Annual Report 2018

Forward Together

CalBank

Content Page

FOUR-YEAR GROUP CONSOLIDATED FINANCIAL SUMMARY

in thousands of Ghana Cedis	2018	2017	2016	2015
Interest Income	773,270	668,128	557,631	466,822
Interest Expense	(351,641)	(317,096)	(306,317)	(218,192)
Net Interest Income	421,629	351,032	251,314	248,630
Commissions and fees	69,543	68,063	67,133	65,330
Other Operating Income	28,085	43,137	48,730	87,056
Operating Income	519,257	462,232	367,177	401,016
Operating Expenses	(229,616)	(188,422)	(150,883)	(144,031)
Net Impairment Loss on Financial Assets	(66,735)	(54,947)	(199,243)	(35,677)
Profit Before Income Tax	222,906	218,863	17,051	221,308
Income Tax Expense	(69,690)	(65,965)	(6,843)	(55,070)
Profit after Taxation	153,216	152,898	10,208	166,238
Total assets	5,419,299	4,223,138	3,618,858	3,364,500
Total Deposits	3,150,053	2,497,623	2,375,194	1,602,832
Loans and Advances	2,422,952	1,853,674	1,966,394	1,805,285
Total Shareholders' Equity	779,445	672,070	519,503	519,499
Earnings per share (Ghana Cedis per share)	0.2449	0.2793	0.0187	0.3032
Dividends per share (Ghana Cedis per share	0.0000	0.0000	0.0000	0.0970
Number of Shares ('000)	626,585	548,262	548,262	548,262
Return on Assets	2.8%	3.6%	0.3%	4.9%
Return on Equity	19.7%	22.8%	2.0%	32.0%
Capital Adequacy Ratio	22.0%	21.9%	19.3%	21.4%
Cost-to-Income Ratio	44.2%	40.8%	41.1%	35.9%

CALBANK LIMITED BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

BOARD OF DIRECTORS	Paarock Asuman VanPercy **(Chairman)** Frank Brako Adu Jnr. **(Managing Director)** Philip Owiredu Malcolmn Dermott Pryor Dr. Kobina Quansah Helen Nankani Nana Otuo Acheampong Mrs. Rosalind Nana Emela Kainyah Kofi Osafo-Maafo James Chamberlain Brenner (Resigned 30/06/18)
SECRETARY	Veritas Advisors Limited Acquah Place 68 Mahogany Cresent 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. Van Percy, age 59 is an Investment Banker. He is a Chartered Accountant by training and is a Fellow of the Institute of Chartered Accountants in England & Wales. He is the Chairman of CAL Asset 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 Jnr. – Managing Director

Mr. Frank Adu Jr, age 56, is the Managing Director of CalBank Limited with over 28 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 52, is the Chief Finance Officer/Executive Director of CalBank Limited and has varied experiences spanning over twenty-six 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.

Dr. Kobina Quansah – Non-Executive Director

Dr. Kobina Quansah, age 75, a retired seasoned banker, and was the first Ghanaian Managing Director of Barclays Bank Ghana. He is currently Chairman of Vodafone Ghana. He is a director of Newmont Ghana Gold Limited and Pioneer Aluminum Kitchenware Limited. He serves as a Non-Executive Director on the Board of Jubail Specialist Hospital

BOARD OF DIRECTORS

Mr. Malcolmn D. Pryor – Non-Executive Director

Mr. Pryor, age 72, 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.

Mrs. Helen Nankani – Non-Executive Director

Mrs. Nankani, age 72, is a retired Senior Economist who worked with the World Bank for eighteen (18) 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. She studied at the University of Ghana, Legon (B.A. Sociology), George Washington University (M.B.A Finance), Harvard University, Cambridge, Massachusetts (Ph.D. candidate, Economics). She is fluent in Portuguese.

Mr. Kofi Osafo-Maafo – Non-Executive Director

Mr. Kofi Osafo-Maafo, age 49, is the Deputy Director General, Investment & Development at Social Security & National Insurance Trust (SSNIT) of Ghana. Kofi has 24 years' experience in the Investments Industry. 22 of those years in the UK Investment Management and Investment Banking Industries, where he was responsible for advising leading global investment management firms about their investments across a wide range of sectors, mainly the Oil and Gas and Mining Sectors, across global markets. Prior to joining SSNIT he was a Senior Investment Manager with Pictet Asset Management, the investment arm of the leading Swiss private bank The Pictet Group. Kofi started his career at the Abu Dhabi Investment Authority, London and has held senior roles at F&C Asset Management, and HSBC Global Asset Management's active Investment Management arm, Halbis Capital. Whilst working for global fund management houses, Kofi was responsible for portfolio restructuring and construction, asset allocation, equity strategy across funds and global sectors, managing funds, and stock selection. He has also worked as an Investment Banker/Director with responsibility for European Oil Exploration and Production companies at the investment banking arm of Unicredit Bank in London. Kofi has a BSc (Honours) in Economics from Queen Mary, University of London, and a Masters in International Business and Finance from University of Reading. He is an Associate of the UK Society of Investment Professionals (ASIP).

BOARD OF DIRECTORS

Nana Otuo Acheampong - Non-Executive Director

Nana Otuo Acheampong, age 69, is a Banking Consultant and the former Executive Head of the Osei Tutu II Centre for Executive Education & Research 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 has under his belt, a raft of consultancy engagements spanning both the private and public sectors, principally in banking. He conceptualized and finalized the code of ethics document for the Ghana Association of Bankers - 2011 Ghana Association of Bankers Conduct of Business Standards [GABCOBS] - Setting standards for intra-bank ethical behaviour. He formerly chaired the Award Planning Board of the Ghana Banking Awards. He holds an undergraduate degree in Accounting and a postgraduate diploma in Management from University of Northumbria in Newcastle as well as an MSc 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 in UK from 1990 to 2004. He serves on other Boards including the Board Chair for the Health Facilities Regulatory Agency (HeFRA) and Board member for the Graphic Communications Company Group Ltd.

Ms. Rosalind Nana Emela Kainyah - Non-Executive Director

Ms. Rosalind Nana Emela Kainyah, age 62, is a lawyer by profession and Managing Director of Kina Advisory Limited. Rosalind is a trusted advisor to global companies on responsible business investment and partnerships in Africa. She 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 and De Beers and advised governments on policy and legislative matters. Rosalind is a Non-Executive Director of the Norwegian oil company, Aker Energy AS and Vice Chairperson and Trustee of the Africa Gifted Foundation. 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.

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 31st December 2018.

Following your approval on the 17th December 2018 at the Emergency Shareholders Meeting for the final transfer of GH¢50 million to stated capital from income surplus, I am glad to inform you that your Bank was able to meet the minimum capital requirement before the 31st December 2018 deadline by the Central Bank. The resulting rationalisation of the banking sector should ensure that banks are now better positioned to operate efficiently and profitably, and we are happy that CalBank is part of this.

During last year's AGM, I alluded to the sterling performance following our promise to get back on track after a difficult 2016. I am happy to confirm that the measures we took to ensure a turnaround continue to yield positive results as evidenced in our financial performance yet again, and we expect steady growth in the years ahead. This will be supported by the focused execution of our strategy that embraces digital technology to bring out exciting opportunities to our customers and other stakeholders.

Our performance has been underpinned by our digital transformation agenda which formed part of our three-year Strategic Plan which ended in 2018. We were able to achieve a substantial number of the planned strategic initiatives, however with the accelerating pace of transformation in technology we have developed another three-year strategy running till December 2021 which seeks to build a "digital bank". This we consider very core to our future growth and development.

Economic Review

The economic recovery experienced since the second half of 2017 continued into the review period reflecting improved economic indicators despite some challenges. Headline inflation continued to decline to 9.4% at the end of the year from 11.8% the previous year, attaining the single digit benchmark. This among other positive factors underpinned the decision of the Central Bank to reduce the policy rate to 17% at the end of December 2018 from 20% the preceding year. In spite of this, the benchmark 91-day treasury bill rate increased from 13.3% the previous year to 14.6% in December 2018. Also, the Cedi depreciated against all the major trading currencies - 8.4% against the US dollar, 3.3% against the Pound sterling and 3.9% against the Euro during the review period, and has continued to depreciate this year.

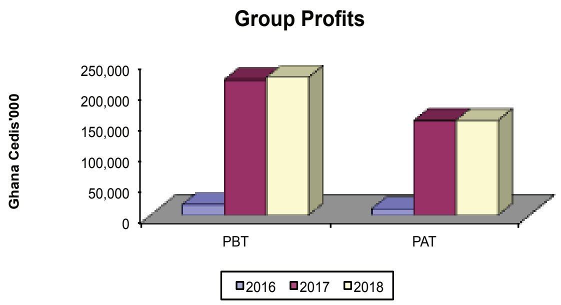
CHAIRMAN'S REPORT (Continued)

The overall GDP growth for 2018 is projected at 5.6%. We expect this to improve going forward as lending picks up to drive the economy following the banking sector reform. This uptick in lending is expected to be stimulated by the growth in industrial activities and a robust consumer demand.

Financial Review

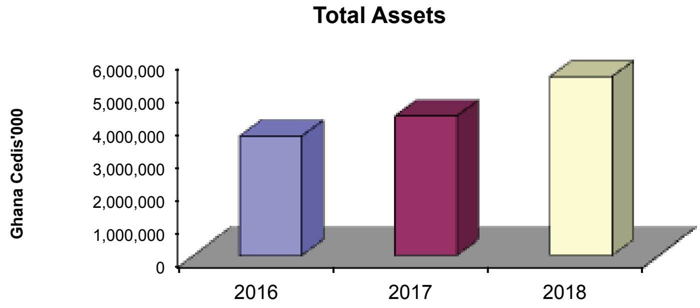
Despite the challenged operating environment, your Bank was steadfast in its pursuit for robust growth and sustainable profitability. This has been anchored on a commitment to prudent risk management and sticking with the strategic direction of the enterprise.

The Bank recorded a profit after tax of GH¢162.9 million, an increase of 12.2% over the prior year's profit of GH¢145.2 million. The Group also recorded a profit after tax of GH¢153.2 million, an increase of 0.3% over the prior year's profit of GH¢152.8 million, depicting the continuous progress made in line with our strategic agenda.



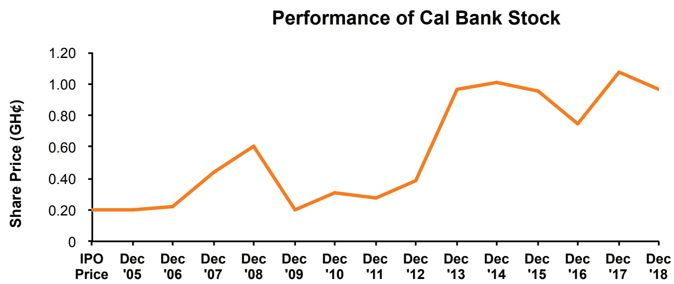
The group's total assets increased by 28.3% from GH¢4.2 billion to GH¢5.4 billion. This growth was achieved through the effective deployment of resources sourced from depositors and our long term finance partners during the year.

Our stock price however, dropped from GH¢1.08 at the end of 2017 to GH¢0.98 at the end of 2018 in spite of our improved performance and meeting the Bank of Ghana minimum capital deadline ahead of schedule. It is our expectation that the stock price would reflect its true value as we continue to execute our building a "digital bank" strategy.



Capitalisation

Although your Bank has met the minimum capital requirement of GH¢400 million, the Central Bank has introduced a further determination of capital in accordance with international Banking Supervision Accords/Regulations under the Basel II/III framework, which is a more stringent basis of capital determination. This took effect from 1st January 2019. This requirement increases the minimum Capital Adequacy Ratio (CAR) from 10% to 13%, with higher capital charges and covers a wider spectrum of the Bank's operations into some detail. In order to ensure that your Bank will meet the minimum CAR over the medium term, we simulated the Bank's capital requirements using our projections for the planned strategic period and it became imperative that we need to raise additional capital in the very near future to ensure we do not breach regulatory capital requirements.



Dividend

Our dividend policy balances the dual objectives of appropriately rewarding shareholders through dividends and reinvesting profit to support future growth. In line with this policy, we transferred a total of GH¢300 million from income surplus to sustain our business by meeting the minimum capital requirement as set by the Central Bank to maintain our license and support future growth. Through this transfer we also issued bonus shares valued

CHAIRMAN'S REPORT (Continued)

at GH¢78.3 million in the ratio of 1 share for every 7 held, representing a payout ratio of 54% of profit after tax for 2017 and a dividend per share of GH¢0.1428 compared to GH¢0.0970 paid for 2015, an increase of 47%.

However, based on our projected capital requirements as enumerated above and regulatory requirements, we are restricted to the amount that can be paid in dividend. Your Directors are recommending a dividend payment of GH¢0.048 per share.

Corporate Governance

Sound and effective corporate governance is essential for the long-term success of the Bank. The Board therefore remains committed to fulfilling its corporate governance obligations and responsibilities in the best interest 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 Central Bank has introduced its Corporate Governance Directive (CGD) to serve as a guide to best corporate governance practices. The CGD requires certain changes to be made by your Bank, although to a large extent our practices are in accordance with majority of the directives. The CGD stipulates deadlines for meeting some of the changes and your Board has put in place the necessary steps to ensure full compliance.

Your Board is mindful of the effects of good corporate governance and will continue to anticipate and respond to corporate governance developments in the best interest of all stakeholders.

Directorship

The Board is comprised of a diverse and dedicated group of Directors who bring sound business insight and expertise to your bank.

During the course of the year, Mr. Jim Brenner a Non-Executive Director of your Bank, resigned his position effective 30th June 2018. We take this opportunity to thank Mr. Jim Brenner for his immense contribution to the growth and development of the Bank and wish him all the best in his endeavors.

In accordance with statutory requirements and the Bank's regulations the following Directors, Mr. Malcolmn Pryor and Mrs. Helen Nankani retire by rotation and are eligible for re-election.

Outlook

I look forward to 2019 with reasonable optimism especially following the banking sector reforms and prospects of a favorable domestic and global economic outlook. I know that we have the right business strategy in place and the required people to effectively exploit the emerging business opportunities and deliver commendable stakeholder value.

We will continue to leverage on technology to take our business closer to our customers to underpin our quest to create sustainable value while maintaining our focus on minimizing and diversifying risk, as well as improving productivity and efficiency.

Conclusion

On behalf of the Board I wish to express our sincere appreciation to our valued customers for their continued support and patronage over the years. To our shareholders, I am grateful for the support and encouragement we continue to receive from you and I am confident that we can continue to count on this support in the years ahead.

My appreciation also goes to my colleague Board members for their commitment and counselling which has inured to the benefit of the Bank. I also wish to thank our Regulators for their continued support and guidance.

And finally, I commend management and staff of the Bank for their tireless and consistent efforts in our success story, I know I can continue to count on you to make 2019 even better.

Ladies and Gentlemen, I thank you all for your kind attention and I wish you a rewarding year ahead as we look forward to delivering strong and consistent results.

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
2018 was another successful operational and financial year for our Bank in spite of increased competitive pressures and an elevated regulatory requirement regime. We have become a strong and better Bank underpinned by technology, innovation, enhanced risk management and controls, and a strong capital position which are necessary ingredients for our continuous growth to enable us deliver sustainable returns to all our stakeholders. I am indeed excited about our accomplishments as we were able to balance competing demands for short term results with creating medium to long term value.

