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Welcome to the

Purple  
*Xperience*



...refreshingly different!





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## CORPORATE PROFILE



First Atlantic Bank is a full-scale commercial bank with over 23 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 be a global bank out of Ghana and the West African Sub-region.

We therefore pursue the agenda of creating a well

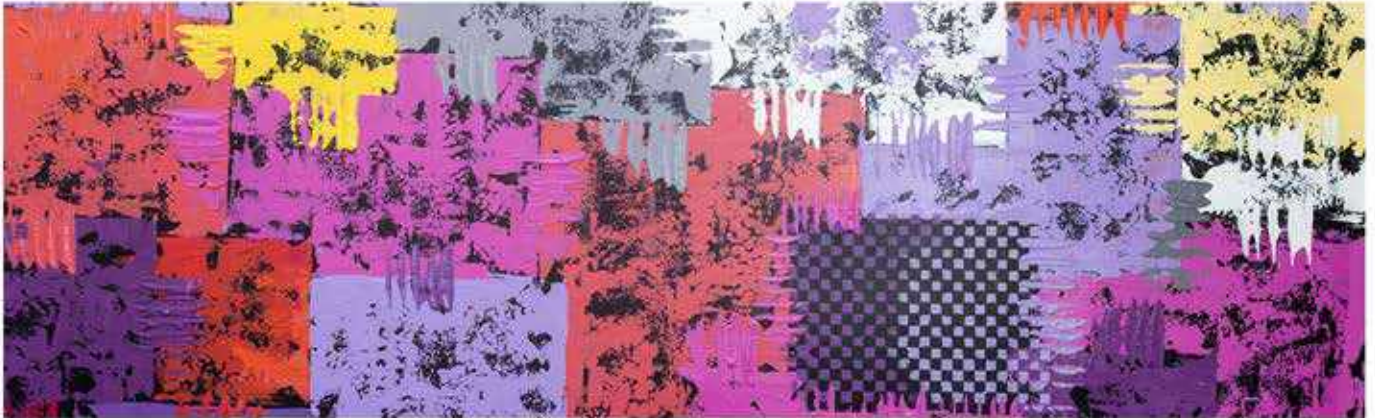
differentiated brand with bespoke product and service offerings delivered by a knowledgeable and well motivated staff. First Atlantic Bank is positioned as a conduit for investment flows into Ghana while leading in the use of electronic and other alternative channels to promote financial inclusion. Facilitating 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.



## CORE VALUES, VISION AND MISSION



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.

## **OUR VISION**

"To be a Global Bank out of Ghana."

## **OUR MISSION**

Providing superior Financial Solutions and creating value for our stakeholders.





# Atlantic Cash

More locations. More providers  
Receive money at any of our branches and agencies.



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\*Terms and conditions apply on all loans



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## CORPORATE INFORMATION

### DIRECTORS

KAREN AKIWUMI-TANOH	BOARD 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
PAPA MADIW NDIAYE	NON-EXEC. DIRECTOR

### REGISTERED OFFICE

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

### COMPANY SECRETARY

Mark Ofori-Kwafo  
P. O. Box 1620 Cantonments  
Accra, Ghana

### AUDITORS

PricewaterhouseCoopers  
Chartered Accountants  
Accra, Ghana

### BANKERS

Access Bank, UK  
BMCE Bank, Paris  
Bank of Beirut  
Commerzbank, AG  
Coris Bank International, Burkina Faso  
Coris Bank International, Mali  
Deutsche Bank  
FBN, UK  
Ghana International Bank, UK  
Union Bank, UK

## BOARD OF DIRECTORS



## BOARD OF DIRECTORS



### **KAREN AKIWUMI-TANOH** BOARD CHAIRMAN

Karen Akiwumi-Tanoh is the former Managing Director of Ecobank Sierra Leone and Angola. Over her 23 years with Ecobank, she was significantly responsible for the growth and establishment of Ecobank in several African nations including Ghana, Sierra Leone and Angola. An accomplished Ghanaian Banker with Audit, Consulting and Banking experience spanning 3 decades, she has practiced in several countries including Ghana, Togo, Sierra Leone, Angola, UK and the USA. Her core competencies include Strategy Formulation, Corporate Finance, Banking, Accounting & Auditing and Networking. She is currently Chairperson of First Atlantic Bank Limited, a Chartered Accountant (ICAEW) and is a member of the Institute of Directors (IoD) UK.



### **ODUN ODUNFA** MD/CEO

Odun Odunfa has almost three (3) decades of Banking experience spanning all segments of Corporate, Commercial, Retail and Investment Banking with Fountain Trust Merchant Bank, Citizens International Bank, Ecobank Nigeria, Capital Bank International and UBA Plc. Prior to his appointment as the Managing Director/CEO of First Atlantic Bank, Ghana, he was the Managing Director/Chief Executive Officer of Kedari Capital Limited an Investment Banking firm in Nigeria. Mr. Odunfa has received many awards including the Business Leadership award and the Outstanding Banking and Finance CEO of the year 2018.



**PATIENCE ASANTE**  
EXECUTIVE DIRECTOR - RISK & CONTROLS

Patience is a Finance professional and result driven Risk Management expert with over 20 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 GH4750 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 was also a Deputy Manager, Risk Management at 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.



**DANIEL MARFO**  
EXECUTIVE DIRECTOR - BUSINESS

Daniel is a Corporate & Investment Banker with over 18 years experience. He possesses excellent deal origination, structuring, credit and leadership capabilities. Prior to joining FABL 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 holds a Bsc. (Hons) Mining Engineering (First Class Honours) from the Kwame Nkrumah University of Science & Technology, Kumasi, LLB (First Class) Mouncrest University College, Accra and an MBA (Finance) Lancashire Business School, England. He is also a lawyer.





**OYE BALOGUN**  
NON-EXEC. DIRECTOR

Oye Balogun is a versatile entrepreneurial executive with over 21 years experience in legal practice and 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 J B Maye PDC Ltd, a real estate and infrastructure development company in Lagos Nigeria and a Director in Kedari Capital Ltd. He is a member of the Nigerian Bar Association and Real Estate Developers Association of Nigeria.



**JOHN E. AMAKYE JNR.**  
NON-EXEC. DIRECTOR

John is a lawyer by profession with over 35 years experience as a legal practitioner. He was called to the Bar in 1979 and 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 Limited and Twifo Oil Palm Plantations Ltd.



**BEN GUSTAVE BARTH**  
NON-EXEC. DIRECTOR

Ben has over 12 years experience in Banking both locally and abroad. He has worked for Banks such as Ecobank (Gh.) Ltd, Ecobank Transnational Ltd, Standard Chartered Bank and Citigroup Inc, New York. He has an in-depth understanding of commercial banking, especially consumer and wholesale banking. Ben has supervised some of the most sophisticated means of deploying cards as a product in different markets. He has experience in business strategy development, finance, strategic marketing, operations and project management. Ben Barth graduated from the University of Ghana Business School with a Bsc. Administration (Banking & Finance) in 1999. He earned an MBA (Finance & Strategy) from the Harvard Business School, Massachusetts, USA in 2006.



**DR. WALE OLAWOYIN**  
NON-EXEC. DIRECTOR

Dr. Adewale A. Olawoyin obtained an LL.B degree from the University of Ife (now Obafemi Awolowo University) in 1987, an LL.M 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. He is presently a partner in the law firm of Olawoyin & Olawoyin, Lagos, which specializes in domestic and international commercial and corporate law. Wale is also a senior lecturer in the Department of Commercial & Industrial Law in the Faculty of Law, University of Lagos.





## **PAPA MADIW NDIAYE**

### **NON-EXEC. DIRECTOR**

Papa Madiaw Ndiaye is the Founder and Chief Executive Officer of AFIG Funds, an Africa-focused private equity fund management company headquartered in Dakar, Senegal.

Prior to founding AFIG, Papa was a Founding Partner at Emerging Markets Partnership in Washington (EMP).

Prior to joining EMP, he held senior responsibilities for IFC's equity and debt investment activities in capital markets and financial institutions in Africa between 1996 and 2000. In 2000, Papa was named the Special Advisor for Economic and Financial Affairs to the President of the Republic of Senegal and Chairman of the Senegalese Presidential Economic & Financial Advisory Council. He spent the early part of his career at Salomon Brothers and joined JP Morgan's Emerging Markets Group in 1992. He serves on the boards of a number of African companies and non-profit organizations involved with Africa.

Papa is Senegalese and holds an M.B.A. degree from the Wharton School of Business, an M.A. in International Affairs from the University of Pennsylvania's Lauder Institute, and a B.A. in economics from Harvard College.

## BOARD CHAIRMAN'S STATEMENT



**KAREN AKIWUMI-TANOH**  
BOARD CHAIRMAN

*Ladies and Gentlemen, it is my honour to present the Annual Report and Audited Financial Results of our Bank for the year ended 31st December 2018.*

*This past year, was a hugely challenging one for all players in the Ghanaian Financial Sector. Regulatory initiatives introduced by the Central Bank, notably, implementation of the new minimum capital, changed the banking landscape and impacted the performance of most banks. In spite of these challenges, however, First Atlantic Bank achieved impressive results.*

### Operating Environment

#### Global Developments

Global economy growth was estimated at 3.6% in 2018 compared to 3.7% in 2017. Emerging markets and developing economies (EMDEs) experienced substantial financial pressures as the trade war

between the US and China heightened.

The Euro Zone and United Kingdom experienced a decline in exports compared to 2017. In the Euro area, higher energy prices dampened demand in energy imports, while some countries were affected by political and industrial uncertainties.

Against all odds, the US economy maintained robust growth with private sector activity buoyed further by sizable fiscal stimulus.

The increased domestic demand in the Indian economy contributed immensely to emerging Asia's growth. However, Argentina's tight financial conditions coupled with truck drivers' strike and drought in Brazil slowed down Latin America's recovery.

#### Regional Developments

Strengthened macroeconomic indicators in Sub-Saharan Africa showed steady growth in the region with an estimated growth of 3% in 2018.



Nigeria, being a major regional growth contributor, recovered despite obstructions in its energy sector and oil pipelines issues. Agriculture and Service sectors in the region were the key drivers of expansion in the non-oil economies.

South Africa experienced a short-lived recession during the second quarter of 2018 but it recovered from the doldrums due to improvement in agricultural yields and increased industrial output. The International Monetary Fund (IMF) approved a sizeable bailout for Angola, aimed at restoring external and fiscal sustainability amidst an ongoing recession.

On the external side, current account balances experienced little change. Financial inflows however were strong, with Eurobond issuances at its high.

#### Domestic Developments

Following the rebasing of the economy, by the GSS, Ghana's Gross Domestic Product (GDP), initially estimated at GHS 206 billion at end 2017, was revised upwards by 25 percent to GHS 257 billion. Post the rebasing exercise, GDP for 2018, is estimated to have grown by 6.3% compared to 8.1% in 2017. Mining & Quarrying subsector continue to drive growth in the economy, while the key sectors; Agriculture, Industry and Services contributed significantly to the above growth.

Stringent monetary policies and practical fiscal consolidation policy brought headline inflation down to 9.4% in 2018 from 11.8% in 2017. Monetary Policy rate eased to 17% in 2018 from 20% in 2017. Average lending rate stood at 26.86% a slight drop from the 2017 figure of 29.25%. Ghana's overall indebtedness improved, bringing the Debt to GDP ratio down to 57.9%.

Exchange rate position was unfavorable with significant knock on effect on business. Largely, normalization of the US monetary policy had negative effect on the Ghanaian cedi and over the year the cedi depreciated against the US Dollar by 8.4%.

Following the Central Bank's implementation of the new minimum capital requirement, as well as its drive to stabilize the financial sector, the banking landscape changed substantially during the year with the revocation of the banking licenses of five indigenous banks later amalgamated into the Consolidated Bank Ghana.

Amidst these uncertainties, your bank remained focused on maximizing shareholders' wealth and delivering excellent service to our customers.

#### Recapitalisation

The Bank of Ghana announced December 31, 2018 as the deadline for meeting the new minimum capital requirement of four hundred million cedis. Thankfully, with the help of you, our shareholders, we were able to meet the regulator's requirements by the stipulated time, with an injection of fresh capital and a merger with Energy Commercial Bank.

Our Bank is proud to say we are one of the twenty-three (23) universal banks that were able to meet the new minimum paid-up capital and we will leverage this achievement to maximize shareholders wealth as we work towards achieving the vision of becoming a bigger and stronger player in the financial services sector.

#### Financial Performance

The bank's financial performance continues to improve. Profit before tax was GHS 33 Million, an increase of 15% over 2017 figure of GHS 28.9 Million. Operating income grew by 21% from GHS 142 million to GHS 172 Million as a result of a 41% growth in non-funded income. This performance is the result of a more efficient utilization of resources and effective application of technology in our service delivery.

Total Assets increased by 8% to end the year at GHS 1,846 Million. This growth was mainly driven by growth in customer deposits as well as the additional capital introduced.



I would like to reassure you that our financial indicators show the bank is highly solvent -Capital Adequacy ratio and Liquidity ratio were 24% and 91% respectively, both in excess of minimum regulatory requirements.

#### Corporate Governance

Your Bank and Board were compliant with all regulatory requirements and directives during the year. The Board remains conscious of the fact that, governance is evolving and will keep abreast with all the regulators changes as these are communicated.

#### Our People

The well-being of our staff remained a key priority in 2018. We are conscious that the continuous improvement in the bank's performance is attributable to the commitment, passion and perseverance of our staff.

We endeavor to provide an atmosphere conducive to learning and career development for all our workers to enhance their skills and achieve career progression. Our all-inclusive training programs are designed to ensure that best practices are consistently adopted to equip our staff with required skills and experience. We recognize the fact that attracting and retaining quality staff plays a critical role in our objective to become a tier one bank. In view of this, we have positioned ourselves to become an employer of choice. We will continue to recognize and reward outstanding employees for their excellent performance in delivering value to all stakeholders.

#### Corporate Social Responsibility

First Atlantic Bank has a keen interest in contributing to the achievement of the global Sustainable Development Goals (SDGs). In 2018, with the assistance of the Ministry of Health we identified and focused on health in disadvantaged communities. By the end of the year we had completed the construction and fully equipped a mother and baby unit for the rural community of Talensi in the Upper East Region.

#### Conclusion and Outlook for 2019

Global economic growth is expected to decline to 3.3% in 2019 from 3.6% in 2018, trade uncertainties persist and international trade and investment are expected to continue to soften.

Major contributors to SSA; Nigeria and South Africa are recovering from their short-lived recession it is anticipated that the economic performance of these two giants will improve significantly and cushion the region. Considering current developments in the Ghanaian economy i.e. favorable trade position, Oil discovery and declining inflation, we expect positive growth in the year 2019.

In view of our past performance, we believe the new First Atlantic Bank is well placed and on course to becoming a global bank by 2022.

Meeting the new minimum capital requirement positions us for the competition ahead and we believe that, the seamless completion of our merger with ECB will open up business opportunities that will increase our market share.

In the year ahead our plan is to remain focused on our key business areas and drive up momentum on our digital banking agenda.

