2016 Annual Report

First Atlantic Bank

...refreshingly different.


First Atlantic Bank

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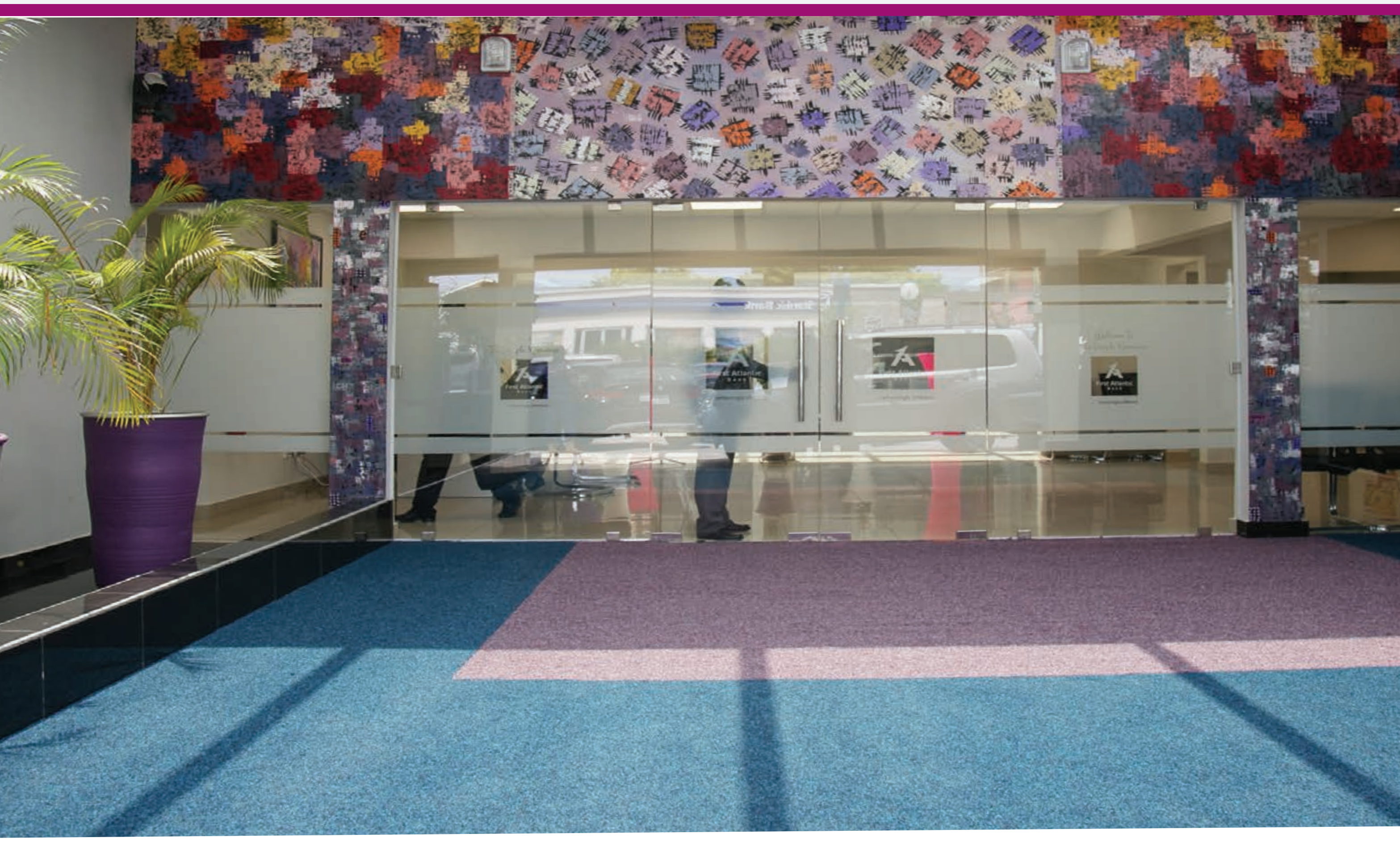
Corporate Profile



First Atlantic Bank is a full-scale commercial bank with over 20 years experience in the Ghanaian market. Originally founded as a merchant bank, First Atlantic Bank has won several awards recognizing its leadership in customer care, advisory services, trade finance and corporate banking.

First Atlantic Bank offers three distinctive service categories: private banking, personal & business banking and corporate banking. Each category encompasses a range of innovative services designed to benefit our customers and delivered to our exacting levels of service excellence.

At First Atlantic Bank, we have set broad objectives to create an institution that competes effectively in the local and sub-regional financial market place in a manner that showcases the best of our collective talents. Our aspiration is borne out of a vision to become the bank of choice for transactions especially within Ghana and the West African Sub-region.

We therefore pursue the agenda of creating a well differentiated brand with bespoke product and service offerings delivered by a knowledgeable and well motivated staff. First Atlantic Bank is positioned as a conduit for investment flows into Ghana while leading in the use of electronic and other alternative channels to promote financial inclusion. Facilitating international trade and promoting trade within and between African countries also feature strongly on our agenda.

First Atlantic Bank's value propositions are geared towards identifying customer needs and expectations and providing value added solutions for those needs. The overriding goal is to be at the forefront of banking innovation, defining the industry landscape and creating value for all our stakeholders, thereby living our mantra of being refreshingly different.

We offer our customers what we have termed the Purple Experience - which is our distinctly different and unparalleled customer service experience driven by a passionate workforce and process efficiency to create value for our customers.

Our Vision

"To be a global bank out of Ghana"

Our Mission

Providing superior Financial Solutions and creating value for stakeholders

Core Values
Our core values are summarized in the acronym **ICARE**.

Integrity – We strive to maintain honesty and sincerity in our business, abiding by the highest professional standards and ethics

Customer Centric – Our customers are the center of all we do

Agility – Our dedication to fast, timely results is second to none

Resilience – We are resolute in our resolve to confront challenges head-on

Excellence- We pursue distinction in our service delivery

Corporate Informatioan

Directors

KAREN AKIWUMI-TANOH	CHAIRMAN
ODUN ODUNFA	MD/CEO
DANIEL MARFO	EXEC. DIRECTOR (BUSINESS)
PATIENCE ASANTE	EXEC. DIRECTOR (RISK & CONTROLS)
JOHN E. AMAKYE JNR.	NON-EXEC. DIRECTOR
BEN GUSTAVE BARTH	NON-EXEC. DIRECTOR
OYE BALOGUN	NON-EXEC. DIRECTOR
DR. WALE OLAWOYIN	NON-EXEC. DIRECTOR
EMEKA ONWUKA	NON-EXEC. DIRECTOR

Registered Office
Atlantic Place
No. 1 Seventh Avenue Ridge West
Accra, Ghana

Board Secretary
Mrs. Catherine Alloh
P O Box 1620 Cantonments
Accra, Ghana

Auditors
Deloitte & Touche
Chartered Accountants
Ibex Court, 4 Liberation Road
P. O. Box GP 453
Accra, Ghana

Bankers
Commerzbank, Germany
Ghana International Bank, UK
Bank of Beirut, UK
Deutsche Bank
Diamond Bank, Uk

Board of Directors

Board of Directors

KAREN AKIWUMI-TANOH
CHAIRPERSON

Karen is an accomplished Banker with Audit, Consulting and Banking experience spanning over 3 decades. She has practiced in several countries including Ghana, Togo, Sierra Leone, Angola, UK and USA. Karen's career in banking spans 22 years, the last at Managing Director level. Over the last 22 years, Karen has been significantly responsible for the growth and establishment of Ecobank in Ghana, Sierra Leone and Angola. Her core competencies include Strategy Formulation, Corporate Finance, Banking, Accounting, Auditing and Networking.

ODUN ODUNFA
MD/CEO

Odun is a consummate banker with over 25 years experience spanning all segments of Corporate, Commercial, Retail and Investment Banking.

Odun has garnered invaluable banking experience at Fountain Trust Merchant Bank, Citizens International Bank, Ecobank Nigeria, Capital Bank International and United Bank for Africa Plc. Until his appointment he was the MD/CEO of Lagos based investment banking firm Kedari Capital Ltd.

DANIEL MARFO
EXECUTIVE DIRECTOR - BUSINESS

Daniel is a proficient Corporate and Investment Banker with 17 years of experience in corporate banking and investment banking with excellent deal origination, structuring, credit and leadership capabilities.

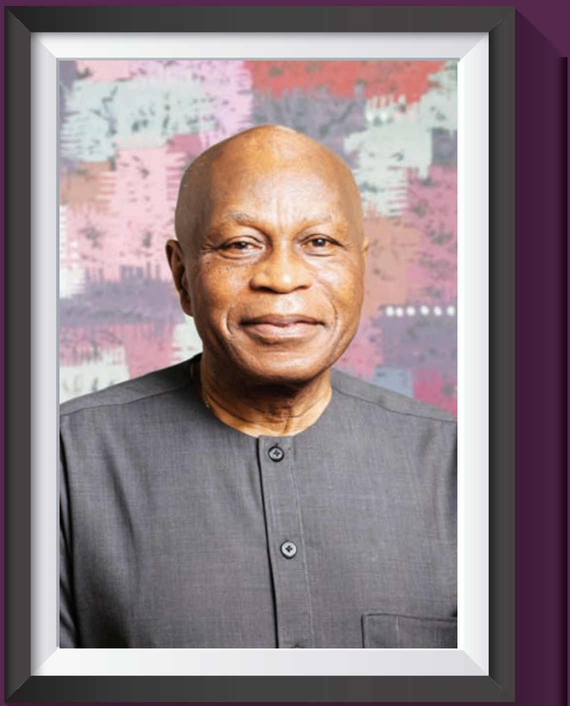
Prior to joining First Atlantic Bank, he had worked in various capacities with Standard Chartered Bank, Barclays Bank, Ecobank Group, Cal Bank and Fidelity Bank where he was Director, Corporate Banking . Daniel is constantly engaged in building and managing key relationships at governmental and institutional levels as well as with international bodies operating in Ghana.

Daniel holds a BSc. (Hons) Mining Engineering, (First Class Honours) from the University of Science & Technology, Kumasi, LLB (First Class) Mouncrest University College, Accra and an MBA (Finance), Lancashire Business School, England.

PATIENCE ASANTE
EXECUTIVE DIRECTOR RISK & CONTROLS

Patience is a consummate Finance professional and results driven Risk Management expert with over 19 years of demonstrable experience in credit governance, risk management, project finance, innovative in credit structuring, product development for corporate and retail markets. Before joining First Atlantic Bank, Patience successfully managed the Risks Assets portfolio of over GH¢750 million and $250 million at both Universal Merchant Bank (UMB) as Director of Credit and Risk Management and as Head of Credit at the United Bank for Africa (UBA) respectively.

She commenced her banking career as a financial Analyst in 1997 and rose to the rank of Deputy Manager, Risk Management in 2006 with Ecobank Ghana Limited. Patience holds a Bsc (Hons) Business Administration (Banking and Finance) degree and a Master of Business Administration (Finance) from the University of Ghana.



JOHN E. AMAKYE JNR.
NON-EXEC. DIRECTOR

John is a professional lawyer with over 35 years experience in legal practice. Called to the Bar in 1979, John has since contributed immensely to the legal profession in Ghana.

His successful legal profession has been fueled by extensive executive education training programmes. He is a member of the Board of Pasico Ghana Ltd, Twifo Oil Palm Plantations Ltd and was Chairman of First Atlantic Asset Management Company.

OYE BALOGUN
NON-EXEC. DIRECTOR

Oye is a versatile entrepreneurial executive with over 21 years experience in legal practice, property and infrastructure development.

He is a Barrister & Solicitor of the Supreme Court of Nigeria, having graduated from the University of Ife, Ile Ife in 1990 (Now Obafemi Awolowo University) and was called to the Nigerian Bar in 1991.

Oye is the Principal Partner at Oye Balogun & Co, a commercial law firm based in Lagos Nigeria. He is also the Managing Director of JB Maye PDC Ltd, a real estate and infrastructure development company in Lagos Nigeria and a Director in Kedari Capital Ltd, an investment-banking firm based in Lagos Nigeria.

He is a member of the Nigerian Bar Association and Estate Developers Association of Nigeria.

DR. WALE OLAWOYIN
NON-EXEC. DIRECTOR

Wale is a lecturer and legal practitioner specializing in domestic and international commercial and corporate law.

He obtained an LLB degree from the University of Ife (now Obafemi Awolowo University) in 1987, an LLM, from the London School of Economics & Political Science in 1990 and a Ph.D. from the University of Bristol in 1995. His particular area of specialized academic interest is company law and admiralty law. Wale is presently a partner in the law firm of Olawoyin & Olawoyin, Lagos, which specializes in domestic and international commercial and corporate law.

He is a Senior Advocate of Nigeria (SAN).

BEN GUSTAVE BARTH
NON-EXEC. DIRECTOR

Ben is a seasoned, multidisciplined finance and consulting executive with over 16 years of proven record of analyzing and assessing risk, transactions structuring and managing investment portfolios.