The global economy experienced moderating activity and heightened risks during the course of the year as the recoveries in trade and manufacturing activities lost steam. Trade tensions remain elevated in spite of ongoing negotiations. The prolonged US presidency investigation into possible collusion with Russia during the 2016 presidential election, partial US government shutdown and on-going Brexit negotiations are some significant geopolitical concerns during the review period with likely impact on growth.

Domestically the economy grew by an estimated 5.6% in 2018 and real GDP growth prospects remain favorable going forward, underpinned by a continued ramping up of oil and gas production from the Tweneboa-Enyenra-Ntomme (TEN) and Sankofa fields. Inflation trended downwards from 11.8% in December 2017 to 9.4% in December 2018, this trend has continued into 2019 with January 2019 inflation recorded at 9.0%. This consistent reduction in inflation among other factors resulted in a drop in policy rate from 20% in December 2017 to 17% at the end of December 2018, and a further reduction by 100 basis points to 16% at the last MPC meeting held in January 2019. The interest rate equivalent on the 91-day Treasury bill however increased to 14.6% in December 2018 from 13.3% in December 2017. The strengthening of the US dollar and increased domestic demand pressures adversely impacted our local currency resulting in the Cedi depreciating by 8.4% in 2018.

The overall fragility of the global economy and a rebound of the domestic economy presented both opportunities and associated risks on our business during the year. We strategically positioned ourselves to take advantage of these opportunities and rigorously focused on enhancing our risk management fundamentals which has reflected in the good results for the review period.

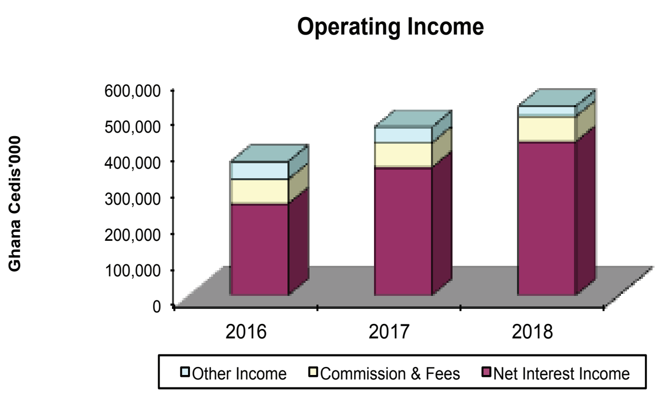
MANAGING DIRECTOR'S REPORT (Continued)

We ended the implementation of the first three years of our "digital transformation" strategic agenda at the end of 2018 under which significant gains were made leading to the development of various products and the re-engineering of processes to enhance efficiency and effectiveness. A new three-year strategic plan themed "building a digital bank" has commenced which builds on the achievements of our earlier strategy that set the foundation for our digitization agenda to transform our organization into a platform through which our customers can build their businesses and access all the resources of the Bank through technology to make their lives better.

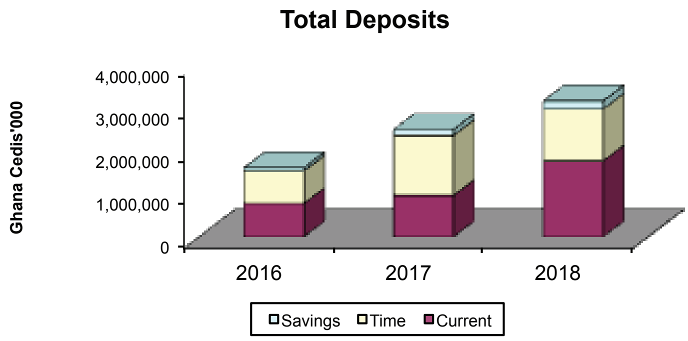
Financial Performance

Notwithstanding the improving domestic economy, last year was still a tough year for banking business reflecting increased competitive pressures and elevated regulation. Our good momentum from the effective implementation of our strategy can be seen from the strong performance by the Bank and the Group.

During the year, the Bank recorded a profit before tax of GH¢230.3 million with the Group recording a profit before tax of GH¢222.9 million the diminution reflecting payment of dividend by the subsidiary companies upon consolidation. The profit after tax amounted to GH¢162.9 million for the Bank and GH¢153.2 million for the Group. This out turn was achieved in spite of the challenges presented in the operating environment already enumerated and our ability to maintain our cost efficiency over the period by leveraging technology to optimize internal business processes. This is evidenced by a cost to income ratio of 42.9% and 44.2% for the Bank and Group respectively.

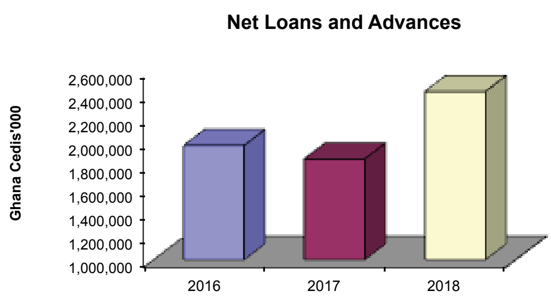


Our financial position experienced robust growth during the period. Total assets of the Group increased by 28.3% during the year, from GH¢4.22 billion to GH¢5.42 billion in 2018 with the Bank's total assets also increasing by 28.3% to GH¢5.41 billion. This growth was mainly funded by customer deposits and borrowings which increased by 26.8% and 41.7% to GH¢3.1 billion and GH¢1.3 billion respectively.



Through our debt raising strategy to support the growth of our loan portfolio, we raised a total of US$105 million from the following institutions; IFC, Norfund, Finnfund and Proparco. We will continue to deepen the relationship with the international community to leverage available funding for our growth. We will continue to leveraging technology to enhance our channels and products to drive customer growth and increase deposits.

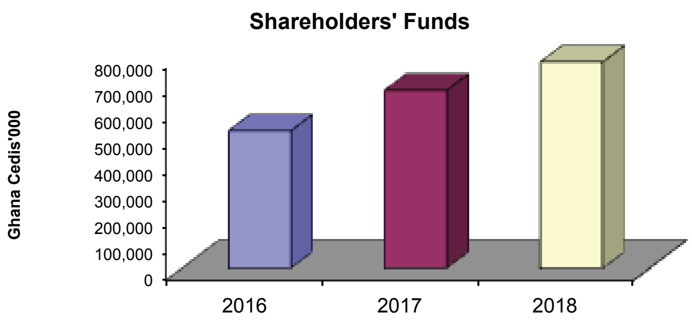
Gross loans increased by 29.6% to GH¢2.5 billion, up from prior year value of GH¢2.0 billion. This increase reflects our continued strong and healthy engagement in the credit market, helping our customers enhance their businesses by providing them with facilities to fund projects, businesses and individuals needs in high growth sectors of the economy. We are mindful of the potential adverse impact of deterioration in credit quality on our capital, stringent measures are therefore in place to ensure we maintain a good credit portfolio. This had a positive impact on our business and is duly reflected in our non-performing loans ratio of 8.0% as compared to the prior year ratio of 10.9%.



MANAGING DIRECTOR'S REPORT (Continued)

We continue to actively manage our enhanced capital position to ensure we maintain an appreciable level of capital at all times to carry out our business to deliver sustainable value to our shareholders. We maintained a capital adequacy of 21.8% and 22.1% for the Bank and Group respectively, above the regulatory limit of 10% which provided ample buffer against potential shocks.

We are however required to implement the capital requirements under Basel II/III effective 1 January 2019 which has a more stringent capital allocation requirement and an enhanced minimum ratio of 13%. Based on our 31 December 2018 statement of financial position our ratio under the Basel II/III was 13.5%, a thin margin above the minimum requirement. This obviously raises the need for additional capitalization to ensure we meet regulatory requirements. Basically a change in methodology for the determination dropped our CAR from 22.1% to 13.5% overnight.



Operational Performance

2018 was a year of continued consolidation of the success of our digital transformation strategy as we ensured the Bank's operations were improved to the benefit of our customers than ever before, thus expanding our ecosystem and deepening our value proposition to our customers. We restructured our organizational chart in line with our institutional growth to leverage the diversity of talent across the Bank to drive our strategy, resulting in various appointments including a Chief Risk Officer to oversee all risk activities of the Bank, the creation of the Information Security Department to help safeguard our information assets whiles at the same time ensuring a secured environment for our customers to conduct their business as well as enhance our risk management culture. We have set up the Financial Inclusion Department to drive our digital and e-products and created the Women's Banking Unit to focus attention on developing women owned or women led businesses. These measures have deepened the opportunities available to our staff for career progression within the Bank.

In consonance with the Sustainable Development Goals (SDG) of the United Nations, we have also secured funding in the region of US$50 million for women, sustainable and renewable energy. Effectively CAL has taken 2 of the 17 goals of the SDGs as key strategic focal points.

To demonstrate our commitment to building a digital bank, we continue to invest in our systems and people. Our agent banking offering, which is a partnership between the Bank and IFC has been completed, full commercial launch is expected before the end of Q2 2019. This product takes us significantly closer to our customers without investments in brick and mortar. The CalBank prepaid cards (VISA and MASTERCARD) have also been developed and introduced into the market to offer safety and worldwide functionality for our cherished customers. We have also enhanced our internet banking platform to enable customers carry out transactions without physical interaction and afforded them the opportunity to take full control of their banking needs. Additionally, we have leveraged our enhanced technology to develop and deploy collection solutions to enhance the mobilization of cheap deposits through hand held devices and interfaces made available to our customers which includes school fees collections.

As part of our PCI-DSS certification we are required to be recertified annually which we successfully did during the year. To further enhance our information security environment, the Bank went through the ISO27001 certification which was also successfully completed early this year and are awaiting certification. The Bank subjects itself to these certification processes to ensure that we are compliant with international best practices and have in place robust and reliable information systems platform and processes for the protection of our assets and customers.

I am delighted to inform you of the completion of our new ultra - modern smart green building befitting of our status of an indigenous Ghanaian Bank delivering world class services to all stakeholders. We fully migrated into the new building at the end of November 2018 and have the full complement of all our departments and subsidiaries together in one location further enhancing our ability to achieve synergies within our Group. We also increased our footprint with the addition of our Adum branch in the

MANAGING DIRECTOR'S REPORT (Continued)

Ashanti Region to take our branch network to 29 and the set-up of the Anyinase agency in the Western Region to enhance cash collections.

These could not have been achieved without a healthy workforce as we instituted health awareness programs and medical reviews for all staff annually including health walks, stress management workshops, dieting and medical screening for some diseases to ensure that staff remained in the best of shapes at all times. We take very good care of our staff and staff welfare is paramount.

Regulation

The year under review was a busy year in the Banking history of Ghana in terms of regulation as the Bank of Ghana continued its banking sector reforms initiated in 2017. The Bank of Ghana issued the Capital Requirements Directive (CRD) which requires Banks to hold appropriate capital to absorb unexpected losses that may arise from the operations of their business and sets the tone for Basel II/III implementation. The CRD stipulates the dictates by which Banks are required to calculate their capital adequacy ratio.

The Bank of Ghana also issued the Corporate Governance Directives and as the Chairman has already enumerated, this is to highlight the oversight responsibilities of the board of directors and management, prioritize risk management systems, ensure independent audit roles and impose term limits for directors among others.

During the year, Banks were made to submit plans to Bank of Ghana to address non-performing loans, which was followed up with the enforcement of the loan write-off directive and required appropriate disclosure of written-off facilities in the published financial statements. We complied fully and have duly disclosed the approved write-off's in our financial statements.

The Cyber and Information Security Directive has also been issued to provide a framework for establishing cyber and information security protocols and procedures to manage and protect valuable data and information assets. We have taken steps to fully implement this directive to add another layer of security in our risk management process.

We have fully implemented IFRS 9 – Financial Instruments, as promulgated by the International Accounting Standards Board (IASB) and Bank of Ghana's directive for Banks to implement IFRS 9 to address the accounting of financial instruments.

An impact assessment on the implementation of IFRS 16 – Leases, on capital has also been carried out, full implementation commences in 2019

The banking sector reforms initiated by the bank of Ghana in 2017 peaked at the end of 31 December 2018 with the recapitalization of Banks. This resulted in some consolidation in the banking sector with the number of Banks reduced to twenty-three arising out of the merger of some Banks and the revocation of some licenses. As indicated by the Chairman the sector is better positioned to support economic growth with stronger and more resilient Banks.

Corporate Social Responsibility

CalBank is committed to corporate social responsibility where integrating sound environmental and social practices remains a key component of our day-to-day business activities. Our thematic areas of community involvement include education for needy children, healthcare, sports development and culture.

We continue to contribute to the development of education in the country with emphasis on improving the level of education of the underprivileged. The Bank continued with our annual "time with the needy child" project, an initiative through which staff of the Bank offer help with the upkeep of needy children. Beyond staff involvement, the Bank has supported over 10,000 needy children from 20 needy homes across the country. Over the years, the Bank has supported the best graduating students of various universities and has awarded scholarships to a host of brilliant but needy students with a current sponsorship of over 26 orphans through tertiary education.

During the year, the Bank donated an ultra-modern 3-unit neonatal equipment to the children's ward at the New Tafo Government Hospital in the Eastern region as part of our "new care project" initiative that seeks to enhance the quality of maternal and neonatal health services through the provision of neonatal equipment to hospitals across the Country. The Bank has also procured another set for the Axim Hospital and St Martins De Pores Hospital in the Western region as well. This initiative will carry on every year going forward.

We continued our sponsorship of the National Beach Soccer Championship as part of our efforts aimed at developing and promoting least financed and lesser known sports in the Country.

MANAGING DIRECTOR'S REPORT (Continued)

Subsidiaries

Our subsidiaries continue to play relevant roles to enhance synergies within the Group. CalBrokers Limited and CalAsset Management Limited contributed a total of GH¢5.2 million to the Group's profitability, representing 3.3% of the Group's profit after tax during the review period.

Funds under management by the group increased to GHS908.2 million from GH¢880.6 million the previous year, an increase of 3.1%.

CalNominees Limited continues to manage our custody offering. Assets under custody increased to GH¢1.5 billion from GH¢1.2 billion at the end of the previous year. This was attained in spite of a reduction in client base from 39 in 2017 to 34 at the end of 2018 as the competition towards gaining a significant share of the pension funds custody market heats up. The custody business remains an important strategic priority for the Group and we see growth opportunities ahead.

Conclusion

The path to transformation which we seek to attain by building a Bank that leverages technology is tortious, but necessary for our sustained growth. There is a lot of work ahead in further strengthening our risk management to ensure we protect the gains we have made over the years, increasing our pace and taking our business to our customers wherever they find themselves through the effective collaboration of our Development Financial Institutions, regulators and our highly committed staff.

I am truly grateful to our customers, our shareholders and fellow Board members for their trust. I also want to thank my colleagues for their hard work over the past year to deliver the strong results we see today.

As we move into 2019 on this journey, we will achieve greater goals together.

Thank you and God bless us all.

Frank Brako Adu Jnr.
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 2018.