#### Appreciation

On behalf of the Board, I would like to thank existing customers for their loyalty and welcome new customers and shareholders to the purple family. I take this opportunity to congratulate my colleagues on the board, management and staff of our bank for their commitment, resilience and hard work in 2018.

I believe 2019 will be a year of growth and expansion. I know we can count on your support as we build a global Bank out of Ghana.

Thank you.



**MADAM KAREN AKIWUMI-TANOH**  
**BOARD CHAIRMAN**



## MD/CEO's STATEMENT



**ODUN ODUNFA**  
MD/CEO

Dear Shareholders,

*I am honoured to present to you the Bank's operational activities and performance for the year ended 31 December 2018.*

*The year 2018 was packed with activities that had significant impact on the Ghanaian financial sector including the increasing of minimum capital requirement for commercial banks, changes in the regulatory environment by the Bank of Ghana and clean-up of the commercial banking sector.*

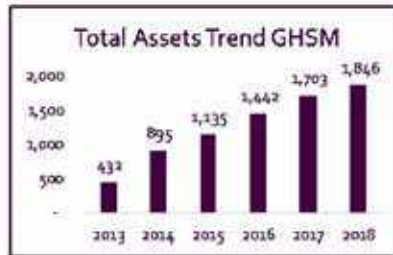
*In spite of these sectorial activities and other socio-economic challenges, the determination and hard work on the part of directors, management and staff resulted in the banking holding its position as a top player. The bank met the revised minimum regulatory capital and posted growth in both the balance sheet and profitability. We continue to remain strong and competitive, driven by our quality of service, investments in technology, operational efficiency and an enhanced risk-controlled environment.*

### Review of 2018

#### Financial Performance Dashboard

In the year under review, the bank recorded a 16% growth in the profit before tax, improving from GHS 28.9 million in 2017 to GHS 33.3 million in 2018. The growth is an indication of the bank's resilience in an environment which continues to be characterised by stiff competition, changing regulatory landscape and market volatility.

The bank's Total Assets increased from GHS1.70 billion in 2017 to GHS1.85 billion in 2018 representing an increase of 8%. CASA deposit which was 44% of total deposit in 2017 grew to 75% of total deposit in 2018 in line with the Bank's strategy to reduce expensive funds and increase net interest margins. After successfully achieving the revised minimum capital requirement, we are in a very good position to further enhance customer trust and confidence in the brand and leverage on same to aggressively grow customer deposits.



Gross Loans and Advances increased by 54% to GHS420 million, up from the previous year's level of GHS273 million. This phenomenal growth is a reflection of our desire to be a healthy partner in the credit market, meeting the business needs of our customers (both personal and corporate). On the back of a sound credit administration and monitoring, the quality of the Loan Book improved, Non-Performing Loan ratio reduced from 18% in 2017 to 15.6% at the end of 2018.



The bank remained robust in withstanding any unexpected shocks on our capital base. Our Capital Adequacy ratio improved through the year and ended 2018 at 22.9% against the regulatory limit of 10%. This gives the bank a good position with the implementation of Basel II/III capital requirements from January 2019.

#### Channels

We have made significant progress on our channel strategy by undertaking projects that focused on expanding the Bank's presence online whilst delivering exceptional services at our branch networks to meet the varying needs of our customers.

In 2018, no new branch was opened. This was a strategic business decision to create room for inorganic growth in the branch network from potential mergers and acquisitions as part of the recapitalisation. We ended 2018 with thirty (30) branches and focused on consolidating the massive expansions in the previous year.

In response to the revolution in the technology space, we implemented the MasterPass QR Code solution, USSD Banking, Corporate Bulk Payments solutions amongst other projects to meet the payments and collections needs of our customers. The bank's FlexiPay application continues to offer our cherished customers the ease and convenience in mobile money transactions and card payments.

Our continuous investment in technology is evident in the ongoing upgrade of our mobile application platform. This initiative will promote excellence and convenience in customer transactions.

In addition, the security architecture of the bank's systems, processes and applications has been a priority to comply with ISO and Information Security Management System (ISMS) standards. The bank has successfully been re-certified to the Payment Card Industry Data Security Standard (PCI DSS) version 3.2 after undergoing rigorous audits to ensure the bank is in compliance with international best practices and have robust and reliable information systems.

Our well-resourced and managed call centre provides a 24/7 opportunity for our customers to engage the bank through our professional staff who are always ready to meet the needs of our customers. Customer feedback remains the basis on which management decisions are executed to improve customer satisfactions.



### Corporate Social Responsibility

The Talensi District Hospital in the Upper West Region was a beneficiary of the bank's CSR activities as we completed a brand-new Mother and Baby Unit for the hospital. This gesture is in tune with the bank's desire to focus our CSR efforts on the health and education of women and children in our society.

### People

Our diverse and relatively young workforce remains our greatest asset. They have been instrumental and consistent in the drive towards our impressive financial performance. The bank committed in developing the skills and exposures of our staff through trainings and internal reshuffles. There were other staff engagement and team-bonding activities held within the year to foster a congenial working environment.

### Outlook for 2019

The Global economy is projected to shrink to 3.3%, 0.3% fall in 2018 growth rate. Amidst the external pressures, Ghana's economy is expected to accelerate fairly in 2019. The expansion of the economy is expected to be driven by improved commodity prices and access to private sector credit. Real GDP growth of 6.8% is forecasted for 2019.

There is expectation that, private final consumption will continue to play a significant role in Ghana's economy accounting for around 78% of GDP over a medium-term forecast period. Real growth in private final consumption is forecasted to ease to 5.1% in 2019, from an estimated 8.0% in 2018 while growing at an annual average of 4.9% between 2019 and 2022.

### Financial Sector Expectations of 2019

- The uncertainties in the Banking industry in Ghana which affected businesses in 2018 will be at the barest minimum since the commercial banking sector clean-up has concluded and majority of the 23 sound banks has met the GH\$400 million capital requirement. Customer and investor confidence are

expected to rebound based on the expected stricter regulatory supervision.

- The Bank of Ghana (BoG) is likely to end its monetary easing cycle in 2019 following 900bps of cuts since November 2016. This would have positive implications on interest margins for banks.
- The cedi might depreciate against the US dollar due to expected monetary tightening in the United States which will continue to put pressure on the Ghanaian exchange rate.

We will continuously monitor the trends in the industry and general economy to identify available opportunities that arises and fully take advantage of them.

### Macroeconomic Expectations and Challenges

The following are some of the probable events forecasted to occur in 2019 that might impact our business:

- Rising oil and gas production will support real GDP growth in the 2019-23 forecast period. The government's industrialisation push and moves to strengthen the banking sector will boost non-oil economic growth.
- Inflation is expected to remain high in 2019, given a weakening currency and strong growth in private consumption. The rate will remain close to the upper band of the official 6% to 10% target range.
- Economic growth over the forecast period will be driven predominantly by the hydrocarbons sector with a continued ramping up of oil and gas production expected.

In line with the expected economic factors, policy directions and government initiatives, we have set strategic and reasonable targets for the 2019 financial year.

These targets are consistent with our growth objectives and our vision to be a global bank out of Ghana.



## First Atlantic Bank Plans for 2019

### Recapitalisation

Following the banking sector reform by the Bank of Ghana, twenty-three (23) universal banks successfully went through the recapitalisation process and got re-certified by the central bank to continue operation on their commercial banking licenses.

Sixteen (16) banks out of the twenty-three (23) met the new minimum paid-up capital requirement of GHS400 million mainly through capitalisation of income surplus and fresh capital injection. Three (3) applications for mergers were approved by the bank of Ghana to enable the merging banks meet the new minimum capital requirements. Five (5) other indigenous banks had the central bank approve a support arrangement from a special purpose holding company named Ghana Amalgamated Trust Limited (GAT) to meet the new minimum capital requirement.

### Merger

First Atlantic Bank Limited adopted a combination of raising new capital (Rights Issue and Private Placement) and merging with Energy Commercial Bank Ghana Limited to meet the new minimum capital requirement and to work towards achieving the vision of both banks to become a bigger and stronger player in the financial services sector.

The merged entity is operating under the First Atlantic Bank brand; this will ensure integration of respective channels, customers and staff of both banks.

We have become a bigger and stronger player in the financial services sector and are strategically positioned for the competition and opportunities that lay ahead. Our merger with ECB will not only enhance the delivery of exceptional quality service to our esteemed customers but also further open up business opportunities in the market that will increase our share in 2019.

### Governance and Culture

In view of the merger, the bank has setup a strategic

plan to fully integrate the customers, people, systems, products and services of both banks and provide a unified direction and inspire all stakeholders in propelling the bank to its next phase of growth and achieving its vision of "Building a global bank out of Ghana".

We continue to emphasize our zero tolerance for breach of regulations, bank policies or procedures approved by the Board and regulatory bodies. The Executive Management is in control and closely monitors the bank's operations to ensure compliance at all levels.

Our risk management and monitoring processes continue to undergo improvements to ensure minimised operational and credit losses across the bank.

### Concluding Comments

This will be a year of continued delivery for our customers, clients, and shareholders as we look to accelerate execution of our plans. Our work is not complete, but we are on the right track, making steady progress against our strategic targets, and with every stakeholder committed to driving performance. We can have strong confidence in our ability to deliver.

In conclusion, I wish to take this opportunity to thank our supportive Board, management and members of staff for their dedication and resilience exhibited while undertaking various roles towards the bank's 2018 achievements. I also extend gratitude to the shareholders, directors and staff of erstwhile ECB for their various roles in the successful merger. I seize this moment on behalf of management to thank our existing customers for their continuing loyalty to the First Atlantic Bank brand and welcome new customers to the purple family.

Thank you for your continued support.

**#Strongertogether!**



**Odun Odunfa**  
MD/CEO



## CSR - BABY & MOTHER UNIT (TALENSI DISTRICT HOSPITAL)





## STAKEHOLDER ENGAGEMENT

### FAB-AFIG AGREEMENT



### CUSTOMER APPRECIATION WEEK





## STAFF APPRECIATION DINNER





## ATLANTIC WALK





## PURPLE PRAISE



## GHANA BUSINESS AWARDS





## BREAKFAST FORUM





## ENTERPRISE LIFE SIGNING



## STAFF DURBAR





## EXECUTIVE COMMITTEE



**Odun Odunfa**  
MD/CEO



**Patience Asante**  
Executive Director,  
Risk & Controls



**Daniel Marfo**  
Executive Director,  
BUSINESS



**Olugbenga Ogundele**  
Chief Operating Officer



**Mark Ofori Kwafo**  
Head, Legal



**Kwasi Nimako**  
Chief Finance Officer



**Ama Biremba Ghartey**  
Head, Treasury



**Anthony Mensah**  
Head, Corporate Banking



**Nicholas Aheedor**  
Chief Internal Auditor



**Jonas Safo Baah**  
Head, HR



**Kofi Osei-Asibey**  
Head, Strategy & Execution



**Richard Opoku-Baah**  
Head, I.T





## Atlantic Bill Payments

Pay your SSNIT Contributions, DStv, GOtv, TV Licence, PDS, DVLA, AMA and many more bills easily and conveniently at any of our branches.



Tel: 030 268 2204 | [Facebook](#) | [Twitter](#) | [@firstatlanticgh](#)  
Toll free numbers: 0800 11011 (Vodafone) 18228 (MTN)

... refreshingly different!

# Welcome

## Private Banking

Join and discover an impressive collection of benefits and privileges providing everything you would expect from a truly world class Bank.



Tel: 030 268 2204    @firstatlanticgh  
Toll free numbers: 0800 11011 (Vodafone) 18228 (MTN)



... refreshingly different!



## REPORT OF THE DIRECTORS

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

### Principal activities

The Bank has a universal banking licence and its main activities are retail banking, commercial banking, corporate banking, private banking and investment banking.

### Financial results

The results of the Bank are set out in the statement of profit or loss and other comprehensive income on page 14. The Bank recorded a net profit after tax of GH¢19 million for the year ended 31 December 2018.

### Minimum capital

The Bank of Ghana has revised upwards the minimum paid up capital for existing banks and new entrants from GH¢120 million to a new level of GH¢400million. The deadline set for this new minimum paid up capital requirements to be complied with was indicated per the Bank of Ghana's notice to Banks and the General Public (Notice No. BG/GOV/SEC/2017/19) is 31 December 2018.

To comply with the above requirement, the shareholders of the bank have approved a capital plan to raise GH¢300 million equity capital through a Rights Issue of GH¢150 million and Private Placement of GH¢150 million from targeted investors. As at the date of this report the Bank has met the minimum capital requirement.

### 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.

### Auditors

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

### Approval of the financial statements

The financial statements were approved by the Board of Directors on 27 March 2019 and signed on their behalf by:



.....  
**Director**  
**Karen Akiwumi Tanoh**  
**(Board Chairman)**



.....  
**Director**  
**Odun Odunfa**  
**(MD/CEO)**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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The directors are responsible for the preparation of financial statements, which gives a true and fair view of the state of affairs of the Bank at the end of the financial year 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), and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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.

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## CORPORATE GOVERNANCE

### Introduction

*First Atlantic Bank Limited is committed to adopting a robust corporate governance framework and applying the highest standards of business integrity and professionalism to safeguard the long-term interests of our stakeholders. To achieve this, the Bank has adopted global best practices in compliance with regulations and codes of corporate governance to establish accountability and transparency as well as preserve the integrity of the Board and Management. The Board not only pays attention to ethical conducts, value enrichment and the implementation of best practices, but also makes significant effort to understand and manage stakeholders' expectations.*

*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 financial statements, the Bank adopts standard accounting practices and ensures sound internal controls to facilitate the reliability of the financial statements.*

### THE BOARD OF DIRECTORS

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

The Board consists 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 judgement. They have the requisite experience and

knowledge of the industry, markets, financial and other business sectors to make valuable contributions to the Bank's progress. During the year under review five (5) Board meetings were held.

The Board has five (5) Committees namely, Governance and General Purpose, Loans and Investments, Audit, Risk Management, and Property and Infrastructure. The details of the Committees are set out below.

#### 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 three (3) non-executive members and it meets at least once a quarter. The main Board determines its terms of reference.

The duties and responsibilities of the committee include orientation and education of new directors; development of policies to facilitate continuous education and development of directors; periodic assessment of the skills of directors; approval of special welfare schemes and proposals; 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) Loans & Investments Committee

The Loans and Investment Committee is made up of three (3) members of whom two (2) are non-executive directors. The Committee meets at least once a quarter. 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 to the Board.

### III) Audit Committee

The Audit Committee is made up of two (2) Non-Executive Directors. The Committee meets at least once a quarter. 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; review of quarterly, half-yearly and annual financial reports and consider the budget and strategic business plan of the Bank.

### IV) Risk Management Committee

The Risk Management Committee is made up of two (2) members of whom (1) is a Non-Executive Director. The Committee meets at least once a quarter. The main Board determines its terms of reference.

The purpose of the Committee is to oversee the establishment of a formal written policy on the Bank's overall risk management framework and to evaluate the adequacy of the Bank's risk management systems, the action plans in place to manage these risks and to monitor progress towards the achievement of these actions.