With a passion for investing, markets and a strong business judgment and interpersonal skills, he has successfully turned a wealth of client relationships into mandates and high profit deals across Africa and the Americas.

Ben is a consummate professional, with a wealth of experience in providing business development advisory services to many corporate institutions. He has also held senior management positions with Citi Bank, New York, Ecobank, Stanbic Bank and Jonah Capital.

He graduated with a First Class Honours from the University of Ghana Business School and holds an MBA from the prestigious Harvard Business School.

EMEKA ONWUKA
NON-EXEC. DIRECTOR

Emeka is a chartered Accountant with 22 years banking experience and fellow of the Institute of Chartered Accountants of Nigeria (FCA).

He was the Chairman of the Board of Enterprise Bank Ltd. He also sits on the Board of FMDQ OUT PLC, a self – regulatory organization, licensed by the Securities & Exchange Commission as an over – the – counter (OTC) market.

Emeka worked with Diamond Bank in Nigeria from 2005 to 2011 where he retired as the Group Managing Director /CEO. During his tenure, he led a successful recapitalization of the Bank through private placement, listing in the Nigeria Stock Exchange and Initial Public Offering in 2005, as well as the acquisition of Lion Bank PLC and its integration into the Bank in 2005. The seamless integration process earned Diamond Bank an award as the " Best Bank in Mergers and Acquisition in 2006".

Chairperson's Statement

KAREN AKIWUMI-TANOH
CHAIRPERSON

Dear Shareholders,

It is with great pleasure that I present to you the performance of your bank for the year ended 31st December 2016. Despite the general economic and industry specific constraints as well as election uncertainties, our performance was impressive compared to our competitors, and we aim to continue on this trajectory of efficiency, profitability and value maximisation.

Operating Environment

Global Developments

Global growth in 2016 was estimated at a post-crisis low of 2.3 percent with growth projections continually downgraded for both advanced economies, emerging markets and developing economies (EMDEs) throughout the year. Global goods trade was stagnant for most of 2016, while commodity prices experienced a modest recovery over the period.

Looking forward, fiscal stimulus in key major economies, in particular, the United States could lead to stronger-than-expected activity in the near term thus presenting a substantial upside risk to the outlook. In view of subdued growth prospects and the limited room for macroeconomic policy to absorb further adverse shocks, structural reforms remain a priority so as to boost potential growth.

EMDEs investment in human and physical capital would help reduce the shortfalls in their skill and infrastructure needs for accelerated growth in the long term. Rebuilding policy space, addressing vulnerabilities and enhancing international integration by promoting services, trade and foreign direct investment would also boost resilience and improve growth prospects.

Regional Developments

Economic growth in sub-Saharan Africa slowed to about 1.5 percent in 2016 as against the projected 4.3 percent due primarily to the continent's economies' frailties and fiscal positions being exposed due to fluctuating commodity prices. This contributed to the major economic turbulence in Nigeria and South Africa - the two largest economies of the region.

Chairperson's Statement

In South Africa, growth slowed to about 0.4 percent amidst heightened governance challenges, which is similar to the 0.4 recorded in Angola, while the Nigerian economy contracted by about 1.7 percent. Chad and Equatorial Guinea also followed, contracting by 3.5 percent and 5.7 percent respectively. The Democratic Republic of Congo and Mozambique were not out of the frame as they also registered significant economic contractions.

Policy responses, particularly among commodity exporters, to the economic shock caused by lower than expected prices in 2016 had been slow, resulting in declining foreign reserves and constrained financing. Stellar performers in the midst of these challenges were Mauritius, Cape Verde, Ethiopia and Cote d'Ivoire.

A focus on financial sector development will be a major area where the region could make some quick gains going forward with an estimated 1.5 percent additional annual growth to be generated if the financial sector gap is plugged in the low-income countries. There must however be an improvement in the business enabling environments of most of the economies across the continent, to help alleviate most of the local economic risks.

Attention will also have to be paid to the heightened policy uncertainty in Europe and the US, which could take a toll on the financial sector as financial and capital flows could taper off, with significant implications on currency stability across the region. Again, populist pressures across the region could undermine the need for robust policies, which are necessary to ensure that appropriate policy buffers are created to contain fiscal deficits arising from less than expected recovery of prices in the near future.

Domestic Developments

The 2016 financial year was generally tough for most businesses and the economy as a whole. This was cased generally by domestic and external factors; as commodity prices did not recover to anticipated levels, public debt increased, prices of goods and services remained high, and economic output reduced.

The growth of the economy declined to about 3.6 percent, compared to a projected 4 percent, with the financial industry contributing about 8 percent of the total output of the services sector.

In line with these developments the monetary policy committee maintained the policy rate at 26 percent for most of the year. This has since November 2016 decelerated in line with the positive expectations for the first quarter of 2017.

The average lending rate remained high in excess of 30 percent peaking in October at 32 percent. The performance of the external economy marginally improved over the second half of the year as gross foreign assets increased to about 3.5 months of import cover from a low point of 2.9 mid-year. Despite these developments, we kept to our strategy and focused on serving our customers better, whilst returning value for shareholders.

Chairperson's Statement

We will continue the execution of our transformational agenda, investment in technology, infrastructure and talent critical to the future of the company. We see exciting opportunities to invest for the future, enhance our service delivery to our clients and our communities and ultimately continue to support the growth of the Ghanaian economy. Our management team and employees have built a reputable organisation that is one of the most trusted and respected financial institutions in Ghana with their dedication, fortitude and perseverance. I am particularly honoured to have worked with the team for the year.

Financial Performance

In spite of the economic headwinds outlined above, your Bank recorded a profit before tax of GHS 24.5 million – a 20% growth over the GHS 21 million recorded in the 2015 financial year. Growth in profit for the year 2016 was mainly attributed to a 30% growth in Net Revenue, which in turn was driven by a healthy increase in customer deposits. Our Bank's Balance Sheet size also expanded positively, growing by 27% from GHS 1.136 billion in 2015 to GHS 1.442 billion in 2016. This was mainly driven by the growth in Customer deposits – an increase of GHS 298 million over the previous year.

Corporate Governance

The Bank's compliance with the regulatory provision and zero tolerance for regulatory breaches are foundational elements of our corporate governance. Our banking business was governed by persistent adherence to international standard practices within acceptable risk parameters. As mandated, meetings of the board and board sub-committees were held as scheduled quarterly during 2016, reviewing the operations of the bank and providing clear strategic direction to the executive management team.

Our People

Our staff are at the forefront of the unique service delivery, which underpins our competitive advantage. Throughout our network of branches, our customers daily receive first-hand experience of our unique service culture. We are very much aware that our public has a wide and varied choice of service providers and our staff are trained to go that extra mile to ensure an enjoyable and positive customer experience at all times. Although we are always on the look out for fresh talent, we value and appreciate our existing staff cadre and encourage continuous personal growth and technical achievement through strategic training and leadership development.

We are confident that as we pursue our strategy of building a cadre of contented staff, our customers will continue to be the beneficiaries of our unparalleled customer service delivery.

an increase of GHS 298 million in deposits over the previous year

Chairperson's Statement

Corporate Social Responsibility

First Atlantic Bank's unwavering commitment to promoting development across social and economic themes was boldly manifested in the range of corporate social responsibility and economic empowerment initiatives undertaken during the 2016 financial year. These were done mainly in the communities in which we have presence, ranging from donations to key security agencies, support for campaign against drug abuse and autism, assistance to the education and health sectors respectively.
We will continue to operate as per our Corporate Social responsibility policy and aim to ensure significant contributions to these communities and beyond.

Conclusion and Outlook for 2017

The global economy is in its 6th year of stagnation and looks to continue in 2017 albeit with minimal recovery driven by developments in emerging markets in Africa and Asia. The relative stability in commodity prices may provide some tailwinds for resource-rich economies, which have been battered in recent times. Advancement in technology and improved labour force will be key drivers of growth. The heightened global political uncertainties, with its attendant effects on trade and foreign policies, could culminate in sluggish investment behaviour. On the domestic front, there is an improved investor and private sector confidence in the newly elected government. Government's commitment to the private sector seems to be driving business in the positive direction and this will filter down to the banking industry. Besides the relative loss of value of the currency in the last two weeks of February 2017, the currency has remained relatively stable, with prices and interest rates moderating downwards.

We remain committed to delivering value for our shareholders, keeping the focus on our customers' needs even as competition increases in the market. The Board and Management will continue to monitor the progress of the Ghanaian economy and appropriately align our business strategy to ensure we stay true to our course of value creation for our stakeholders.

Recognising that technology and innovation will continue to drive services in the financial industry, we will keep to our course of investing in cost-effective and affordable technology solutions, whilst developing our human capital to deliver value to the market.

Appreciation

On behalf of the board, I thank our shareholders and customers who have stood loyally with us. I also thank the board members for the unwavering dedication exhibited in the affairs of the bank.

I confidently look forward to 2017 with the assurance that First Atlantic Bank would consolidate on the gains made during the 2016 financial year and deliver superior services.

Thank you.
Karen Akiwumi-Tanoh
Chairperson – First Atlantic Bank Ltd.

MD/CEO's Report

ODUN ODUNFA
MD/CEO

Dear Shareholders,

2016 was another year of relative success for First Atlantic Bank considering the mix of challenges in the operating environment. We have made significant progress and are on track with achieving the bank's Mission, which is "Providing superior financial solutions and creating value to stakeholders" We have developed a new strategy, which charts our course for the next five years (2017 – 2021) with a strong commitment to its implementation. The new strategy has culminated in a re-structuring of our business into a simple and easy to monitor performance-based model, which will respond more effectively and efficiently to the changing business environment.

The business teams have as a result been re-structured as follows;

- The existing retail and commercial banking teams in the branches have been consolidated under one group reporting to a branch manager with all branches now profit centres.

- The resulting business groups are now known as Personal & Business Banking (PBB) units covering Individual and Business (Micro and SMEs) customer segments.

- The branches are clustered based on geographic locations (Accra East, Accra West and Upcountry). Each cluster is managed by a Regional Head who reports to the Executive Director-Business.

- Performance monitoring parameters have been set for both individual and business customer segments with the appropriate weights allocated on appraisals for proper accountability and coverage.

- All Corporate Banking teams now operate centrally from the head office under the management of Group Head, Corporate who reports to the Executive Director –Business.

MD/CEO's Report

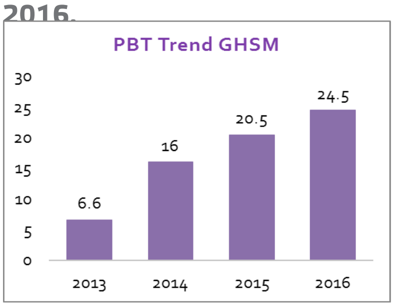
Review of 2016

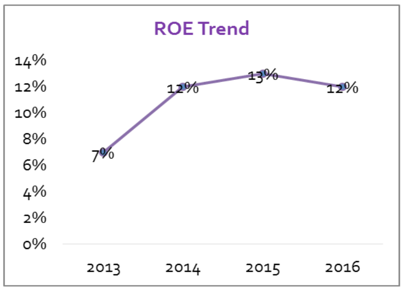
Financial Performance Dashboard

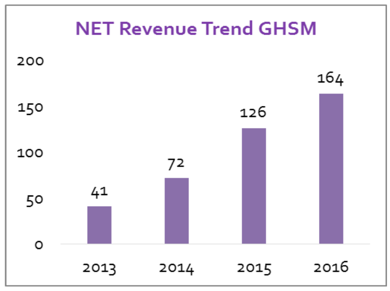
We recorded a **20%** growth in profit before tax, improving from **GHS 21million** in 2015 to **GHS 24.5 million** in **2016**. This growth reflects our resilience in spite of the significant economic challenges and industry developments.

Continued growth in deposits coupled with an increase in non-funded income lines led to a 30% growth in net revenue from **GHS 126 million** in 2015 to **GHS 164 million** in **2016.**

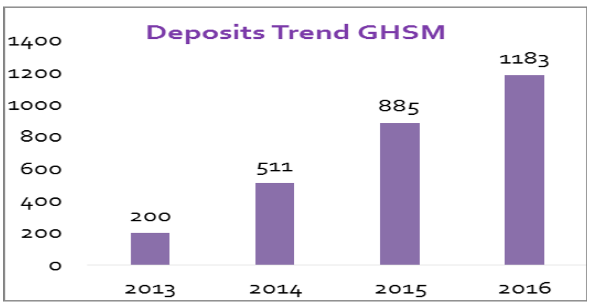
Return on equity recorded a marginal decline in **2016**, from **13%** in 2015 to **12%** in **2016.**

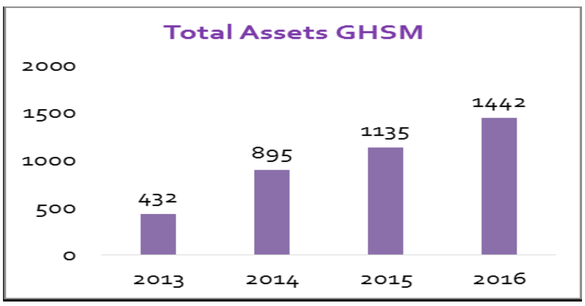






Customer deposits increased from GHS 885 million in 2015 to GHS 1,183 million in 2016 reflecting a year-on-year growth of 34%. This growth is a testament to the effectiveness of our aggressive deposit mobilization strategy, which was driven mainly by the deployment of a Value Chain strategy embedded with a robust Payments and Collections platform. This sustained growth in deposits enabled the bank to further increase total assets from GHS 1,135 million in 2015 to GHS 1, 442 million in 2016, translating into a growth of 27%.