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	**2018**	**2017**
Profit for the year ended 31 December	222,906	218,863
From which is deducted taxation of	(69,690)	(65,965)
giving a profit for the year after taxation of	153,216	152,898
to which is added balance on retained earnings brought forward		
(excluding amounts transferred to Regulatory Reserves) of	301,133	162,464
IFRS 9 transition adjustment	(17,086)	-
Transfer from regulatory credit risk reserve	17,086	-
leaving a balance of	**454,349**	**315,362**
Transfer to stated capital	(300,000)	-
Transfer from credit risk reserve	18,741	3,917
Tax charge on transfer to stated capital	(17,954)	-
Less transfer to regulatory reserve	(81,470)	(18,146)
giving a cummulative amount available for distribution of	73,666	301,133

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, Mrs. Helen Nankani and Mr. Malcolmn Pryor 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.

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 recommend the payment of a dividend of GH¢0.048 per share. Bonus shares in the ratio of 1:7 valued at GH¢78.3 million was issued to shareholders in lieu of cash dividend as part of our capitalisation in 2018.

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.	**Paarock A. Vanpercy**
Director	Director

Dated: 27 February 2019

CORPORATE GOVERNANCE STATEMENT

Introduction

The CAL Bank 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.

CAL Bank Limited (the "Bank") which is the parent company of the Group has CAL Brokers Limited, CAL Asset Management Limited, CAL Bank Nominee Limited and CAL Trustee 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.

In December the final corporate governance directives was issued by the Bank of Ghana, the Board of Directors will ensure full compliance with the various dictates of the directives.

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, six (6) 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), the Corporate Governance Directive (2018) 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 2018, attendance by Directors at the meetings of the Board and its committees were as stated below:

Board Members	Board	Audit	Risk	Compensation & Governance
Paarock VanPercy	6/6	4/4	4/4	2/2
Frank B. Adu, Jnr.	6/6	N/A	4/4	2/2
Kobina Quansah	6/6	4/4	4/4	2/2
Malcolmn Pryor	6/6	N/A	4/4	2/2
Helen Nankani	6/6	4/4	4/4	2/2
Philip Owiredu	6/6	N/A	N/A	N/A
Rosalind Kainyah	6/6	N/A	4/4	N/A
Kofi Osafo-Maafo	6/6	4/4	N/A	2/2
Nana Otuo Acheampong	6/6	4/4	4/4	N/A
James Brenner (resigned 30/6/18)	2/2	N/A	2/2	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.

Subsequent to issuance of the Corporate Governance Directive, changes have been made to the composition of board committees to ensure compliance with the directive.

Audit Committee

The Audit Committee which is made up of five (5) non-executive directors and is chaired by Dr. Kobina Quansah and has Mr. Malcolmn Pryor, Ms. Helen Nankani, Mr. Kofi Osafo Maafo and Nana Otuo Acheampong as members. 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. 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 CAL Bank has experience in auditing banks and understands the markets in which the Group operates.

CORPORATE GOVERNANCE STATEMENT (Continued)

During the review period, the Bank engaged KPMG to support its Basel II/III implementation.

Risk Management Committee

The Risk Management Committee which is made up of seven (7) non-executive directors and one executive director is chaired by Ms. Helen Nankani with the following as members, Dr. Kobina Quansah, Mr. Malcolmn D. Pryor, Ms. Rosalind Kainyah, Mr. Kofi Osafo Maafo, Nana Otuo Acheampong and Frank B. Adu Jnr. (ex-officio). Mr. James Brenner resigned as a member of the Committee upon their resignation from the Board.

The Committee's 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 committees 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 statement of financial position 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 Ms. Rosalind Kainyah and has Dr. Kobina Quansah, Mr. Malcolmn D. Pryor, Mr. Kofi Osafo Maafo, Ms. Helen Nankani and Mr. Frank B. Adu Jnr. (ex-officio) as members.

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 emphasis 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.

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

CORPORATE GOVERNANCE STATEMENT (Continued)

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.

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 information security awareness and ISO 27001.

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.

CAL Bank 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 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 objectivities and well defined processes, procedures and responsibilities to ensure optimal

CORPORATE GOVERNANCE STATEMENT (Continued)

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 CAL Bank's values in greater detail and provides values-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' intranet.

Related Parties 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.

Subject to the provisions of the Corporate Governance Directive (2018) 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 Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of CAL Bank Limited ("the Group and Bank"), which comprise the statements of financial position as at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the year the ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information, as set out on pages 26 to 97.

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of CAL Bank Limited as at 31 December 2018, 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 and Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Ghana and we have fulfilled our other ethical responsibilities in accordance with 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.

<table>
<tr><td colspan="2">Impairment allowance of loans and advances to customers (GH¢174.43.million)

Refer to Note 20 to the consolidated and separate financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loans and advances to customers amounted to GH¢ 2,602.25 million at 31 December 2018 (GH¢ 2,007.77 million at 31 December 2017), and the total impairment allowance account for the Bank amounted to GH¢174.43 million at 31 December 2018 (GH¢154.10 million at 31 December 2017).

The Bank adopted IFRS 9 Financial Instruments ("IFRS 9") from 1 January 2018, resulting in impairment charges being recognised when losses are expected rather than when they have been incurred. Management has</td><td>Based on our risk assessment, we have examined the impairment charges for loans and advances to customers and provisions for off-balance sheet exposures and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

Our procedures to address the key audit matter included:

• Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers;</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (Continued)

The key audit matter	How the matter was addressed in our audit
disclosed information regarding the transitional effect of IFRS 9 in note 3.1.3 including the impact on shareholders' equity and profit or loss at 1 January 2018. Measurement of loan impairment charges for loans and provisions for off-balance sheet exposures is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management. The most significant judgements are: • Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer. • Timely identification of exposures with significant increase in credit risk and credit impaired exposures. • Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures. • Management overlays for particular high-risk portfolios, which are not appropriately captured in the expected credit loss model. Management has provided further information about the loan impairment charges and provisions for off-balance sheet exposures in notes 20 to the financial statements.	Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding management's review process over impairment calculations; • Evaluating the appropriateness of the accounting policies based on the requirements of IFRS 9, our business understanding and industry practice. • Obtaining an understanding of management's process and the controls implemented to ensure the transition adjustments were complete and accurate. • Assessing and substantively validating the impairment models by re-performing calculations and agreeing 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 system. • Testing key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer. • Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models applied in stage allocation, assumptions applied to derive lifetime possibility of default and methods applied to derive loss given default. • Obtaining and substantively testing evidence of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures. • Obtaining and substantively testing evidence to support appropriate determination of assumptions for loan impairment charges and provisions for guarantees including valuation of collateral and assumptions of future cash flows on manually assessed credit impaired exposures. • Obtaining and substantively testing evidence of Management overlays for high-risk portfolios with particular focus on the methodology applied, evidence of assumptions-setting processes and the consistency

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Corporate Governance Statement, the Chairman's Statement and the Managing Director'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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, whet her due to fraud or error.

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

The Directors are responsible for overseeing the Group's and Bank'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 and separate 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 and Bank'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 and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and/or Bank 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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/2019/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

27 February 2019

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

in thousands of Ghana Cedis	Notes	2018 Bank	2018 Group	2017 Bank	2017 Group
Interest Income calculated using the effective interest method	9	772,751	773,270	668,055	668,128
Interest Expense	9	(356,762)	(351,641)	(322,818)	(317,096)
Net Interest Income		**415,989**	**421,629**	**345,237**	**351,032**
Fee and Commission Income	10	68,382	75,988	63,818	72,985
Fee and Commission Expense	10	(6,445)	(6,445)	(4,887)	(4,922)
Net Fee and Commission		**61,937**	**69,543**	**58,931**	**68,063**
Trading Income	11	26,918	27,106	40,671	40,671
Other Operating Income	12	15,655	979	1,470	2,466
		42,573	**28,085**	**42,141**	**43,137**
Operating Income		**520,499**	**519,257**	**446,309**	**462,232**
Impairment Loss on Financial instruments	20	(66,735)	(66,735)	(54,947)	(54,947)
Personnel Expenses	13	(122,308)	(125,364)	(100,255)	(103,021)
Depreciation and Amortisation	25, 26	(11,674)	(11,714)	(8,300)	(8,332)
Other Expenses	14	(89,429)	(92,538)	(74,470)	(77,069)
Total Operating Expenses		**(290,146)**	**(296,351)**	**(237,972)**	**(243,369)**
Profit Before Income Tax		**230,353**	**222,906**	**208,337**	**218,863**
Income Tax Expense	15	(67,413)	(69,690)	(63,171)	(65,965)
Profit For The Year		**162,940**	**153,216**	**145,166**	**152,898**
Other Comprehensive Income, Net of Income Tax					
Items that may be reclassified subsequently to profit or loss:					
Movement in Fair value reserve		(9,013)	(9,013)	36	36
Items that will not be reclassified subsequently to profit or loss:					
Deferred Tax on revaluation reserve		(1,280)	(1,280)	113	113
Remeasurement of defined benefit liability		(462)	(442)	(656)	(640)
Other comprehensive loss for the year		**(10,755)**	**(10,735)**	**(507)**	**(491)**
Total Comprehensive Income for the year		**152,185**	**142,481**	**144,659**	**152,407**
Earnings per share (Ghana Cedis per share)	16				
- Basic		0.2600	0.2449	0.2648	0.2793
- Diluted		0.2600	0.2449	0.2648	0.2793

The notes on pages 31 to 97 are an intergral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER

in thousands of Ghana Cedis

	Notes	2018 Bank	2018 Group	2017 Bank	2017 Group
Assets					
Cash and Cash Equivalents	18	637,565	637,570	512,376	512,376
Invesment Securities	19	1,799,439	1,815,912	1,479,153	1,486,965
Loans and Advances to Customers	20	2,428,002	2,422,952	1,853,674	1,853,674
Investments in Subsidiaries	21	2,038	-	2,038	-
Current Tax Assets	23	-	512	-	600
Property and Equipment	25	435,493	435,583	278,730	278,810
Intangible Assets	26	19,901	20,632	17,922	17,922
Deferred Tax Assets	24	14,891	15,075	17,706	17,706
Other Assets	22	68,527	71,063	51,039	55,085
Total Assets		**5,405,856**	**5,419,299**	**4,212,638**	**4,223,138**
Liabilities					
Deposits From Banks and Other Financial Institutions	28	78,161	71,371	84,913	69,422
Deposits From Customers	27	3,078,682	3,078,682	2,428,201	2,428,201
Borrowings	29	1,319,932	1,319,932	931,816	931,816
Current Tax Liabilities	23	7,273	7,301	1,836	1,836
Deferred Tax Liabilities	24	-	-	-	8
Other Liabilities	30	157,236	162,568	118,445	119,785
Total Liabilities		**4,641,284**	**4,639,854**	**3,565,211**	**3,551,068**
Equity					
Stated Capital	31a	400,000	400,000	100,000	100,000
Income Surplus		58,140	73,666	275,883	301,133
Revaluation Reserve	31c	62,246	62,246	63,526	63,526
Statutory Reserve	31b	244,782	244,782	163,312	163,312
Credit Risk Reserve	31d	16,042	16,042	51,869	51,869
Other Reserves	31e	(16,638)	(17,291)	(7,163)	(7,770)
Total Shareholders' Equity		**764,572**	**779,445**	**647,427**	**672,070**
Total Liabilities and Shareholders' Equity		**5,405,856**	**5,419,299**	**4,212,638**	**4,223,138**
Net Assets Value per Share (Ghana Cedis per Share)		1.2202	1.2440	1.1809	1.2258

(Net Assets Value per Share is defined as net assets divided by number of shares)

Frank B. Adu Jnr.
Director

Paarock A. Vanpercy
Director

The Directors approved the financial statements on 27 February 2019

The notes on pages 31 to 97 are an intergral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

in thousands of Ghana Cedis

2018

The Bank	Stated Capital	Statutory Reserve	Revaluation Reserve	Income Surplus	Other Reserves: Treasury Shares	Other Reserves: Fair Value Reserves	Regulatory Credit Risk Reserve	Total Equity
Balance at 1 January	100,000	163,312	63,526	275,883	–	(7,163)	51,869	647,427
IFRS 9 Impact	–	–	–	(17,086)	–	–	–	(17,086)
Transfer from regulatory credit risk reserve	–	–	–	17,086	–	–	(17,086)	–
Restated balance as at 1 January	**100,000**	**163,312**	**63,526**	**275,883**	**–**	**(7,163)**	**34,783**	**630,341**
Total comprehensive income								
Profit	–	–	–	162,940	–	–	–	162,940
Other comprehensive income								
Net change in revaluation surplus	–	–	(1,280)	–	–	–	–	(1,280)
FVOCI financial assets	–	–	–	–	–	(9,013)	–	(9,013)
Remeasurement of defined benefit liability	–	–	–	–	–	(462)	–	(462)
Transactions with shareholders								
Bonus Issue	78,320	–	–	(78,320)	–	–	–	–
Transfer to stated capital	221,680	–	–	(221,680)	–	–	–	–
Dividend tax on Capital Increase	–	–	–	(17,954)	–	–	–	(17,954)
Transfer to/from reserves								
Statutory reserve	–	81,470	–	(81,470)	–	–	–	–
Regulatory credit risk reserve	–	–	–	18,741	–	–	(18,741)	–
Balance at 31 December	**400,000**	**244,782**	**62,246**	**58,140**	**–**	**(16,638)**	**16,042**	**764,572**

The Group	Stated Capital	Statutory Reserve	Revaluation Reserve	Income Surplus	Other Reserves: Treasury Shares	Other Reserves: Fair Value Reserves	Regulatory Credit Risk Reserve	Total Equity
Balance at 1 January	100,000	163,312	63,526	301,133	(518)	(7,252)	51,869	672,070
IFRS 9 Impact	–	–	–	(17,086)	–	–	–	(17,086)
Transfer from regulatory credit risk reserve	–	–	–	17,086	–	–	(17,086)	–
Restated balance as at 1 January	**100,000**	**163,312**	**63,526**	**301,133**	**(518)**	**(7,252)**	**34,783**	**654,984**
Total comprehensive income								
Profit	–	–	–	153,216	–	–	–	153,216
Other comprehensive income								
Net change in revaluation surplus	–	–	(1,280)	–	–	–	–	(1,280)
FVOCI financial assets	–	–	–	–	–	(9,013)	–	(9,013)
Remeasurement of defined benefit liability	–	–	–	–	–	(442)	–	(442)
Transactions with shareholders								
Bonus Issue	78,320	–	–	(78,320)	–	–	–	–
Transfer to stated capital	221,680	–	–	(221,680)	–	–	–	–
Dividend tax on Capital Increase	–	–	–	(17,954)	–	–	–	(17,954)
Dividend paid	–	–	–	–	–	–	–	–
Net Changes in Bank's shares held by subsidiary	–	–	–	–	(66)	–	–	(66)
Transfer to/from reserves								
Statutory reserve	–	81,470	–	(81,470)	–	–	–	–
Regulatory credit risk reserve	–	–	–	18,741	–	–	(18,741)	–
Balance at 31 December	**400,000**	**244,782**	**62,246**	**73,666**	**(584)**	**(16,707)**	**16,042**	**779,445**

The notes on pages 31 to 97 are an intergral part of these consolidated financial statements.