The duties and responsibilities of the Committee include oversight of Enterprise Risk Management, Compliance and Internal controls.

### V) Property and Infrastructure Development Committee

The Property and Infrastructure Committee is made up of four (4) members of whom three (3) are Non-Executive Directors. The Committee meets at least once a quarter. 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. It also reviews the Bank's IT strategy and major technology related expenditures.

### 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.



### Conflict of interest

There were no matters of conflict of interest or potential material conflicts of interest in the reporting period.

### Report on board evaluation

The board was evaluated by an external consultant in 2017.

### New Directives in the banking industry

During the year, the Bank of Ghana issued the following directives for the banking industry.

- Capital Requirement Directive
- Cyber & Information Security Directive
- Corporate Governance Directive
- Guideline on Operations Of Electronic Payment Channels In Ghana
- Anti-money laundering / combating the financing of terrorism & the proliferation of weapons of mass destruction AML /CFT&P) - Guidelines
- Anti-money laundering / combating the financing of terrorism & the proliferation of weapons of mass destruction AML /CFT&P) - Administrative sanctions / penalties.



## INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF FIRST ATLANTIC BANK LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Our opinion*

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

### *What we have audited*

*We have audited the financial statements of First Atlantic Bank Limited (the "Bank") for the year ended 31 December 2018.*

*The financial statements on pages 14 to 74 comprise:*

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

### **Basis for opinion**

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

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

### **Independence**

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### **Key audit matters**

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



KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Impairment losses on financial instruments</b></p> <p>The Bank recognised impairment loss on financial instruments of GH411,990,601 in profit or loss during the year while cumulative allowance for impairment on financial instruments stood at GH434,158,315 at the reporting date.</p> <p>The Bank implemented IFRS 9 Financial Instruments on 1 January 2018. The new standard requires the Bank to recognise expected credit losses (ECL) on financial instruments, which involves significant judgments and estimates to be made by the Bank.</p> <p>Aside significant judgements, there is also the risk of data extracted from source systems to ECL model not being accurate thereby compromising data integrity and ECL calculations.</p> <p>The new standard resulted in increased provisions. The key areas requiring greater levels of management's judgement and hence increased levels of our focus during the audit include:</p> <ul style="list-style-type: none"> <li>● Segmentation of the Bank's portfolio to reflect similar risk profile.</li> <li>● Significant increase in credit risk (SICR) – the selected criteria used to identify a SICR require judgement and can materially impact ECLs recognised for loans and advances to customers. The selected criteria determine whether a 12 month or a lifetime provision is recorded.</li> <li>● The definition of default and credit impaired assets taking into consideration the assessment of both qualitative and quantitative criteria as defined by the Bank.</li> <li>● Estimates in ECL model – Management exercises significant judgement in the use of inputs from historical data to determine Probabilities of Default (PD), Loss Given Default (LGD), Exposures at Default (EAD) and credit conversion factor (CCF).</li> <li>● Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward looking basis, incorporating a range of future macroeconomic variables. Management applies judgement in the determination of which economic variables to use to adjust the ECL model to incorporate forward looking information.</li> </ul>	<p>We performed end-to-end process walkthroughs to obtain an understanding of key controls within origination of credit process and provisioning of credit impairment losses.</p> <p>We assessed the completeness and accuracy of data flows from source systems used to calculate ECLs.</p> <p>We obtained an understanding of the criteria for SICR and definition of default.</p> <p>We tested key aspects of the Bank's SICR determination by examining and evaluating selected loans and advances using the Bank's criteria and comparing to Bank of Ghana Guidelines.</p> <p>We sampled loans and advances to customers and agreed the value of collaterals held for the sampled loans and advances and used in the ECL model, to valuation reports.</p> <p>We critically assessed the reasonableness of the assumptions and judgments management exercised in the determination of PDs, LGD, EAD, and the credit conversion factor used for off balance sheet exposures.</p> <p>We assessed the appropriateness of the forward looking economic information the Bank used in determining the base case economic scenario for material economic variable and to challenge the base case forecast against independent external source of forecast macroeconomic information.</p> <p>We re-performed the calculation of ECL provision to confirm consistency with the adopted ECL model and checked for compliance with IFRS 9 requirement.</p> <p>We checked the accuracy of ECL charge and provision per the ECL model calculation recognised in the financial statements.</p> <p>We checked the appropriateness of relevant disclosures in the financial statements for compliance with the requirements of IFRS 9.</p>



**KEY AUDIT MATTER****Impairment losses on financial instruments**

- The chance of an off balance sheet exposure becoming an on balance sheet exposure.
- Accuracy and adequacy of disclosures in the financial statements.

Notes 2.1.5 and 2.4.1 set out the accounting policies, notes 3 and 4.2 set out critical estimates and judgements used in determining ECLs, note 11 sets out impairment charge on financial instruments to profit or loss, and note 19 discloses allowance for impairment on the respective financial instruments.

**Other information**

The directors are responsible for the other information. The other information comprises Corporate Information, Report of the Directors, Statement of Directors' Responsibilities, Corporate Governance Report, Shareholders' Information and Value Added Statement but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and Corporate Profile, Vision and Mission Statement, Chairman's Statement, MD/CEO's Report, Management Team and List of Branches, which are expected to be made available to us after that date.

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

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

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

When we read Corporate Profile, Vision and Mission Statement, Chairman's Statement, MD/CEO's Report, Management Team and List of Branches, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of the directors for the financial statements**

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the

audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### Report on Other Legal and Regulatory Requirements

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

We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion proper books of account have been kept by our Bank, so far as appears from our examination of those book; and
- iii) the Bank's balance sheet (statement of financial position) and Bank's profit and loss account (part of the statement of profit or loss and other comprehensive income) are in agreement with the books of account.



In accordance with section 82(2) of the Bank's and Specialised Deposit-Taking Institutions Act, 2016 (930) we hereby confirm that:

- i) the account give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review.
- ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditors;
- iii) the Bank's transactions were within its powers; and
- iv) the bank has in all material respects, complied with the provisions of the Act.

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

The engagement partner on the audit resulting in this independent auditors report is Oseini Amui (ICAG/P/1139).



**PricewaterhouseCoopers (ICAG/F/2019/028)**  
**Chartered Accountants**  
**Accra, Ghana**  
**Date: 29th March, 2019**





## Statement of Profit or Loss and other Comprehensive Income

Year ended 31 December

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

	Note	2018	2017
Interest income	6	177,193,240	200,300,647
Interest expense	7	(92,423,926)	(116,887,274)
<b>Net interest income</b>		<b>84,769,314</b>	<b>83,413,373</b>
Fee and commission income	8	47,190,639	33,561,440
Fee and commission expense	8	-	-
<b>Net Fee and commission income</b>		<b>47,190,639</b>	<b>33,561,440</b>
Net trading income	9	40,236,519	24,556,286
Other operating income	10	38,340	395,201
Operating income		172,234,812	141,926,300
Net impairment losses on financial instruments	11	(11,990,601)	(5,155,533)
Personnel expenses	12	(53,750,202)	(48,350,962)
Depreciation and amortisation	13	(13,977,553)	(12,680,780)
Other expenses	14	(59,197,997)	(46,773,742)
<b>Operating profit</b>		<b>33,318,459</b>	<b>28,965,283</b>
Loss from associated companies	20	(318)	(212,902)
<b>Profit before income tax</b>		<b>33,318,141</b>	<b>28,752,381</b>
National stabilisation levy	25	(1,665,923)	(1,422,051)
Income tax expense	15	(12,685,928)	(7,537,826)
<b>Profit for the year</b>		<b>18,966,290</b>	<b>19,792,504</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that may be reclassified subsequently to statement of profit or loss</b>			
Unrealised gain on fair value changes on investment measured at fair value through other comprehensive income (FVOCI) / available-for-sale securities, net of tax	35	4,443,294	3,167,580
<b>Total comprehensive income for the year</b>		<b>23,409,584</b>	<b>22,960,084</b>
Earnings per share - (Ghana pesewas)	36	836	1,030

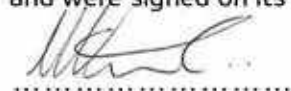
## Statement of Financial Position

Year ended 31 December

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

	Note	2018	2017
<b>Assets</b>			
Cash and cash equivalents	16	663,181,153	595,550,525
Non-pledged trading assets	17a	123,972,911	251,648,268
Pledged trading assets	17b	405,011,393	137,375,663
Loans and advances to customers	19	387,230,774	249,797,797
Investment securities	18	2,800,252	303,087,714
Investment in associates	20	126,404	126,722
Current income tax assets	24	-	1,407,860
Intangible assets	21	6,738,418	6,102,381
Other assets	22	124,262,053	20,012,129
Property and equipment	23	132,539,410	137,531,784
<b>Total assets</b>		<b>1,845,862,768</b>	<b>1,702,640,843</b>
<b>Liabilities</b>			
Deposits from banks	28	105,572,537	68,803,283
Deposits from customers	27	1,249,471,878	1,378,961,100
Current tax liabilities	24	425,176	-
Deferred income tax liabilities	26	22,083,951	18,480,626
Other liabilities	29	125,677,590	6,163,053
<b>Total liabilities</b>		<b>1,503,231,132</b>	<b>1,472,408,062</b>
<b>Equity</b>			
Stated capital	30	233,506,207	96,610,409
Income surplus account (deficit)	31	(792,170)	30,417,586
Revaluation reserve	32	50,765,205	50,765,205
Statutory reserve fund	33	51,312,647	41,829,502
Credit risk reserve	34	-	7,213,626
Other reserves	35	7,839,747	3,396,453
<b>Total equity</b>		<b>342,631,636</b>	<b>230,232,781</b>
<b>Total equity and liabilities</b>		<b>1,845,862,768</b>	<b>1,702,640,843</b>

The financial statements on pages 14 to 74 were approved by the board of directors on 27th March, 2019 and were signed on its behalf by:



**Director**  
**Karen Akiwumi Tanoh**  
**(Chairman)**



**Director**  
**Odun Odunfa**  
**(MD/CEO)**



## Statement of Changes in Equity

Year ended 31 December

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

	Stated capital	Statutory reserve	Regulatory Credit risk reserve	Revaluation Reserve	Income surplus account	Other reserves	Total
Balance at 1 January 2018	96,610,409	41,829,502	7,213,626	50,765,205	30,417,586	3,396,453	230,232,781
<b>Changes in initial application of IFRS 9</b>							
Increase in impairment provisioning	-	-	-	-	(3,566,704)	-	(3,566,704)
Transfer between reserves	-	-	(300,825)	-	300,825	-	-
<b>Restated balance at 1 January 2018</b>	<b>96,610,409</b>	<b>41,829,502</b>	<b>6,912,801</b>	<b>50,765,205</b>	<b>27,151,707</b>	<b>3,396,453</b>	<b>226,666,077</b>
Profit for the year	-	-	-	-	18,966,290	-	18,966,290
<b>Other comprehensive income</b>							
Net change in fair value of financial assets at FVOCI, net of tax (note 35)	-	-	-	-	-	4,443,294	4,443,294
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,966,290</b>	<b>4,443,294</b>	<b>23,409,584</b>
<b>Transactions with owners in their capacity as owners</b>							
Transfer to statutory reserve	-	9,483,145	-	-	(9,483,145)	-	-
Transfer to credit risk reserve	-	-	(6,912,801)	-	6,912,801	-	-
Proceeds from shares issued	92,555,975	-	-	-	-	-	92,555,975
Bonus issue of shares	44,339,823	-	-	-	(44,339,823)	-	-
	136,895,798	9,483,145	(6,912,801)	-	(46,910,167)	-	92,555,975
<b>Balance at 31 December 2018</b>	<b>233,506,207</b>	<b>51,312,647</b>	<b>-</b>	<b>50,765,205</b>	<b>(792,170)</b>	<b>7,839,747</b>	<b>342,631,636</b>
<b>Year ended 31 December 2017</b>							
Balance at 1 January 2017	96,610,409	31,933,250	2,757,588	50,765,205	159,772	228,873	207,272,697
Profit for the year	-	-	-	-	19,792,504	-	19,792,504
<b>Other comprehensive income</b>							
Net change in fair value of financial assets at FVOCI, net of tax	-	-	-	-	-	3,167,580	3,167,580
Revaluation gain on property net of tax	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,792,504</b>	<b>3,167,580</b>	<b>22,960,084</b>
<b>Transactions with owners in their capacity as owners:</b>							
Transfer to statutory reserve	-	9,896,252	-	-	(9,896,252)	-	-
Transfer to credit risk reserve	-	-	(20,361,562)	-	20,361,562	-	-
	-	9,896,252	(20,361,562)	-	10,465,310	-	-
<b>Balance at 31 December 2017</b>	<b>96,610,409</b>	<b>41,829,502</b>	<b>7,213,626</b>	<b>50,765,205</b>	<b>30,417,586</b>	<b>3,396,453</b>	<b>230,232,781</b>

## Statement of Cash Flows

Year ended 31 December

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

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit before income tax		33,318,141	28,752,381
<b>Adjustments:</b>			
Depreciation and amortisation	13	13,977,553	12,680,780
Impairment on financial instruments	11	11,990,601	5,155,533
Loan write off	19	6,456,316	34,541,196
Bad debts recovered	19	(1,001,363)	(530,989)
Profit on disposal of property and equipment	23	(38,340)	(395,201)
Share of loss from associate	20	318	212,902
Effect of exchange rate fluctuations on cash held		(18,237,483)	(12,814,823)
<b>Operating cash flow before investment in working capital</b>		46,465,743	67,601,779
Changes in loans and advances to customers		(158,453,898)	(68,305,040)
Changes in other assets		(104,249,924)	(4,749,783)
Changes in non-pledged trading asset		(12,430,273)	210,094,487
Changes in pledged trading asset		(268,864,904)	(41,775,663)
Changes in investment securities		150,068,360	(235,842,411)
Changes in deposits from customers	27	(131,880,880)	336,147,248
Changes in deposits from banks	28	36,769,254	(72,140,633)
Changes in other liabilities		122,051,444	(14,769,525)
Changes in mandatory reserve deposit	16	2,391,658	(33,614,715)
<b>Cash flows (used in) / generated from operations</b>		(318,133,420)	142,645,744
Income tax paid	24 & 25	(12,165,503)	(7,964,867)
<b>Net cash flow (used in) / generated from operating activities</b>		(330,298,923)	134,680,877
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	23	(7,101,407)	(21,361,163)
Purchase of intangible assets	21	(2,519,809)	(1,874,835)
Proceeds from asset disposal	23	38,340	504,760
<b>Net cash flows used in investing activities</b>		(9,582,876)	(22,731,238)
<b>Cash flow from financing activities</b>			
Proceeds from the issuance of shares	30	92,555,975	-
<b>Net cash flows from financing activities</b>		92,555,975	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		(247,325,824)	111,949,639
Cash and cash equivalents at start of year	16	903,605,458	778,840,996
Effects of exchange rate changes on cash and cash equivalents		18,237,483	12,814,823
<b>Cash and cash equivalents at year end</b>	16	674,517,117	903,605,458



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 DECEMBER 2017

### 1. Reporting entity

First Atlantic Bank Limited (the "Bank") is a limited liability company incorporated under the Companies Act, 1963 (Act 179) and domiciled in Ghana. The Bank operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). 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. Summary of significant accounting policies

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

#### 2.1 Basis of preparation

##### 2.1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

##### 2.1.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- Buildings – measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value;
- trading assets are measured at fair value;

- available-for-sale financial assets are measured at fair value (applicable before 1 January 2018); and
- financial assets measured at fair value through other comprehensive income (FVOCI) are measured at fair value (applicable from 1 January 2018).