Channels

In keeping with our channel strategy, we broadened our delivery channels as evidenced by the expansion of our branch network to Sakumono, Kotobabi and East Legon Lagos Avenue in Accra and Adum in Kumasi to end 2016 with 24 operational branches. We continued to leverage technology to enhance our alternate channel offering with the bank ending the year with 29 operational ATMs at our branches and carefully selected off-site locations, while also enhancing our mobile banking offerings to include Airtel Money, MTN Mobile Money and Vodafone Cash.

MD/CEO's Report

People

To ensure that we maintained an optimised manpower requirement to sustain business growth and drive strong financial performance, key senior management staff with valuable experience were strategically sourced from the industry. Total Staff population increased from 327 at the end of 2015 to 350 at the close of year 2016 in fulfilment of our pursuit to delivering efficient service across our expanded branch footprints while ensuring that our business objectives and initiatives are met.

Outlook for 2017

Domestic Market Expectations of 2017

The domestic economic output is projected to improve from the actual outturn of 2016 based on a recovery in domestic production, recovery of crude oil and other commodity prices and a general stability in the financial position of the government.

The change in government and corresponding resetting of the economy from a tax based one to production driven, appears to have reignited some appreciable degree of confidence among industry players and investors. This is expected to provide some tailwinds for a strong performance in 2017.

Financial Sector Expectations of 2017

- Plans to ensure sustainability of fuel supply for power generation could have positive effects on the operational expenditure of the industry.

- The ring fencing of the energy sector levies for defraying liabilities to the financial industry could improve the liquidity of banks typically affected by the constraint.

- Interest rates are likely going to increase within the year from the current levels, given the projected financing of government, which stands at GHS14billion for 2017.

- Non-recovery of commodity prices could limit the availability of FX for the market to support client businesses, which would have implications on margins for FX related business. The issuance of foreign denominated domestic securities and increase in proceeds from non-traditional exports could however improve liquidity.

- Intense industry competition is expected as the number of players has increased within the last 12 months. The Savings & Loans and Microfinance Companies will continue to compete with the mainstream industry.

- With a possible increase in the minimum capital requirement and the implementation of the economic capital requirements, some consolidations could likely emerge in the industry. The regulator is expected to bring clarity to these new developments.

These trends in the industry and general economy are being monitored closely to ensure we fully take advantage of opportunities for growth as they present themselves.

Total Staff population increased from 327 at the end of 2015 to 350 at the close of year 2016

Macroeconomic Expectations & Challenges

The following are some of the probable events forecasted to occur in 2017 that will affect our business:

- Government borrowing might increase, beyond the projected GHS14billion if revenue targets are missed.

MD/CEO's Report

- There is an elongation of the domestic bond market, with longer term instruments seeing an increase in yields, whiles the shorter-term instruments register lower yields.

- Interest rates may moderate upwards within the year. In view of a decline in inflation and its expectations, the monetary policy committee has reduced the policy rate from 25.5 percent to 23.5 percent. The committee may continue to loosen its stance if prices continue along the current trajectory.

- Inflation will likely be driven by non-food factors. With a control on the non-food components, the end of year target of 11.2 percent could be within reach.

- The currency will depreciate moderately compared to the rates seen in recent times, as domestic policies and exogenous factors are anticipated to drive this trend.

- A positive evaluation by the International Monetary Fund on the implementation of the Extended Credit Facility Agreement will further provide tailwinds for the economy. There are indications of a possible extension of the programme.

- The energy crises will stabilise relatively to last year. This should create some room for businesses to recover, and for the industry as well.

- Government's specific and flagship programmes (nearly 30 key initiatives), will drive investment and behaviour of private actors this year.

Following from the above and other factors, we have set bold but reasonable targets for the 2017 financial year. These are consistent with our 2016 performance and in line with our objectives of increasing value for stakeholders and increasing our market share.

First Atlantic Bank Plans for 2017

Products

The complementary nature of our products is targeted at building a responsive ecosystem for customer interaction. We will continue to improve our products uptake in response to demands by the various market segments. Technology driven products will play a strategic role in our products offering along with customer interaction and our distinct service delivery.

Key amongst these products and services are:

- The deployment of more electronic and mobile banking services (full mobile money bouquet etc.)

- Expansion of our Payments and Collections platforms.

- Continued collaboration with strategic partnerships with multilaterals and correspondent banks to expand our trade offering.

- Provision of advisory support to the players in the SME space.

MD/CEO's Report

Channels

As part of our channel strategy, we will further expand our footprints to 3 new regions (Central, Brong Ahafo and Northern) and increase our physical presence to 31 locations through an addition of eight (8) new branches (three (3) of which have already opened to the public in Dzorwulu, Ring Road Central and Takoradi) at the end of the first quarter of 2017.

Our investment in technology will also ensure optimal service delivery across all customer touch points and channels. We will upgrade and enhance the service offerings on our Internet and mobile banking platforms to enhance the customer experience. POS offering will also be improved upon by ensuring reliable connectivity and expanded merchant locations.

Our 24-hour support centre and self-serve platforms will continue to be live and responsive to our customers. It is also worthy to note that our social media presence and interactions across major social media platforms is exciting and improving the direct contact with our customers and stakeholders.

We will continue to reinforce the tenets of our service mantra and core elements of our branding; namely "The Purple Experience" and "Refreshingly Different", highlighting our focus on our customers as the reason for our business existence.

Governance and Culture

Sound corporate governance practices continue to be observed in all our dealings as embedded in our business strategy. The executive management continues to emphasise zero tolerance for breach of regulations, bank policies or procedures approved by the Board and regulatory bodies with their guidance. Our risk management and monitoring processes have been enhanced to ensure minimised operational and credit losses across the bank.

Concluding Comments

Sustaining and improving on financial profitability in 2017 requires a sustained effort from our stakeholders. To this end, I am very grateful to the customers of the bank for their continued loyalty and to the Board, Management and Staff for their continued dedication and support. It is clear we have laid a solid foundation to build upon our 2016 financial performance and I am confident in our ability to maintain a sustained performance improvement in 2017. I give continued assurance that the bank and its management will continue to operate ethically and transparently, staying true to the course charted by our Board of Directors and the "Refreshingly Different" mantra.

Thank you and May the good Lord bless us all with a successful 2017.

Odun Odunfa
MD/CEO of First Atlantic Bank

CSR Activities

Stakeholder Engagement

















The Purple Ball

Executive Committee

Odun Odunfa
MD/CEO

Patience Asante
Executive Director,
Risk & Controls

Daniel Marfo
Executive Director, Business

Olugbenga Ogundele
Chief Operating Officer

Marie-Louise Prah
Group Head, Human Resource

Francis Kugblenu
Head, Information Technology

Charles Appiah
Group Head, Corporate Banking

Nicholas Ahedor
Chief Internal Auditor

Kwasi Nimako
Chief Finance Officer

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the Bank.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Bank and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), the requirements of the Companies Act, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

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

Principal Activities

The principal activity of the Bank is universal banking. The main activities are retail banking, commercial banking, corporate banking, private banking and investment banking.

Financial Results

The results of the Bank are set out on page 8. The Bank recorded a net profit after tax of GH¢15.9 million as against a net profit of GH¢14.4 million in 2015.

The balance sheet recorded a growth from GH¢1,136 million in 2015 to GH¢1,442 million primarily due to an increase in customer deposits.

Going Concern

No issues have come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve (12) months from the date of this statement.

By order of the Board

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DIRECTOR
Karen Akiwumi -Tanoh
(Chairman)

....

DIRECTOR
Odun Odunfa
(MD/CEO)

Corporate Governance

First Atlantic Bank Limited is committed to the principles and implementation of good corporate governance. The Bank recognizes the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The Bank is managed in a way that maximises long-term shareholder value and takes into account the interest of all of its stakeholders.

First Atlantic Bank Limited believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the accounts, the Bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Directors

The Board is responsible for setting the Bank's strategic direction, for leading and controlling the Bank and for monitoring activities of the executive management. The Board presents a balanced and understandable assessment of the Bank's progress and prospects.

Our shareholders are represented mainly by Non-Executive Directors on the Board of Directors. These Directors oversee, direct and control Management implementation of the broad strategy objectives and vision of the Bank.

The Board consisted of a Non-Executive Chairman and six (6) Non-Executive Directors and three (3) Executive Directors. The Non-Executive Directors are independent of Management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have the requisite experience and knowledge of the industry, markets, financial and/or other business information to make valuable contributions to the Bank's progress. The Board meets at least 4 times in a year.

The Board has five (5) Committees namely, Governance and General Purpose, Loan & Investment, Audit, Risk Management and Property and Infrastructure Development. These Committees hold regular meetings to consider at first hand Management Committee's recommendations to the full Board for consideration and approval. The details of the Committees are as follows:

i) Governance and General Purpose Committee

The purpose of the Committee is to provide appropriate advice and recommendations on matters relating to governance, human resource and other general matters. The Committee is made up of (4) members, (3) of which are non executive members.

The duties and responsibilities include establishment of processes for the orientation and education of new directors; development of policies to facilitate continuous education and development of directors; periodical assessment of the skills of directors; approval of special welfare schemes and proposals; and consideration of disciplinary matters involving top management staff and directors.

The Committee also has oversight responsibility of all legal matters and the authority and discretion to review any legal matter, issue, or document.

ii) Loan & Investment Committee

The Loan & Investment Committee is made up of four (4) members of which three (3) are non-executive directors. The Committee meets at least on a quarterly basis. The main Board determines its terms of reference.

The Committee assists the Board in fulfilling its oversight responsibility relating to loans and investment matters by providing appropriate advice and recommendations on matters relevant to loans and investments.

The duties and responsibilities of the Committee include recommending the membership of the Bank's Credit Committee; recommending credit policies and procedures to govern the authority delegated to the Credit Committee; review, recommend and approve loans and investments and other risk assets and individual borrowers, industry, transactions to the Board; consider the current budget and business development plan of the Bank and maintain an appropriate relationship to the Bank's capital position.

iii) The Audit Committee

The Audit Committee is made up of three (3) Non-Executive Directors. The Committee meets at least on a quarterly basis. The main Board determines its terms of reference.

The purpose of the Committee is to establish and operate adequate control systems and sound accounting policies, safeguard the bank's assets and prepare accurate financial reports and statements that comply with applicable legal, accounting standards and regulatory requirements.

The duties of the Audit Committee include recommending the selection, appointment, retention, compensation and oversight of the work of the Bank's External Auditors; prior-submission review of quarterly, half-yearly and annual financial results and reports; reviewing the expertise, experience and resource adequacy of the Bank's finance function; review with management and experts any significant legal matters and inquiries from regulatory bodies, that may financially impact the Bank.

iv) Risk Management Committee

The Risk Management Committee is made up of three (3) Non-Executive Directors. The Committee meets on a quarterly basis.

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to the establishment of policies, standards and guidelines for risk management; and the Bank's compliance with legal and regulatory requirements.

The duties and responsibilities of the Committee involve oversight of Enterprise Risk Management, Compliance and Operational Risks.

v) Property and Infrastructure Development Committee

The Property and Infrastructure Development Committee is made up of three (3) Non-Executive Directors. The Committee meets at least on a quarterly basis. The main Board determines its terms of reference.

The Committee has authority to consider all matters relating to the acquisition, disposal, construction and or refurbishment of landed properties for or by the Bank.

The Committee also has oversight responsibility for the adoption of a standard policy on property for the guidance and use of the Bank; standard designs for branch roll out together with bills of quantities; a standard legal template for the branch roll out; and resolve all issues relating to the acquisition, lease, disposal and or refurbishment of landed property owned or leased by the Bank.

Code of Business Ethics

Management has communicated the principles in the Bank's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity required for the Bank's operations which covers compliance with the laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

The Bank is managed in a way that maximises long-term shareholder value and takes into account the interest of all of its stakeholders.

Report of Independent Auditor

Report Of Independent Auditor To The Members Of First Atlantic Bank Limited

We have audited the accompanying financial statement of First Atlantic Bank Limited which comprise the statement of financial position as at 31 December 2016, the statement of the profit or loss and other comprehensive income statement of changes in equity, statement of cash flows for the year then ended, the notes to financial statement including summary of significant policies and other national disclosure. In our opinion, the financial statement give a true and fair view of financial position of First Atlantic Bank Limited as at 31 December 2016 and the financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the companies Act,1963(Act 179).