in thousands of Ghana Cedis

2017

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

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

The notes on pages 31 to 97 are an intergral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

in thousands of Ghana Cedis		2018		2017	
	Notes	Bank	Group	Bank	Group
Cash Flow From Operating Activities					
Profit for the Year		**162,940**	**153,216**	**145,166**	**152,898**
Adjustments for:					
Depreciation and Amortisation	25,26	11,674	11,714	8,300	8,332
Impairment on Financial Assets	20	66,735	66,735	54,947	54,947
Net Interest Income	9	(415,989)	(421,629)	(345,237)	(351,032)
Income Tax Expense	15	67,413	69,690	63,171	65,965
Gain on Disposal of Property and Equipment		(203)	(203)	-	-
		(107,430)	**(120,477)**	**(73,653)**	**(68,890)**
Change in Loans and Advances to Customers		(574,328)	(569,278)	112,720	112,720
Change in Other Assets		(17,488)	(15,978)	40,981	40,220
Change in Deposits From Banks and Other Financial Institutions		(6,752)	1,949	21,537	6,619
Change in Customer Deposits		650,481	650,481	115,810	115,811
Change in Other Liabilities		38,791	42,783	(29,565)	(30,761)
Interest and Dividends Received		651,119	637,922	643,840	643,962
Interest Paid		(366,471)	(347,812)	(250,181)	(244,459)
Income Tax Paid		(60,441)	(62,794)	(29,048)	(32,693)
Net Cash Flow From Operating Activities		**207,481**	**216,796**	**552,441**	**542,529**
Cash Flows From Investing Activities					
Purchase of Investment Securities		(320,286)	(328,820)	(678,726)	(668,806)
Purchase of Property and Equipment	25	(149,662)	(149,707)	(33,480)	(33,488)
Proceeds From Sale of Property and Equipment		222	222	-	-
Purchase of Intangible Assets	26	(682)	(1,413)	(11,631)	(11,631)
Net Cash Used in Investing Activities		**(470,408)**	**(479,718)**	**(723,837)**	**(713,925)**
Cash Flows from Financing Activities					
Proceeds from Borrowings		844,437	844,437	694,383	694,383
Repayment of Borrowings		(456,321)	(456,321)	(439,367)	(439,367)
Net Cash Flow from Financing Activities		**388,116**	**388,116**	**255,016**	**255,016**
Net Increase in Cash and Cash Equivalents		**125,189**	**125,194**	**83,620**	**83,620**
Cash and Cash Equivalents at 1 January		512,376	512,376	428,756	428,756
Cash and Cash Equivalents at 31 December		**637,565**	**637,570**	**512,376**	**512,376**

The notes on pages 31 to 97 are an intergral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

1. REPORTING ENTITY

Cal Bank 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 2018 comprise the Bank and its subsidiaries, (together referred to as the 'Group'). The separate financial statements as at and for the year ended 31 December 2018 comprise the financial statements of the Bank. For Companies Act, 1963 (Act 179) reporting purposes, the statement of financial position is represented by the statement of financial position and the statement of comprehensive income account by part of the statement of comprehensive income, in these financial statements.

The Bank is listed on the Ghana Stock Exchange (GSE).

2. BASIS OF PREPARATION

2.1 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 Institutions Act, 2016 (Act 930).

2.2 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 fair value through other comprehensive income (FVOCI) and leasehold land and buildings.

2.3 Functional and presentation currency

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

2.4 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 4.

2.5 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 described in note 4.

2.6 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 5.3.

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 statements of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

3. CHANGES IN ACCOUNTING POLICIES

The Group has initially adopted IFRS 9 (see 3.1) and IFRS 15 (see 3.2) from 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition method chosen by the Group in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

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

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets (see Note 3.1.3);
- additional disclosures related to IFRS 9.
- additional disclosures related to IFRS 15.

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 4 to all periods presented in these consolidated and separate financial statements.

3.1. IFRS 9 Financial Instruments

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

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

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

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 3.1.3.

3.1.1. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, see Note 4.9.4.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

For an explanation of how the Group classifies financial liabilities under IFRS 9, see Note 4.9.4.

3.1.2. Impairment of financial assets

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

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Group applies the impairment requirements of IFRS 9, see Note 4.12.

3.1.3. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

– Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The Group used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of comprehensive income, the Group has reclassified comparative interest income on finance leases to 'other interest income' and changed the description of the line item from 'interest income' reported in 2017 to 'interest income calculated using the effective interest method'.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

– The determination of the business model within which a financial asset is held.

– The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

3.2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8. The timing or amount of the Group's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15.

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

Bank	IAS 39		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets				
Cash and cash equivalents	Amortised cost (Loans and receivables)	512,376	Amortised cost	512,376
Investment securities	FVOCI, Amortised cost (Available for sale)	1,479,153	FVOCI	1,479,153
Loans and advances to customers	Amortised cost (Loans and receivables)	1,853,674	Amortised cost	1,837,794
Other assets	Amortised cost (Loans and receivables)	51,039	Amortised cost	51,039
Financial Liabilities				
Deposits from financial institutions	Amortised cost	84,913	Amortised cost	84,913
Deposits from customers	Amortised cost	2,428,201	Amortised cost	2,428,201
Borrowings	Amortised cost	931,816	Amortised cost	931,816
Other Liabilities	Amortised cost	118,445	Amortised cost	119,651

Group	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets				
Cash and cash equivalents	Amortised cost (Loans and receivables)	512,376	Amortised cost	512,376
Investment securities	FVOCI, FVTPL, Amortised cost (Available for sale)	1,486,965	FVOCI	1,486,965
Loans and advances to customers	Amortised cost (Loans and receivables)	1,853,674	Amortised cost	1,837,794
Other assets	Amortised cost (Loans and receivables)	55,085	Amortised cost	55,085
Financial Liabilities				
Deposits from financial institutions	Amortised cost	69,422	Amortised cost	69,422
Deposits from customers	Amortised cost	2,428,201	Amortised cost	2,428,201
Borrowings	Amortised cost	931,816	Amortised cost	931,816
Other Liabilities	Amortised cost	119,785	Amortised cost	120,991

A reconciliation of statement of financial position financial of assets and liabilities balances from IAS 39 to IFRS 9 at 01 January 2018 is as follows;

Bank	IAS 39 Carrying amount 31-Dec-17	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Cash and cash equivalents – Amortised Cost				
Closing balance under IAS 39	512,376	-	-	-
Opening balance under IFRS 9	-	-	-	512,376
Investment securities – FVTPL				
Closing balance under IAS 39	1,262,211	-	-	-
Opening balance under IFRS 9	-	-	-	1,262,211
Investment securities – FVOCI				
Closing balance under IAS 39	216,942	-	-	-
Opening balance under IFRS 9	-	-	-	216,942
Loans and advances to customers – Amortised Cost				
Closing balance under IAS 39	1,853,674	-	-	-
Remeasurement: ECL allowance	-	-	(15,880)	-
Opening balance under IFRS 9	-	-	-	1,837,794
Other assets – Amortised Cost				
Closing balance under IAS 39	51,039	-	-	-
Opening balance under IFRS 9	-	-	-	51,039
Total financial assets	**3,896,242**	**-**	**(15,880)**	**3,880,362**

Bank	IAS 39 Carrying amount 31-Dec-17	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Deposits from financial institutions				
Closing balance under IAS 39	84,913	-	-	-
Opening balance under IFRS 9	-	-	-	84,913
Deposits from customers				
Closing balance under IAS 39	2,428,201	-	-	-
Opening balance under IFRS 9	-	-	-	2,428,201
Borrowings				
Closing balance under IAS 39	931,816	-	-	-
Opening balance under IFRS 9	-	-	-	931,816
Other Liabilities				
Closing balance under IAS 39	118,445	-	-	-
Remeasurement: ECL allowance	-	-	1,206	-
Opening balance under IFRS 9	-	-	-	119,651
Total financial liabilities	**3,563,375**	**-**	**1,206**	**3,564,581**

Group	IAS 39 Carrying amount 31-Dec-17	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Cash and cash equivalents – Amortised Cost				
Closing balance under IAS 39	512,376	-	-	-
Opening balance under IFRS 9	-	-	-	512,376
Investment securities - FVTPL				
Closing balance under IAS 39	1,270,023	-	-	-
Opening balance under IFRS 9	-	-	-	1,270,023
Investment securities - FVOCI				
Closing balance under IAS 39	216,942	-	-	-
Opening balance under IFRS 9	-	-	-	216,942
Loans and advances to customers – Amortised Cost				
Closing balance under IAS 39	1,853,674	-	-	-
Remeasurement: ECL allowance	-	-	(15,880)	-
Opening balance under IFRS 9	-	-	-	1,837,794
Other assets - Amortised Cost				
Closing balance under IAS 39	55,085	-	-	-
Opening balance under IFRS 9	-	-	-	55,085
Total financial assets	**3,908,100**	**-**	**(15,880)**	**3,892,220**

Group	IAS 39 Carrying amount 31-Dec-17	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Deposits from financial institutions				
Closing balance under IAS 39	69,422	-	-	-
Opening balance under IFRS 9	-	-	-	69,422
Deposits from customers				
Closing balance under IAS 39	2,428,201	-	-	-
Opening balance under IFRS 9	-	-	-	2,428,201
Borrowings				
Closing balance under IAS 39	931,816	-	-	-
Opening balance under IFRS 9	-	-	-	931,816
Other Liabilities				
Closing balance under IAS 39	119,785	-	-	-
Remeasurement: ECL allowance	-	-	1,206	-
Opening balance under IFRS 9	-	-	-	120,991
Total financial liabilities	**3,549,224**	**-**	**1,206**	**3,550,430**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.0. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

4.1. Basis of Consolidation

4.1.1. Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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 in 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.

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

4.1.2. 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 and separate financial statements. Information about the group's fund management activities are set out in note 32.

4.2. 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 statement of comprehensive income. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in foreign currency are translated using spot rate at the date of translation.

4.3. Recognition of interest income

4.3.1. The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for all financial instruments measured at amortised cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the statement of comprehensive income.

4.3.2. Interest and similar income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income.

4.4. 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.

4.5. 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.

4.6. 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 operating income. Dividend payable is recognised as a liability in the period in which they are declared.

4.7. Other Operating Income

Other operating income comprises other income including gains or losses arising on fair value changes in trading assets and liabilities.

4.8. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.8.1 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 statement of financial position 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.

4.8.2. 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 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.

4.8.3. Levies and similar charges

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

4.9. Financial Assets and Liabilities

4.9.1. Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank 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. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

4.9.2. Initial measurement of financial instruments

Financial asset or liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

4.9.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

4.9.4. Classification and Measurement categories of financial assets and liabilities

From 1 January 2018, the Bank has classified all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost.
- Fair value through other comprehensive income(FVOCI).
- FVPL

The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 4.9.9.

Before 1 January 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in note 4.9.10.

4.9.5. Loans and advances to customers, Financial investments at amortised cost

Before 1 January 2018, Loans and advances to customers, included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Bank intended to sell immediately or in the near term
- That the Bank, upon initial recognition, designated as at FVPL or as available-for-sale
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below:

4.9.5.1. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and; in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4.9.5.2. The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4.9.6. Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

4.9.7. Equity instruments at FVOCI (Policy applicable from 1 January 2018)

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in statement of comprehensive income as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

4.9.8. Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The Bank issues financial instruments with equity conversion rights, write-down and call options. When establishing the accounting treatment for these non-derivative instruments, the Bank first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Bank has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

4.9.9. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis or;
- The liabilities and assets until 1 January 2018 under IAS 39 are part of a group of financial liabilities or financial assets, or both under IAS 39, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or;
- The liabilities and assets until 1 January 2018 under

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IAS 39 containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in statement of comprehensive income with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the fair value reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using EIR as explained in note 4.3.1. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

4.9.10. Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of comprehensive income, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or under IFRS 9 an ECL provision as set out in the financial statement

The premium received is recognised in the statement of comprehensive income in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the financial statement

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined the financial statement.

4.10. Reclassification of financial assets and liabilities

From 1 January 2018, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2017.

4.11. Derecognition of financial assets and liabilities

4.11.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted

NOTES TO THE FINANCIAL STATEMENTS (Continued)

at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

4.11.2. Derecognition other than for substantial modification

4.11.2.1. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset or;
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

4.11.2.2. Financial liabilities

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

4.12. Impairment of financial assets (Policy applicable from 1 January 2018)

4.12.1. Overview of the ECL principles

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As described in note 3.0. , the adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in note 4.12.2. The Bank's policies for determining if there has been a significant increase in credit risk are set out in the financial statement.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

4.12.2. The calculation of ECLs

The Bank calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows

- **PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2'). Each of these is associated with different PDs, EADs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

and LGDs, as set out in note 4.12.5. When relevant, the assessment of multiple scenarios also incorporate how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in note 4.12.5, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the financial statement months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR
- **Stage 3:** For loans considered credit-impaired the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

- **Loan commitments and letters of credit:** When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan for credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within provisions.
- **Financial guarantee contracts:** The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of comprehensive income, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

4.12.3. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the statement of comprehensive income upon derecognition of the assets.

4.12.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

4.12.5. Forward looking information

In the Bank's ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates

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- Exchange rates
- Central Bank policy rates
- House price indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

4.13. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/ guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued by licensed professional property valuers.

4.14. Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

4.15. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
  Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

4.16. 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.

4.17. Investment Securities

This comprises investments in short-term Government securities and medium term investments in Government

NOTES TO THE FINANCIAL STATEMENTS (Continued)

and other securities such as open market operations (OMO) instruments, treasury bills and bonds. Investments in securities are categorised as FVTPL or FVOCI.

4.18. Property and Equipment

4.18.1 Recognition and measurement
Items of Property 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 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.

4.18.2. 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 and Equipment are recognised in the statement of profit or loss as incurred.

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

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.

4.19. Intangible assets

4.19.1. 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.

4.20. 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.

4.21. 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.

4.22. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

4.23. 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.

4.24. Employee benefits

4.24.1. 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.

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

4.24.3. Short-term benefits

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

4.24.4 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 comprehensive income.

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.

4.25. 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.

4.26. Share capital

4.26.1 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.26.2. 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.

4.26.3 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.

4.27. 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 senior management to make decisions about resources to be allocated to the segment and assess its performance and
- for which discrete financial information is available

4.28. 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.

4.29. New standards and interpretations yet to be adopted

During the year, there were some amendments, new standards and interpretations as indicated below. Some of these are not expected to have significant impact on the Bank or its subsidiaries reporting.

4.29.1. 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.

4.29.2. 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 Group has not accessed the potential impact of the standard on its financial statements and therefore the impact is not known. The Group will adapt the standard for the year ending 31 December 2019.

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. This is not expected to have a significant impact on the bank's financial statements.

5.0. FINANCIAL RISK MANAGEMENT

5.1. 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.

5.1.1. 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 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.

5.2. 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).

5.2.1. 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

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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 loan review committee 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.

The Risk Management Department monitors and manages the Group'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 credit processes are undertaken by Internal Audit.

5.2.2. 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).

5.2.3. 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.

5.2.4. Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12m ECL.