##### 2.1.3 Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

##### 2.1.4 Going concern

These financial statements have been prepared on the basis that the Bank will continue to operate as a going concern.

##### 2.1.5 New and amended standards adopted by the Bank

##### IFRS 9, Financial Instruments

The Bank applied IFRS 9 Financial Instruments for the first time for reporting period commencing 1 January 2018.

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

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

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

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

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2.4 below

#### (a) Classification and measurement of financial instruments

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

	IAS 39		IFRS 9	
Financial assets	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and cash equivalents	Amortised cost (loans and receivables)	595,550,525	Amortised cost (Hold to collect)	592,558,516
Non-pledged trading assets	FVOCI (Available for sale)	251,648,268	FVOCI (Hold to collect and sell)	250,195,539
Pledged trading assets	FVOCI (Available for sale)	137,375,663	FVOCI (Hold to collect and sell)	137,375,663
Loans and advances to customers	Amortised cost (Loans and receivables)	249,797,797	Amortised cost (Hold to collect)	249,496,971
Other assets	Amortised cost (Held to maturity)	303,087,714	Amortised cost (Hold to collect)	303,087,714
Investment securities	Amortised cost (Loans and receivables)	8,848,865	Amortised cost (Hold to collect)	8,848,865



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

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

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

	IAS 39 Carrying amount 31 Dec 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 Jan 2018
<b>Cash and cash equivalents - Amortised Cost</b>				
Closing balance under IAS 39	595,550,525	-	-	-
Remeasurement: ECL allowance	-	-	(2,992,009)	-
Opening balance under IFRS 9				592,558,516
<b>Trading assets - Available for sale</b>				
Closing balance under IAS 39	389,023,931	-	-	-
Reclassification: To FVOCI	-	(389,023,931)	-	-
Opening balance under IFRS 9	-	-	-	-
<b>Trading assets - FVOCI</b>				
Closing balance under IAS 39	-	-	-	-
Addition: From Available for sale (IAS 39)		389,023,931		
Remeasurement: ECL allowance	-	-	(1,452,729)	-
Opening balance under IFRS 9	-	-	-	387,571,202
<b>Loans and advances to customers - Amortised Cost</b>				
Closing balance under IAS 39	249,797,797	-	-	-
Remeasurement: ECL allowance	-	-	(300,826)	-
Opening balance under IFRS 9	-	-	-	249,496,971
<b>Investment securities at amortised costs</b>				
Closing balance under IAS 39 and opening balance under IFRS 9	303,087,714	-	-	303,087,714
<b>Other assets - amortised costs</b>				
Closing balance under IAS 39 and opening balance under IFRS 9	8,848,865	-	-	8,848,865
	<u>1,546,308,832</u>	<u>-</u>	<u>(4,745,564)</u>	<u>1,541,563,268</u>
	=====	=====	=====	=====

The expected credit loss recognised at 1 January 2018 for off balance sheet exposures was GH49,952. This was recognised in "other liabilities"

The total remeasurement loss of GH44,755,516 less deferred income tax impact of GH41,188,812 (net amount of GH43,566,704) was recognised in income surplus account at 1 January 2018.

**(c) Reclassification from retired categories with no change in measurement**

Investment securities (Trading assets) have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

- 1) Those previously classified as available for sale and now classified as measured at fair value through other comprehensive income (FVOCI);
- 2) Those previously classified as held to maturity and now classified as measured at amortised cost.

**(d) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

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

	Allowance for impairment under IAS 39/Provision under IAS 37	Reclassifications	Remeasurements	Allowance for impairment under IFRS 9
Cash and cash equivalents	-	-	2,992,009	2,992,009
Trading assets	-	-	1,452,729	1,452,729
Loans and advances to customers	22,867,151	-	300,826	23,167,977
Provisions (financial guarantees)	-	-	9,952	9,952
	<b>22,867,151</b>	<b>-</b>	<b>4,755,516</b>	<b>27,622,667</b>

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 2.4.

**IFRS 15, Revenue from contracts with customers**

The Bank has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. Comparatives for the 2017 financial year are not restated.



### 2.1.6 New standards and interpretations issued but not yet effective

#### IFRS 16, Leases

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

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

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

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual reporting periods commencing 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

The Bank is in the process of reviewing all leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Bank's operating leases.

### Interpretation 23, Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation is effective for annual periods commencing on or after 1 January 2019.



## Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017 and effective for reporting periods commencing on or after 1 January 2019:

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

### 2.2 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net trading income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

### 2.3 Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises interest income and noninterest income. Income is recognised on an accrual basis in the period in which it accrues. Revenue is recognised as follows:

#### (a) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as fair value through other comprehensive income (FVOCI) and those measured at fair value through profit or loss (FVPL), interest income or expense is recorded on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.



The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

#### **(b) Fees and commission income**

The Bank earns fees and commission income from services it provides to its customers. Fee income is divided into the following two categories:

##### *Fee income earned from services provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. Fees and commission income, including account-servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. 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. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. Where a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

#### **(c) Dividend income**

Dividend income is recognised when the Bank's right to receive the payment is established.

#### **(d) Net trading income**

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

## **2.4 Financial assets and liabilities**

### **Measurement methods**

#### *Amortised cost and effective interest rate*

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

The accounting policy on the recognition of interest income is disclosed in note 2.3(a). Interest income is recognised on loans and advances to customers in stage 1 and 2 on gross amount using the effective interest rate. Interest income on loans and advances to customers in stage 3 is recognised on the carrying amount using the effective interest rate.

#### *Initial recognition and measurement*

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



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

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

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

#### 2.4.1 Financial assets

##### (i) Classification and subsequent measurement

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

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

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

##### (a) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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



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

The above classification is based on the following:

#### *Business model:*

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

#### *SPPI:*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

#### *(b) Equity instruments*

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

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



*(ii) Impairment*

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

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

Further detail on the impairment of financial assets are set out in note 4.2.1.

*(iii) Modification of loans*

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

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

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

*(iv) Derecognition other than on a modification*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

*(v) Accounting policies applied up to 31 December 2017 (IAS 39)**(a) Classification and measurement*

The Bank has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Bank's previous accounting policy.

Until 31 December 2017, the Bank classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.



The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, reevaluated this designation at the end of each reporting period.

- **Financial assets and liabilities held for trading:** Financial assets or financial liabilities held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income' according to the terms of the contract or when the right to the payment has been established.

Included in this classification are debt securities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the future.

- **Held to maturity financial instruments:** Held to maturity financial instruments are those which carry fixed determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'interest income' in profit or loss. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income line 'Net impairment losses on financial instruments'.

- **Loans and receivables:** Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value

through profit or loss'. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost is calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in 'Net impairment charge on financial instruments'.

- **Available for sale financial investments:** Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. It includes equity investments, investments in mutual funds and money market and other debt instruments. After initial measurement, available-for-sale financial instruments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'available-for-sale reserve or other reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss and other comprehensive income in 'Net trading income'.

Where the Bank holds more than one investment in the same security, it is deemed to be disposed off on a first-in first-out basis. Interest earned, whilst holding available-for-sale financial investments, is recognised in profit or loss as 'Interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the profit or loss in 'Net impairment losses on financial instruments' and removed from the available-for-sale reserve.



**(b) Impairment of financial assets – IAS 39**

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

Objective evidence that financial assets were impaired included:

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

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

In assessing collective impairment, the Bank used historical trends of the probability of default, the

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

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

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

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

***Assets carried at amortised cost***

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate.



The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Bank could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

#### *Financial assets classified as available-for-sale*

For available-for-sale financial instruments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. Reversals of impairment of equity shares are not recognised in profit or loss. Increases in the fair value of equity shares after impairment are recognised directly in equity.

#### *(c) Reclassification of financial assets*

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the fair value through profit or loss (FVPL)/held-for-trading or fair value through other comprehensive income (FVOCI)/available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

### 2.4.2 Financial liabilities

#### *(i) Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost except for financial guarantee contracts and loan commitments.

#### *(ii) Derecognition*

Financial liabilities are derecognised when they are extinguished.

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

### Financial guarantee contracts and loan commitments

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



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

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

Loan commitments provided by the Bank are measured as the amount of the loss allowance.

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

#### 2.4.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve of government securities, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value unlisted debt securities and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.



The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

#### 2.4.4 Repurchase and reverse repurchase agreements

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

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

#### 2.4.5 Offsetting financial instruments

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

#### 2.4.6 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position.

Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

#### 2.5 Cash and cash equivalents

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

#### 2.6 Investment in associates

Associates are all entities over which the Bank has significant influence but not control or joint control. This is generally the case where the Bank holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Bank's share of the post-acquisition profits or losses of the investee in profit or loss, and the Bank's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Bank's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.



Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Bank.

The carrying amount of equity-accounted investments is tested for impairment.

## 2.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

### a) Current tax

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

### b) Deferred tax

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

the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.8 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).



## 2.9 Property and equipment

Leasehold 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:

Leasehold land and building	Over the remaining lease period
Leasehold improvement	Over the lease period
Fixtures, fittings and equipment	5 years
Computers	3 years
Motor vehicles	5 years

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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

When revalued assets are sold, the amounts included in the capital surplus account are transferred to the income surplus account.

## 2.10 Leases

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.

### *The Bank as a lessee*

Leases of property and equipment where the Bank, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Bank will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Bank as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.



### 2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets, and property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.12 Borrowings

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

### 2.13 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of

past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.



## 2.14 Employee benefits

### *Short-term obligations*

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. The liabilities are presented as current employee benefit obligations in the balance sheet.

### *Post-employment obligations*

The Bank operates defined contribution retirement benefit schemes, which is a three-tier pension scheme, for its employees. The Bank's contributions to tier one and tier two schemes are mandatory and are determined by law. The Bank and its employees also make contributions towards employees' pension under a 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. The Bank has no further payment obligations once the contributions have been paid.

### *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.

## 2.15 Stated capital and dividend

Ordinary shares are classified as stated capital in equity where the Bank has no obligation to deliver

cash or other assets to shareholders. All shares are issued at no par value.

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

## 3. Critical accounting estimates, judgements and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year are discussed below.

### 3.1 Measurement of expected credit loss allowance

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



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

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios and the associated ECL; and
- establishing groups of similar financial assets for purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 4.2.

### 3.2 Determining fair values of financial instruments

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

### 3.3 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 recorded, such differences tax and deferred tax provisions in the period in which such determination is made.

### 3.4 Hold to collect financial assets

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

### 3.5 Impairment losses on loans and advances (applicable before 1 January 2018)

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.



### 3.6 Held-to-maturity financial assets (applicable before 1 January 2018)

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.

## 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, and market risk, comprising 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.

### 4.1 Risk management framework

The Bank's risk management framework is based on the overall structure of the Bank which 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. 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.



## 4.2 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.

### 4.2.1 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 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.
- 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.

### Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. All write-off decisions are sanctioned by the Board of Directors with a subsequent approval in writing by Bank of Ghana before they are effected.

The estimation of credit exposure for risk management purposes is relatively complex and requires the use of models, as exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of a credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measured credit risk using the expected loss losses as per IFRS 9 effective 1 January 2018.



Prior to that, allowance for credit impairment losses were measured using the guidance under IAS 39. For the year ended 31 December 2018, the Bank measured expected credit losses using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The guidance in IFRS 9 in measuring expected credit losses applies to all financial debt instruments (financial assets) held at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), undrawn loan commitments and off balance exposures (financial guarantees).

#### 4.2.2 Credit risk measurement

##### *Expected credit loss (ECL) measurement*

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The key judgement and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

##### 4.2.2.1 Significant increase in credit risk (SICR)

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

##### *Quantitative criteria*

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

##### *Qualitative criteria*

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

- In short-term forbearance;
- Direct debit cancellation;
- Extension to the terms granted; and
- Previous arrears within the last 12 months

##### **Backstop**

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

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

##### *Quantitative criteria*

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

##### *Qualitative criteria*

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

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;



- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

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

#### 4.2.2.2 Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it

#### 4.2.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure.

LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

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

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.



The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change — are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

#### 4.2.2.4 Forward-looking information incorporated in the ECL models

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

##### *Economic Variable Assumptions*

The most significant year end assumptions used for the ECL estimate as at 31 December 2018 are set out below. The scenarios 'base', 'upside' and 'downside' were used for all portfolios.

		2018	2017
<b>GDP growth rates</b>	Base	7.5%	6.1%
	Upside	8.3%	6.7%
	Downside	6.8%	5.5%
<b>Inflation rates</b>	Base	11.0%	11.8%
	Upside	9.9%	10.6%
	Downside	12.1%	13.0%
<b>Interest rates</b>	Base	18.0%	19.5%
	Upside	16.2%	17.6%
	Downside	19.8%	21.5%
<b>Policy rates</b>	Base	18.0%	20.5%
	Upside	16.2%	18.5%
	Downside	19.8%	22.6%

The weightings assigned to each economic scenario at 31 December 2018 are as follows:

	Base	Upside	Downside
Weight	50%	20%	30%

The most significant variables affecting the ECL model are as follows :

1. GDP growth rate – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
2. Inflation and interest rates – Inflation is used due to its influence on monetary policy and on interest rates. Interest rates has an impact on borrowers' likelihood of default. Forward looking information is incorporated by using the expected change in inflation rates for the next three quarters.
3. Policy rate – The Monetary Policy Rate is used as a tool to target inflation and interest rates. It is an indicator of the likely trend of rates which is a key driver of economic activity.

#### 4.2.3 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 company 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 the Bank's risk function.

#### 4.2.4 Maximum exposure to credit risk

##### Maximum exposure

Credit risk exposures relating to on balance sheet assets are as follows:

	2018	2017
Balances with Bank of Ghana	130,128,194	209,762,722
Cash and balances with banks	446,402,679	135,293,002
Placement with other banks	87,237,702	250,494,801
Non-pledged trading assets	123,972,911	251,648,268
Pledged trading assets	405,011,393	137,375,663
Investment securities	2,800,252	303,087,714
Loans and advances to customers	387,230,774	249,797,797
Other assets (excluding prepayments)	112,535,901	8,848,865
	<b>1,695,319,806</b>	<b>1,546,308,832</b>
Credit risk exposures relating to off balance sheet items are as follows:		
Letters of credit	134,106,361	28,366,371
Guarantees and indemnities	95,882,962	100,800,793
	<b>1,925,309,129</b>	<b>1,675,475,996</b>

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

As shown above for the Bank, 23% (2017: 14%) of the total maximum exposure is derived from loans and advances and non-pledged and pledged trading assets represents 31% (2017: 37%).



