Advances	184,509	184,509	135,002	135,002
General Provision on Loans and Advances	17,786	17,786	18,869	18,869
General Provision on Contingent Liabilities	3,672	3,672	2,963	2,963
<b>Impairment Loss per Bank of Ghana requirement</b>	<b>205,967</b>	<b>205,967</b>	<b>156,834</b>	<b>156,834</b>
Impairment Loss per IFRS requirement	(154,098)	(154,098)	(101,048)	(101,048)
<b>Credit Risk Reserve</b>	<b>51,869</b>	<b>51,869</b>	<b>55,786</b>	<b>55,786</b>

The regulatory credit risk reserve is a non-distributable reserve prescribed by Bank of Ghana to account for differences between impairment loss on financial assets per IFRS and the specific and general impairment loss on loans and advances and contingent liabilities per the Central Bank's prudential guidelines.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(b) Treasury Shares**

	Bank	Group	Bank	Group
At 1 January	-	(678)	-	(697)
Net Changes in Bank's shares held by subsidiary	-	160	-	19
At 31 December	-	<b>(518)</b>	-	<b>(678)</b>

These are shares held by the subsidiaries as part of their trading portfolio. The subsidiaries at the end of the period held as part of their trading stock 818,857 (2016: 753,300) CalBank shares

**(c) Fair value reserve**

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

**v. Dividends**

	2017	2016
The following dividends were declared and paid by the Bank:	-	53,181

The Directors do not recommend the payment of dividend for the year.

Net assets per share is based on 548.3 million (2016: 548.3 million) ordinary shares at the statement of financial position date.

**31. CONTINGENCIES AND COMMITMENTS**

**(i) Letters of credit, guarantees and indemnities**

In common with banks, the bank conducts business involving acceptances, guarantees, performance bonds and indemnities.

The majority of these facilities are offset by corresponding obligations of third parties. The Group also holds certain securities in its own name on behalf of customers. The values of these securities are not recognised in the consolidated statement of financial position.

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

Guarantees are generally written by a bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of customer's default.

Contingencies and commitments not provided for in the financial statements as at the year end 2017 in respect of the above amounted to GH¢367.2 million (2016: GH¢296.3 million), as detailed below:

	2017	2016
Letters of Credit	127,117	36,978
Guarantees and Indemnities	240,037	259,322
	<b>367,154</b>	<b>296,300</b>

The amount of unsecured contingencies and commitments in respect of these at the year end 2017 was nil (2016: nil).

**(ii) Capital expenditure**

Capital commitments not provided for in the financial statements as at 31 December 2017 was GH¢51.1 million (2016: GH¢68.8 million).

**(iii) Pending legal claims**

At the year end there were two legal cases pending against the Bank. Should judgment go in favour of the plaintiffs, likely claims against the Bank have been estimated at GH¢6.7 million (2016: GH¢6.3 million). No provisions have been made in the financial statements in respect of these amounts

**(iv) Assets under management and Custody**

The Group provides custody, trustee, investment management and advisory services to third parties, which involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments.

Assets managed by the Group on behalf of clients amounted to GH¢880.6 million (2016: GH¢648.0 million).

Assets under custody amounted to GH¢1.2 billion (2016:GH¢388.3 million).

These assets that are held in a fiduciary capacity are not included in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****32. RELATED PARTY TRANSACTIONS****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 operating decisions, or one other party controls both.

**Subsidiaries**

Details of principal subsidiaries are shown in Note 20.

**Transactions with Directors and Key Management Personnel**

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of CalBank Limited (directly or indirectly) and comprise the Directors and Officers of CalBank Limited.

In the ordinary course of business, the Group makes loans to companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member Key Management Personnel (or any connected person) of CalBank Limited. These loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavourable features.

Details of transactions between related parties and the Group are as follows:

Details of lending to related parties are as follows:

**Loans and Advances to Directors and Their Associates****Balance at 1 January**

Loans Advanced During the Year

Loans Repayments Received During the Year

**Balance at 31 December**

<b>2017</b>	<b>2016</b>
1,750	1,565
-	840
(624)	(655)
<b>1,126</b>	<b>1,750</b>

**Loans and Advances to Employees****Balance at 1 January**

Loans Advanced During the Year

Loans Repayments Received During the Year

**Balance at 31 December**

22,530	14,643
8,756	12,666
(5,684)	(4,779)
<b>25,602</b>	<b>22,530</b>

No specific provision has been recognised in respect of loans to related parties.