5.2.5. Internal credit risk rating

In order to minimise credit risk, the Group has tasked its credit department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises eight categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit

NOTES TO THE FINANCIAL STATEMENTS (Continued)

risk grade at initial recognition, based on the available information about the counterparty.

All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices.

The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as changes in qualitative factors.

The internal risk grading scale is as follows:

Group's rating	Description of the grade	Average number of days outstanding
Grade A	Low to fair risk	less than 90 days
Grade B	Higher risk	90 days but less than 120 days
Grade C	Sub-standard	120 days less than 180 days
Grade D	Doubtful	180 days less than 360 days
Grade E	Loss	360 days and above

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans, while commitments to provide a corporate loan are assessed using similar criteria to corporate loans.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 90 days past due.

The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

5.2.6. Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

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The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Bank has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past years.

5.2.7. Measurement of ECL

The key inputs used for measuring ECL are:

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

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information. PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time.

The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral.

The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims.

The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Group uses EAD models that reflect the characteristics of the portfolios. The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

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However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

5.2.8. Credit quality analysis

The Group monitors credit risk per class of financial instrument. The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments (2018) and available-for-sale debt assets (2017). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to customers					
Grade A	2,347,839			2,347,839	1,778,614
Grade B	-	5,207	43,322	48,530	11,008
Grade C	-	4,190	51,383	55,573	23,468
Grade D	-	9,156	6,855	16,011	33,472
Grade E	-	9,910	124,388	134,298	161,210
	2,347,839	**28,463**	**225,948**	**2,602,250**	**2,007,772**
Loss allowance	(17,767)	(3,190)	(153,291)	(174,248)	(154,098)
Carrying amount	**2,330,072**	**25,273**	**72,657**	**2,428,002**	**1,853,674**
Loan Commitments					
Grade A	228,551	-	-	228,551	-
Loss allowance	(886)	-	-	(886)	-
Carrying amount	**227,665**	**-**	**-**	**227,665**	**-**
Guarantees & Indemnities					
Grade A	168,337	-	-	168,337	240,037
Loss allowance	(59)	-	-	(59)	
Carrying amount	**168,278**	**-**	**-**	**168,278**	**240,037**
Letters of credit					
Grade A	108,984	-	-	108,984	127,117
Loss allowance	(415)	-	-	(415)	
Carrying amount	**108,569**	**-**	**-**	**108,569**	**127,117**
Investment Securities (FVTPL)					
Grade A	1,523,321	-	-	1,523,321	1,262,211
Carrying amount	**1,523,321**	**-**	**-**	**1,523,321**	**1,262,211**
Investment Securities (FVOCI)					
Grade A	276,118	-	-	276,118	867,904
Carrying amount	**276,118**	**-**	**-**	**276,118**	**867,904**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.2.5. 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.

5.2.10. 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.

5.2.11. 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

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Balance at the beginning	217,528	217,528	215,632	215,632
Write-offs during the year	68,377	68,377	18,725	18,725
Recovery during the year	(6,067)	(6,067)	(16,829)	(16,829)
Balance at the end	**279,838**	**279,838**	**217,528**	**217,528**

5.2.12. 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:

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Cash and Cash Equivalents	637,565	637,570	512,376	512,376
Invesment Securities	1,799,439	1,815,912	1,479,153	1,486,965
Loans and Advances to Customers	2,428,002	2,422,952	1,853,674	1,853,674
Other Assets	68,527	71,063	51,039	55,085
	4,933,533	**4,947,497**	**3,896,242**	**3,908,100**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2018 or 2017.

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 collateral valued at GH¢104 million was repossessed by the bank. No assets was repossessed by the bank in 2017.

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:

Loans and Advances to Customers

Exposure to Credit Risk	2018 Bank	2018 Group	2017 Bank	2017 Group
Carrying Amount	**2,428,002**	**2,422,952**	**1,853,674**	**1,853,674**
Concentration by industry				
Agriculture, Forestry & Fishing	28,279	28,279	992	992
Mining and Quarrying	27,356	27,356	39,132	39,132
Manufacturing	155,266	155,266	153,019	153,019
Construction	514,640	514,640	369,210	369,210
Electricity, gas and water	145,837	145,837	213,688	213,688
Commerce and Finance	603,179	598,129	506,806	506,806
Transport, Storage and Communications	313,603	313,603	189,985	189,985
Services	689,864	689,864	426,228	426,228
Miscellaneous	124,226	124,226	108,712	108,712
	2,602,250	**2,597,200**	**2,007,772**	**2,007,772**
Allowance for Impairment	(174,248)	(174,248)	(154,098)	(154,098)
	2,428,002	**2,422,952**	**1,853,674**	**1,853,674**
Concentration by type of customer				
Private Enterprises	2,057,229	2,052,179	1,756,832	1,756,832
Joint Private & State Enterprises	444,139	444,139	152,227	152,227
Individuals	100,882	100,882	98,713	98,713
	2,602,250	**2,597,200**	**2,007,772**	**2,007,772**
Allowance for Impairment	(174,248)	(174,248)	(154,098)	(154,098)
	2,428,002	**2,422,952**	**1,853,674**	**1,853,674**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

5.3. Liquidity risk

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

5.3.1. 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.

5.3.2. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

2018	**Bank**							
	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**
Assets								
Cash and Cash Equivalents	637,565	637,565	-	-	-	-	-	-
Invesment Securities	1,799,439	685,434	150,356	234,861	65,091	471,153	71,712	120,832
Loans and Advances to Customers	2,428,002	322,705	301,121	98,561	203,715	229,172	411,984	860,744
Investments in Subsidiaries	2,038	-	-	-	-	-	-	2,038
Deferred Tax Assets	14,891	-	-	-	-	-	-	14,891
Intangible Assets	19,901	-	-	-	-	-	-	19,901
Other Assets	68,527	-	40,873	27,654	-	-	-	-
Property and Equipment	435,493	-	-	-	-	-	-	435,493
Total Assets	**5,405,856**	**1,645,704**	**492,350**	**361,076**	**268,806**	**700,325**	**483,696**	**1,453,899**
Liabilities								
Deposits From Banks and Other Financial Institutions	78,161	24,202	14,021	22,105	2,826	759	607	13,641
Deposits From Customers	3,078,682	1,265,822	512,868	729,005	314,411	107,026	111,973	37,577
Borrowings	1,319,932	89,526	185,801	323,944	129,686	103,264	325,350	162,361
Current Tax Liabilities	7,273	-	7,273	-	-	-	-	-
Other Liabilities	157,236	88,656	44,748	23,832	-	-	-	-
Total Liabilities	**4,641,284**	**1,468,206**	**764,711**	**1,098,886**	**446,923**	**211,049**	**437,930**	**213,579**
Period liquidity gap	**764,572**	**177,498**	**(272,361)**	**(737,810)**	**(178,117)**	**489,276**	**45,766**	**1,240,320**
Cummulative liquidity gap	**764,572**	**177,498**	**(94,863)**	**(832,673)**	**(1,010,790)**	**(521,514)**	**(475,748)**	**764,572**
Contingent Liabilities	**277,321**	**-**	**234,770**	**15,018**	**15,018**	**12,515**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2018 — **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
Assets								
Cash and Cash Equivalents	637,570	637,570	-	-	-	-	-	-
Invesment Securities	1,815,912	685,434	150,356	234,861	81,564	471,153	71,712	120,832
Loans and Advances to Customers	2,422,952	317,655	301,121	98,561	203,715	229,172	411,984	860,744
Current Tax Assets	512	-	512	-	-	-	-	-
Deferred Tax Assets	15,075	-	-	-	-	-	-	15,075
Intangible Assets	20,632	-	-	-	-	-	-	20,632
Other Assets	71,063	-	40,873	30,190	-	-	-	-
Property and Equipment	435,583	-	-	-	-	-	-	435,583
Total Assets	**5,419,299**	**1,640,659**	**492,862**	**363,612**	**285,279**	**700,325**	**483,696**	**1,452,866**
Liabilities								
Deposits From Banks and Other Financial Institutions	71,371	24,202	14,021	15,315	2,826	759	607	13,641
Deposits From Customers	3,078,682	1,265,822	512,868	729,005	314,411	107,026	111,973	37,577
Borrowings	1,319,932	89,526	185,801	323,944	129,686	103,264	325,350	162,361
Current Tax Liabilities	7,301	-	7,301	-	-	-	-	-
Other Liabilities	162,568	88,656	44,748	29,164	-	-	-	-
Total Liabilities	**4,639,854**	**1,468,206**	**764,739**	**1,097,428**	**446,923**	**211,049**	**437,930**	**213,579**
Period liquidity gap	**779,445**	**172,453**	**(271,877)**	**(733,816)**	**(161,644)**	**489,276**	**45,766**	**1,239,287**
Cummulative liquidity gap	**779,445**	**172,453**	**(99,424)**	**(833,240)**	**(994,884)**	**(505,608)**	**(459,842)**	**779,445**
Contingent Liabilities	**277,321**	**-**	**234,770**	**15,018**	**15,018**	**12,515**	**-**	**-**

2017 — **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	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 and Equipment	278,730	-	-	-	-	-	-	278,730
Total Assets	**4,212,638**	**1,772,070**	**252,492**	**419,299**	**275,592**	**332,352**	**292,094**	**868,739**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Liabilities	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
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	-	-	-	-
Total Liabilities	**3,565,211**	**794,260**	**594,793**	**886,722**	**582,732**	**421,949**	**129,018**	**155,737**
Period liquidity gap	**647,427**	**977,810**	**(342,301)**	**(467,423)**	**(307,140)**	**(89,597)**	**163,076**	**713,002**
Cummulative liquidity gap	**647,427**	**977,810**	**635,509**	**168,086**	**(139,054)**	**(228,651)**	**(65,575)**	**647,427**
Contingent Liabilities	**367,154**	**-**	**317,324**	**17,587**	**17,587**	**14,656**	**-**	**-**

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 and Equipment	278,810	-	-	-	-	-	-	278,810
Total Assets	**4,223,138**	**1,779,882**	**253,092**	**423,345**	**275,592**	**332,352**	**292,094**	**866,781**
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	-	-	-	-
Total Liabilities	**3,551,068**	**794,279**	**580,623**	**886,722**	**582,732**	**421,949**	**129,018**	**155,745**
Period liquidity gap	**672,070**	**985,603**	**(327,531)**	**(463,377)**	**(307,140)**	**(89,597)**	**163,076**	**711,036**
Cumulative liquidity gap	**672,070**	**985,603**	**658,072**	**194,695**	**(112,445)**	**(202,042)**	**(38,966)**	**672,070**
Contingent Liabilities	**367,154**	**-**	**317,324**	**17,587**	**17,587**	**14,656**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

5.3.3. 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	2018		2017	
	Bank	Group	Bank	Group
Lines for letters of credit establishment	1,382,751	1,382,751	1,553,814	1,553,814
Lines for letters of credit refinancing/ payment	650,700	650,700	949,365	949,365

5.4. 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.

5.4.1. 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.

5.4.2. 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)

Sensitivity of projected net interest income	100 bp parallel increase	100 bp parallel decrease	50 bp parallel increase	50 bp parallel decrease
At 31 December 2018	1,869	(1,869)	935	(935)
At 31 December 2017	3,655	(3,655)	1,827	(1,827)

5.4.3. 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.

2018	US Dollars	British Pounds	Euro	Others	Total
Assets					
Cash and Cash Equivalents	63,806	20,858	28,161	2,595	115,420
Loans and Advances to Customers	1,101,461	2	95	-	1,101,558
Other Assets	521	-	-	-	521
Total Assets	**1,165,788**	**20,860**	**28,256**	**2,595**	**1,217,499**
Liabilities					
Deposits From Customers	497,275	17,976	33,949	-	549,200
Borrowings	1,197,218	-	-	-	1,197,218
Other Liabilities	25,510	4	448	-	25,962
Total Liabilities	**1,720,003**	**17,980**	**34,397**	**-**	**1,772,380**
Net On-Balance Sheet Position	(554,215)	2,880	(6,141)	2,595	(554,881)
Off-Balance Sheet Credit Commitments	286,981	5,431	44,726	-	337,138
Total Exposure	(267,234)	8,311	38,585	2,595	(217,743)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2017	US Dollars	British Pounds	Euro	Others	Total
Assets					
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
Total Assets	**845,053**	**9,421**	**39,939**	**2,597**	**897,010**
Liabilities					
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
Total Liabilities	**1,201,304**	**10,459**	**30,371**	**-**	**1,242,134**
Net On-Balance Sheet Position	**(356,251)**	**(1,038)**	**9,568**	**2,597**	**(345,124)**
Off-Balance Sheet Credit Commitments	**262,906**	**5,251**	**42,968**	**-**	**311,125**
Total Exposure	**(93,345)**	**4,213**	**52,536**	**2,597**	**(33,999)**

5.4.4. 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.

	2018			2017		
	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	4.8200	9%	(50,751)	4.4157	5%	(18,274)
British Pounds	6.1711	3%	99	5.9669	15%	(154)
Euro	5.5131	4%	(251)	5.2964	19%	1,854

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.5. 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.

5.6. 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)

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 January 2019.

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.

The regulatory capital position at 31 December was as follows:

		2018		2017	
	Notes	**Bank**	**Group**	**Bank**	**Group**
Tier 1 capital					
Ordinary share capital		400,000	400,000	100,000	100,000
Disclosed Reserves		**302,922**	**318,448**	**439,195**	**464,445**
Income Surplus		58,140	73,666	275,883	301,133
Statutory Reserves		244,782	244,782	163,312	163,312
Less:					
Regulatory Deductions		(66,797)	(67,174)	(34,905)	(32,950)
Total		**636,125**	**651,274**	**504,290**	**531,495**
Tier 2 capital					
Fair Value Reserves		(16,638)	(16,707)	(7,163)	(7,252)
Revaluation Reserve		31,123	31,123	31,763	31,763
Qualifying subordinated liabilities	31	141,082	141,082	128,826	128,826
Total		**155,567**	**155,498**	**153,426**	**153,337**
Total regulatory capital		**791,692**	**806,772**	**657,716**	**684,832**
Risk-weighted assets					
On-balance sheet items		2,944,093	2,958,616	2,371,057	2,381,592
Off-balance sheet items		277,321	277,321	367,154	367,154
Total risk-weighted assets		**3,221,414**	**3,235,937**	**2,738,211**	**2,748,746**
50% of net open position (NOP)		20,211	20,211	17,280	17,280
100% of 3yrs average annual gross income		397,409	410,142	354,608	364,372
Adjusted Asset Base		**3,639,034**	**3,666,290**	**3,110,099**	**3,130,398**
Capital ratios					
Capital Adequacy (Total Regulatory Capital as a percentage of Adjusted Asset Base)		21.8%	22.0%	21.1%	21.9%
Regulatory Deductions					
Goodwill/Intangibles		64,625	67,174	32,867	32,950
Invests in the capital of Other Banks & Fin Insts.		2,172	-	2,038	-
		66,797	**67,174**	**34,905**	**32,950**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.6.1. 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 also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the 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

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Capital Adequacy Ratio	21.8%	22.0%	21.1%	21.9%
Non - Performing Ratio	8.0%	8.0%	10.9%	10.9%
Liquid Ratio	104%	104%	125%	125%
Compliance with statutory liquidity requirement				
(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)

6.0. 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 5).