The Bank's credit exposures are assessed with reference Bank of Ghana prudential guidelines as follows:

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

Exposure to credit risk - loans and advances to customers

	2018	2017
Current	362,038,304	220,707,769
Other loans exceptionally mentioned (Olem)	638,157	2,132,516
Substandard	25,019,156	19,273,913
Doubtful	17,416,896	14,171,453
Loss	15,096,337	16,379,296
	-----	-----
Gross loans and advances	420,208,850	272,664,947
Allowance for credit impaired losses	(32,978,076)	(22,867,151)
	-----	-----
	387,230,774	249,797,796
	=====	=====

#### *Neither past due nor impaired*

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

#### *Loans and advances*

Loans and advances graded current are not considered past due or impaired. This category is made up as follows:

At 31 December 2018	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	167,457,432	178,450,134	16,130,738	362,038,304
	=====	=====	=====	=====
At 31 December 2017				
Grade:				
Current	138,678,064	65,909,274	16,120,432	220,707,770
	=====	=====	=====	=====

*Loans and advances past due but not impaired*

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

<b>At 31 December 2018</b>	<b>Term loans</b>	<b>Overdrafts</b>	<b>Staff loans</b>	<b>Total</b>
Past due up to 30 days	<b>3,127,540</b>	<b>3,455,859</b>	-	<b>6,583,399</b>
Past due 30 to 60 days	<b>209,669</b>	-	-	<b>209,669</b>
Past due 60 to 90 days	-	<b>428,488</b>	-	<b>428,488</b>
	=====	=====	=====	=====
<b>Total</b>	<b>3,337,209</b>	<b>3,884,347</b>	-	<b>7,221,556</b>
	=====	=====	=====	=====
<b>At 31 December 2017</b>				
Past due up to 30 days	-	43	-	43
Past due 30 to 60 days	298,830	-	-	298,830
Past due 60 to 90 days	1,821,322	12,321	-	1,833,643
	=====	=====	=====	=====
<b>Total</b>	<b>2,120,152</b>	<b>12,364</b>	-	<b>2,132,516</b>
	=====	=====	=====	=====

*Individually impaired loans*

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

<b>At 31 December 2018</b>	<b>Term loans</b>	<b>Overdrafts</b>	<b>Staff loans</b>	<b>Total</b>
Individually impaired loans	<b>49,231,397</b>	<b>5,884,891</b>	-	<b>55,116,288</b>
Specific impairment allowance	<b>(25,606,907)</b>	<b>(3,799,254)</b>	-	<b>(29,406,161)</b>
	=====	=====	=====	=====
<b>Net amount</b>	<b>23,624,490</b>	<b>2,085,637</b>	-	<b>25,710,127</b>
	=====	=====	=====	=====
Fair value of collateral	<b>41,421,225</b>	<b>2,620,998</b>	-	<b>44,042,223</b>
	=====	=====	=====	=====
<b>At 31 December 2017</b>				
Individually impaired loans	47,913,825	1,910,837	-	49,824,662
	=====	=====	=====	=====
Specific impairment allowance	(14,147,257)	(564,202)	-	(14,711,459)
Net amount	33,766,568	1,346,635	-	35,113,203
	=====	=====	=====	=====
Fair value of collateral	15,415,875	614,796	-	16,030,671
	=====	=====	=====	=====

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

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



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

	2018			2017	
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents	663,768,575	-	-	<b>663,768,575</b>	595,550,525
Non-pledged trading assets	124,539,475	-	-	<b>124,539,475</b>	251,648,268
Pledged trading assets	405,011,393	-	-	<b>405,011,393</b>	137,375,663
Investment securities	2,800,252	-	-	<b>2,800,252</b>	303,087,714
Loans and advances to customers	362,038,304	3,054,258	55,116,288	<b>420,208,850</b>	272,664,948
Other assets	112,535,901	-	-	<b>112,535,901</b>	8,848,865
<b>Gross carrying amount</b>	<b>1,670,693,900</b>	<b>3,054,258</b>	<b>55,116,288</b>	<b>1,728,864,446</b>	1,569,175,983
Allowance for impairment	(3,902,323)	(823,578)	(29,406,161)	<b>(34,132,062)</b>	(22,867,151)
<b>Carrying amount</b>	<b>1,666,791,577</b>	<b>2,230,680</b>	<b>25,710,127</b>	<b>1,694,732,384</b>	1,546,308,832

#### *Collaterals and other credit enhancements*

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

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

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

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

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

#### 4.2.5 Loans and advances to customers 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. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The table below shows analysis of loans with renegotiated terms:

	2018	2017
Gross loans and advances	209,669	22,607,450
Allowance for Impairment	48,538	211,106
	=====	=====
	258,207	22,818,556
	=====	=====
<b>Impaired loans and advances to customers</b>		
Gross loans and advances	55,116,288	49,824,662
Allowance for Impairment	(29,406,161)	(14,711,459)
	=====	=====
	25,710,127	35,113,203
	=====	=====
Fair value of collateral	44,042,223	16,030,671
	=====	=====

#### 4.2.6 Concentration of credit risk arising from loans and advances:

##### Concentration by industry

	2018	2017
Agriculture, forestry and fishing	14,005,405	651,864
Manufacturing	76,929,699	77,216,742
Mining and quarrying	-	2,136,626
Construction	13,883,461	14,484,906
Electricity, oil and gas	220,748,591	80,894,378
Commerce and finance	44,616,035	64,117,839
Transport and communication	3,234,952	1,932,603
Services	30,622,079	29,161,605
Miscellaneous	16,168,628	2,068,385
	=====	=====
	420,208,850	272,664,948
	=====	=====



#### 4.2.7 Repossessed assets

There were no repossessed assets during the year.

### 4.3 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.

#### 4.3.1 Management of liquidity risk

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. 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.

Sources of liquidity are regularly reviewed to maintain a wide diversification by provider, product and term.

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.

#### 4.3.2 Exposure to liquidity risk

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:

	2018	2017
At 31 December	<b>91%</b>	89%
Average for the year	<b>87%</b>	88%
Maximum for the year	<b>91%</b>	92%
Minimum for the year	<b>82%</b>	85%
	=====	=====

The liquidity ratio (Primary Reserve) of the Bank as at 31 December is as follows;

	2018	2017
Liquidity ratio	12.03%	10.3%



## 4.3.3 Residual contractual maturities of financial liabilities

	Up to three months	3 - 6 months	6-12 months	1-3 years	More than three years	Total	Carrying amount
At 31 December 2018							
<b>Financial asset held to manage liquidity risk</b>							
Deposits from banks	106,302,928	-	-	-	-	106,302,928	105,572,537
Deposits from customers	1,179,836,361	58,667,834	17,221,362	-	-	1,255,725,558	1,249,471,878
Other liabilities	19,172,929	-	-	-	-	19,172,929	19,172,929
	<b>1,305,312,218</b>	<b>58,667,834</b>	<b>17,221,362</b>	<b>-</b>	<b>-</b>	<b>1,381,201,415</b>	<b>1,374,217,344</b>
<b>Cash and cash equivalents</b>							
Cash and cash equivalents	663,181,153	-	-	-	-	663,181,153	663,181,153
Non-pledged trading assets	101,445,091	22,527,820	-	-	-	123,972,911	123,972,911
Pledged trading assets	40,054,237	117,175,153	78,575,283	5,365,000	163,841,720	405,011,393	405,011,393
Investment securities	2,800,252	-	-	-	-	2,800,252	2,800,252
Loans and advances to customers	247,342,635	7,377,223	20,769,389	71,915,598	39,825,929	387,230,774	387,230,774
Other assets	112,535,901	-	-	-	-	112,535,901	112,535,901
	<b>1,167,359,269</b>	<b>147,080,196</b>	<b>99,344,672</b>	<b>77,280,598</b>	<b>203,667,649</b>	<b>1,694,732,384</b>	<b>1,694,732,384</b>
<b>Liquidity surplus / (deficit)</b>	<b>(137,952,949)</b>	<b>88,412,362</b>	<b>82,123,309</b>	<b>77,280,598</b>	<b>203,667,649</b>	<b>313,530,969</b>	<b>(320,515,040)</b>
<b>Financial asset held to manage liquidity risk</b>							
At 31 December 2017							
Deposits from banks	66,396,333	1,561,761	1,461,473	-	-	69,419,567	68,803,283
Deposits from customers	1,238,003,206	179,370,086	46,053,183	-	-	1,463,426,475	1,439,219,468
Other liabilities	6,163,053	-	-	-	-	6,163,053	6,163,053
	<b>1,310,562,592</b>	<b>180,931,847</b>	<b>47,514,656</b>	<b>-</b>	<b>-</b>	<b>1,539,009,095</b>	<b>1,514,185,804</b>
<b>Cash and cash equivalents</b>							
Cash and cash equivalents	595,550,525	-	-	-	-	595,550,525	595,550,525
Non-pledged trading assets	251,648,268	-	-	-	-	251,648,268	251,648,268
Pledged trading assets	41,283,411	38,635,900	-	47,152,352	10,304,000	137,375,663	137,375,663
Investment securities	153,019,354	69,864,360	2,476,057	8,264,859	69,463,084	303,087,714	303,087,714
Loans and advances to customers	59,078,959	46,171,870	44,051,631	100,495,338	-	249,797,798	249,797,798
Other assets	6,190,726	2,697,976	1,259,829	1,660,967	8,202,631	20,012,129	20,012,129
	<b>1,106,771,243</b>	<b>157,370,106</b>	<b>47,787,517</b>	<b>157,573,516</b>	<b>87,969,715</b>	<b>1,557,472,097</b>	<b>1,557,472,097</b>
<b>Maturity surplus / (deficit)</b>	<b>(203,791,349)</b>	<b>(23,561,741)</b>	<b>272,861</b>	<b>157,573,516</b>	<b>87,969,715</b>	<b>18,463,002</b>	<b>43,286,293</b>

The previous table 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 flows on the financial liability or commitment.

## 4.4 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.

#### 4.4.1 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.

#### 4.4.2 Exposure to market risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of assets and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the Bank's exposure to changes in interest rates and liquidity.

Interest rates on advances to customers and other risk assets are pegged to the Bank's base lending rate. The Assets and Liability Committee (ALCO) closely monitors the interest rate trends to minimise the potential adverse impact of

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the Bank's Treasury.

The interest rate risks sensitivity is based on the following assumptions:

- Changes in the market interest rates affect the interest income and expenses of variable interest financial instruments.
- Changes in the market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair value.
- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modelling is applied to net interest margins
- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged
- The projections make other assumptions including that all positions run to maturity



#### 4.4.3 Exposure to interest rate risk – non-trading portfolios

The table below 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 items.

	Non interest bearing	Less than 3 months	3-6 months	6-12 months	1-3 years	More than 3 years	Total amount
<b>At 31 December 2018</b>							
<b>Financial assets</b>							
Cash and cash equivalents	564,148,050	99,033,103	-	-	-	-	663,181,153
Non-pledged trading assets	-	-	2,414,814	-	110,899,086	10,659,011	123,972,911
Pledged assets trading	-	40,054,237	117,175,153	78,575,283	5,365,000	163,841,720	405,011,393
Investment securities	-	2,800,252	-	-	-	-	2,800,252
Loans and advances to customers	-	247,342,635	7,377,223	20,769,389	71,915,598	39,825,929	387,230,774
<b>Other assets (excluding non financial assets)</b>	112,535,901	-	-	-	-	-	112,535,901
	<b>676,683,951</b>	<b>389,230,227</b>	<b>126,967,190</b>	<b>99,344,672</b>	<b>188,179,684</b>	<b>214,326,660</b>	<b>1,694,732,384</b>
<b>Financial liabilities</b>							
Deposits from banks	-	105,572,537	-	-	-	-	105,572,537
Deposits from customers	833,648,958	343,015,102	56,710,168	16,097,650	-	-	1,249,471,878
Other liabilities	19,172,929	-	-	-	-	-	19,172,929
	<b>852,821,887</b>	<b>448,587,639</b>	<b>56,710,168</b>	<b>16,097,650</b>	<b>-</b>	<b>-</b>	<b>1,374,217,344</b>
<b>Total interest repricing gap</b>	<b>(176,137,936)</b>	<b>(59,357,412)</b>	<b>70,257,022</b>	<b>83,247,022</b>	<b>188,179,684</b>	<b>214,326,660</b>	<b>320,515,040</b>

	Non interest bearing	Less than 3 months	3-6 months	6-12 months	1-3 years	More than 3 years	Total amount
<b>At 31 December 2018</b>							
<b>Financial assets</b>							
Cash and cash equivalents	345,055,724	250,494,801	-	-	-	-	595,550,525
Non-pledged trading assets	-	-	2,422,458	-	249,225,810	-	251,648,268
Pledged assets trading	-	41,283,411	38,635,900	-	47,152,353	10,304,000	137,375,664
Investment securities	-	153,019,354	69,864,360	2,476,057	8,264,859	69,463,084	303,087,714
Loans and advances to customers	-	59,078,959	46,171,870	44,051,631	100,495,338	-	249,797,798
<b>Other assets</b>	8,848,865	-	-	-	-	-	8,848,865
	<b>353,904,589</b>	<b>503,876,525</b>	<b>157,094,588</b>	<b>46,527,688</b>	<b>405,138,360</b>	<b>79,767,084</b>	<b>1,546,308,834</b>
<b>Financial liabilities</b>							
Deposits from banks	-	68,803,283	-	-	-	-	68,803,283
Deposits from customers	528,573,509	432,022,354	409,282,557	9,082,680	-	-	1,378,961,100
Other liabilities	6,163,053	-	-	-	-	-	6,163,053
	<b>534,736,562</b>	<b>500,825,637</b>	<b>409,282,557</b>	<b>9,082,680</b>	<b>-</b>	<b>-</b>	<b>1,453,927,436</b>
<b>Total interest repricing gap</b>	<b>(180,831,973)</b>	<b>3,050,888</b>	<b>(252,187,969)</b>	<b>37,445,008</b>	<b>405,138,360</b>	<b>79,767,084</b>	<b>92,381,398</b>

#### Exposure to other market risks – non-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.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 bases point (b.p.) parallel fall or rise in market interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being held constant) on the Bank profit or loss. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at the reporting date.

	Impact on profit or loss and equity increase / (decrease)	Impact on profit or loss and equity increase / (decrease)
	2018	2017
Increase in interest rates by 100 basis points:		
Rate sensitive assets	10,180,484	11,924,042
Rate sensitive liabilities	(5,213,955)	(9,191,909)
	=====	=====
	4,966,529	2,732,134
	=====	=====
Decrease in interest rates by 100 basis points:		
Rate sensitive assets	(10,180,484)	(11,924,042)
Rate sensitive liabilities	5,213,955	9,191,909
	=====	=====
	(4,966,529)	(2,732,134)
	=====	=====

#### 4.4.4 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 income statement 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.