Interest rates charged on loans to staff are at rates below that would be charged in an arm's length transaction. These loans are secured with the assets financed.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

Included in deposits is GH¢15.5 million (2016: GH¢0.6 million) due to subsidiary companies. Interest paid on these deposits during the year amounted to GH¢5.7 million (2015: GH¢0.7 million).

All the transactions with the related parties are priced on arm's length basis and have been entered into in the normal course of business.

**Remuneration of Directors and other Key Management Personnel**

The following information is presented in accordance with IAS 24 'Related Party Disclosure', which requires disclosure of the employee benefits of Directors and other Key Management Personnel.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Related Party Transactions (continued)

	2017	2016
Salaries and other short-term benefits	5,875	4,881
Employer social security charges on emoluments	496	385
	<b>6,371</b>	<b>5,266</b>

Employee termination benefits

The Bank has contract with key employees that entitles them to termination benefits of six months salary for every year served.

33. DIRECTORS' SHAREHOLDINGS

The Directors named below held the following number of shares in the company at the year end 2017

NAME OF DIRECTOR	2017		2016	
	No. of Shares	%	No. of Shares	%
Frank Brako Adu Jnr.	14,083,076	2.57	12,887,176	2.35
Philip Owiredu	1,152,503	0.21	1,152,503	0.21
Paarock Van Percy	706,403	0.13	706,403	0.13
Noel Nii Addo	-	-	40,000	0.01
Kobina Quansah	13,492	0.002	13,492	0.002
James C. Brenner	4,550	0.001	4,550	0.001
	<b>15,960,024</b>	<b>2.91</b>	<b>14,804,124</b>	<b>2.70</b>

34. ANALYSIS OF SHAREHOLDING AS AT THE YEAR END 2017

	No. of Shareholders	Holders %	No. of Shares	% of Holding
1 - 1,000	18,433	79.26	9,603,611	1.75
1001 - 5,000	3,588	15.43	7,733,546	1.41
5001 - 10,000	480	2.06	3,581,908	0.65
10,001 - 20,000	297	1.28	4,231,154	0.77
20,001 - 30,000	127	0.55	3,154,753	0.58
30,001 - 40,000	57	0.25	1,923,635	0.35
40,001 - 50,000	31	0.13	1,411,059	0.26
Over 50,001	241	1.04	516,621,883	94.23
	<b>23,254</b>	<b>100.00</b>	<b>548,261,549</b>	<b>100.00</b>

ANALYSIS OF SHAREHOLDING AS AT THE YEAR END 2016

	No. of Shareholders	Holders %	No. of Shares	% of Holding
1 - 1,000	18,568	79.49	9,673,141	1.76
1001 - 5,000	3,593	15.38	7,764,586	1.42
5001 - 10,000	464	1.99	3,471,836	0.63
10,001 - 20,000	300	1.28	4,251,597	0.78
20,001 - 30,000	126	0.54	3,126,203	0.57
30,001 - 40,000	52	0.22	1,773,552	0.32
40,001 - 50,000	30	0.13	1,367,994	0.25
Over50,001	227	0.97	516,832,640	94.27
	<b>23,360</b>	<b>100.00</b>	<b>548,261,549</b>	<b>100.00</b>