Basis of 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 Responsibility of the Financial Statements sections of our report. We are independent of the Bank in accordance with the requirements of the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the report of the directors which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statement does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibility for the Directors for Financial Statement

The directors are responsible for the preparation of the financial statement that give a true and fair view in accordance with International financial reporting standards and requirements of the companies Act, 1963, (ACT179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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. Misstatement can rise from fraud or error and are considered material if, individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also,

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

- Obtain understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by the directors.

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

Report on the other Legal Regulatory Requirements

The Companies Act 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of audit.
We confirm that

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The bank has kept proper books of accounts, so far as appear from our examination of these books.
iii) The bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books account and returns.

The Banking Act 2004(Act 673) section 78(2) requires that we state certain matters in our report. We hereby state that:

i) The accounts give a true and a fair view of the state of affairs of the bank and their results for the year under review;
ii) We were able to obtain all the information and and explanation required for the efficient performance of our duties as auditors;
iii) The Banks transactions were within its powers; and
iv) The Bank has generally complied with the provisions in the Banking Act 2004 (Act 673) and the Banking Amendment Act 2007 (Act 738).

The engagement partner on the audit resulting in this independent auditor's report is Daniel Kwadwo Owusu (ICAG/P/1327)

Daniel Kwadwo Owusu (ICAG/P/1327)
Deloitte & Touche Licence No. ICAG/F 2017/129
Chartered Accountants
4 Liberation Road
Accra, Ghana

28th February, 2017

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2016

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	2016	2015
Interest income	7	183,871,236	140,959,397
Interest expense	7	(81,710,044)	(68,004,590)
Net interest income		**102,161,192**	**72,954,807**
Net fee and commission income	8	43,369,996	34,181,701
Net trading income	9	18,802,455	19,465,585
Other income	10	265,950	388,731
Operating income		**164,599,593**	**126,990,824**
Impairment losses on loans and advances	13	(37,805,485)	(30,002,000)
Personnel expenses	11	(42,053,569)	(29,939,205)
Depreciation and amortisation		(9,442,890)	(6,740,911)
Other expenses	12	(50,432,554)	(39,895,720)
(Loss)/profit from associated companies	18	(364,131)	580,816
Profit before income tax		**24,500,964**	**20,993,804**
Income tax expense	14a	(7,432,779)	(5,381,914)
National stabilisation levy	14b	(1,194,910)	(1,173,631)
Profit for the year after income tax		**15,873,275**	**14,438,259**
Other comprehensive income, net of income tax			
Revaluation of property		46,786,382	-
Unrealised gains/(loss) on fair value changes on available-for-sale securities, net of tax	33	228,873	(697,083)
Total comprehensive income for the period		**62,888,530**	**13,741,176**

Statement of Financial Position

For the year ended 31 December

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	2016	2015
Assets			
Cash and cash equivalents	15	301,168,001	418,543,283
Non-Pledged trading assets	16a	661,823,825	262,610,421
Pledged trading assets	16b	95,600,000	26,510,000
Loans and advances to customers	17	233,156,314	370,400,176
Investment in associates	18	339,624	703,755
Current tax assets	22	1,500,109	-
Deferred tax assets	24	-	166,114
Intangible assets	20	5,715,611	6,657,130
Other assets	21	15,262,346	9,803,773
Property and equipment	19 (a)	127,472,895	40,890,988
Total assets		**1,442,038,725**	**1,136,285,640**
Liabilities			
Deposits from banks and other BoG licensed FIs	26	140,943,916	15,476,403
Deposits from customers	25	1,042,813,852	869,687,750
Borrowings	27	13,553,677	86,521,205
Current tax liabilities	22	-	651,844
Deferred tax liabilities	24	16,997,194	-
Other liabilities	28	20,457,389	20,261,354
Total liabilities		**1,234,766,028**	**992,598,556**
Equity			
Stated capital	29	96,610,409	96,610,409
Income surplus account		159,772	(4,877,922)
Revaluation reserve	30	50,765,205	3,978,823
Statutory reserve fund	31	31,933,250	23,996,612
Credit risk reserve	32	27,575,188	24,676,245
Other reserves	33	228,873	(697,083)
Total equity		**207,272,697**	**143,687,084**
Total equity and liabilities		**1,442,038,725**	**1,136,285,640**

The financial statements on pages 8 to 66 were approved by the board of directors on 17th February 2017 and were signed on its behalf by:

……………………………………… ………………………………………

Director
Karen Akiwumi -Tanoh
(Chairman)

Director
Odun Odunfa
(MD/CEO)

Statement of Changes In Equity

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	Stated capital	Statutory reserve	Regulatory credit risk reserve	Revaluation Reserve	Income surplus account	Other reserves	Total
Balance at 1 January 2016		96,610,409	23,996,612	24,676,245	3,978,823	(4,877,922)	(697,083)	143,687,084
Profit for the year		-	-	-	-	15,873,275	-	15,873,275
Other comprehensive income								
Net change in fair value of available-for-sale								
financial assets net of tax	33	-	-	-	-	-	925,956	925,956
Revaluation gain on property net of tax		-	-	-	46,487,382	-	-	46,786,382
Total comprehensive income for the year		-	-	-	46,487,382	15,873,275	925,956	63,585,613
Transfers from income surplus to reserves and transactions with owners, recorded directly in equity								
Transfer to statutory reserve	31	-	7,936,638	-	-	(7,936,638)	-	-
Transfer to credit risk reserve	32	-	-	2,898,943	-	(2,898,943)	-	-
Total other movements in equity		-	7,936,638	2,898,943	-	(10,835,581)	-	-
Balance at 31 December 2016		96,610,409	31,933,250	27,575,188	50,765,205	159,772	228,873	207,271,697
Balance at 1 January 2015		60,004,305	16,777,483	22,775,540	3,978,823	(10,196,347)	233,392	93.573.196
Profit for the year		-	-	-	-	14,438,259	-	14,438,259
Other comprehensive income								
Net change in fair value of available-for-sale								
financial assets net of tax	33	-	-	-	-	-	(697,083)	(697,083)
Net realised gain on available for sale securities	33	-	-	-	-	-	(233,392)	(233,392)
Total comprehensive income for the year		-	-	-	-	14,438,259	(930,475)	13,507,784
Transfers from income surplus to reserves and transactions with owners, recorded directly in equity								
Capital introduced (Net)	28	36,606,104	-	-	-	-	-	36,606,104
Transfer to statutory reserve	31	-	7,219,129	-	-	(7,219,129)	-	-
Transfer to credit risk reserve	32	-	-	1,900,705	-	(1,900,705)	-	-
Total other movements in equity		36,606,104	7,219,129	1,900,705	-	(9,119,834)	-	36,606,104
Balance at 31 December 2015		96,610,409	23,996,612	24,676,245	3,978,823	(4,877,922)	(697,083)	143,687,084

Statement of Cash Flows

For the year ended 31 December
(All amounts are expressed in Ghana cedis unless otherwise stated)

		2016	2015
Cash flows from operating activities			
Profit for the period		24,500,964	20,993,804
Adjusted for:			
Depreciation and amortisation		9,442,890	6,740,911
Impairment on financial assets		37,805,485	30,002,000
Net interest income		(99,947,394)	(72,954,807)
		(28,198,055)	**(15,218,092)**
Changes in trading assets			
Change in non-pledged trading assets		(399,213,404)	(23,318,348)
Change in pledged trading assets		(69,090,000)	(26,510,000)
Change in loans and advances to customers		104,156,202	(34,712,160)
Change in other assets		(1,769,464)	(725,351)
Change in investment in associates		364,131	(580,816)
Change in deposits from banks		125,467,513	1,275,374
Change in deposits from customers		166,576,802	372,640,803
Other liabilities		196,035	11,503,046
		(73,312,185)	**299,572,548**
Interest and dividends received		173,250,503	131,684,200
Interest paid		(73,632,356)	(60,595,120)
Income tax paid		(9,792,215)	(6,451,757)
Net cash generated from operating activities		**(11,684,307)**	**348,991,779**
Cash flows from investing activities			
Purchase of property and equipment		(32,430,340)	(14,540,783)
Proceeds from sale of property and equipment		133,486	91,128
Purchase of intangible assets		(426,593)	(2,490,896)
Change in borrowings		(72,967,528)	(194,863,306)
Net cash outflow from investing activities		(105,690,975)	(211,803,857)
Cash flows from financing activities			
Proceeds from issue of shares		-	36,606,104
Net cash generated from financing activities		-	36,606,104
Net increase in cash and cash equivalents		**(117,375,282)**	**173,794,026**
Cash and cash equivalents at start of year		418,543,283	244,749,257
Cash and cash equivalents at end of year		**301,168,001**	**418,543,283**

1

Reporting entity

First Atlantic Bank Limited (the "Bank") is a private limited liability company incorporated under the Company's Act 1963 (Act 179) and domiciled in Ghana. The Bank primarily is involved in retail, commercial, corporate, private and investment banking. The address of the Bank's registered office is: Atlantic Place, No. 1 Seventh Avenue, Ridge West, Accra, Ghana.

2

Basis of preparation

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

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738).

The financial statements were approved by the Board of Directors on 17 February 2017.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value and property and equipment at revalued amounts.

2.3 Functional and presentation currency

These financial statements are presented in Ghana Cedis (GHS), which is the Bank's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

3

Significant accounting policies

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

3.1 Investment in associates

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Bank's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually. The statement of profit or loss reflects the Bank's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Bank's Other Comprehensive Income (OCI). In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Bank's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank. After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its associate.

Notes to The Financial Statements

At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.2 Foreign currency translation

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date (closing rate). The foreign currency gain or loss on monetary items is the difference between amortised cost at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or financial instruments designated as a hedge of the net investment in a foreign operation which are recognised in OCI.

3.3 Interest

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the organisation and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement. Interest income and expense are however generally recognised in the income statement on straight-line basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the P&L and OCI include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis

- Interest on available-for-sale investment securities on an effective interest basis

Notes to The Financial Statements

- The effective portion of qualifying hedge derivatives designated in a cash flow hedge if the hedged item is recorded in interest income / expense

- Fair value changes in qualifying derivatives (including hedge ineffectiveness) and related hedged items when interest rate risk is the hedged risk.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial instruments carried at fair value in the P&L account.

3.4 Fees and Commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

3.5 Net trading income

Income arises from the margins which are achieved through market-marking 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 the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

3.6 Financial assets and liabilities

Recognition

The Bank initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the bank becomes a party to the contractual provisions of the instrument are classified as held-to-maturity.

Amortised cost measurement

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

Notes to The Financial Statements

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the bank is recognised as a separate asset or liability.

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

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement valuation techniques commonly used by market participants.

3.7 Offsetting financial instruments

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

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

Notes to The Financial Statements

3.8 Impairment of financial assets

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

i) Significant financial difficulty of the borrower;

ii) A breach of contract, such as default or delinquency in interest or principal repayments;

iii) The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;

iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

v) The disappearance of an active market for that financial asset because of financial difficulties; or

vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets including:

- Adverse changes in the payment status of borrowers; or

- National or local economic conditions that correlate with defaults on the assets of the Bank.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months. In exceptional cases, longer periods are warranted.

i) Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value

Notes to The Financial Statements

of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

In assessing collective impairment the bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other

Notes to The Financial Statements

factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit or loss account. If, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss account.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for sale debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognised through OCI.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Notes to The Financial Statements

3.9 Income tax expense

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Internal Revenue Act, 2016 (Act 896) as amended.

Deferred tax is provided using 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. Deferred tax is measured as the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

3.10 Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

3.11 Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

Notes to The Financial Statements

3.12 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the bank does not intend to sell immediately or in the near term.

When the bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the financial asset is recognised within loans and advances.

When the bank purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the financial asset is accounted for as a loan, and the underlying asset is not recognised in the bank financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the bank chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy.

3.13 Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to- maturity, fair value through profit or loss, or available-for-sale.

Held-to-maturity

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

Fair value through profit or loss

The bank carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy.

Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is transferred to profit or loss.

Notes to The Financial Statements

3.14 Property and equipment

Land and buildings are shown at fair value based on periodic, but at least 3-5 years, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Freehold land is not depreciated. Leasehold land is amortised over the term of the lease and is included as part of property and equipment. Depreciation on other assets is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Land and building:	50 years
Leasehold improvement	Over the lease period
Fixtures, fittings and equipment	5 years - 7years
Computer	3 years - 5years
Motor vehicles	5 years - 7years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and that the cost of the item can be measured reliably. All other costs are charged to the income statement as repairs and maintenance costs during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and building are credited to reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the income statement.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount. These are recorded in the income statement.

Notes to The Financial Statements

3.15 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of seven (7) years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding seven years).

3.16 Leased assets - Lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

3.17 Impairment of non-financial assets

The carrying amounts of the bank's non-financial assets, other than investment property and 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. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to The Financial Statements

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

3.18 Provisions

A provision is recognised if, as a result of a past event, the bank 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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.19 Employee benefits

(i) Retirement benefit obligations

The Bank operates the three-tier pension scheme. Contributions by the Bank to the mandatory tier one and tier two schemes are determined by law; currently employer contributes 13% of employee basic salary while employee contributes 5.5%.