<b>At 31 December 2018</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>
<b>Financial assets</b>			
Cash and cash equivalents	84,181,745	1,784,619	3,851,603
Loans and advances to customers	26,064,874	9,472	-
Other assets	2,231,624	175,677	-
<b>Total</b>	<b>112,478,243</b>	<b>1,969,768</b>	<b>3,851,603</b>
<b>Financial liabilities</b>			
Deposits from customers	109,149,429	1,465,307	3,292,252
Other liabilities	3,491,792	5,072	7,970
<b>Total</b>	<b>112,641,221</b>	<b>1,470,379</b>	<b>3,300,222</b>
<b>Net on balance sheet position</b>	<b>(162,978)</b>	<b>499,389</b>	<b>551,381</b>
<b>Net off balance sheet position</b>	<b>637,680</b>	<b>(500,000)</b>	<b>(500,000)</b>
<b>At 31 December 2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	184,896,960	9,770,039	23,806,380
Loans and advances to customers	117,400,322	56,244	-
<b>Total</b>	<b>302,297,282</b>	<b>9,826,283</b>	<b>23,806,380</b>
<b>Financial liabilities</b>			
Deposits from customers	276,879,773	10,395,887	24,806,439
Deposits from banks	1,614,389	-	-
<b>Total</b>	<b>278,494,162</b>	<b>10,395,887</b>	<b>24,806,439</b>
<b>Net on balance sheet position</b>	<b>23,803,120</b>	<b>(569,604)</b>	<b>(1,000,059)</b>
<b>Net off balance sheet position</b>	<b>32,506,459</b>	<b>-</b>	<b>4,825,198</b>

At the end of the year, the following were the interest rates used for foreign exchange translation.

	<b>USD</b>	<b>GBP</b>	<b>EURO</b>
<b>At 31 December 2018</b>	<b>4.8200</b>	<b>6.1711</b>	<b>5.5131</b>
<b>At 31 December 2017</b>	<b>4.4157</b>	<b>5.9669</b>	<b>5.2962</b>

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 GH¢ 2018		Impact on profit after tax if currency strengthens 10% vs GH¢ 2018	
<b>Effect on income</b>		%		%
USD	(1,542,091)	(7.0%)	1,542,091	7.0%
EUR	35,115	0.2%	(35,115)	(0.2%)
GBP	(71,716)	(0.3%)	71,716	0.3%
	=====		=====	
<b>Net change</b>	(1,578,692)		1,578,692	
	=====		=====	
	2017		2017	
<b>Effect on income</b>		%		%
USD	1,848,168	9.8%	(1,848,168)	(9.8%)
EUR	237,678	1.3%	(237,678)	(1.3%)
GBP	131,457	0.7%	(131,457)	(0.7%)
	=====		=====	
<b>Net change</b>	2,217,303		(2,217,303)	
	=====		=====	

#### 4.5 Operational risk

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

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



The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective."

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

The Bank strives to maintain its reputation as an institution that guarantees the security of its customers' funds and sensitive information, even as cyber-security incidents are on the increase. In 2017, the Bank successfully maintained its ISO 27001 certification, and obtained Payment Card Industry Data Security Standard (PCI DSS) version 3.2 certification after undergoing rigorous audits.

Furthermore, the Bank invests in programs, initiatives and practices that promote and enhance staff engagement, competence, ethical behaviour, dedication, risk-smart workforce and productivity. Through a consistent set of management processes that drive risk identification, assessment, control and monitoring, the Bank continues to minimise exposure to operational risk.

## 4.6 Fair value of financial instruments

### 4.6.1 Financial instrument not measured at fair value

The table below sets out the fair value of financial instruments not measured at fair value.

	Carrying amount	Fair value	Carrying amount	Fair value
	2018	2018	2017	2017
<b>Financial asset</b>				
Cash and cash equivalents	663,181,153	663,181,153	595,550,525	595,550,525
Loans and advances to customers	387,230,774	464,676,929	249,797,797	304,753,312
Other assets	112,535,901	112,535,901	8,848,865	8,848,865
	<b>1,162,947,828</b>	<b>1,240,393,983</b>	<b>854,197,187</b>	<b>909,152,702</b>

### 4.6.2 Financial instrument measured at fair value

#### 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.

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
<b>At 31 December 2018</b>				
Non-Pledged trading assets	-	123,972,911	-	<b>123,972,911</b>
Pledged trading assets	-	405,011,393	-	<b>405,011,393</b>
	-----	-----	-----	-----
<b>Total</b>	<b>-</b>	<b>528,984,304</b>	<b>-</b>	<b>528,984,304</b>
	=====	=====	=====	=====
<b>At 31 December 2017</b>				
Non-Pledged trading assets	-	554,735,982	-	554,735,982
Pledged trading assets	-	137,375,663	-	137,375,663
	-----	-----	-----	-----
<b>Total</b>	<b>-</b>	<b>692,111,645</b>	<b>-</b>	<b>692,111,645</b>
	=====	=====	=====	=====

#### Fair value hierarchy

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

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq).

**Level 2** – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).

**Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

## 4.7 Capital management

### 4.7.1 Regulatory capital

The Bank of Ghana (central bank) sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, Bank of Ghana requires every 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 grading 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 equity 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, the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale and 50% of property revaluation reserves.

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 year.

There have been no material changes in the Bank's management of capital during the year.

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.

Bank of Ghana requires each bank to maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets at or above the required minimum of 10%.

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

	2018	2017
<b>Tier 1 capital</b>		
Share capital	233,506,207	96,610,409
Statutory reserve	51,312,647	41,829,502
Income surplus	(792,170)	30,417,586
	<u>284,026,684</u>	<u>168,857,497</u>
Less:		
Intangibles and prepayments	18,464,570	6,102,381
Investments in unconsolidated associates	126,404	126,722
	<u>265,435,710</u>	<u>162,628,394</u>
<b>Net Tier 1 capital</b>		
<b>Tier 2 Capital</b>		
Available for sale reserves	7,839,747	3,396,453
Revaluation reserves	25,382,603	25,382,603
	<u>33,222,350</u>	<u>28,779,056</u>
<b>Total qualifying tier 2 capital</b>		
<b>Adjusted capital base</b>	<u>298,658,060</u>	<u>191,407,450</u>
<b>Risk weighted assets</b>		
On balance sheet	769,662,857	498,768,420
Off balance sheet	229,989,324	129,167,164
	<u>999,652,181</u>	<u>627,935,584</u>
<b>Total risk weighted assets</b>		
50% of net open position	1,285,669	2,729,790
100% of three years average annual gross income	233,372,875	185,964,149
	<u>234,658,544</u>	<u>188,693,939</u>
<b>Adjusted asset base</b>	<u>1,234,310,725</u>	<u>816,629,523</u>
<b>Capital adequacy ratio</b>	<u>24.20%</u>	<u>23.44%</u>

Total tier 1 capital excludes regulatory credit risk reserve of Nil (2017: GH¢ 7,213,626) for the purpose of capital adequacy computation.



#### 4.7.3 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.

#### 4.8 Geographical concentration of financial assets and liabilities

	2018		2017	
	In Ghana	Outside Ghana	In Ghana	Outside Ghana
<b>Financial assets</b>				
Cash and cash equivalents	424,567,873	238,613,280	494,395,391	101,155,134
Non-pledged trading assets	123,972,911	-	251,648,268	-
Pledged assets trading	405,011,393	-	137,375,663	-
Investment securities	2,800,252	-	303,087,714	-
Loans and advances to customers	387,230,774	-	249,797,797	-
Other assets	112,535,901	-	20,012,129	-
	<b>1,456,119,104</b>	<b>238,613,280</b>	<b>1,456,316,962</b>	<b>101,155,134</b>
<b>Financial liabilities</b>				
Deposits from banks	105,572,537	-	68,803,283	-
Deposits from customers	1,249,471,878	-	1,378,961,100	-
Other liabilities	19,172,929	-	6,163,053	-
	<b>1,374,217,344</b>	<b>-</b>	<b>1,453,927,436</b>	<b>-</b>

### 5. 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 year to acquire property and equipment, and intangible assets other than goodwill.

The Bank comprises the following main business segments:

**Corporate Banking** - This comprises loans, deposits and other transactions and balances with corporate customers.

**Retail and Business Banking** - This comprises loans, deposits and other transactions and balances with retail and business banking 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.

Year ended 31 December 2018	Corporate banking	Retail and business banking	Global markets	Total
Interest income	105,525,549	66,005,121	5,662,570	177,193,240
Interest expense	(61,522,827)	(25,650,289)	(5,250,810)	(92,423,926)
<b>Net interest income</b>	<b>44,002,722</b>	<b>40,354,832</b>	<b>411,760</b>	<b>84,769,314</b>
Net fee and commission income	10,392,057	29,294,341	7,542,581	47,228,979
Net trading income	15,305,601	21,882,010	3,048,908	40,236,519
<b>Operating income</b>	<b>69,700,380</b>	<b>91,531,183</b>	<b>11,003,249</b>	<b>172,234,812</b>
<b>Profit before income tax</b>	<b>9,194,069</b>	<b>12,076,939</b>	<b>12,047,133</b>	<b>33,318,141</b>
Income tax expense				(12,685,928)
National stabilisation levy				(1,665,923)
				<b>18,966,290</b>
<b>Segment assets</b>	<b>307,933,307</b>	<b>103,902,693</b>	<b>1,434,026,768</b>	<b>1,845,862,768</b>
<b>Segment liabilities</b>	<b>664,960,924</b>	<b>550,882,499</b>	<b>287,387,709</b>	<b>1,503,231,132</b>
Year ended 31 December 2017				
Interest income	118,616,147	67,046,293	14,638,207	200,300,647
Interest expense	(82,318,118)	(27,975,370)	(6,593,786)	(116,887,274)
<b>Net interest income</b>	<b>36,298,029</b>	<b>39,070,923</b>	<b>8,044,421</b>	<b>83,413,373</b>
Net fee and commission income	16,092,141	18,395,489	(530,989)	33,956,641
Net trading income	4,301,168	7,413,528	12,841,590	24,556,286
<b>Operating income</b>	<b>56,691,338</b>	<b>64,879,940</b>	<b>20,355,022</b>	<b>141,926,300</b>
<b>Profit before income tax</b>	<b>15,703,775</b>	<b>7,155,604</b>	<b>5,893,002</b>	<b>28,752,381</b>
Income tax expense				(7,537,826)
National stabilisation levy				(1,422,051)
				<b>19,792,504</b>
<b>Segment assets</b>	<b>98,183,506</b>	<b>116,711,563</b>	<b>1,487,745,774</b>	<b>1,702,640,843</b>
<b>Segment liabilities</b>	<b>887,152,192</b>	<b>471,767,709</b>	<b>113,488,161</b>	<b>1,472,408,062</b>

No revenue from transactions with a single external customer or counterparty amounts to 10% or more of the Bank's total revenue in 2018 and 2017.



	2018	2017
<b>6. Interest income</b>		
Cash and cash equivalents	11,698,124	8,432,877
Loans and advances to customers	53,007,718	43,699,738
Investment securities	112,487,398	148,168,032
	<u>177,193,240</u>	<u>200,300,647</u>
<b>7. Interest expense</b>		
Deposits from banks	7,902,387	14,180,072
Deposits from customers	84,521,539	102,707,202
	<u>92,423,926</u>	<u>116,887,274</u>
<b>8. Net fee and commission income</b>		
Fee and commission income		
Retail banking customer fees	29,294,341	18,395,489
Corporate banking customer fees	17,896,298	15,165,951
	<u>47,190,639</u>	<u>33,561,440</u>
Fee and commission expense	-	-
Net fee and commission income	<u>47,190,639</u>	<u>33,561,440</u>
<b>9. Net trading income</b>		
Foreign exchange gains	31,750,601	24,556,286
Net income from other financial instruments carried at fair value	8,485,918	-
	<u>40,236,519</u>	<u>24,556,286</u>
<b>10. Other operating income</b>		
Profit on disposal of property and equipment (Note 23)	38,340	395,201
<b>11. Net impairment losses on financial instruments</b>		
Loans and advances to customers (Note 19)	15,265,052	5,155,533
Other financial instruments	(3,274,451)	-
	<u>11,990,601</u>	<u>5,155,533</u>
<b>12. Personnel expenses</b>		
Wages and salaries	23,317,779	22,459,502
Tier one pension contribution	2,734,109	2,608,455
Other staff pension contribution	1,794,552	1,518,405
Other staff benefits	25,903,762	21,764,600
	<u>53,750,202</u>	<u>48,350,962</u>

The number of persons employed by the Bank at the end of the year was 415 (2017: 376).

	2018	2017
<b>13. Depreciation and amortisation</b>		
Depreciation	12,093,781	11,192,715
Amortisation	1,883,772	1,488,065
	<u>13,977,553</u>	<u>12,680,780</u>
<b>14. Other expenses</b>		
Advertising and marketing	6,561,830	3,055,885
Training	484,387	461,804
Auditor's remuneration	275,000	235,000
Donation and social responsibility	806,515	739,593
General and administrative expenses	51,070,265	42,281,460
	<u>59,197,997</u>	<u>46,773,742</u>
<b>15. Income tax expense</b>		
Current income tax (Note 24)	12,161,113	7,110,254
Deferred income tax (Note 26)	524,815	427,572
	<u>12,685,928</u>	<u>7,537,826</u>
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:		
Profit before income tax	33,318,141	28,752,381
Tax using the enacted tax rate (25%)	8,329,535	7,188,095
Previous year's tax charge	3,789,473	-
Expenses not deductible for tax purposes	566,920	349,731
Overall tax charge	<u>12,685,928</u>	<u>7,537,826</u>
Effective tax rates	38%	25%
<b>16. Cash and cash equivalents</b>		
Cash in vault	62,008,857	38,167,306
Items in course of collection	30,882,306	48,264,432
Balances with Bank of Ghana	130,128,194	209,762,722
Balances with local financial institutions	2,228,424	844,051
Balances with foreign banks	351,283,092	48,017,213
Placement with other banks	87,237,702	250,494,801
Impairment loss provision on placement with banks	(587,422)	-
	<u>663,181,153</u>	<u>595,550,525</u>
Cash and cash equivalents for the purposes of the statement of cash flows:		
Cash and balances with banks	446,402,679	135,293,002
Balances with Bank of Ghana	130,128,194	209,762,722
Placement with other banks	87,237,702	250,494,801
Trading assets maturing within 90 days of purchase	146,252,984	445,951,033
Less: Restricted cash	<u>(135,504,442)</u>	<u>(137,896,100)</u>
	<u>674,517,117</u>	<u>903,605,458</u>



The balances with Bank of Ghana include non-interest bearing mandatory reserve deposits of GH¢113.5 million (2017:GH¢137.9 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.