*NOTES TO THE FINANCIAL STATEMENTS (Continued)***Twenty Largest Shareholders**

<b>Shareholder</b>	<b>No. of Shares</b>	<b>% Holding</b>
SOCIAL SECURITY AND NATIONAL INSURANCE TRUST	181,938,182	33.18
ARISE B. V.	151,830,692	27.69
IC ASSET MANAGERS (GHANA) LIMITED	23,750,000	4.33
ADU JNR, FRANK BRAKO	14,083,076	2.57
MR DANIEL OFORI	13,455,045	2.45
SCGN/CITIBANK NEW YORK RE ALLAN GRAY AFRICA,- EX - SA EQUITY FUND LIMITED	11,326,319	2.07
NORTHERN TRUST GLOBAL SERVICES LTD LUX CLIENT ACC	10,832,484	1.98
STD NOMS/STANBIC NOMINEE AC CENTUM EXOTICS	9,330,189	1.70
STD NOMS/BNYM SANV/FRONTIER MARKET OPPORT MAST FUN	8,541,200	1.56
SCGN/CITIBANK KUWAIT INV AUTHORITY	7,856,700	1.43
SCGN / ENTERPRISE LIFE ASS. CO. POLICY HOLDERS	7,020,831	1.28
STD NOMS/BNYM SANV/KAPFRG INVESTIN PRO , AFRIKANSK	5,735,651	1.05
SCBN/CITIBANK LONDON ROBECO AFRIKA FONDS N.V	4,727,900	0.86
SCGN/SSB EATON VANCE TAX-, MANAGED EMERGING MARKET FUND	4,406,554	0.80
STD NOMS/BNYM SANV/FRONTIER MARKET SELECT FUND II	2,811,369	0.51
ANSAH, BENJAMIN FOSU	2,571,551	0.47
HFCN/ COCOBOD TIER 3 PENSION SCHEME (OLD FUND) COL	2,462,593	0.45
DAMSEL / OTENG-GYASI, ANTHONY	2,340,130	0.43
SCGN/CACEIS BANK LUX RE INTEREFFEKT INVESTMENT, FUNDS N.V.	2,290,000	0.42
SCGN/SSB EATON VANCE STRUCTURED, EMERGING MARKET FUND	1,805,732	0.33
<b>Top 20 shareholders</b>	<b>469,116,198</b>	<b>85.56</b>
Others	79,145,351	14.44
<b>Grand Total</b>	<b>548,261,549</b>	<b>100.00</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 35. VALUE ADDED STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017		2016	
	Bank	Group	Bank	Group
Interest earned and other operating income	774,014	784,250	666,155	677,931
Direct cost of Services	(400,996)	(397,846)	(371,312)	(375,605)
<b>Value added by banking services</b>	<b>373,018</b>	<b>386,404</b>	<b>294,843</b>	<b>302,326</b>
Impairments	(54,947)	(54,947)	(199,243)	(199,243)
<b>Value added</b>	<b>318,071</b>	<b>331,457</b>	<b>95,600</b>	<b>103,083</b>
Distributed as follows:	318,071	331,457	95,600	103,083
<b>To Employees:-</b>				
Non Executive Directors	(1,179)	(1,241)	(1,118)	(1,179)
Executive directors	(4,903)	(5,130)	(3,702)	(3,983)
Other employees	(95,352)	(97,891)	(73,110)	(75,257)
<b>To Government:</b>				
Income tax	(63,171)	(65,965)	(4,882)	(6,843)
<b>To expansion and growth</b>				
Depreciation	(6,978)	(7,010)	(4,820)	(4,848)
Amortisation	(1,322)	(1,322)	(765)	(765)
<b>Retained earnings</b>	<b>145,166</b>	<b>152,898</b>	<b>7,203</b>	<b>10,208</b>



## SHAREHOLDER CIRCULAR IN RELATION TO THE ANNUAL GENERAL MEETING OF CAL BANK TO BE HELD ON MAY 3, 2018

The Board will propose the following resolutions, which will be put to the 2018 Annual General Meeting:

### ORDINARY BUSINESS:

#### 1. To Consider the 2017 Accounts and Reports

The Board shall submit for consideration the audited accounts of the Bank for 2017, and the reports of the Directors and the External Auditors thereon, as a true and fair view of the state of affairs of the Bank for the year ended December 31, 2017.

#### 2. To Re-elect Directors Retiring by Rotation

The following directors of the Bank (a) Mr. Paarock VanPercy, (b) Dr. Kobina Quansah and (c) Mr. Philip Owiredu, will retire in accordance with section 298(a) of the Companies Act, 1963 (Act 179) and Regulation 78(b) of the Regulations of the Bank.

Mr. Paarock VanPercy, Dr. Kobina Quansah and Mr. Philip Owiredu, who are all eligible for re-election, have offered themselves to be re-elected as directors of the Bank. The Board will recommend that they be so re-elected.

#### 3. To Re-elect Directors appointed to fill casual vacancies on the Board

On 2 November, 2017, the Board appointed Ms. Rosalind Kainyah, Mr. Kofi Osafo-Mafo and Nana Otuo Acheampong as directors of the Bank, to fill casual vacancies created on the Board by the prior resignations of Messrs. Eduardo Gutierrez, Noel Addo and Ken Alor.

In accordance with Regulation 74(b) of the Bank's Regulations, a director appointed to fill a casual vacancy on the Board shall hold office until the following general meeting and shall be eligible for re-election.

The Board accordingly recommends to members to approve the re-election of Ms. Rosalind Kainyah, Mr. Kofi Osafo-Mafo and Nana Otuo Acheampong as Directors.

#### 4. To Authorise the Directors to fix the fees of the External Auditors

In accordance with section 134 of the Companies Act, 1963 (Act 179), the Board will request that they be authorised to fix the fees of the external auditor, KPMG, for the year ended December 31, 2017.

#### 5. To Approve Directors' Remuneration

In accordance with section 194 of the Companies Act, 1963 (Act 179), the Board will request that shareholders approve the remuneration of directors as disclosed in Note 13 of the 2017 Annual Report of the Bank.