Out of a total contribution of 18.5%, the Bank remits 13.5% to Social Security and National Insurance Trust towards the first tier pension scheme. The bank remits the remaining 5% to a privately managed scheme under the mandatory second tier. The Bank and its employees also make contributions towards employees pension under the voluntary third tier pension scheme which is privately managed.

Payment to above defined contribution plans and state-managed retirement benefit plans are charged as an expense as the employees render service.

(ii) Other entitlements

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

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(iii) Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

A provision for restructuring is recognised when the bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(iv) Short-term benefits

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

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

3.20 Share capital and reserves

Ordinary shares are classified as equity. Stated capital is classified as equity where the Bank has no obligation to deliver cash or other assets to shareholders. All shares are issued at no par value.

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

3.21 Earnings per share

The Bank 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 by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders

Notes to The Financial Statements

and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.22 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.23 Dividend

Dividends are recognised as a liability in the period in which they are declared.

3.24 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right of set-off and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.25 Sale and repurchase agreements

Securities sold under sale and repurchase agreements (Repos) are retained in the financial statements with the counterparty liability included in amounts due to banking institutions.

Securities purchased from the Central Bank of Ghana under agreement to resell (reverse Repos), are disclosed as treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

3.26 Financial guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') 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 recognized less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in credit loss expense. The premium received is recognised in the income statement in net fees and commission income on a straight line basis over the life of the guarantee.

Notes to The Financial Statements

3.27 Borrowings (liabilities to banks and customers)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method, any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings and other forms of financial liabilities shall be de-recognised from the books only when they are extinguished, i.e. when the obligation specified in the contractis discharged or cancelled or expires.

4

Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies, evaluates and manages financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

These are principal risks of the Bank. This note presents information about the Bank exposure to these risks, including the objectives, policies and processes for measuring and managing the risks as well as their impact on earnings and capital.

Risk management framework

This depends mainly on the Risk Management framework set out by the Central Bank. Bank specific framework based on the overall structure of the bank ensures that the Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The Board has established the Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas.

Notes to The Financial Statements

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

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

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

a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is one of the most important risks for the Bank's business. Management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments such as committed facilities. Credit risk management and control is centralised in the credit committee, whose membership comprises executive management and head of risk, which reports regularly to the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Management of credit risk

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

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

Notes to The Financial Statements

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting 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 executive / committee as appropriate. Risk grades are subject to regular reviews by the Bank Risk Function.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit committee on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance, specialist skills and training to business units to promote best practice throughout the bank in the management of credit risk.

Regular audits of business units and Bank credit processes are undertaken by Internal Audit.

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

Exposure to credit risk

		2016	2015
Loans and advances to customers			
Individually impaired			
Grade 6: Impaired (substandard)		19,584,387	3,112,360
Grade 7: Impaired (Doubtful)		47,272,869	23,870,244
Grade 8: Impaired (Loss)		50,522,059	58,279,415
Gross amount		117,379,315	85,262,019
Allowance for impairment		(43,663,169)	(39,942,934)
Carrying amount		**73,716,146**	**45,319,085**
Collectively impaired			
Grade 1-3: Normal		165,493,716	278,668,857
Grade 4-5: Watch list		2,005,108	54,001,737
Gross amount		167,498,824	332,670,594
Allowance for impairment		(8,058,656)	(7,589,503)
Carrying amount		**159,440,168**	**325,081,091**
Past due but not impaired			
Grade 1-3: Normal		-	-
Grade 4-5: Watch list		2,005,108	54,001,737
Carrying amount		**2,005,108**	**54,001,737**
Past due comprises:			
30-60 days		502,499	13,500,434
60-90 days		1,502,609	40,501,303
90-180 days		19,584,387	3,112,360
180-360 days +		97,794,928	82,149,659
Carrying amount		119,384,423	139,263,756
Neither past due nor impaired			
Grade 1-3: Normal		165,493,716	278,668,857
Grade 4-5: Watch list		-	-
Carrying amount		**165,493,716**	**278,668,857**
- Includes loans with renegotiated terms			
Total carrying amount		**233,156,314**	**370,400,176**

Notes to The Financial Statements

Impaired loans and securities

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). Interest on these loans are calculated and treated on non-accrual basis and portions shall only be considered when payments (settlement) are made. These loans are graded 6 to 8 in the bank's internal credit risk grading system.

Past Due or Non-Performing but not impaired loans

Loans and securities where contractual interest or principal payments are past due or non-performing are not treated as impaired when the discounted cash flows of the forced sale value of the collateral is estimated to be more than the loan.

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 Bank has made concessions that it would not otherwise consider. The status or risk grade of a restructured facility does not change until there is evidence of performance over a reasonable period of time.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, a bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit- adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Allowances for impairment

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

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when

Notes to The Financial Statements

Bank Credit Commitee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer discharge the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Related and connected lending is not permitted to be written off.

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

(All amounts are expressed in Ghana cedis unless otherwise stated)

	2016		2015	
Individually impaired	**Gross**	**Net**	**Gross**	**Net**
Grade 6:Impaired (substandard)	19,584,387	11,586,050	3,112,360	1,654,304
Grade 7: Impaired (Doubtful)	47,272,869	39,614,109	23,870,244	15,687,685
Grade 8: Impaired (Loss)	50,522,059	22,515,986	58,279,415	27,977,096
Total	**117,379,315**	**73,716,146**	**85,262,019**	**45,319,085**

Collateral of impaired exposures

The bank holds collateral against loans and advances 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 not updated except when a loan is individually assessed as impaired. Collateral is not normally held for loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2016 or 2015.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. It must however be noted that collateral values of impaired loans are at cash flows of the forced sale values less estimated costs of sale as discounted to present values.

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For the year ended 31 December 2016

(All amounts are expressed in Ghana cedis unless otherwise stated)

	2016	2015
Against individually impaired		
Property	12,852,403	17,702,918
Debt securities		
Equities	14,386,155	-
Other	11,462,764	3,863,529
Against collectively impaired		
Property	17,206,231	72,896,543
Debt securities		
Equities	-	18,000,000
Other	235,847,103	326,004,704
Against past due but not impaired		
Property	-	-
Debt securities	-	-
Equities	-	-
Other	-	-
Against neither past due nor impaired		
Property	-	-
Debt securities Equities	-	-
Other	-	-
Total	391,754,655	438,467,694

Repossessed collateral

There were no repossessed assets as at 31 December 2016 (2015: nil).

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For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

	2016	2015
Analysis by business segments		
Agriculture, forestry and fishing	18,462,384	17,971,437
Mining and quarrying	2,362,835	3,367,426
Manufacturing	14,731,601	13,340,680
Construction	11,671,617	18,186,332
Electricity, gas and water	126,174,528	212,574,540
Commerce and finance	64,440,292	108,946,025
Transport, storage and communication	1,186,336	3,651,058
Services	25,165,881	31,107,679
Miscellaneous	20,682,664	8,787,436
Gross loans and advances	**284,878,139**	**417,932,613**
Analysis by Bank of Ghana Prudential classification		
Current	165,493,716	278,668,857
Olem	2,005,108	54,001,737
Substandard	19,584,387	3,112,360
Doubtful	47,272,869	23,870,244
Loss	50,522,059	58,279,415
	284,878,139	**417,932,613**

Settlement risk

The Bank'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 counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Bank 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.

Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Bank Risk Committee.

Notes to The Financial Statements

b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank of Ghana requires that the Bank maintains a cash mandatory reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The treasury department monitors liquidity ratios on a daily basis.

Liquidity management within the Bank has several strands. The first is day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as they are borrowed by customers. The Bank maintains an active presence in the Ghanaian money markets to facilitate that. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intra-day liquidity in real time is recognised by the Bank as a mission critical process. Any failure to meet specific intra-day commitments would be a public event and may have an immediate impact on the Bank's reputation.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as commercial letters of credit and guarantees.

Treasury develops and implements the process for submitting the bank's projected cash flows to stress scenarios. The output of stress testing informs the Bank's contingency funding plan. This is maintained by the Assets and Liability Committee (ALCO) of the Bank and is aligned with the country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems. Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term.

Notes to The Financial Statements

An important source of structural liquidity is provided by our core private deposits, mainly term deposits, current accounts and call deposits. Although current accounts and call deposits are repayable on demand, the bank's broad base of customers - numerically and by depositor type - helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the bank's operations and liquidity needs.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Bank's reputation, the strength of earnings and the Bank's financial position.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported bank (liquid ratio) ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

At 31 December

	2016	2015
Average for the period	85%	65%
Maximum for the period	97%	77%
Minimum for the period	71%	51%

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

Liquidity risk

	Up to one month	Over one month but not more than three month	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	More than three years	Total
31 December 2016							
Non-derivative liabilities							
Deposits from banks and other BoG licensed Fis	135,785,762	-	5,158,154	-	-	-	140,943,916
Deposits from customers	567,777,046	256,189,322	103,437,494	115,139,257	270,733	-	1,042,813,852
Borrowings	-	13,553,677	-	-	-	-	13,553,677
	703,562,808	269,742,999	108,595,648	115,139,257	270,733	-	1,197,311,445
31 December 2016							
Non-derivative liabilities							
Deposits from banks and other BoG licensed Fis	10,663,180	-	4,813,223	-	-	-	15,476,403
Deposits from customers	390,760,871	322,910,585	82,323,725	73,692,569	-	-	869,687,750
Borrowings	29,083,472	-	57,437,733	-	-	-	86,521,205
	419,844,343	322,910,585	139,761,458	73,692,569	-	-	971,685,358

The table above shows the undiscounted cash flows on the Bank's financial liabilities and assets and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Bank'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; and unrecognised loan commitments are not all expected to be drawn down immediately.

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (for example, forward exchange contracts and currency swaps).

Notes to The Financial Statements

c) Market risk

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 Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposure within the bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

- The VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The bank uses VaR limits for total market risk and specific foreign exchange, interest rate, and equity and

Notes to The Financial Statements

other price risks. The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to Risk and regular summaries are submitted to ALCO.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the bank's overall position.

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 repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The table on the next page summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet.

Notes to The Financial Statements

At 31 December 2016

(All amounts are expressed in Ghana cedis unless otherwise stated)

31 December 2016	Less than 3 months	3 - 6 months	6 - 12 months	1 - 3 years	More than three years	Total
Cash and cash equivalents	301,168,001	-	-	-	-	301,168,001
Non-Pledged trading assests	478,059,102	132,499,449	38,641,132	12,624,142	-	661,823,825
Pledged assests trading	74,204,246	-	14,074,183	7,321,570	-	95,600,000
Loans and advances to customers	128,875,990	15,768,010	38,894,120	101,340,019	-	284,878,139
	982,307,339	**148,267,459**	**91,609,435**	**121,285,731**	-	**1,343,469,965**
Deposits from banks and other BoG licensed FIs	113,836,745	27,107,171	-	-	-	140,943,916
Deposits from customers	735,171,459	85,632,615	222,009,778	-	-	1,042,813,852
Borrowings	-	13,553,677	-	-	-	13,553,677
	849,008,204	**126,293,463**	**222,009,778**	-	-	**1,197,311,445**
	133,299,135	**21,973,996**	**(130,400,343)**	**121,285,731**	-	**146,158,520**

At 31 December 2015

(All amounts are expressed in Ghana cedis unless otherwise stated)

31 December 2016	Less than 3 months	3 - 6 months	6 - 12 months	1 - 3 years	More than three years	Total
Cash and cash equivalents	418,543,283	-	-	-	-	418,543,283
Non-Pledged trading assests	236,041,034	-	-	26,569,387	-	262,610,421
Pledged assests trading	-	26,510,421				26,510,421
Loans and advances to customers	228,086,070	95,818,157	39,578,933	53,184,575	1,264,878	417,932,613
	882,670,387	**122,328,578**	**39,578,933**	**79,753,962**	**1,264,878**	**1,125,596,738**
Deposits from banks and other BoG licensed FIs	15,476,403	-	-	-	-	15,476,403
Deposits from customers	764,189,419	62,136,627	43,361,704	-	-	869,687,750
Borrowings	30,724,669	18,598,845	37,197,691	-	-	86,521,205
	810,390,491	**80,735,472**	**80,559,395**	-	-	**971,685,358**
	72,279,869	**41,593,105**	**(40,980,461)**	**79,753,962**	**1,264,878**	**153,911,380**

Notes to The Financial Statements

Exposure to other market risk – trading portfolios

Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring by bank Risk, but is not currently significant in relation to the overall results and financial position of the bank.

Interest rate sensitivity analysis

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net income for one year, based on the financial assets and liabilities held at 31 December 2016 and 2015.

Impact on net interest income

The effect on interest of a 25 basis change would be as follows:

	+25 basis point **2016**	+25 basis point **2015**	+25 basis point **2016**	+25 basis point **2015**
Effect on net income	452,637	1,324,789	-452,637	-1,324,789

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

Currency risk

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

The table below summarises the bank's exposure to foreign currency exchange rate risk at the balance sheet date. Included in the table are the bank's financial assets and liabilities at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalent of the foreign currencies.