	2018	2017
<b>17(a).Non-pledged trading assets</b>		
Government bonds	124,539,475	251,648,268
Impairment on ESLA bonds	(566,564)	-
	<u>123,972,911</u>	<u>251,648,268</u>
Current	2,414,814	2,422,458
Non current	<u>121,558,097</u>	<u>249,225,810</u>
<b>17(b).Pledged trading assets</b>		
Government bonds	405,011,393	35,115,000
Treasury bills	-	102,260,663
	<u>405,011,393</u>	<u>137,375,663</u>
Current	235,804,673	79,919,311
Non current	<u>169,206,720</u>	<u>57,456,352</u>
<b>18. Investment securities</b>		
14 day treasury bills	2,006	211,615,390
91 day treasury bills	1,756,618	90,084,269
182 day treasury bills	1,041,628	1,388,055
	<u>2,800,252</u>	<u>303,087,714</u>
Current	2,800,252	225,359,771
Non current	-	<u>77,727,943</u>
<b>19. Loans and advances to customers</b>		
<b>Analysis by type of facility</b>		
Overdrafts	185,670,241	78,487,056
Term loans	<u>234,538,609</u>	<u>194,177,892</u>
<b>Gross loans and advances</b>	<b>420,208,850</b>	<b>272,664,948</b>
Allowances for impairment	<u>(32,978,076)</u>	<u>(22,867,151)</u>
<b>Net loans and advances to customers</b>	<u><b>387,230,774</b></u>	<u><b>249,797,797</b></u>
<b>Analysis by type of customer</b>		
Individuals	25,955,780	8,747,563
Private enterprise	378,122,332	247,796,953
Staff	<u>16,130,738</u>	<u>16,120,432</u>
<b>Gross loans and advances</b>	<b>420,208,850</b>	<b>272,664,948</b>
Allowances for impairment	<u>(32,978,076)</u>	<u>(22,867,151)</u>
	<u><b>387,230,774</b></u>	<u><b>249,797,797</b></u>
Current	275,489,247	149,302,460
Non current	<u>111,741,527</u>	<u>100,495,337</u>

## Movement in impairment allowance

Year ended 31 December 2018	Loans and advances (Note 19)	Placements (Note 16)	Non pledged trading assets (Note 17)	Other liabilities (Note 29)	Total
Balance at 1 January	22,867,151	-	-	-	22,867,151
IFRS 9 transition adjustment	300,826	2,992,009	1,452,729	9,952	4,755,516
Restated balance at 1 January	23,167,977	2,992,009	1,452,729	9,952	27,622,667
Impairment loss	15,265,052	(2,404,587)	(886,165)	16,301	11,990,601
Bad debt recovered	1,001,363	-	-	-	1,001,363
Amounts written-off as uncollectible	(6,456,316)	-	-	-	(6,456,316)
<b>Balance at 31 December</b>	<b>32,978,076</b>	<b>587,422</b>	<b>566,564</b>	<b>26,253</b>	<b>34,158,315</b>
Year ended 31 December 2017					
Balance at 1 January	51,721,825	-	-	-	51,721,825
Impairment loss	5,155,533	-	-	-	5,155,533
Bad debt recovered	530,989	-	-	-	530,989
Amounts written-off as uncollectible	(34,541,196)	-	-	-	(34,541,196)
<b>Balance at 31 December</b>	<b>22,867,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,867,151</b>

## 20. Investment in associates

Name of associate	Bank's interest in equity shares	Nature of business	Country of incorporation	2018	2017
First Atlantic Brokers Limited	34.57%	Stock brokerage	Ghana	(187,856)	(187,856)
First Atlantic Asset Management Limited	33.9%	Fund Managers	Ghana	314,260	314,578
				<b>126,404</b>	<b>126,722</b>

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

## First Atlantic Brokers Limited

Net investment in associate at beginning of year  
Share of loss from associate during the year

## Net investment in associate at end of year

## First Atlantic Asset Management Limited

Net investment in associate at beginning of year  
Share of (loss)/profit from associate during the year

## Net investment in associate at end of year

## Net investment in associated companies

Net investment in associate at beginning of year	(187,856)	30,509
Share of loss from associate during the year	-	(218,365)
<b>Net investment in associate at end of year</b>	<b>(187,856)</b>	<b>(187,856)</b>
Net investment in associate at beginning of year	314,578	309,115
Share of (loss)/profit from associate during the year	(318)	5,463
<b>Net investment in associate at end of year</b>	<b>314,260</b>	<b>314,578</b>
<b>Net investment in associated companies</b>	<b>126,404</b>	<b>126,722</b>



**21. Intangible assets****Computer software**

	2018	2017
At 1 January	11,600,928	9,726,093
Additions	2,519,809	1,874,835
<b>At 31 December</b>	<b>14,120,737</b>	<b>11,600,928</b>
<b>Amortisation</b>		
At 1 January	5,498,547	4,010,482
Charge for the year	1,883,772	1,488,065
<b>At 31 December</b>	<b>7,382,319</b>	<b>5,498,547</b>
<b>Net book amount at 31 December</b>	<b>6,738,418</b>	<b>6,102,381</b>

**22. Other assets**

Prepayments	11,726,152	11,163,264
E-money receivable	95,341,270	-
Sundry debtors	17,194,631	8,848,865
	<b>124,262,053</b>	<b>20,012,129</b>
Current	117,226,362	13,314,171
Non current	7,035,691	6,697,958

"E-money (electronic money) receivable represents electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds, redeemable against cash and accepted by a natural or legal person other than the emoney issuer.

**23. Property and equipment**

Year ended 31 December 2018	Motor vehicles	Furniture, fittings and equipment	Computers	Leasehold land and buildings	Capital Work-in-progress	Total
<b>Cost</b>						
At 1 January 2018	15,117,949	23,625,500	12,809,563	112,646,072	5,076,638	169,275,722
Additions	685,839	1,573,289	974,985	3,867,294	-	7,101,407
Transfers	-	-	-	5,076,638	(5,076,638)	-
Disposals	(82,091)	-	-	-	-	(82,091)
<b>At 31 December 2018</b>	<b>15,721,697</b>	<b>25,198,789</b>	<b>13,784,548</b>	<b>121,590,004</b>	<b>-</b>	<b>176,295,038</b>
<b>Accumulated depreciation</b>						
At 1 January 2018	6,178,258	11,214,628	9,278,275	5,072,777	-	31,743,938
Charge for the year	2,704,779	3,918,573	1,767,685	3,702,744	-	12,093,781
Disposals	(82,091)	-	-	-	-	(82,091)
<b>At 31 December 2018</b>	<b>8,800,946</b>	<b>15,133,201</b>	<b>11,045,960</b>	<b>8,775,521</b>	<b>-</b>	<b>43,755,628</b>
<b>Net book amount</b>						
At 31 December 2018	6,920,751	10,065,588	2,738,588	112,814,483	-	132,539,410

*Property and equipment (continued)*

Year ended 31 December 2017	Motor vehicles	Furniture, fittings and equipment	Computers	Leasehold land and buildings	Capital Work-in-progress	Total
<b>Cost</b>						
At 1 January 2017	13,642,929	16,481,183	11,474,390	77,609,186	30,366,669	149,574,357
Additions	3,134,818	7,144,317	1,335,173	9,014,158	732,697	21,361,163
Transfers	-	-	-	26,022,728	(26,022,728)	-
Disposals	(1,659,798)	-	-	-	-	(1,659,798)
At 31 December 2017	15,117,949	23,625,500	12,809,563	112,646,072	5,076,638	169,275,722
<b>Accumulated depreciation</b>						
At 1 January 2017	4,990,569	8,001,277	6,960,528	2,149,088	-	22,101,462
Charge for the year	2,737,928	3,213,351	2,317,747	2,923,689	-	11,192,715
Released on Disposals	(1,550,239)	-	-	-	-	(1,550,239)
At 31 December 2017	6,178,258	11,214,628	9,278,275	5,072,777	-	31,743,938
<b>Net book amount</b>						
At 31 December 2017	8,939,691	12,410,872	3,531,288	107,573,295	5,076,638	137,531,784

*Profit on disposal of property and equipment*

	2018	2017
<b>Cost</b>	<b>82,091</b>	1,659,798
<b>Accumulated depreciation</b>	<b>(82,091)</b>	(1,550,239)
<b>Net book value</b>	<b>-</b>	109,559
<b>Sales proceeds</b>	<b>(38,340)</b>	(504,760)
<b>Profit on disposal of property and equipment</b>	<b>(38,340)</b>	(395,201)



**24. Current income tax liabilities****Year ended 31 December 2018**

Year of assessment

Up to 2017

2018

	Balance 1 January	Charge for the year	Payments	Balance 31 December
Up to 2017	(1,407,860)	3,789,473	(2,289,364)	<b>92,249</b>
2018	-	8,371,640	(8,038,713)	<b>332,927</b>
	<b>(1,407,860)</b>	<b>12,161,113</b>	<b>(10,328,077)</b>	<b>425,176</b>
	=====	=====	=====	=====
Year ended 31 December 2017				
Year of assessment				
Up to 2016	(1,500,109)	-	-	(1,500,109)
2017	-	7,110,254	(7,018,005)	92,249
	<b>(1,500,109)</b>	<b>7,110,254</b>	<b>(7,018,005)</b>	<b>(1,407,860)</b>
	=====	=====	=====	=====

**25. National stabilisation levy payable****Year ended 31 December 2018**

Year of assessment

Up to 2017

2018

	Balance 1 January	Charge for the year	Payments	Balance 31 December
Up to 2017	236,588	-	( 229,683)	<b>6,905</b>
2018	-	1,665,923	(1,607,743)	<b>58,180</b>
	<b>236,588</b>	<b>1,665,923</b>	<b>(1,837,426)</b>	<b>65,085</b>
	=====	=====	=====	=====
Year ended 31 December 2017				
Year of assessment				
Up to 2016	(238,601)	-	-	(238,601)
2017	-	1,422,051	( 946,862)	475,189
	<b>(238,601)</b>	<b>1,422,051</b>	<b>(946,862)</b>	<b>236,588</b>
	=====	=====	=====	=====

## 26. Deferred tax assets and liabilities

### Movement in net deferred tax liability

	2018	2017
At 1 January	18,480,626	16,997,195
IFRS 9 opening adjustment	(1,188,902)	-
At 1 January as restated	17,291,724	16,997,195
Charge to profit and loss	524,815	427,572
Charge on gains on FVOCI investment / available for sale	4,267,412	1,055,859
<b>At 31 December</b>	<b>22,083,951</b>	<b>18,480,626</b>
Deferred income tax liability comprises the net impact of the following:		
<b>Deferred income tax assets</b>		
Loan loss provision	(892,979)	(2,038,923)
Other financial instruments	(295,060)	-
	(1,188,039)	(2,038,923)
<b>Deferred income tax liabilities</b>		
Accelerated depreciation	3,233,507	3,559,576
Property revaluation surplus	15,595,461	15,595,461
Fair valuation of bonds - FVOCI / available for sale	4,443,022	1,364,512
	23,271,990	20,519,549
<b>Net deferred income tax liabilities</b>	<b>22,083,951</b>	<b>18,480,626</b>

## 27. Deposit from customers

Current accounts	833,648,958	528,573,509
Savings accounts	98,889,993	84,830,236
Call deposits	78,159,181	96,207,479
Time deposits	238,773,746	669,349,876
	1,249,471,878	1,378,961,100
<b>Analysis by type of depositors</b>		
Financial institutions	315,296,395	398,977,547
Individual and other private enterprise	783,427,826	778,307,372
Public enterprises	150,747,657	201,676,181
	1,249,471,878	1,378,961,100
Current	1,249,471,878	1,378,961,100
Non current	-	-

The twenty largest depositors constitutes 53.29% (2017: 33%) of the total amount due to customers.



**28. Deposits from banks**

	2018	2017
Money market deposits	60,026,499	36,241,928
Deposits from BoG licenced financial institutions	45,546,038	32,561,355
	<b>105,572,537</b>	<b>68,803,283</b>
Current	105,572,537	68,803,283
Non current	-	-

The Bank did not default on any principal, interest or other breaches with regard to any liabilities during 2018 or 2017.

**29. Other liabilities**

Accruals and provisions	439,116	1,120,960
Managed funds	792,684	792,684
Other payables	17,876,044	4,012,821
NSFL payable (note 25)	65,085	236,588
Deposit for shares	106,504,661	-
	<b>125,677,590</b>	<b>6,163,053</b>
Current	19,172,929	6,163,053
Non current	106,504,661	-

**30. Stated capital**

The authorised shares of the Bank is 500 million (2017: 500 million) ordinary shares of no par value. Movement in issued and fully paid up capital is as follows:

	2018		2017	
	No. of Shares	Proceeds	No. of Shares	Proceeds
At 1 January	192,225,889	96,610,409	192,225,889	96,610,409
Issued for cash during the year	47,273,468	92,555,975	-	-
Transfer from income surplus account	22,281,467	44,339,823	-	-
At 31 December	<b>261,780,824</b>	<b>233,506,207</b>	192,225,889	96,610,409

In accordance with sections 66(c) and 74(1) of the Companies Act, 1963 (Act 179), the Bank, by a special resolution of shareholders on 11 May 2018 and 20 Dec 2018, resolved to transfer GH¢ 25,339,858 and GH¢18,999,968 from income surplus account to stated capital for the issuance of 12,733,546 and 9,547,921 ordinary shares respectively.

The transfer, which is subject to the approval of Bank of Ghana, attracts a withholding tax of 8%.

**31. Income surplus account**

Income surplus account represents the accumulated profits over the years after appropriations. The movement in income surplus account is shown as part of statement of changes in equity on page 16.

### 32. Revaluation reserves

Revaluation reserves are gains from the valuation of property owned by the Bank. These are not distributable but subject to regulatory approval, transfer can be made to stated capital in accordance with Section 66(1c) of the Companies Act, 1963 (Act 179).

### 33. Statutory reserve fund

Statutory reserve represents the cumulative amount set aside from annual profit after tax as required by Section 34 of the Banks and Special Deposit Taking Institutions Act, 2016 (Act 930). The proportion of 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.

### 34. Credit risk reserve

Regulatory credit risk reserve represents the cumulative amounts required to meet the Bank of Ghana guidelines for loan impairment allowance provision. The Bank's regulator (Bank of Ghana) requires a transfer from retained earnings (income surplus) to regulatory credit risk reserve when impairment allowance per IFRS 9 is lesser than the impairment allowance per Bank of Ghana's guidelines and in accordance with Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

	2018	2017
Impairment loss provision per Bank of Ghana guidelines	<b>32,145,932</b>	30,080,777
Impairment loss provision per IFRS	<b>(32,978,076)</b>	(22,867,151)
	-----	-----
	-	7,213,626
	=====	=====
Movement in regulatory credit risk reserve is set out below:		
At 1 January	<b>7,213,626</b>	27,575,188
Transferred to income surplus on adoption of IFRS 9	<b>(300,825)</b>	-
Transferred to income surplus account	<b>(6,912,801)</b>	(20,361,562)
	-----	-----
At 31 December	-	7,213,626
	=====	=====

### 35. Other reserves

Other reserves represent gains / losses arising from the changes in fair value of available for sale financial assets which were recognised in available-for-sale reserves until the financial asset was de-recognised or impaired for those financial assets classified as available-for-sale under IAS39.

For the year ended 31 December 2018 other reserves represent cumulative unrealised gains / losses on investments measured at fair value through other comprehensive income. The movement in other reserves is shown as part of statement of changes in equity.