### SPECIAL BUSINESS:

Following the new minimum capital requirement of GH¢400 million set by the Bank of Ghana, to be met by all licensed banks by December 31, 2018, the Board proposes that the Bank will meet part of the new minimum capital requirement through a total transfer of GHS 250 million from income surplus to stated capital, so as to increase the stated capital of the Bank to GHS 350 million.

The Board will propose the following resolutions to be passed:

**(a) To Approve by Special Resolution an Increase in Authorised Shares**

In view of the need to have sufficient unissued shares available to support the proposed capitalisation issue, as well as future share issues, the Board will propose that the shareholders approve an amendment to the Regulations of the Bank to increase the authorised share capital of the Bank from 1 billion ordinary shares to 2 billion ordinary shares by passing the following, as a special resolution:

*“That pursuant to section 57(1) of the Companies Act, 1963 (Act 179) approval be and is hereby given for the amendment of the Amended Regulations of the Bank to increase the authorised shares of the Bank from one billion (1,000,000,000) ordinary shares to two billion (2,000,000,000) ordinary shares and, accordingly, that Regulation 7 of the Amended Regulations of the Bank be amended to read as follows:*

*‘The Company is registered with 2,000,000,000 ordinary shares of no par value.’*”

**(b) To Approve by Special Resolution an Increase in the Stated Capital of the Bank by transfer from Income Surplus to Stated Capital**

*“That pursuant to section 66(1)(c) of the Companies Act, 1963 (Act 179) approval be and is hereby given for the transfer of the sum of GHS 171.68 million from the Bank’s income surplus to stated capital.”*

**(c) To Approve by Special Resolution a Capitalisation Issue**

*“That pursuant to section 74(1) of the Companies Act, 1963 (Act 179) approval be and is hereby given for the transfer of GHS 78.32 million from income surplus to stated capital and that the Bank undertakes a capitalisation issue by issuing to each registered shareholder of the Bank one (1) ordinary share for every seven (7) ordinary shares held.”*

**(d) To Approve the Purchase of Shares of the Bank**

In order to protect shareholders’ value in the Bank after the capitalisation issue, the Board proposes a buy-back of shares by the Bank. For this purpose, the Board will recommend to shareholders that the Bank be authorised to purchase up to 15% of its own shares after the capitalisation issue, by passing the following resolution:

*“That in accordance with sections 61 and 62 of the Companies Act, 1963 (Act 179) and Regulation 15 of the Amended Regulations of the Bank, approval be and is hereby given for the purchase by the Bank of up to fifteen percent (15%) of the issued shares of the Bank after the conclusion of the capitalisation issue in 2018.”*

## PROXY FORM

ANNUAL GENERAL MEETING to be held at 10 a.m. on Thursday, 3<sup>rd</sup> May 2018 at the Conference Auditorium of the Ghana College of Physicians and Surgeons, Ridge, Accra,

I/We .....  
being a member(s) of CalBank Limited hereby appoint

\* .....  
or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 3<sup>rd</sup> May 2018.

Signed this .....day of ..... 2018

.....  
Shareholder's Signature

Resolutions from the Board	For	Against
1. To receive the 2017 Accounts.		
2. To re-elect Mr. Paarock VanPercy as a director of the Bank.		
3. To re-elect Dr. Kobina Quansah as a director of the Bank.		
4. To re-elect Mr. Philip Owiredu as a director of the Bank.		
5. To re-elect Ms. Rosalind Kainyah as a director of the Bank.		
6. To re-elect Mr. Kofi Osafo-Mafo as a director of the Bank.		
7. To re-elect Nana Otuo Acheampong as a director of the Bank.		
8. To authorise the Directors to fix the remuneration of the Auditors.		
9. To approve directors' remuneration.		
10. To approve by a special resolution for an Increase in Authorised Shares to 2 billion.		
11. To approve, as a special resolution, the transfer of the sum of GH¢171.68 million from income surplus to stated capital.		
12. To approve, as a special resolution, a capitalisation issue for the issuance of 1 ordinary share to every existing shareholder for every 7 ordinary shares held and the corresponding transfer of GH¢78.32 million from income surplus to stated capital.		
13. To approve the purchase of shares of the Company.		
Please indicate with an 'X' in the appropriate box how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion.		