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 note 4.

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 note 8. 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 amortised cost, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy note 4.9.4.

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 note 4.9.4.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7.0. 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.

7.0. 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
31 December 2018							
External Revenues							
Net Interest Income	124,645	199,105	96,945	622	312	-	421,629
Net Fees and Commissions	29,480	31,292	1,351	60	7,360	-	69,543
Net Trading Income	-	-	27,106	-	-	-	27,106
Other Operating Income	571	159	-	249	-	-	979
Intersegment Revenue	(5,320)	-	-	2,847	2,473	-	-
Total Segment Revenues	**149,376**	**230,556**	**125,402**	**3,778**	**10,145**	**-**	**519,257**
Operating Costs	**(35,015)**	**(92,447)**	**(5,043)**	**(3,515)**	**(2,786)**	**(157,545)**	**(296,351)**
Segment Results	**114,361**	**138,109**	**120,359**	**263**	**7,359**	**(157,545)**	**222,906**
Income Tax Expense				**(259)**	**(2,207)**	**(67,224)**	**(69,690)**
Profit For The Year	**114,361**	**138,109**	**120,359**	**4**	**5,152**	**(224,769)**	**153,216**
Segment Assets	1,921,870	728,805	2,315,773	15,455	12,842	424,554	5,419,299
Total Assets	**1,921,870**	**728,805**	**2,315,773**	**15,455**	**12,842**	**424,554**	**5,419,299**
Segment Liabilities	1,797,500	1,304,480	1,362,769	9,045	1,551	164,509	4,639,854
Total Liabilities	**1,797,500**	**1,304,480**	**1,362,769**	**9,045**	**1,551**	**164,509**	**4,639,854**
Impairment Loss on Financial Assets	(28,301)	(38,434)	-	-	-	-	(66,735)
Depreciation and Amortisation	1,354	4,449	-	15	25	5,871	11,714
Expenditure on non-current assets	-	6,116	-	10	767	61,336	68,229

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7.0.. Operating segments (Continued)

31 December 2017	Corporate Banking & Project Finance	Consumer & Retail Business Banking	Treasury	Brokerage	Asset Management	Unallocated	Consolidated
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	-	-
Total Segment Revenues	**245,784**	**128,579**	**72,020**	**3,918**	**11,931**	**-**	**462,232**
Operating Costs	(10,344)	(44,894)	(24,993)	(2,479)	(2,915)	(157,744)	(243,369)
Segment Results	**235,440**	**83,685**	**47,027**	**1,439**	**9,016**	**(157,744)**	**218,863**
Income Tax Expense	-	-	-	(92)	(2,705)	(63,168)	(65,965)
Profit For The Year	**235,440**	**83,685**	**47,027**	**1,347**	**6,311**	**(220,912)**	**152,898**
Segment Assets	1,465,731	484,988	1,991,528	10,199	18,705	251,987	4,223,138
Total Assets	**1,465,731**	**484,988**	**1,991,528**	**10,199**	**18,705**	**251,987**	**4,223,138**
Segment Liabilities	891,864	914,923	1,622,653	792	555	120,281	3,551,068
Total Liabilities	**891,864**	**914,923**	**1,622,653**	**792**	**555**	**120,281**	**3,551,068**
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)

7.0. 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 2018 and 2017.

2018	**Northern**	**Ashanti**	**Western**	**Greater Accra**	**Consolidated**
Interest Income	1,329	37,207	46,246	688,488	773,270
Interest Expense	(495)	(5,067)	(13,771)	(332,308)	(351,641)
Net Interest Income	**834**	**32,140**	**32,475**	**356,180**	**421,629**
Net Fees and Commissions	373	6,918	8,925	53,327	69,543
Net Trading Income	-	-	-	27,106	27,106
Other Operating Income	38	285	287	369	979
Operating Income	**1,245**	**39,343**	**41,687**	**436,982**	**519,257**
Net Impairement Loss on Financial Assets	(79)	(4,824)	(13,278)	(48,554)	(66,735)
Personel Expenses	(944)	(6,335)	(4,712)	(113,373)	(125,364)
Depreciation and Amortisation	(221)	(1,108)	(924)	(9,461)	(11,714)
Other Expenses	(609)	(3,137)	(2,689)	(86,103)	(92,538)
Total Operating Expenses	**(1,853)**	**(15,404)**	**(21,603)**	**(257,491)**	**(296,351)**
Profit Before Income Tax	**(608)**	**23,939**	**20,084**	**179,491**	**222,906**
Income Tax Expense	-	-	-	-	(69,690)
Profit For The Year	(608)	23,939	20,084	179,491	153,216
Segment Assets	14,137	168,956	182,670	5,053,536	5,419,299
Total Assets	**14,137**	**168,956**	**182,670**	**5,053,536**	**5,419,299**
Segment Liabilities	26,722	223,710	179,523	4,209,899	4,639,854
Total Liabilities	**26,722**	**223,710**	**179,523**	**4,209,899**	**4,639,854**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7.0. Operating segments (Continued)

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)
Net Interest Income	**(395)**	**19,309**	**40,786**	**291,332**	**351,032**
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
Operating Income	**(338)**	**25,421**	**50,275**	**386,874**	**462,232**
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)
Total Operating Expenses	**(1,097)**	**(9,217)**	**(15,336)**	**(217,719)**	**(243,369)**
Profit Before Income Tax	**(1,435)**	**16,204**	**34,939**	**169,155**	**218,863**
Income Tax Expense	-	-	-	-	(65,965)
Profit For The Year	(1,435)	16,204	34,939	169,155	152,898
Segment Assets	685	119,862	185,650	3,916,941	4,223,138
Total Assets	**685**	**119,862**	**185,650**	**3,916,941**	**4,223,138**
Segment Liabilities	975	189,988	157,749	3,202,356	3,551,068
Total Liabilities	**975**	**189,988**	**157,749**	**3,202,356**	**3,551,068**

8.0. 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.

2018	Fair Value OCI	Fair Value Through Profit or Loss	Amortised cost	Total carrying amount	Fair value
The Bank					
Cash and Cash Equivalents	-	-	637,565	**637,565**	637,565
Investment Securities	276,118	1,523,321	-	**1,799,439**	1,799,439
Loans and Advances to Customers	-	-	2,428,002	**2,428,002**	2,428,002
Investments in Subsidiaries	2,038	-	-	**2,038**	2,038
	278,156	1,523,321	3,065,567	**4,867,044**	4,867,044
Deposits From Banks and Other Financial Institutions	-	-	78,161	**78,161**	78,161
Deposits From Customers	-	-	3,078,682	**3,078,682**	3,078,682
Borrowings	-	-	1,319,932	**1,319,932**	1,319,932
Other Liabilities	-	-	157,236	**157,236**	157,236
	-	-	4,634,011	**4,634,011**	4,634,011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0. Financial assets and liabilities (Continued)

2018 The Group	Fair Value OCI	Fair Value Through Profit or Loss	Amortised cost	Total carrying amount	Fair value
Cash and Cash Equivalents	-	-	637,570	**637,570**	637,570
Investment Securities	276,118	1,539,794	-	**1,815,912**	1,815,912
Loans and Advances to Customers	-	-	2,422,952	**2,422,952**	2,422,952
	276,118	1,539,794	3,060,522	**4,876,434**	4,876,434
Deposits From Banks and Other Financial Institutions	-	-	71,371	**71,371**	71,371
Deposits From Customers	-	-	3,078,682	**3,078,682**	3,078,682
Borrowings	-	-	1,319,932	**1,319,932**	1,319,932
Other Liabilities	-	-	162,568	**162,568**	162,568
	-	-	4,632,553	**4,632,553**	4,632,553

2017 The Bank	Fair Value OCI	Fair Value Through Profit or Loss	Amortised cost	Total carrying amount	Fair value
Cash and Cash Equivalents	-	-	512,376	**512,376**	512,376
Invesment Securities	216,942	1,262,211	-	**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
	218,980	1,262,211	2,366,050	**3,847,241**	3,847,241
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
	-	-	3,563,375	**3,563,375**	3,563,375

2017 The Group	Fair Value OCI	Fair Value Through Profit or Loss	Amortised cost	Total carrying amount	Fair value
Cash and Cash Equivalents	-	-	512,376	**512,376**	512,376
Invesment Securities	216,942	1,270,023	-	**1,486,965**	1,486,965
Loans and Advances to Customers	-	-	1,853,674	**1,853,674**	1,853,674
	216,942	1,270,023	2,366,050	**3,853,015**	3,853,015
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
	-	-	3,549,224	**3,549,224**	3,549,224

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0. 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)

8.0. 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

	2018				2017			
The Bank	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment Securities	275,983	1,523,456	-	1,799,439	216,936	1,262,217	-	1,479,153
	275,983	1,523,456	**-**	1,799,439	**216,936**	**1,262,217**	**-**	**1,479,153**
The Group								
Investment Securities	275,983	1,539,929	-	1,815,912	216,936	1,270,029	-	1,486,965
	275,983	**1,539,929**	**-**	**1,815,912**	**216,936**	**1,270,029**	**-**	**1,486,965**

9.0. NET INTEREST INCOME

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
INTEREST INCOME				
Cash and Cash Equivalents	19,280	19,280	21,186	21,186
Loans and Advances to Customers	477,203	477,203	454,839	454,838
Investment securities at amortised cost	233,536	234,055	156,893	156,967
Investment securities at FVOCI (2017: available-for-sale)	42,732	42,732	35,137	35,137
Total interest income calculated using the effective interest method	**772,751**	**773,270**	**668,055**	**668,128**
INTEREST EXPENSE				
Deposits from Banks	11,927	12,100	40,603	34,881
Deposits from Customers	257,946	252,652	240,789	240,789
Debt Securities Issued	86,889	86,889	41,426	41,426
Total Interest Expense	**356,762**	**351,641**	**322,818**	**317,096**
Net Interest Income	**415,989**	**421,629**	**345,237**	**351,032**

Included within various line items under interest income for the year ended 31 December 2018 is a total of GH¢15.84 million (2017: GH¢12.40 million) accrued on impaired financial assets.

"The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities."

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.0. Net Interest Income (Continued)

	2018		2017	
	Bank	Group	Bank	Group
Financial assets measured at amortised cost	4,576,524	4,587,952	3,633,064	3,640,876
Financial assets measured at FVOCI (2017: available-for-sale)	278,225	278,225	212,139	212,139
Total	**4,854,749**	**4,866,177**	**3,845,203**	**3,853,015**
Financial liabilities measured at amortised cost	**4,476,775**	**4,469,985**	**3,444,930**	**3,429,439**

10.0. NET FEE AND COMMISSION INCOME

	2018		2017	
	Bank	Group	Bank	
Fee and Commission Income				
Customer Fees	8,889	8,889	11,026	11,026
Credit Related Fees	42,378	42,378	32,636	32,630
Corp Finance & Advisory Fees	5,726	13,332	9,570	18,743
Other	11,389	11,389	10,586	10,586
Total Fee and Commission Income	**68,382**	**75,988**	**63,818**	**72,985**
Fee and Commission Expense				
Inter-bank transaction fees	6,194	6,194	4,887	4,922
Other fees and commission expense	251	251	-	-
Total Fee and Commission Expense	**6,445**	**6,445**	**4,887**	**4,922**
Net Fee and Commission Income	**61,937**	**69,543**	**58,931**	**68,063**

11.0. NET TRADING INCOME

	2018		2017	
	Bank	Group	Bank	Group
Fixed Income	32	32	3,009	3,009
Foreign Exchange	26,886	26,902	37,662	37,662
Equities held-for-trading	-	172	-	-
Net Trading Income	**26,918**	**27,106**	**40,671**	**40,671**

12.0. OTHER OPERATING INCOME

	2018		2017	
	Bank	Group	Bank	Group
Rental Income	108	108	-	-
Profit From disposal of Property Plant and Equipment	203	203	-	-
Other Income	318	636	1,457	2,418
Dividend Income	15,026	32	13	48
	15,655	**979**	**1,470**	**2,466**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.0. PERSONNEL EXPENSES

	2018		2017	
	Bank	Group	Bank	Group
Salaries	59,446	60,972	53,142	55,652
Defined Contribution Plans	6,860	7,081	5,849	6,051
Other Personnel Expenses	56,002	57,311	41,264	41,318
	122,308	**125,364**	**100,255**	**103,021**

Included in personnel expenses for the year is a total of GH¢4.8 million (2017: GH¢9.5 million) relating to executives, inclusive of defined benefit contribution based on the fair value measurement (actuarial valuation) of the plan.

The average number of persons employed by the bank during the year was 792 (2017: 802)

14.0. OTHER EXPENSES

	2018		2017	
	Bank	Group	Bank	Group
Software Licensing and Other Information Technology Cost	17,160	17,490	13,363	13,836
Auditors' Remuneration	269	316	210	250
Directors Fees & Allowances	1,556	1,675	1,179	1,241
Other Expenses	70,444	73,057	59,718	61,742
	89,429	**92,538**	**74,470**	**77,069**

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

(b) Social Responsibility
Amount spent on fulfilling social responsibility obligations was GH¢482,000 (2017: GH¢779,787).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INCOME TAX EXPENSE

Recognised in the statement of comprehensive income

	Note	2018 Bank	2018 Group	2017 Bank	2017 Group
Income tax expense					
Current tax expense	23	65,878	68,347	74,757	77,533
Deferred tax expense	24	1,535	1,343	(11,586)	(11,568)
Total income tax expense		**67,413**	**69,690**	**63,171**	**65,965**

Reconciliation of effective tax rate

	2018 Bank	2018 Group	2017 Bank	2017 Group
Profit before tax	230,353	222,906	208,337	218,863
Corporate Tax Rate	25%	25%	25%	25%
National Fiscal Stabilisation Levy Rate	5%	5%	5%	5%
Income tax using the domestic tax rate	57,588	55,727	52,084	54,715
Non-deductible expenses	36,387	40,857	4,957	4,612
Tax at different rate	30	30	-	-
Capital allowances	(38,110)	(38,069)	(5,104)	(5,122)
National fiscal and stabilisation levy	11,518	11,145	10,417	10,943
Prior year tax adjustments	-	-	817	817
Current income tax charge	**67,413**	**69,690**	**63,171**	**65,965**
Effective tax rate	29.3%	31.3%	30.3%	30.1%

16. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the group as at 31 December 2018 was based on the profit attributable to ordinary shareholders of GH¢158.2 million (2017: GH¢152.9 million) and a weighted average number of ordinary shares outstanding of 626 million (2017: 547 million), calculated as follows:

	2018 Bank	2018 Group	2017 Bank	2017 Group
Net profit for the year attributable to equity holders of the Bank	162,940	153,216	145,166	152,898
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January	548,262	548,262	548,262	548,262
Effect of treasury shares held by subsidiaries	-	(997)	-	(819)
Bonus shares issued during the year	78,323	78,323	-	-
Weighted average number of ordinary shares at 31 December	**626,585**	**625,588**	**548,262**	**547,443**
Basic earnings per share (GHS)	**0.2600**	**0.2449**	**0.2648**	**0.2793**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Earnings Per Share (Continued)

There was no additional shares issued for cash during the year.