### 36. Earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to equity shareholders of GH¢ 23.1 million (2017: GH¢ 19.7 million, and weighted average number of equity shares outstanding of 227 million (2017: 192.2 million), calculated as follows:

	2018	2017
Net profit for the year attributable to equity shareholders of the Bank	<b>18,966,290</b>	19,792,504
Issued shares at 1 January	<b>192,225,889</b>	192,225,889
Shares issued during the year	<b>69,554,935</b>	-
Weighted average number of shares at 31 December	<b>227,003,357</b>	192,225,889
Earnings per share (Ghana pesewas)	<b>8</b>	10

### 37. 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.

	2018	2017
Letters of credit	<b>134,106,361</b>	28,366,371
Guarantees and indemnities	<b>95,882,962</b>	100,800,793
	<b>229,989,323</b>	129,167,164

#### 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

There were no capital commitments by the Bank at 31 December 2018 (2017: Nil)

#### Claims

There are legal proceedings against the Bank at 31 December 2018. No provision has been made in respect of these cases against the Bank (2017: Nil), and no contingent liability associated with legal actions has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

### 38. Related party transactions

Bank's related party transactions comprise the 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:

	2018	2017
<b>Amounts due to related parties</b>	<b>6,176</b>	<b>8,792</b>
First Atlantic Brokers Limited - Customer deposits	=====	=====
First Atlantic Asset Management Limited - Customer deposits	<b>6,704,435</b>	8,032,952
	=====	=====
<b>Amounts due from related parties</b>		
First Atlantic Brokers Limited - Advances	-	331,671
	=====	=====
First Atlantic Asset Management Limited - Advances	-	200,574
	=====	=====
<b>Transactions with related parties</b>		
Interest expense on deposits	<b>330,175</b>	327,581
	=====	=====
Interest income on advances	<b>60,745</b>	109,674
	=====	=====

#### 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.



### c) Advances to related parties

Advances to customers at 31 December 2018 and 31 December 2017 include loans to related parties (directors and associated companies ) as follows:

	2018	2017
At 1 January	7,133,118	6,130,531
Loans advanced during the year	-	1,412,500
Loans repayment received	(2,700,600)	(409,913)
At 31 December	<u>4,432,518</u>	<u>7,133,118</u>
Comprising:		
Advances to Directors	4,432,518	5,315,839
Advances to associate companies	-	1,817,279
	<u>4,432,518</u>	<u>7,133,118</u>
Interest income earned	<u>232,013</u>	<u>210,531</u>

### d) Loans and advances to employees

	2018	2017
At 1 January	16,120,432	10,175,356
Loans advanced during the year	7,904,847	10,752,333
Loans repayment received	(7,894,541)	(4,807,257)
At 31 December	<u>16,130,738</u>	<u>16,120,432</u>
Interest income earned	<u>1,027,401</u>	<u>821,601</u>

### e) Key management compensation

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

	2018	2017
Salaries, allowances and benefits in kind	4,361,518	5,072,954
Pension contributions	558,038	539,715
Bonuses paid or payable	1,159,910	135,629
	<u>6,079,466</u>	<u>5,748,298</u>

2018

2017

**f) Deposits from directors**

At 1 January

Net movement during the year

**At 31 December**

Interest expense incurred

909,880

2,652,137

3,562,017

16,673

687,273

222,607

909,880

-

**g) Directors' remuneration****Directors**

Fees for service as directors

Other emoluments

446,450

594,328

1,040,778

482,397

879,262

1,361,658

**39. Social responsibility**

In furtherance of our corporate social responsibility, the Bank supported initiatives totalling GH40.05 million (2017: GH40.85million) 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.

**40. Regulatory disclosures**

(i) Non-performing loans

(ii) Non-performing loans ratio

(iii) Amount of loans written off

(iv) Breaches in statutory liquidity

57,532,389

15.56%

6,456,316

Nil

49,824,662

18%

34,541,196

Nil

**Financial instruments**

Financial assets are classified as amortised costs, fair value through profit or loss, or fair value through comprehensive income. These categories of financial assets have been combined for presentation on the face of the statement of financial position. Financial liabilities are held either at fair value through profit or loss or at amortised costs.



The Bank's classification of its principal financial assets and liabilities is summarized below:

#### Assets

At 31 December 2018	Note	Amortised cost	Designated at fair value through profit or loss	Designated at fair value through other comprehensive income	Total carrying amount	Fair value
Cash and cash equivalents	16	663,181,153	-	-	663,181,153	663,181,153
Non-pledged trading assets	17a	-	72,459,013	51,513,898	123,972,911	125,926,315
Pledged trading assets	17b	-	267,635,730	137,375,663	405,011,393	405,011,393
Investment securities	18	2,800,252	-	-	2,800,252	3,304,297
Loans and advances to customers	19	387,230,774	-	-	387,230,774	464,676,929
Other assets	22	112,535,901	-	-	112,535,901	112,535,901
		<b>1,165,748,080</b>	<b>340,094,743</b>	<b>188,889,561</b>	<b>1,694,732,384</b>	<b>1,774,635,988</b>

#### At 31 December 2017

		Loans and receivables	Fair value through profit and loss	Available for sale	Total carrying amount	Fair value
Cash and cash equivalents	16	595,550,525	-	-	595,550,525	595,550,525
Non-pledged trading assets	17a	-	-	251,648,268	251,648,268	251,648,268
Pledged trading assets	17b	-	-	137,375,663	137,375,663	137,375,663
Investment securities	18	303,087,714	-	-	303,087,714	384,921,397
Loans and advances to customers	19	249,797,797	-	-	249,797,797	329,733,092
Other assets	22	20,012,129	-	-	20,012,129	20,012,129
		<b>1,168,448,165</b>	<b>-</b>	<b>389,023,931</b>	<b>1,557,472,096</b>	<b>1,719,241,074</b>

#### Liabilities

At 31 December 2018	Note	Designated at fair value through profit or loss	Financial liabilities at amortised cost	Total
Deposits from banks	28	-	105,572,537	105,572,537
Deposits from customers	27	-	1,249,471,878	1,249,471,878
Other liabilities	29	-	19,172,929	19,172,929
		<b>-</b>	<b>1,374,217,344</b>	<b>1,374,217,344</b>
At 31 December 2017				
Deposits from banks	28	-	68,803,283	68,803,283
Deposits from customers	27	-	1,378,961,100	1,378,961,100
Other liabilities	29	-	6,163,053	6,163,053
		<b>-</b>	<b>1,453,927,436</b>	<b>1,453,927,436</b>

### 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.

On 20 December 2018, the shareholders of the Bank approved a resolution to enter into a merger agreement with Energy Commercial Bank Limited in line with its objective to increase the stated capital of the Bank to meet the minimum capital requirement of GHS 400 million set by the Central Bank of Ghana. Bank of Ghana approved this merger proposal on 2 January 2019, and executed through a merger agreement between First Atlantic Bank Limited and Energy Commercial Bank Limited on 4 January 2019.

### Analysis of shareholding as at 31 December 2018

Name of shareholder	Shareholding	% Holding
Kedari Nominees Limited	152,065,968	58.09%
AFIG Fund II	48,989,015	18.71%
A.A. Global Investments Limited	35,551,387	13.58%
Sir Sam Jonah	5,392,190	2.06%
FABL Ownership Scheme (ESOP)	4,389,480	1.68%
Allied Investment Company Limited	4,073,365	1.56%
Mr. J. E. Amakye, Jnr.	3,673,799	1.40%
Kwaku Akosah-Bempah	2,800,517	1.07%
F. M. Plastech Limited	1,874,026	0.72%
Buck Investments Limited	1,107,299	0.42%
Mr. Jude Arthur	595,323	0.23%
Mr. Odun Odunfa	536,207	0.20%
Wilkins Investments	390,422	0.15%
Estate of the late Mr. Holdbrook Arthur	341,826	0.13%
<b>Total</b>	<b>261,780,824</b>	<b>100.00%</b>

### Value Added Statement For the Period Ended 31 December

	2018	2017
Interest earned and other operating income	264,620,398	258,418,373
Direct cost of services	(151,621,923)	(116,887,274)
Value added by banking services	112,998,475	141,531,099
Non-banking income	38,022	182,299
Impairment loss on financial assets	(11,990,601)	(5,155,533)
Value Added	101,045,896	136,557,865
Distributed as follows:-		
<b>To Employees:</b>		
Directors (without executives)	(1,040,778)	(1,361,658)
Executive directors	(6,079,466)	(5,748,298)
Other employees	(46,629,958)	(41,241,005)
To Government: Income tax	(14,351,851)	(8,959,877)
<b>To providers of capital :</b>		
Dividend to shareholders	-	-
<b>To expansion and growth:</b>		
Depreciation	(12,093,781)	(12,680,780)
Amortisation	(1,883,772)	(46,773,742)
<b>To income surplus</b>	<b>18,966,290</b>	<b>19,792,504</b>





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# BRANCHES

## GREATER ACCRA REGION

### Accra (Head Office)

Atlantic Place, No. 1 Seventh Avenue  
Ridge West, Accra, Ghana  
Tel: +233 (0)30 268 2203,  
+233 (0) 30 268 0825  
+233 (0) 30 268 2204  
Fax: +233 (0)30 267 9245  
Email: info@firstatlanticbank.com.gh

### Accra Central

Atlantic Plaza, #D916/3 Pagan Road  
Ridge West, Accra, Ghana  
Central Business District, Accra  
Tel: +233 (0) 30 267 1543  
+233 (0) 30 267 1552  
Fax: +233 (0) 30 267 1983  
Email: makola@firstatlanticbank.com.gh

### Abeka Lapaz

Fraga Oil Premises  
Off N1 Highway, Lapaz, Accra  
Tel: +233 (0) 30 707 9311  
Email: lapaz@firstatlanticbank.com.gh

### Airport Branch

# 47 Patrice Lumumba Road  
Airport Residential Area  
(Opp. National Service Secretariat)  
Tel: +233 (0) 30 279 7984  
Email: airport @ firstatlanticbank.com.gh

### Abossey Okai

# B424/6 Abossey Okai  
Obetsebe Roundabout  
Korle-Bu Road, Accra  
Phone: +233 (0)30 707 9270 / 707 9269  
Email: abosseyokai@firstatlanticbank.com.gh

### Dzorwulu

House Number 30/14, Blohum Street,  
Dzorwulu-Accra  
Tel: +233 (0) 307010386 / 0307010380  
Email: dzorwulu@firstatlanticbank.com.gh

### East Legon (Main)

Lagos Avenue,  
Opposite DNR Turkish Restaurant  
Tel: +233 (0) 577687187/8  
Email: eastlegon@firstatlanticbank.com.gh

### East Legon

Ebenezer Tsatsu Quarmyne Commercial  
Building, American House Junction, East Legon  
Tel: +233 (0) 30 397 0082  
Email: eastlegon @ firstatlanticbank.com.gh

### Kantamanto

Tarzan House  
No. D6/4 Mamleshie Road, Korle-Dudor  
Tel: +233 (0)30 268 5574/5  
Fax: +233 (0)30 268 1205  
Email: kantamanto@firstatlanticbank.com.gh

### Kotobabi

Kotobabi Highway Next to  
the shell Filling Station  
Tel: +233 (0) 577687181  
Email: kotobabi@firstatlanticbank.com.gh

### Madina

House No. 239 , Madina - Accra  
Tel: +233 (0)302507670/ 0302507671  
Email: madina@firstatlanticbank.com.gh

### Max Mart 37

37 Liberation Road  
First Floor Maxmart Building  
Near DVLA, Accra  
Tel: +233 (0)30 707 9310  
Email: maxmart37@firstatlanticbank.com.gh

### North Industrial Area

Plot No.18, Kaneshie North Industrial Area,  
Dadeban Road, Accra  
Tel: +233 (0)30 707 9299  
+233 (0)30 707 9300  
Email: nia@firstatlanticbank.com.gh

### North Ridge

No.3 Dr. Isert Rd  
North Ridge, Accra  
Tel: +233 (0) 30 221 8054  
Fax: +233 (0) 30 221 8055  
Email: northridge@firstatlanticbank.com.gh

### Osu Oxford Street

No 39, Cantonments Road,  
Osu - Accra Opposite KFC Restaurant  
Tel: +233 (0) 30 702 1260/ 0307021259  
Osu - Oxford Street  
Email: osu@firstatlanticbank.com.gh

### Osu Main

House No Fs/5  
Osu Danquah Circle  
Tel: 0271 22227/8  
Email: osu@firstatlanticbank.com.gh

### Ring Road

Randolph House, House No. 920/3, Asylum  
Down, Ring Road- Accra.  
Tel: +233 (0) 0303973317  
Email: ringroad@firstatlanticbank.com.gh

### Sakaman

Sakaman Total Filling Station, 612  
Accra West Region. Dansoman District  
Tel: +233 (0) 302218052/3  
Email: sakaman@firstatlanticbank.com.gh

### Sakumono

Sakumono Junction,  
Opposite Total fuel station  
Tel: +233 (0) 577687189  
Email: sakumono@firstatlanticbank.com.gh

### Weija

Hse No. S.V. 18A,  
Sampaman off Winneba - Accra Road  
Weija - Accra  
Tel: +233 (0) 302218050/1  
Fax: +233 (0) 307021267  
Email: weija@firstatlanticbank.com.gh

### Spintex Road

Adjacent Finatrade Building near Coca Cola  
Roundabout  
Tel: +233 (0) 30 703 8381 / 030 703 8382  
Email: spintex @ firstatlanticbank.com.gh

### Tema Community 1

Ground Floor  
Efua Halam House Tema, Accra  
Phone: +233 (0)30 320 7639 / 320 7591  
Fax: +233 (0)30 320 7580  
Email: comm1@firstatlanticbank.com.gh

### Tema Mall

Plot No. Ind/222/Sanyo Road  
Heavy Industrial Area - Tema  
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## CENTRAL REGION

### Kasoa

Latex Foam House, Bojoase Rd,  
Opposite Datus Preparatory  
Tel: +233 (0) 577708153  
Email: kasoa@firstatlanticbank.com.gh

## WESTERN REGION

### Takoradi

Far West Premises Plot A,  
Market Circle - Takoradi  
Tel: +233 (0) 31 20 03355 / 66  
Email: takoradi@firstatlanticbank.com.gh

## ASHANTI REGION

### Adum

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Tel: +233 (0) 3820 95901 - 3  
Email: adum@firstatlanticbank.com.gh

### Nhyiaeso

No. 7 Ellis Avenue, Nhyiaeso, Kumasi  
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+233 (0)32 203 2105  
Fax: +233 (0)32 203 2238/203 2106  
Email: nhyiaeso@firstatlanticbank.com.gh

### Suame

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Suame Magazine  
Tel: +233 (0)32 208 3710/ 208 2348  
Fax: +233 (0)32 208 3709  
Email: suame@firstatlanticbank.com.gh

## BRONG AHAFO REGION

### Techiman

Plot No.300, Block 'A' Sector 4n.  
Techiman- Brong Ahafo  
Tel: +233 (0) 57 770 8150/51  
Email: techiman@firstatlanticbank.com.gh

## NORTHERN REGION

### Tamale

plot no. 21 Ward E Ext  
Residential Area  
Changli-Tamale  
Tel: 0271 222230  
Email: tamale@firstatlanticbank.com.gh





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