At 31 December 2016

Assets	USD	GBP	Euro
Cash and cash equivalents	134,990,461	8,174,049	24,136,967
Non-Pledged trading assets			
Pledged assets trading	-	-	-
Loans and advances to customers	113,195,335	51,480	3,805
Total	248,185,796	8,225,528	24,140,772
Deposits from customers	**226,921,005**	**8,060,913**	**23,980,700**
Deposits from banks	**13,046,547**	-	-
Total	**239,967,552**	**8,060,913**	**23,980,700**
Net on balance sheet position	3,976,877	1,078,874	98,115
Net off balance sheet position	**74,370,418**	-	**9,016,164**
At 31 December 2015			
Total assets	341,474,072	4,166,452	6,805,883
Total liabilities	337,435,344	4,386,348	5,922,218
Net on balance sheet position	4,038,728	(219,896)	883,665
Net off balance sheet position	-	-	-

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

The following sensitivity table demonstrates the effects of a 10% rise or fall in foreign exchange rates for each of the major foreign currency exposures of the Bank

	Impact on profit after tax if currency weakens 10% vs GHS 2016		Impact on profit after tax if currency strengthens 10% vs GHS 2016	
Effect on Income		%		%
USD	(1,052,937)	(7.29%)	1,052,937	7.29%
EUR	157,941	1.09%	(157,941)	(1.09%)
GBP	105,294	0.73%	(105,294)	(0.73%)
Net change	**(789,703)**		**789,703**	

	Impact on profit after tax if currency weakens 10% vs GHS 2015		Impact on profit after tax if currency strengthens 10% vs GHS 2015	
Effect on Income		%		%
USD	(274,839)	(1.90%)	274,839	1.90%
EUR	(61,843)	(0.43%)	61,843	0.43%
GBP	(53,696)	(0.37%)	53,696	0.37%
Net change	**(390,378)**		**390,378**	

Notes to The Financial Statements

d) Fair value categorisation of financial instruments

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below.

Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line divisions.

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent price verification team within Finance which reports to the Chief Financial officer.

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.

	Level 1	Level 2	Level 3	Total
2016				
Non-Pledged trading assets	649,199,683	12,624,142	-	661,823,825
Pledged trading assets	95,600,000		-	95,600,000
Total at 31 December 2016	744,799,683	12,624,142	-	757,423,825
2015				
Non-Pledged trading assets	236,041,034	26,569,387	-	262,610,421
Pledged trading assets 2	6,510,000	-	-	26,510,000
Total at 31 December 2015	**262,551,034**	**26,569,387**	-	**289,120,421**

Non-Pledged trading assets

These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Notes to The Financial Statements

e) Capital Management

Regulatory capital

The Bank of Ghana (local regulator) sets and monitors capital requirements for the bank as a whole. In implementing current capital requirements, Bank of Ghana requires the bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The bank calculates requirements for market risk in its trading portfolios based upon the Bank's VaR models and uses its internal gradings as the basis for risk weightings for credit risk. The bank is also required to maintain a credible capital plan to ensure that capital level of the bank is maintained in consonance with the bank's risk appetite.

The bank's total regulatory capital is divided into two tiers:

- Tier 1 capital, which includes ordinary share capital, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings, translation reserve 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.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

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

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

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

Notes to The Financial Statements

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements set by Bank of Ghana;

- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis.

Bank of Ghana requires each bank to: (a) hold the minimum level of regulatory capital of GHS 60million; (b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%.

Capital allocation

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

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

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

The table below summarises the composition of regulatory capital and the ratios at 31 December:

	2016	2015
Tier 1 capital		
Share capital	96,610,409	96,610,409
Statutory reserve	31,933,250	23,996,612
Income surplus	159,772	(4,877,922)
Tier 1 capital	**128,703,431**	**115,729,099**
Less:		
Intangibles	5,715,611	6,657,130
Investments in unconsolidated associates	339,624	703,755
Net Tier 1 capital	**122,648,196**	**108,368,214**
Tier 2 Capital		
Available for sale reserves	228,873	(697,083)
Revaluation reserves	50,765,205	3,978,823
Total qualifying tier 2 capital	**50,994,078**	3,281,740
Adjusted capital base	**173,642,274**	**111,649,954**
Risk weighted assets		
On balance sheet	84,684,658	461,339,130
Off balance sheet	443,692,285	239,239,091
Total risk weighted assets	**528,376,943**	700,578,221
50% of net open position	4,964,807	2,788,355
100% of three years average annual gross income	126,851,986	78,543,238
	131,816,793	81,331,593
Adjusted asset base	**660,193,736**	781,909,814
Capital adequacy ratio	**26.3%**	14.3%

Total tier 1 capital excludes regulatory credit risk reserve of GHS 27,575,188 (2015: GHS 24,676,245) for the purpose of capital adequacy computation.

5

Critical accounting estimates and judgements in applying accounting policies

Management discusses with the Audit Committee the development, selection and disclosure of the Bank critical accounting policies and estimates, and the application of these policies and estimates.

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

(a) Impairment on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. This is done by the Credit Risk function of the Bank. In determining whether an impairment should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows (based on the customer's financial situation and the net realisable value of any underlying collateral) are reviewed regularly by the Credit Risk function to reduce any differences between loss estimates and actual loss experience.

Collectively assessed impairment allowances cover credit losses inherent in portfolio of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but which the individual impaired items cannot yet be identified. A component of collectively assessed allowances is industry risks. 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. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective impairments.

(b) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Determining fair values

The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade frequently and have little 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.

(d) Held-to-maturity financial assets

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturing as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its positive intention and ability to hold such assets to maturity. If the Bank fails to keep these assets to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

(e) Income taxes

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

Notes to The Financial Statements

(f) Critical accounting judgements in applying the bank's accounting policies

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

Financial asset and liability classification

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

- In classifying financial assets or liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(11).

-In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 3(8).

- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(13).

Accounting classification and fair values

	Loans and receivables	Held to maturity	Available for sale	Other amortised costs	Total carrying amount	Fair value
31 December 2016						
Assets						
Cash and cash equivalents	-	-	-	344,904,001	**344,904,001**	344,904,001
Non-Pledged trading assets	-	12,624,142	649,199,683	-	**661,823,825**	661,823,825
Pledged trading assets	-	-	95,600,000	-	**95,600,000**	95,600,000
Loans and advances to customers	233,156,314	-	-	-	**233,156,314**	233,156,314
Liabilities						
Deposits from banks	-	-	-	115,725,153	**115,725,153**	
Deposits from customers	-	-	-	1,127,210,700	**1,127,210,700**	1,127,210,700
31 December 2015						
Assets						
Cash and cash equivalents	-	-	-	418,543,283	418,543,283	418,543,283
Non-Pledged trading assets	-	26,569,387	236,041,034	-	262,610,421	262,610,421
Pledged trading assets	-	-	26,510,000	-	26,510,000	26,510,000
Loans and advances to customers	370,400,176	-	-	-	370,400,176	370,400,176
Liabilities						
Deposits from banks	-	-	-	89,326,809	89,326,809	89,326,809
Deposits from customers	-	-	-	885,164,153	885,164,153	885,164,153

The fair value of these financial assets and liabilities approximate to their carrying amounts due to its short term maturity.

6

Operating segments

Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments pay and receive interest to and from the Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Business segments

The Bank comprises the following main business segments:

Corporate Banking - Includes loans, deposits and other transactions and balances with corporate customers

Retail and commercial banking - Includes loans, deposits and other transactions and balances with retail customers

Global markets - Undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, along with gross income and expense. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2015 and 2016.

Notes to The Financial Statements

Operating segments

(All amounts are expressed in Ghana cedis unless otherwise stated)

2016	Corporate banking	Retail and commercial banking	Global markets	Total
Interest Income	124,916,544	45,504,287	13,450,405	183,871,236
Interest Expense	(58,970,145)	(19,817,253)	(2,922,646)	(81,710,044)
Net Interest Income	**65,946,399**	**25,687,034**	**10,527,759**	**102,161,192**
Net fee and commission income	29,436,423	12,896,546	1,037,027	43,369,996
Net Trading Income	5,687,492	4,187,550	9,193,363	19,068,405
Operating income	**101,070,314**	**42,771,130**	**20,758,149**	**164,599,593**
Profit Before Tax	**16,084,129**	**4,232,390**	**4,184,445**	**24,500,964**
Income tax expense	-	-	-	(8,740,229)
National stabilisation levy	-	-	-	**(1,194,910)**
	-	-	-	**14,565,825**
Segment Assets	**181,075,393**	**51,225,821**	**1,252,166,061**	**1,484,467,275**
Segment Liabilities	**583,011,106**	**278,096,153**	**417,394,767**	**1,278,502,027**

2015	Corporate banking	Retail and commercial banking	Global markets	Total
Interest Income	87,442,182	27,317,281	26,199,934	140,959,397
Interest Expense	(38,020,428)	(19,308,950)	(10,675,211)	(68,004,590)
Net Interest Income	49,421,754	8,008,330	15,524,722	72,954,807
Net fee and commission income	20,248,128	12,896,546	1,037,027	34,181,701
Net Trading Income	6,473,403	4,187,550	9,193,363	19,854,316
Operating income	76,143,285	25,092,426	25,755,112	126,990,824
Profit Before Tax	14,194,743	1,481,057	5,318,003	20,993,804
Income tax expense	-	-	-	(5,381,914)
National stabilisation levy	-	-	-	(1,173,631)
	-	-	-	14,438,259
Segment Assets	286,355,368	111,632,039	738,298,233	1,136,285,640
Segment Liabilities	499,488,147	268,634,303	224,476,106	992,598,556

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

7. Net Interest income

	2016	2015
Interest income		
Cash and cash equivalents	13,364,457	18,304,453
Loans and advances to customers	69,730,804	70,140,133
Investment securities	100,775,975	52,514,811
	183,871,236	140,959,397
Interest expense		
Deposits from banks	14,211,098	14,662,132
Deposits from customers	67,498,946	53,342,458
	81,710,044	68,004,590
	102,161,192	72,954,807

Included within various categories under interest income for the year ended 31 December 2016 is GHS 4,600,256 (2015: GHS 5,419,761) accrued on impaired financial assets.

8. Net fee and commission income

	2016	2015
Retail banking customer fees	16,058,038	12,896,546
Corporate banking credit related fees	27,311,958	21,285,155
	43,369,996	34,181,701

9. Net trading income

Fixed income	-	-
Foreign exchange	18,802,455	19,465,585
	18,802,455	19,465,585

10. Other income

Bad debt recovered	180,000	297,603
Profit on disposal of fixed asset (Note 19b)	85,950	91,128
	265,950	388,731

11. Personnel expenses

Wages and salaries	16,085,278	12,438,458
Social security fund contribution	1,890,090	1,561,971
Other staff pension contribution	1,226,701	997,201
Other staff benefits	22,851,500	14,941,575
	42,053,569	29,939,205

The average number of persons employed by the bank during the year was 307 (2015: 215).

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

12. Other expenses

	2016	2015
Advertising and marketing	7,453,227	5,743,410
Training	2,373,088	2,078,911
Directors' emoluments	842,600	712,366
Auditor's remuneration	200,000	183,333
Donation and social responsibility	516,118	836,232
General and administrative expenses	39,047,521	30,341,468
	50,432,554	39,895,720

13. Impairment on loans and advances

	2016	2015
Individually assessed (Note 17)	37,336,332	24,750,072
Collectively assessed (Note 17)	469,153	5,251,928
	37,805,485	30,002,000

14a. Income tax expense

	2016	2015
Current income tax (Note 22)	6,034,166	5,697,826
Deferred income tax (Note 24)	1,398,613	(315,912)
	7,432,779	5,381,914

The tax on the profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits as follows:

	2016	2015
Profit before income tax	24,500,964	20,993,804
Tax using the enacted tax rate (25%)	6,125,241	5,248,451
Non-tax deductible expenses	10,674,785	9,394,786
Tax allowable expenses	(10,765,860)	(8,979,181)
Overall tax charge	6,034,166	5,664,056
Effective tax rates	25%	27%

14b. National stabilisation levy

	2016	2015
Stabilisation levy (Note 23)	1,194,910	1,173,631

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

15. Cash and cash equivalents

	2016	2015
Cash in vault	32,307,966	24,927,856
Items in course of collection	18,001,508	13,518,411
Balances with the Bank of Ghana	150,773,268	73,362,582
Balances with local financial institutions	4,797,283	539,205
Balances with foreign banks	85,704,412	39,882,835
Placement with other banks	9,583,564	266,312,394
	301,168,001	418,543,283

The balances with Bank of Ghana include non-interest bearing mandatory reserve deposits of GH¢96 million (2015: GHS 52.9 million). These funds are not available to finance the Bank's day-to-day operations.

There was no default in statutory liquidity requirements during the year and the year before.

16a. Non-Pledged trading assets

	2016	2015
Government bonds	12,624,142	26,569,387
Treasury bills	649,199,683	236,041,034
	661,823,825	262,610,421

16b. Pledged Trading assets

Government bonds	-	-
Treasury bills	95,600,000	26,510,000
	95,600,000	26,510,000

Treasury bills and notes are debt securities issued by the Bank of Ghana. Treasury notes and treasury bills with original maturity of one year and above are classified as held-to-maturity while treasury bills with original maturity terms less than one year are classified as available-for-sale.