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2018 was based on the profit attributable to ordinary shareholders of GH¢155.85 million (2017: GH¢152.90 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 625.6 million (2017: 547.4 million), calculated as follows:

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Profit for the year attributable to ordinary shareholders	162,940	153,216	145,166	152,898
Weighted average number of ordinary shares (diluted)				
Weighted average number of ordinary shares (basic)	548,262	548,262	548,262	548,262
Effect of treasury shares held by subsidiaries	-	(997)	-	(819)
Bonus shares issued during the year	78,323	78,323	-	-
Weighted average number of ordinary shares (diluted)	**626,585**	**625,588**	**548,262**	**547,443**
Diluted earnings per share (GHS)	**0.2600**	**0.2449**	**0.2648**	**0.2793**

17. DIVIDEND PER SHARE

The Directors recommend the payment of a dividend of GH¢0.048 per share. There was no dividend payment in respect of the year ended 2017.

18. CASH AND CASH EQUIVALENTS

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Cash and Balance with Banks	132,672	132,677	183,172	183,172
Unrestricted Balances with Bank of Ghana	169,704	170,383	59,955	61,504
Restricted Balances with Bank of Ghana	315,684	315,005	251,311	249,762
Items in course of collection	19,505	19,505	17,938	17,938
	637,565	**637,570**	**512,376**	**512,376**

Mandatory reserve deposits representing 10% of the bank total deposit are not available for use in the bank's day to day operations and are non-interest bearing.

19. INVESTMENT SECURITIES

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Amortised cost (Held to Maturity)	1,523,321	1,539,794	1,262,211	1,270,023
FVOCI (Available for Sale)	276,118	276,118	216,942	216,942
	1,799,439	**1,815,912**	**1,479,153**	**1,486,965**
A. Securities at Amortised Cost (Held to Maturity)				
Money Market Placements	685,300	692,461	867,904	870,562
Treasury Bills	385,217	385,217	341,479	341,947
Government Notes	452,804	457,826	52,828	52,828
Equities	-	4,290	-	4,686
	1,523,321	**1,539,794**	**1,262,211**	**1,270,023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Investment Securities *Continued)*

	2018 Bank	2018 Group	2017 Bank	2017 Group
B. Securities at FVOCI (Available for sale)				
Government Bonds	275,983	275,983	216,936	216,936
Equities	135	135	6	6
	276,118	**276,118**	**216,942**	**216,942**

A total of GHS 60.3 million (2017: GH¢ 77.1 million) of Investment Securities have been used as security for interbank and short term borrowing.

20. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by portfolio	2018 Bank	2018 Group	2017 Bank	2017 Group
Retail:				
Mortgage	41,393	41,393	45,733	45,733
Personal Loans	47,801	47,801	43,955	43,955
SME	356,233	356,233	304,544	304,544
Retail Gross Loans and Advances	445,427	445,427	394,232	394,232
Corporate:				
Financial Institutions	257,796	252,746	236,954	236,954
Other Secured	1,899,027	1,899,027	1,376,586	1,376,586
Corporate Gross Loans and Advances	2,156,823	2,151,773	1,613,540	1,613,540
Gross Loans and Advances	**2,602,250**	**2,597,200**	**2,007,772**	**2,007,772**
Less:				
Identified Impairment – Corporate	(153,291)	(153,291)	(144,354)	(144,354)
Identified Impairment – Retail	–	–	(5,358)	(5,358)
Unidentified Impairment – Corporate	(12,572)	(12,572)	(3,456)	(3,456)
Unidentified Impairment – Retail	(8,385)	(8,385)	(930)	(930)
Carrying Amount	**2,428,002**	**2,422,952**	**1,853,674**	**1,853,674**
(b) Analysis by type				
Overdrafts	497,417	492,367	535,109	535,109
Term Loans	2,104,833	2,104,833	1,472,663	1,472,663
Gross Loans and Advances	**2,602,250**	**2,597,200**	**2,007,772**	**2,007,772**
Less:				
Identified Impairment	(153,291)	(153,291)	(149,712)	(149,712)
Unidentified Impairment	(20,957)	(20,957)	(4,386)	(4,386)
Carrying Amount	**2,428,002**	**2,422,952**	**1,853,674**	**1,853,674**

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 6.7%of gross advances (2017: 7.7%).

iii. Gross Non-performing loans ratio per Bank of Ghana requirement is 8.0% (2017: 10.9%).

iv. Fifty (50) largest exposures (gross funded and non-funded) to total exposures is 78.6% (2017: 77.6%).

v. The maximum amount due from officers of the bank during the year amounted to GH¢26.63 million (2017: GH¢25.69 million).

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

	2018		2017	
Allowances for Identified Impairment	**Bank**	**Group**	**Bank**	**Group**
Balance at 1 January	149,712	149,712	96,399	96,399
Impairment Charge for the year	71,130	71,130	72,038	72,038
Write-offs	(67,551)	(67,551)	(18,725)	(18,725)
Balance at 31 December	**153,291**	**153,291**	**149,712**	**149,712**
Allowances for Unidentified Impairment				
Balance at 1 January	4,386	4,386	4,649	4,649
IFRS 9 Impact	17,086	17,086	-	-
Impairment Charge for the year	311	311	(263)	(263)
Write-offs	(826)	(826)	-	-
Balance at 31 December	**20,957**	**20,957**	**4,386**	**4,386**
Credit Loss Expense				
Net increase/(decrease) in impairments	72,802	72,802	71,775	71,775
Amounts recovered previously written off	(6,067)	(6,067)	(16,828)	(16,828)
Net charge to the statement of comprehensive income	**66,735**	**66,735**	**54,947**	**54,947**

21. INVESTMENTS IN SUBSIDIARIES

(a) The Principal Subsidiaries are:

Name	Nature of Business	Country of Incorporation	Amounts Invested	Percentage Interest
2018				
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
			2,038	

Name	Nature of Business	Country of Incorporation	Amounts Invested	Percentage Interest
2017				
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
			2,038	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Investments in Subsidiaries (Continued)

	2018		2017	
	Bank	Group	Bank	Group
Investments in subsidiaries are stated at cost and comprise:				
Investments in Subsidiaries	2,038	-	2,038	-

(b) Summary of Subsidiary Accounts

	2018			
	CBL	CAML	CBNL	CTCL
Revenue	3,778	10,145	-	-
Expenses	(3,515)	(2,786)	-	-
Income Tax and National Fiscal Stabilization Levy	(259)	(2,207)	-	-
Profit (Loss) for the year	4	5,152	-	-
Total Assets	15,455	12,842	10	10
Total Liabilities	9,045	1,551	-	-
Total Shareholder's Equity	6,410	11,291	10	10
Total Cash Inflows	20,072	124,956	10	10
Total Cash Outflows	(19,063)	(131,276)	-	-
Net Cash Inflow (Outflow)	1,009	(6,320)	10	10

	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

22. OTHER ASSETS

	2018		2017	
	Bank	Group	Bank	Group
Prepayments	64,625	67,174	32,867	32,950
Sundry Debtors	3,902	3,889	18,172	22,135
	68,527	**71,063**	**51,039**	**55,085**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CURRENT TAX ASSETS/LIABILITIES

The Bank

Income Tax	Balance 1/1/2018	(Payments)/ Refund During the year	Charge for the year	Balance 31/12/2018
Up to 2017	1,437	(1,437)	-	-
2018	-	(48,118)	54,360	6,242
	1,437	(49,555)	54,360	6,242
National Fiscal Stabilisation Levy				
Up to 2017	399	(399)	-	-
2018	-	(10,487)	11,518	1,031
	399	**(10,886)**	**11,518**	**1,031**
Total	**1,836**	**(60,441)**	**65,878**	**7,273**

The Group

Income Tax	Balance 1/1/2018	(Payments)/ Refund During the year	Charge for the year	Balance 31/12/2018
2009 - 2017	227	(1,437)	-	(1,210)
2018	-	(50,471)	56,830	6,359
	227	**(51,908)**	**56,830**	**5,149**
Dividend Tax				
2018	-	-	-	-
National Fiscal Stabilisation Levy				
2009 - 2017	1,009	(399)	-	610
2018	-	(10,487)	11,518	1,031
	1,009	**(10,886)**	**11,518**	**1,641**
Total	**1,236**	**(62,794)**	**68,347**	**6,789**

Liabilities up to and including 2017 for the Bank has been agreed with the tax authorities, liabilities up to and including 2009 for the subsidiaries have also been agreed. All liabilities are subject to agreement with the Ghana Revenue Authority.

24. DEFERRED TAXATION

	2018		2017	
	Bank	Group	Bank	Group
Balance at the beginning	(17,706)	(17,698)	(6,007)	(6,017)
Origination/reversal of temporary differences:				
recognised in statement of profit or loss	1,535	1,343	(11,586)	(11,568)
recognised in OCI	1,280	1,280	(113)	(113)
Balance at the end	**(14,891)**	**(15,075)**	**(17,706)**	**(17,698)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Deferred Taxation (Continued)

Recognised deferred tax assets and liabilites:
Deferred tax liabilities are attributable to the following:

2018	Bank			Group		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and Equipment	–	27,506	27,506	–	27,507	27,507
Impairment Allowance	(43,903)	–	(43,903)	(44,088)	–	(44,088)
Others	–	1,506	1,506	–	1,506	1,506
Net tax (assets)/liabilities	**(43,903)**	**29,012**	**(14,891)**	**(44,088)**	**29,013**	**(15,075)**

Recognised deferred tax assets and liabilites:
Deferred tax liabilities are attributable to the following:

2017	Bank			Group		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property 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)

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

25. PROPERTY AND EQUIPMENT

2018	The Bank				
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
Cost					
Balance at 1 January	116,693	52,217	8,180	133,185	310,275
Additions	24,060	3,396	620	139,538	167,614
Disposals	–	–	(1,292)	–	(1,292)
Transfers	107,714	35,027	–	(144,015)	(1,274)
Balance at 31 December	**248,467**	**90,640**	**7,508**	**128,708**	**475,323**
Accumulated Depreciation					
Balance at 1 January	4,589	22,612	4,344	–	31,545
Charge for the year	1,918	6,594	1,046	–	9,558
Released on Disposal	–	–	(1,273)	–	(1,273)
Balance at 31 December	**6,507**	**29,206**	**4,117**	**–**	**39,830**
Net Book Value					
At 31 December	**241,960**	**61,434**	**3,391**	**128,708**	**435,493**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property and Equipment (Continued)

2018	The Group				
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
Cost					
Balance at 1 January	116,693	53,064	8,180	133,185	311,122
Additions	24,060	3,441	620	139,538	167,659
Disposals	-	-	(1,292)	-	(1,292)
Transfers	107,714	35,027	-	(144,015)	(1,274)
Balance at 31 December	**248,467**	**91,532**	**7,508**	**128,708**	**476,215**
Accumulated Depreciation					
Balance at 1 January	4,589	23,376	4,342	-	32,307
Charge for the year	1,918	6,631	1,049	-	9,598
Released on Disposal	-	-	(1,273)	-	(1,273)
Balance at 31 December	**6,507**	**30,007**	**4,118**	**-**	**40,632**
Net Book Value					
At 31 December	**241,960**	**61,525**	**3,390**	**128,708**	**435,583**

2017	The Bank				
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
Cost					
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)	-
Balance at the end	**116,693**	**52,217**	**8,180**	**133,185**	**310,275**
Accumulated Depreciation					
Balance at the Beginning	3,134	18,056	3,377	-	24,567
Charge for the year	1,455	4,556	967	-	6,978
Balance at the end	**4,589**	**22,612**	**4,344**	**-**	**31,545**
Net Book Value	**112,104**	**29,605**	**3,836**	**133,185**	**278,730**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property and Equipment (Continued)

2017	The Group				
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
Cost					
Balance at the Beginning	97,017	36,173	6,678	137,766	277,634
Additions	-	2,968	1,502	29,013	33,488
Transfers	19,676	13,923	-	(33,599)	-
Balance at the end	**116,693**	**53,064**	**8,180**	**133,180**	**311,122**
Accumulated Depreciation					
Balance at the Beginning	3,134	18,788	3,375	-	25,302
Charge for the year	1,455	4,588	967	-	7,010
Balance at the end	**4,589**	**23,376**	**4,342**	**-**	**32,312**
Net Book Value	**112,104**	**29,688**	**3,838**	**133,180**	**278,810**

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
2018								
Bank Premises	-	241,961	-	241,961	-	241,960	-	241,960
	-	241,961	-	241,961	-	241,960	-	241,960
2017								
Bank Premises	-	112,104	-	112,104	-	112,104	-	112,104
	-	**112,104**	**-**	**112,104**	**-**	**112,104**	**-**	**112,104**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property and Equipment (Continued)

Disposal of Property and Equipment

Profit on disposal of property and equipment has been arrived at as follows:

	2018		2017	
	Bank	Group	Bank	Group
Cost	**1,292**	**1,292**	**-**	**-**
Accumulated Depreciation	1,273	1,273	-	-
Net Book Value	19	19	-	-
Disposal Proceeds	222	222	-	-
Profit on Disposals	203	203	-	-

26. INTANGIBLE ASSETS

Purchased Software	2018		2017	
	Bank	Group	Bank	Group
Cost				
Balance at 1 January	23,179	23,179	11,548	11,548
Acquisitions	1,957	1,957	11,631	11,631
Work in progress	2,138	2,869	-	-
Balance at 31 December	**27,274**	**28,005**	**23,179**	**23,179**
Amortisation				
Balance at 1 January	5,257	5,257	3,935	3,935
Charge for the year	2,116	2,116	1,322	1,322
Balance at 31 December	**7,373**	**7,373**	**5,257**	**5,257**
Carrying Amounts	**19,901**	**20,632**	**17,922**	**17,922**

27. CUSTOMER DEPOSITS

	2018		2017	
	Bank	Group	Bank	Group
Analysis by product				
Current Account	1,689,452	1,689,452	897,740	897,740
Time Deposits	1,200,578	1,200,578	1,391,384	1,391,384
Savings deposits	188,652	188,652	139,077	139,077
	3,078,682	**3,078,682**	**2,428,201**	**2,428,201**
Analysis by portfolio				
Retail				
Current Account	448,946	448,946	367,442	367,442
Time Deposits	531,503	531,503	409,625	409,625
Savings deposits	186,842	186,842	137,856	137,856
	1,167,291	**1,167,291**	**914,923**	**914,923**
Corporate				
Current Account	1,240,506	1,240,506	530,298	530,298
Time Deposits	669,075	669,075	982,413	982,413
Savings deposits	1,810	1,810	567	567
	1,911,391	**1,911,391**	**1,513,278**	**1,513,278**
	3,078,682	**3,078,682**	**2,428,201**	**2,428,201**
Analysis by type				
Individual and other private enterprise	2,292,570	2,292,570	2,253,993	2,253,993
Public enterprises	786,112	786,112	174,208	174,208
	3,078,682	**3,078,682**	**2,428,201**	**2,428,201**

Twenty largest depositors to total deposit ratio is 24% (2017: 33%).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018		2017	
	Bank	Group	Bank	Group
Current Account	25,918	21,570	35,449	35,449
Time Deposit	52,243	49,801	49,464	33,973
	78,161	**71,371**	**84,913**	**69,422**

29. BORROWINGS

	2018		2017	
	Bank	Group	Bank	Group
Long-term borrowings				
CitiBank New York	8,033	8,033	36,797	36,797
Finfund	43,380	43,380	-	-
Ghana Export - Import Bank	41,124	41,124	5,930	5,930
GIB London	8,033	8,033	36,797	36,797
International Finance Corporation	216,900	216,900	49,676	49,676
PROPACO	108,450	108,450	-	-
Norfund	28,920	28,920	-	-
The OPEC Fund for International Development (OFID)	11,123	11,123	16,983	16,983
	465,963	**465,963**	**146,183**	**146,183**
Subordinated-term borrowings				
PROPACO	141,082	141,082	128,826	128,826
	141,082	**141,082**	**128,826**	**128,826**
Short-term borrowings				
CitiBank New York	32,730	32,730	30,251	30,251
Finfund	30,897	30,897	-	-
Ghana Export - Import Bank	-	-	39,906	39,906
Gib London	32,527	32,527	65,351	65,351
International Finance Corporation	79,191	79,191	16,752	16,752
Kassardjian Armen	-	-	14,734	14,734
Norfund	19,460	19,460	-	-
PROPACO	37,165	37,165	8,139	8,139
SSNIT	84,163	84,163	75,611	75,611
Stanchart London	170,213	170,213	398,851	398,851
Standard Chartered Bank - Accra	218,732	218,732	-	-
The OPEC Fund for International Development (OFID)	7,809	7,809	7,212	7,212
	712,887	**712,887**	**656,807**	**656,807**
Carrying Amount	**1,319,932**	**1,319,932**	**931,816**	**931,816**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Borrowings (continued)

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.