### THIS PROXY FORM SHOULD NOT BE SENT TO THE REGISTRAR IF THE MEMBER WILL BE ATTENDING THE MEETING.

#### Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. Such a proxy need not be a member of the Company.
2. The appointment of a proxy will not prevent a member from subsequently attending and voting at the Meeting in person. Where a member attends the Meeting in person, the proxy appointment shall be deemed to be revoked.
3. A copy of the Form of Proxy may be deposited at the registered office of the Registrar of the Company, Central Securities Depository (GH) Limited, 4th Floor, Cedi House, Accra or posted to the Registrar at PMB CT 465 Cantonments, Accra to arrive not later than 10a.m. on Monday, April 30, 2018.

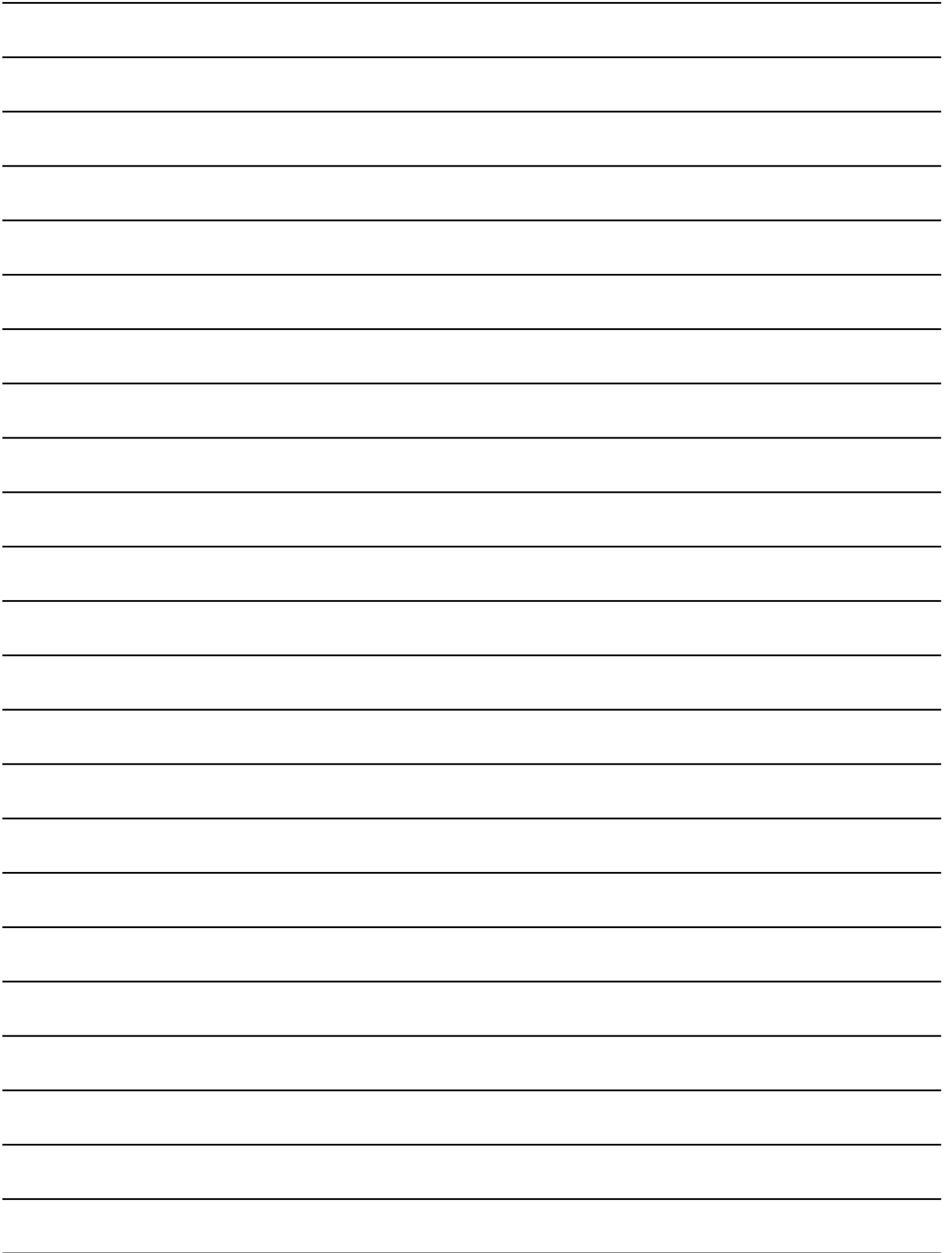


## Focused on your destination

At CalBank it's not just about fulfilling your aspirations and seeing your dreams come true, we live every moment with you.

**Forward Together.**







# Here for your Business

We believe in you and your business, that is why we provide you personalised banking service that gives your business the boost it deserves.

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