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

17. Loans and advances to customers

	2016	2015
Analysis by type of facility		
Overdrafts	72,145,295	119,850,920
Term loans	212,732,844	298,081,693
Gross loans and advances	**284,878,139**	**417,932,613**
Allowances for impairment	(51,721,825)	(47,532,437)
	233,156,314	370,400,176
Analysis by type of customer		
Individuals	18,715,230	3,140,551
Private enterprise	198,435,210	404,744,216
Government	57,552,343	4,114,546
Staff	10,175,356	5,933,300
Gross loans and advances	**284,878,139**	417,932,613
Allowances for impairment	(51,721,825)	(47,532,437)
	233,156,314	370,400,176

Movement in the Bank's impairment allowance is as follows:

Movement in impairment allowance - 2016	Individually assessed	Collectively assessed	Total
Balance at 1 January	39,942,934	7,589,503	47,532,437
Impairment loss for the year	37,336,332	469,153	37,805,485
Write-offs	(33,616,097)	-	(33,616,097)
Balance at 31 December	**43,663,169**	**8,058,656**	**51,721,825**

Movement in impairment allowance - 2015	**Individually assessed**	**Collectively assessed**	**Total**
Balance at 1 January 2015	42,908,022	2,337,575	45,245,597
Impairment loss for the year	24,750,072	5,251,928	30,002,000
Write-offs	(27,715,160)	-	(27,715,160)
Balance at 31 December 2015	39,942,934	7,589,503	47,532,437

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

18. Investment in associates

Name of associate	Bank's interest in ordinary shares	Nature of Business	Country of Incorporation	2016	2015
First Atlantic Brokers Limited	34.57%	Stock brokerage	Ghana	30,509	413,359
First Atlantic Asset Management Limited	33.9%	Fund Managers	Ghana	309,115	290,396
				339,624	703,755

Investments in associates are carried at cost and assessed for impairment at each reporting date.

	2016	2015
First Atlantic Brokers Limited		
Net investment in associate	413,359	506,053
Gain on loss of control	-	95,379
share of loss from associate	(382,850)	(188,073)
	30,509	413,359
First Atlantic Asset Management Limited		
Net investment in associate	290,396	(383,114)
Gain on loss of control	-	692,431
share of profit/(loss) from associate	18,719	(18,921)
	309,115	290,396
Net investment in associated companies	**339,624**	703,755

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

19a. Property and Equipment

	Motor vehicles	Furniture, fittings and equipment	Computers	Land and buildings	Construction WIP	Total
Cost						
At 1 January 2016	8,594,572	12,808,536	8,319,825	14,131,552	11,418,371	55,272,856
Additions	5,344,025	3,887,660	3,154,565	1,095,791	18,948,298	32,430,340
Revaluation	-	-	-	62,381,843	-	62,381,843
Disposal	(295,668)	(215,013)	-	-	-	(510,681)
At 31 December 2016	**13,642,929**	**16,481,183**	**11,474,390**	**77,609,186**	**30,366,669**	**149,574,357**
Accumulated depreciation						
At 1 January 2016	3,024,591	5,776,296	4,099,905	1,481,076	-	14,381,868
Charge for the year	2,261,646	2,392,458	2,860,623	668,013	-	8,182,740
Disposal	(295,668)	(167,477)	-	-	-	(463,146)
-						
At 31 December 2016	**4,990,568**	**8,001,277**	**6,960,528**	**2,149,089**	**-**	**22,101,462**
Net book value						
At 31 December 2016	**8,652,360**	**8,479,906**	**4,513,862**	**75,460,098**	**30,366,669**	**127,472,895**

	Motor vehicles	Furniture, fittings and equipment	Computers	Land and buildings	Construction WIP	Total
Cost						
At 1 January 2015	6,023,894	9,953,045	5,017,811	13,198,304	5,957,461	40,150,515
Additions	2,922,368	2,593,437	2,655,086	329,913	6,369,892	14,870,696
Transfers	-	262,054	646,928	603,335	(908,982)	603,335.00
Disposals	(351,690)	-	-	-	-	(351,690)
At 31 December 2015	8,594,572	12,808,536	8,319,825	14,131,552	11,418,371	55,272,856
Accumulated depreciation						
At 1 January 2015	2,053,377	3,616,159	2,471,181	984,857	-	9,125,574
Charge for the year	1,322,904	2,160,137	1,628,724	496,219	-	5,607,984
Disposal	(351,690)	-	-	-	-	(351,690)
At 31 December 2015	3,024,591	5,776,296	4,099,905	1,481,076	-	14,381,868
Net book value						
At 31 December 2015	5,569,981	7,032,240	4,219,920	12,650,476	11,418,371	40,890,988

Notes to The Financial Statements

For the year ended 31 December
(All amounts are expressed in Ghana cedis unless otherwise stated)

19b. Profit on disposal of fixed asset

	2016	2015
Cost	510,681	351,690
Accumulated depreciation	(463,146)	(351,690)
	----------	-----------
Net book value	**47,536**	-
Sales proceeds	133,486	91,128
	----------	-----------
Profit on disposal of fixed asset	85,950	91,128
	==========	===========

Fair value measurement of the bank's freehold land and buildings

The bank's 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 bank's land and buildings as at 31 December 2016 and 31 December 2015 were performed by Messrs Estates Consult, independent valuers not related to the bank. Messrs Estates Consult are members of the Institute of Valuers of Ghana, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the land was determined based on the market comparison approach that reflects recent transaction prices for similar properties/other methods.

The fair value of the buildings was determined using replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence/other methods.. The significant inputs include the estimated construction costs and other ancillary expenditure and a depreciation factor applied to the estimated construction cost. A slight increase in the depreciation factor would result in a significant decrease in the fair value of the buildings, and a slight increase in the estimated construction costs would result in a significant increase in the fair value of the buildings, and vice versa.

There has been no change to the valuation technique during the year.

Details of the bank's land and buildings and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 1	Level 2	Level 3	Total
2016				
Freehold land and building	-	70,987,545	-	70,987,545
	=============	============		============
2015				
Freehold land and building	-	8,605,702	-	8,605,702
	=============	============		============

There were no transfers between Level 1 and Level 2 during the year

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

20. Intangible assets

	2016	2015
Computer software		
At 1 January	9,299,500	7,094,924
Additions	426,593	2,160,983
Transfers	-	43,593
	9,726,093	9,299,500
Amortisation		
At 1 January	2,642,370	1,509,443
Charge for the year	1,368,112	1,132,927
Accumulated at 31 December	4,010,482	2,642,370
Net book value at 31 December	5,715,611	6,657,130

21. Other assets

	2016	2015
Prepayments	6,472,401	6,223,091
Other receivables	8,551,344	3,580,682
National stabilisation levy	238,601	-
	15,262,346	9,803,773

22.Current tax liabilities

	Balance 1 January	Charge for the year	Payments	Balance 31 December
Year of assessment				
Up to 2015	651,844	-	651,844)	-
2016	-	6,034,166	(7,534,275)	(1,500,109)
	651,844	6,034,166	(8,186,119)	(1,500,109)

23. National Stabilisation levy (recoverable)/payable

	Balance 1 January	Charge for the year	Payments	Balance 31 December
Year of assessment				
Up to 2015	172,585	-	(172,585)	-
2016	-	1,194,910	(1,433,511)	(238,601)
	172,585	1,194,910	(1,606,096)	(238,601)

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

24. Deferred tax assets and liabilities

	2016	2015
Made up as follows:		
Deferred tax asset	(2,014,664)	(1,897,376)
Deferred tax liability	19,011,858	1,731,262
Net deferred tax liability / (asset)	**16,997,194**	**(166,114)**
Deferred tax asset and liability are attributable to:		
Deferred tax asset		
Impairment losses on loans and advances	(2,014,664)	(1,897,376)
Deferred tax liability		
Available-for-sale securities	308,652	139,417
Property revaluation	15,595,461	-
Property and equipment	3,107,746	1,591,845
	19,011,859	1,731,262
Net deferred tax liability/(assets)	**16,997,195**	(166,114)
The deferred tax charge in the profit or loss account is attributable to:		
Property and equipment	(1,515,901)	(997,070)
Collective impairment	117,288	1,312,982
	(1,398,613)	315,912

25. Deposit from customers

	2016	2015
Current accounts	524,095,803	501,927,033
Savings accounts	38,163,877	15,794,361
Call deposits	173,057,343	118,156,982
Time deposits	307,496,829	233,809,374
	1,042,813,852	869,687,750
Analysis by type of depositors		
Financial institutions	237,045,078	26,097,455
Individual and other private enterprise	751,348,328	828,309,596
Public enterprises	54,420,446	15,280,699
	1,042,813,852	869,687,750

The twenty largest depositors constituted 50.96% (2015:45.12%) of the total amount due to customers.

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

26. Deposits from banks and other BoG licensed FIs

	2016	2015
Money market deposits	100,283,068	-
Deposits from BoG licenced FIs	40,660,848	15,476,403
	140,943,916	15,476,403

The Bank has not had any defaults of principal, interest or other breaches with regard to any liabilities during 2016 or 2015.

27. Borrowings

	2016	2015
	13,553,677	86,521,205

Borrowings consist of draw down of Correspondent Banking lines for trade transactions.

28. Other liabilities

	2016	2015
Accruals	4,126,295	3,828,930
Managed funds	1,888,408	2,805,604
Other payables	14,442,686	13,626,820
	20,457,389	20,261,354

The managed funds are funds held on behalf of specific customers. The funds are invested in various financial assets subject to terms agreed between the parties.

29. Stated capital

	2016		2015	
Authorised shares of no par value	No. of Shares	Proceeds	No. of Shares	Proceeds
	500,000,000	-	500,000,000	-
Issued shares				
Ordinary shares	192,225,889	96,610,409	192,225,889	96,610,409

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

30. Revaluation reserves

Revaluation reserves are not distributable but transfer can be made to stated capital in accordance with Section 66(1c) of the Companies Act, 1963 (Act 179). Any such transfer is subject to the consent of Bank of Ghana in line with Section 90 of the Banking Act 2004.

31. Statutory reserve fund

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by Section 29 of the Banking Act, 2004 (Act 673). The proportion of net profits transferred to this reserve ranges from 12.5% to 50% of profit after tax, depending on the ratio of existing statutory reserve fund to paid-up capital.

32. Credit risk reserve

Regulatory credit risk reserve represents the excess of loan impairment provision determined under the Bank of Ghana guidelines over the provisions for loan impairment computed under International Financial Reporting Standard.

33. Other reserves

	2016	2015
At 1 January	(697,083)	233,392
Gain/(loss) from changes in fair value -		
Available for sale government securities	1,234,608	(557,666)
Gains from changes in fair value - investment securities		
Net realised (loss)/gain on available for sale securities		(233,392)
Deferred income taxes	(308,652)	(139,417)
At 31 December	**228,873**	(697,083)

34. Earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of GHS 15.9 million (2015: GHS 14.4 million and weighted average number of ordinary shares outstanding of 192.2 million (2015: 181.8 million), calculated as follows:

	2016	2015
Net profit for the period attributable to equity shareholders of the Bank	15,873,275	14,438,259
Issued ordinary shares at 1 January	192,225,889	171,369,823
Issued shares in the year	-	20,856,066
Weighted average number of ordinary shares at 31 December	192,225,889	181,797,856
	0.08	0.08

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

35. Contingencies and commitments

Contingencies

The Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The value of these securities is not recognised in the statement of financial position.

	2016	2015
Letters of credit	86,253,750	116,980,409
Guarantees and indemnities	43,836,021	122,258,682
	130,089,771	239,239,091
Derivatives/commitments were as follows:		
Swap foreign exchange	43,736,000	-

Nature of contingent liabilities

Letters of credit commits the Bank 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 Bank will only be required to meet these obligations in the event of the customer's default.

Commitments	2016	2015
Capital commitments	7,433,007	13,392,741

The capital commitment is in respect of branch construction and equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover this and other commitments

36. Legal Proceedings

	2016	2015
Provision	450,000	450,000

There were legal proceedings against the Bank at 31 December 2016. Besides provision of GHS 450,000 (2015: GHS 450,000) made in respect of these cases against the Bank, no contingent liability associated with legal actions has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

37. Related party transactions

This relates to inter Bank dealings and transactions with its associates, directors and key management personnel.

a) Inter Group Transactions

The Bank has two associates, First Atlantic Brokers Limited and First Atlantic Asset Management Limited, both incorporated in Ghana.

In the normal course of business, current accounts were operated and other transactions carried out with related parties. The balances outstanding as at year-end were as follows:

Amounts due to:	**2016**	2015
First Atlantic Brokers Limited - Customer deposits	**197,737**	57,422
First Atlantic Asset Management Limited - Customer deposits	**766,398**	12,673,334
Interest expense on the above	**2,546**	174,912
Amounts due from:		
First Atlantic Brokers Limited - Advances	**357,750**	177,100
First Atlantic Asset Management Limited - Advances	**880,755**	1,961,847

b) Transactions with Directors and Key Management Personnel

Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Bank.