Ghana International Bank – These are two facilities granted for on-lending to the private sector and general corporate purposes. Interest is at a rate of 3 months US Libor plus 5.2% per annum maturing in 2020 and 3 months Libor plus 2.9% per annum which matured in 2018.

International Finance Corporation – These facilities were granted in 2017 and 2018 to be used to finance SME transactions. Interest rate is 6 months Libor plus up to 5.0% per annum maturing in 2021 and 2022.

Proparco (Subordinated Term Loan) – This is a Tier 2 facility granted by Proparco, 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 November 2022. Interest is at a rate of 6 months US Libor plus 4.4% 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 was at a rate of 20.0% and matured in January 2018.

SSNIT – These are several intra-day and 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 16.3% (2017: 16.7%).

Standard Chartered Bank London – These are three short-term facilities with maturity periods up to 6 months with a final maturity in June 2019. Interest rate is USD Libor plus 3.0% per annum.

Finfund – This is a facility granted by Finfund for on-lending to SME's interest is at a rate of 6 months Libor plus 5.0% per annum and matures in August 2021.

Norfund – This is a facility granted by Norfund for on-lending to SME's interest is at a rate of 6 months Libor plus 5.0% per annum and matures in May 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. OTHER LIABILITIES

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Creditors	56,987	58,559	30,208	31,158
Accruals	35,405	35,851	16,836	16,809
Recognised liability for Other Long-term Employee Benefit	32,399	32,453	34,541	34,587
Short-Term Employee benefits	343	408	94	94
Other liabilities	32,102	35,297	36,766	37,137
	157,236	**162,568**	**118,445**	**119,785**
(a) Movement in the liability for defined benefit obligations				
Liability for defined benefit obligations at 1 January	34,541	34,587	29,633	29,705
Benefits paid by the plan	(2,626)	(2,626)	(487)	(514)
Expense charged to comprehensive income	484	492	5,395	5,396
Liability for defined benefit obligations at 31 December	**32,399**	**32,453**	**34,541**	**34,587**
Expenses recognised in profit or loss				
Experience gains and losses	462	442	(72)	(99)
Net actuarial losses/profits recognised during the year	(137)	(142)	-	-
Current service costs	(132)	(110)	5,205	5,221
Interest on obligation	291	302	262	274
	484	**492**	**5,395**	**5,396**
Amounts related to executives included in the liability for defined benefit obligations	30,248	30,248	32,837	32,837

Actuarial assumptions

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

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Discount rate at 31 December	21.5%	21.5%	18.0%	18.0%
Future salary increases	15.0%	15.0%	15.0%	15.0%
Inflation rate	9.5%	9.5%	11.6%	11.6%

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:

2018	Main Basis	Investment return (2%)	Investment return 2%	Salary scale (2%)	Salary scale 2%	Mortality (20%)
Actuarial Liability	29,954	1,829	1,676	1,671	1,832	1,746
Percentage Change	n/a	-94%	-94%	-94%	-94%	-94%

2017	Main Basis	Investment return (2%)	Investment return 2%	Salary scale (2%)	Salary scale 2%	Mortality (20%)
Actuarial Liability	34,587	1,829	1,676	1,671	1,832	1,746
Percentage Change	n/a	5%	(4%)	(4%)	5%	0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Other Liabilities (continued)

The Groups 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 2018 was performed by Messrs Stallion Consultants Limited and signed by its Executive Chairman Mr. Charles Osei-Akoto, (ASA,MAAA). Stallion Consultants Limited has the appropriate qualification and experience in the fair value measurement of defined benefit.

31. CAPITAL AND RESERVES

a. Stated Capital

	2018		2017	
	Number ('000)	Value	Number ('000)	Value
Authorised:				
Ordinary shares of no par value	2,000,000		1,000,000	
Issued:				
For cash	414,871	93,305	414,871	93,305
Transfer from Retained Earnings	-	228,375	-	6,695
Bonus issue	211,714	78,320	133,391	-
	626,585	400,000	548,262	100,000

There is no call or installment unpaid on any share.

At the year end 2018 the authorised share capital comprised 2 billion ordinary shares (2017: 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.

b. Statutory Reserve Fund

	2018		2017	
	Bank	Group	Bank	Group
Balance at the beginning	163,312	163,312	145,166	145,166
Transfer from Income Surplus	81,470	81,470	18,146	18,146
Balance at the year end	**244,782**	**244,782**	**163,312**	**163,312**

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 Institution Act 2016 (Act 930).

31. Capital And Reserves (Continued)

c. Revaluation Surplus

	2018		2017	
	Bank	Group	Bank	Group
At 1 January	63,526	63,526	63,413	63,413
Deferred Tax on Revaluation	(1,280)	(1,280)	113	113
At 31 December	**62,246**	**62,246**	**63,526**	**63,526**

This refers to the effects from the fair value measurement after deduction of deferred taxes on 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).

d. Regulatory credit risk reserve

	2018		2017	
	Bank	Group	Bank	Group
Specific Provision on Loans and Advances	165,412	165,412	184,509	184,509
General Provision on Loans and Advances	23,467	23,467	17,786	17,786
General Provision on Contingent Liabilities	2,773	2,773	3,672	3,672
Impairment Loss per Bank of Ghana requirment	**191,652**	**191,652**	**205,967**	**205,967**
Impairment Loss per IFRS requirement	(175,610)	(175,610)	(154,098)	(154,098)
Credit Risk Reserve	**16,042**	**16,042**	**51,869**	**51,869**

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.

e. Other reserves

i. Fair value reserve

	2018		2017	
	Bank	Group	Bank	Group
Balance 1 January	(7,163)	(7,252)	(6,543)	(6,648)
Changes in FVOCI financial assets	(9,013)	(9,013)	36	36
Changes in defined benefit liability	(462)	(442)	(656)	(640)
Balance 31 December	**(16,638)**	**(16,707)**	**(7,163)**	**(7,252)**

ii. Treasury Shares	**Bank**	**Group**	**Bank**	**Group**
Balance 1 January	-	(518)	-	(678)
Net Changes in Bank's shares held by subsidiary	-	(66)	-	160
Total at 31 December	**-**	**(584)**	**-**	**(518)**

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 996,865 (2017: 818,857) CalBank shares

f. Dividends

The Directors recommend the payment of a dividend of GH¢0.048 per share.

Net assets per share is based on 626.6 million (2017: 548.3 million) ordinary shares at the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. CONTINGENCIES AND COMMITMENTS

(a) Letters of Credit, Guarantees and Indemnities

In common with banks, the group 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 31 December 2018 in respect of the above amounted to GH¢277.3 million (2017: GH¢367.2 million) , as detailed below:

	2018	2017
Letters of Credit	108,984	127,117
Guarantees and Indemnities	168,337	240,037
	277,321	**367,154**

The amount of unsecured contingencies and commitments in respect of these at 31 December 2018 was GH¢0.0 million (2017: GH¢0.0 million).

(b) Capital Expenditure

Capital commitments not provided for in the financial statements as at 31 December 2018 was nil (2017: 51 million).

(c)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¢7.4 milliom (2017: GH¢6.7 million). No provisions have been made in the financial statements in respect of these amounts.

(d) 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. Those assets that are held in a fiduciary capacity are not included in these financial statements.

Assets managed by the Group on behalf of clients amounted to GH¢908.2 million (2017: GH¢880.6 million).

Assets under custody amounted to GH¢1.46 billion (2017:GH¢1.20 billion).

Those assets that are held in a fiduciary capacity are not included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. 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 21.

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 Cal Bank Limited (directly or indirectly) and comprise the Directors and Officers of Cal Bank 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 Cal Bank 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	**2018**	**2017**
Balance at 1 January	**1,126**	1,750
Loans Advanced During the Year	-	-
Loans Repayments Received During the Year	(842)	(624)
Balance at 31 December	**284**	**1,126**
Loans and Advances to Employees		
Balance at 1 January	25,602	22,530
Loans Advanced During the Year	12,091	8,756
Loans Repayments Received During the Year	(7,782)	(5,684)
Balance at 31 December	**29,911**	**25,602**

There were no loans and advances granted to companies in which Directors have an interests at the end of the year. (2017: GH¢0.27 million)

No specific provisions have been recognised in respect of loans to Directors or other members of Key Management Personnel or any connected person.

Interest rates charged on loans to staff are at rates below that would be charged in an arm's length transaction. The 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¢6.2 million (2017: GH¢15.5 million) due to our subsidiary companies. Interest paid on deposits from subsidiaries during the year amounted to GH¢2.4 million (2017: GH¢5.7 million).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Related Party Transactions (continued)

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.

	2018	2017
Salaries and other benefits	6,981	5,875
Employer social security charges on emoluments	564	496
	7,545	**6,371**

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

34. DIRECTORS' SHAREHOLDINGS

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

	2018		2017	
NAME OF DIRECTOR	**No. of Shares**	**%**	**No. of Shares**	**%**
Frank Brako Adu Jnr.	16,094,944	2.57	14,083,076	2.57
Philip Owiredu	1,317,146	0.21	1,152,503	0.21
Paarock Van Percy	807,318	0.13	706,403	0.13
Kobina Quansah	15,419	0.002	13,492	0.002
James C. Brenner	-	-	4,550	0.001
	18,234,827	**2.91**	**15,960,024**	**2.91**

35. ANALYSIS OF SHAREHOLDING AS AT THE YEAR END 2018

	No. of Shareholders	Holders %	No. of Shares	% of Holding
1 - 1,000	16,493	70.97	8,694,364	1.39
1001 - 5,000	5,296	22.78	9,464,205	1.51
5001 - 10,000	581	2.50	3,838,523	0.61
10,001 - 20,000	351	1.51	4,699,179	0.75
20,001 - 30,000	152	0.65	3,703,204	0.59
30,001 - 40,000	74	0.32	2,602,420	0.42
40,001 - 50,000	27	0.12	1,210,239	0.19
Over 50,001	267	1.15	592,372,493	94.54
	23,241	**100**	**626,584,627**	**100.00**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
	23,254	**100.00**	**548,261,549**	**100.00**

Twenty Largest Shareholders

Shareholder	**No. of Shares**	**% Holding**
Social Security and National Insurance Trust	207,929,351	33.19%
ARISE B. V	173,520,791	27.69%
AIF Clients 8 Percent, Account	22,613,167	3.61%
Adu Jnr, Frank Brako	16,094,944	2.57%
Mr Daniel Ofori	15,377,194	2.45%
Allan Gray Africa, Ex - Sa Equity Fund Limited	13,664,627	2.18%
Kuwait INV Authority	8,979,086	1.43%
Frontier Market Opport Mast Fund	8,909,271	1.42%
Enterprise LIFE ASS. CO. Policy Holders	8,023,807	1.28%
KAPFRG INVESTIN PRO , AFRIKANSK	6,555,030	1.05%
Enterprise Tier 2 Occupational Pension Scheme	6,434,815	1.03%
Robeco Afrika Fonds N.V,	5,403,314	0.86%
SSB Eaton Vance Tax-, Managed Emerging Market Fund	5,036,062	0.80%
Enterprise Underwriters Tier 3 P4,	4,314,614	0.69%
ECG Pension Scheme Tier 3 Port 1	4,064,039	0.65%
EDC Ghana Balanced Fund Limited	3,384,229	0.54%
Stanbic Nominee AC Centum Exotics	3,366,145	0.54%
Gentrust Sankofa Master Trust Scheme	3,085,714	0.49%
Ansah, Benjamin Fosu	2,938,915	0.47%
HSBC BK PLC RE Mckinley Cptl Measa F.oeic Ltd,	2,729,700	0.44%
Top 20 Shareholders	**522,424,815**	**83.38%**
Others	104,159,812	16.62%
Grand Total	**626,584,627**	**100.00%**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. VALUE ADDED STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		2017	
	Bank	**Group**	**Bank**	**Group**
Interest earned and other operating income	883,706	877,343	774,014	784,250
Direct cost of Services	(451,080)	(448,949)	(400,996)	(397,846)
Value added by banking services	**432,626**	**428,394**	**373,018**	**386,404**
Impairments	(66,735)	(66,735)	(54,947)	(54,947)
Value added	**365,891**	**361,659**	**318,071**	**331,457**
Distributed as follows:	365,891	361,659	318,071	331,457
To Employees:–				
Non Executive Directors	(1,556)	(1,675)	(1,179)	(1,241)
Executive directors	(4,755)	(5,013)	(9,506)	(9,733)
Other employees	(117,553)	(120,351)	(90,749)	(93,288)
To Government:				
Income tax	(67,413)	(69,690)	(63,171)	(65,965)
To expansion and growth				
Depreciation	(9,557)	(9,597)	(6,978)	(7,010)
Amortisation	(2,117)	(2,117)	(1,322)	(1,322)
Retained earnings	**162,940**	**153,216**	**145,166**	**152,898**

Our Branches

Ashanti Region

Adum Branch
Asafo Branch
Kejetia Branch
KNUST Branch
Nhyiaeso Branch
Suame Branch

Greater Accra Region

Achimota Branch
Airport City Branch
Dansoman Branch
Derby Avenue Branch
East Legon Branch
Graphic Road Branch
Independence Avenue Branch
Kwame Nkrumah Avenue. Branch
Labone Branch
Legon Branch
Osu Branch
Ring Road Central Branch
Spintex Road Branch
Tema Community Branch
Tema Community 25 Branch
Tema Main Branch
West Hills Mall Branch

Northern Region

Tamale Branch

Western Region

Anyinase Agency
Esiama Branch
Sekondi Branch
Takoradi Harbour Branch
Takoradi Market Circle Branch
Tarkwa Branch

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