In the ordinary course of business, the Bank transacted business with companies where a Director or any connected person is also a director or key management member of the Bank. These transactions were made on substantially the same criteria and terms, including rates and collaterals as those prevailing at the time for comparable transactions with other persons.

The bank did not make provision in respect of loans to Directors or any key management member during the period under review. (2015: nil)

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

(i) Transactions with Directors and Key Management Personnel

Advances to customers at 31 December 2016 and 31 December 2015 include loans to related parties (directors and associated companies) as follows:

	2016	2015
At 1 January	2,382,837	6,044,964
Loans advanced during the year	7,936,939	184,800
Loans repayment received	(476,221)	(3,846,927)
At 31 December	**9,843,555**	2,382,837
Interest income earned	**378,839**	579,518
Make up		
Advances to Directors	7,457,696	243,590
Advances to associate companies	2,385,859	2,139,247
	9,843,555	2,382,837

(ii) Key management compensation

Key management comprises members of the Executive Management, which includes all executive directors. Compensation of key management is as follows:

	2016	2015
Salaries, allowances and benefits in kind	3,910,975	2,246,792
Pension contributions	416,859	404,693
Bonuses paid or receivable	130,896	315,737
Share based payments	-	-
	4,458,730	2,967,222

(iii) Deposits from directors

	2016	2015
At 1 January	1,204,758	514,769
Net movement during the year	(517,484)	689,989
At 31 December	**687,274**	1,204,758
Interest expense incurred	-	3,085

Notes to The Financial Statements

For the year ended 31 December 2016
(All amounts are expressed in Ghana cedis unless otherwise stated)

(iv) Directors' remuneration

	2016	2015
Fees for service as directors	497,693	495,907
Other emoluments	344,907	216,459
	-------	---------
	842,600	712,366
	=======	=========

38. Social responsibility

In furtherance of our corporate social responsibility, the Bank supported initiatives totalling GHS 0.77 million (2015: GHS 0.37million) to cover activities in the Bank's key areas of concern, namely health, education and the environment. These included donations and support for tertiary institutions, programmes for trainee professionals, health and charitable institutions and cultural and other social events.

39. Statutory liquidity

	2016	2015
Default in statutory liquidity	Nil	Nil
Sanction from default in statutory liquidity	Nil	Nil

40. Analysis of shareholding as at 31 December 2016

Shareholders	Shareholding	% Holding
Kedari Nominees Limited	137,874,371	71.73%
A.A. Global Investments Limited	32,233,587	16.77%
Erine International Limited	4,888,969	2.54%
FABL Ownership Scheme (ESOP)	3,979,836	2.07%
Allied Investment Company Limited	3,693,222	1.92%
Mr. J. E. Amakye, Jnr.	3,109,971	1.62%
Kwaku Akosah-Bempah	2,539,162	1.32%
F. M. Plastechnic Limited	1,699,134	0.88%
Buck Investments Limited	1,003,961	0.52%
Mr. Jude Arthur	539,765	0.28%
Wilkins Investments	353,986	0.19%
Estate of the late Mr. Holdbrook Arthur	309,925	0.16%
	-----------	-----------
Total	192,225,889	100%
	===========	===========

41. Events after the reporting date

Events subsequent to the statement of financial position date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

Notes to The Financial Statements

For the year ended 31 December 2016

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New standards and interpretations

Standard and interpretations issued but not yet effective

IFRS 9 Financial Instruments Classification and measurement of financial assets

On 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments incorporating a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

IFRS 9 uses a single approach to determine classification of financial assets (which will then determine their measurement basis either at amortised cost or fair value, replacing the many different rules in IAS 39). The approach is based on how an entity manages its financial assets ("business model") and the contractual cash flow characteristics of such assets ("contractual cash flows"). The business model criterion is met when an entity holds financial assets in order to collect the asset's cash flows. The contractual cash flows criterion is met when the contractual cash flows collected from the financial asset represent solely interest and principal. When the two criteria are met, the financial asset must be measured at amortised cost unless the fair value designation is adopted. This assessment does not need to be performed on an asset by asset business but rather on a portfolio basis. A new measurement category of fair value through other comprehensive income will apply for debt instruments held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets.

Classification and measurement of financial liabilities

The classification criteria for financial liabilities contained in IAS 39 move to IFRS 9 unchanged and the IAS 39 classification categories of amortised cost and fair value through profit or loss are retained. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognised directly in other comprehensive income, unless it creates or increases an accounting mismatch. The amount that is recognised in other comprehensive income is not recycled when the liability is settled or extinguished. The meaning of credit risk is clarified to distinguish credit risk from asset-specific performance risk. The cost exemption in IAS 39 for derivative liabilities is eliminated, although the concept of bifurcating embedded derivatives from a financial liability host contract remains unchanged from IAS 39.

Notes to The Financial Statements

For the year ended 31 December 2016

Embedded derivatives

The embedded derivative concept that existed in IAS 39 has been included in IFRS 9 to apply only to hosts that are not financial assets within the scope of the Standard. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the host financial asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed

Derecognition

In October 2010 the requirements in IAS 39 relating to derecognition of financial assets and financial liabilities were carried forward unchanged to IFRS 9.

Hedging

The hedge accounting requirements in IFRS 9 are optional. If certain eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge.

The three types of hedge accounting remain: cash flow hedges, fair value hedges and net investment hedges. IFRS 9 allows combinations of derivatives and non-derivatives to be designated as the hedging instrument. There has been a broadening of the types of risks that may be hedged, especially for non-financial items. Risk components of non-financial items may now be hedged under IFRS 9. Changes in the way forward contracts and derivative options are accounted for when they are in a hedge accounting relationship will reduce profit or loss volatility when compared with IAS 39. The effectiveness test has been overhauled and replaced with the principle of an economic relationship. Retrospective assessment of hedge effectiveness is no longer required. The new requirements do bring with more extensive hedge documentation and disclosure for entities. The hedge accounting model in IFRS 9 is not designed to accommodate hedging of open, dynamic portfolios. As a result, for a fair value hedge of interest rate risk of a portfolio of financial assets or liabilities an entity can apply the hedge accounting requirements in IAS 39 instead of those in IFRS 9. In addition when an entity first applies IFRS 9, it may choose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of Chapter 6 of IFRS 9.

Impairment

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The loss allowance will be for either 12 month expected credit losses or lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. A different approach applies for purchased or originated credit impaired financial assets.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

Notes to The Financial Statements

For the year ended 31 December 2016

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

* Identify the contract(s) with a customer

* Identify the performance obligations in the contract

* Determine the transaction price

* Allocate the transaction price to the performance obligations in the contract

* Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Consensus

The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Notes to The Financial Statements

For the year ended 31 December 2016

Amendments to Standards and interpretations IFRS 2 Share-Based Payments

The IASB finalised three separate amendments to IFRS 2:

Effects of vesting conditions on the measurement of a cash-settled share-based payment.

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

Classification of share-based payment transactions with net settlement features. IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

IFRS 4 Insurance Contracts

The IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

IFRS 7 Financial Instrument: Disclosures

Disclosures about the initial application of IFRS 9

The following disclosures are required in the reporting period when IFRS 9 is first applied:

- changes in the classifications of financial assets and financial liabilities; and

- details of financial assets and financial liabilities which have been reclassified so that they are measured at amortised cost, including the fair value of the financial asset or liability at the end of the reporting period and the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial asset had not been reclassified.

Notes to The Financial Statements

For the year ended 31 December 2016

IFRS 10 Consolidated Financial Statements

Investment Entities Exemption

Amends IFRS 10, IFRS 12 and IAS 27 to provide investment entities an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 11 Joint Arrangements

Accounting for Acquisitions of Interests in Joint Operations

The amendment addresses how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11 now requires that such transactions shall be accounted for using the principles in IFRS 3 Business Combinations and other standards. The most significant impacts will be the recognition of goodwill and the recognition of deferred tax assets and liabilities. The amendments not apply to acquisitions of interests in joint operations but also when a business is contributed to a joint operation on its formation.

IFRS 12 Disclosure of Interests in Other Interests

Investment Entities

This amendment clarifies which subsidiaries of an investment entity should be consolidated instead of being measured at fair value. The impact on whether the entities may be consolidated will result in changes in the disclosure requirements of IFRS 12 for subsidiaries.

IFRS 15 Revenue from Contracts with Customers

To keep the IASB and FASB informed on interpretive issues occurring during implementation of the converged revenue recognition standard and to assist in determining what action may be needed to resolve diversity in practice, the Boards created the Joint Transition Resource Group for Revenue Recognition (TRG).

The discussions of the TRG highlighted potential diversity in stakeholders' understanding of some topics in IFRS 15. In response to this, the IASB made amendments to the following areas clarify IFRS 15:

- Distinct goods or services
- Principal versus agent
- Licensing
- Determining the nature of the entities promise
- Sales-based usage- based royalties

Notes to The Financial Statements

For the year ended 31 December 2016

IAS 1 Presentation of Financial Statements

The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments relate to the following:

- materiality;
- order of the notes;
- subtotals;
- accounting policies; and
- disaggregation

IAS 7 Statement of Cash Flows

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):

(i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. This is a departure from the December 2014 exposure draft that had proposed that such a reconciliation should be required.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities

IAS 12 Income Taxes

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

- The carrying amount of an asset does not limit the estimation of probable future taxable profits.

- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Notes to The Financial Statements

For the year ended 31 December 2016

IAS 16 Property, plant and equipment

Clarification of Acceptable Methods of Depreciation and Amortisation

The amended IAS 16 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of property, plant and equipment. This presumption can only be rebutted in two limited circumstances:

1. Property plant and equipment is expressed as a measure of revenue; or
2. Revenue and consumption of the item of property, plant and equipment are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

Agriculture: Bearer Plants

The amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. Bearer plants are defined as living plants that are used in the production or supply of agricultural produce and for which there is only a remote likelihood that the plant will also be sold as agricultural produce (other than as incidental scrap sales at the end of the plant's productive life). For cost benefit reasons, the amendments permit fair value as deemed cost for bearer plants on transition.

IAS 27 Separate Financial Statements

Equity Method in Separate Financial Statements

The objective of this narrow-scope project is to restore the option to use the equity method of accounting in separate financial statements. IAS 27 Separate Financial Statements allows an entity to account for investments in subsidiaries, joint ventures and associates either at cost or in accordance with IFRS 9 Financial Instruments in the entity's separate financial statements.

IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Notes to The Financial Statements

For the year ended 31 December 2016

IAS 38 Intangible assets

Clarification of Acceptable Methods of Depreciation and Amortisation

The amended IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in two limited circumstances:

1. The intangible asset is expressed as a measure of revenue; or

2. Revenue and consumption of the intangible asset are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

IAS 40 Investment Property

The amendment provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. The IASB amended the paragraph to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property.

IAS 41 Agriculture

Bearer Plants

The amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. Bearer plants are defined as living plants that are used in the production or supply of agricultural produce and for which there is only a remote likelihood that the plant will also be sold as agricultural produce (other than as incidental scrap sales at the end of the plant's productive life). For cost benefit reasons, the amendments permit fair value as deemed cost for bearer plants on transition.

Improvements to IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Change in methods of disposal

The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

Such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and

Assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

Notes to The Financial Statements

For the year ended 31 December 2016

IFRS 7 Financial Instruments: Disclosure

Servicing contracts

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements. However, in practice, most service contracts have additional features that lead to a continuing involvement in the asset, for example, when the amount and/or timing of the service fee depends on the amount and/or timing of the cash flows collected.

Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements

Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (introduced in December 2011) and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all condensed interim financial statements after 1 January 2013 or only in the first year. The amendments clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

IFRS 12 Disclosure of Interests in Other Interests

Scope

Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Investment Entities

Clarifies that an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

IAS 19 Employee Benefits

The amendments to IAS 19 clarify that the high quality corporate bonds to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

IAS 28 Consolidated Financial Statements

Investment Entities Exemption

Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Notes to The Financial Statements

For the year ended 31 December 2016

IAS 34 Interim Financial Reporting

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

43. Value Added Statements for the year ended 31 December

	2016	2015
Interest earned and other operating income	246,043,687	194,606,683
Direct cost of Services	(81,710,044)	(68,004,590)
Value added by banking services	164,333,643	126,602,093
Non-banking Income	(98,181)	969,547
Impairments	(37,805,485)	(30,002,000)
Value Added	126,429,977	97,569,640
Distributed as follows:-		
To Employees:		
Directors (without executives)	842,600	712,366
Executive directors		
Other employees	42,053,569	29,939,205
To Government:		
Income tax	8,627,689	6,555,545
To providers of capital :		
Dividends to shareholders	-	-
To expansion and growth:		
Depreciation and Amortisation	9,442,890	6,740,911
Suppliers of goods and services	49,589,954	39,183,354
Retained earnings	**15,873,275**	14,438,259

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