Deloitte.

Bond Savings and Loans Plc

Report and Financial Statements
31 December 2017

CLASSIFICATION: CONFIDENTIAL

Bond Savings And Loans Plc
(formerly Bond Savings and Loans Limited)

Report and financial statements

For the year ended 31 December 2017

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Bond Savings and Loans Plc
(formerly Bond Savings and Loans Limited)

Directors, officials and registered office

Directors:	Peter Osei Duah	Chairman
	George Ofosuhene	Chief Executive Officer
	Krobo Edusei Jnr	Non-Executive Director
	Newton Brenya	Non-Executive Director
	Isaac Kodom	Non-Executive Director
	Welbeck Abra-Appiah	Non-Executive Director

Secretary:
Lucy Genevieve Lamptey
P.O Box 6709
Accra - North
Accra

Registered Office:
Bond House

Safebond Car Terminal
PMB 245, Comm. 1
Tema

Solicitors:
Legal Ink
PMB 24
Kanda - Accra
Accra - Ghana

Auditors:
Deloitte & Touche
The Deloitte Place, Plot No. 71,
Off George Walker Bush Highway,
Box GP 453, North Dzorwulu

Bankers:
First Atlantic Bank Limited
Fidelity Bank Ghana Limited
UniBank Ghana Limited
ADB Bank Limited

Bond Savings and Loans Plc
(formerly Bond Savings and Loans Limited)

Report of the directors

In accordance with the requirements of Section 132 of the Companies Act, 1963 (Act 179), the directors have the pleasure in presenting the annual report for the year ended 31 December 2017 as follows:

Nature of business

There has been no change in the nature of the business of the company. The company had approval from the Bank of Ghana to carry on the business of a savings and loans on 23 October, 2014.

Principal activities

Having transitioned from a Finance House to a Savings and Loans outfit, BOND has essentially acquired the capability to offer Over the Counter Services in addition to its existing line of business. As a Savings and Loans Company licensed and supervised by Bank of Ghana, it is an establishment authorized to mobilize deposits and provide financial support like any other bank. The principal activities BOND is authorized to undertake are acceptance of deposits and other repayable funds from the public; lending; money transmission services; financial leasing; guarantees and commitments; credit reference services; safe custody of valuables and electronic banking.

Review of the business

The company traded well during the year and the directors are satisfied that the underlying quality of the business is sound and that profitable returns can be earned within the foreseeable future as planned.

Financial performance

	2017	2016
	GHS	GHS
The company recorded net profit before taxation of	**12,903,352**	10,251,397
From which is deducted taxation of	**(1,870,501)**	(2,341,845)
Giving a net profit after taxation of	**11,032,851**	7,909,552
There was transfer to statutory reserves of	**(5,516,426)**	(3,954,776)
When added to the opening balance on the income surplus account as of 1 January of	**3,493,867**	5,707,410
From which is deducted final dividend paid of	**(1,200,000)**	(1,229,642)
Leaving a balance of	**7,810,292**	8,432,544
And adjusting it with transfer from general regulatory credit reserve of	**(6,891,187)**	(4,938,677)
It leaves a closing balance on the income surplus account of	**919,105**	3,493,867

Report of the directors -continued

Dividend

The Board of Directors did not recommend dividend for the year ended 31 December 2017 (2016:GHS0.40 per share).

Auditors

In accordance with Section 134(5) of the Companies Act, 1963 (Act 179) the auditors, Messrs. Deloitte & Touche, will continue as auditors of the company.

By order of the board

Director..............................
Date: 27/04/18

Director..............................
Date: 27/04/18

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether the applicable accounting standards have been followed.
- Ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with International Financial Reporting Standards, the Companies Act, 1963 (Act 179), the Bank and Specialized - Deposit-Taking Institutions Act,2016 (Act 930) and International Financial Reporting Standards. They are responsible for safeguarding the assets of the company and hence for taking steps for the prevention and detection of fraud and other irregularities.

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Ghana

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Independent auditors' report

To the members of Bond Savings and Loans Plc (formerly Bond Savings and Loans Limited)

Opinion

We have audited the accompanying financial statements of Bond Savings and Loans Plc which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, the notes to the financial statements including a summary of significant accounting policies and other national disclosures.

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditors' report - continued
To the members of Bond Savings and Loans Plc (formerly Bond Savings and Loans Limited)

Loan loss provisions	How our audit addresses the key audit matter
The Company assesses the impairment of the loans and advances in compliance with IAS 39 – Financial Instruments: Recognition and Measurement, which requires the amount of loss to be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate.The Company reviews its loans and advances for impairment at the end of each reporting period. Due to the significant judgement that is applied by Management in determining whether an impairment loss has occurred and in estimating the expected amount and timing of future cash flows, we considered this to be a key audit risk. In addition to specific provisions against individually impaired loans and advances, the Company also makes a portfolio impairment provision against the remainder of the loans and advances in relation to which specific impairment losses have not been made. We focused on this area, since the determination of the amount of the portfolio provision is an estimation process which is based on historical loss experience and therefore involves significant judgement. The disclosure relating to impairment of loans and advances to customers which are included in note to the financial statements are considered important to the users of the financial statements given the level of judgement and estimation involved.	We evaluated and tested the design, implementation and operating effectiveness of the key controls over the computation of impairment provisions. In performing the tests of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the controls, frequency and consistency with which the controls are performed. We performed an evaluation of Management's key assumptions over specific impairment calculations, including the calculation methodology, the basis of the underlying expected cash flows, and the realizable value of collaterals and expected period of realization of the collaterals. We determined whether the cash flow projections were supported and consistent with the financial information in the Borrower's loan file. We evaluated the loan's effective interest rate used in discounting expected future cash flows and recalculated the estimate of loss using the cash flow projections and the loan's effective interest rate.We further examined validity of collaterals and verified that the original copies are kept in a secured place. We determined that the current fair values of the collaterals were obtained from qualified professionals either internal or external to the bank. For fair value estimates supported by current independent appraisals, we evaluated the appraiser's qualifications and obtained an understanding of the assumptions adopted for each appraisal. Typically, appraisal assumptions are based on the current performance of the collateral or similar assets. We calculated an estimate of loss for the selected fair value of collateral dependent loans.We tested the adequacy of the portfolio loan loss provision by evaluating the portfolio impairment provision model and loss rates used by Management in the calculation of the portfolio impairment provision. We considered past experience and current economic and other relevant conditions, including changes in factors such as lending policies, nature and volume of the portfolio, volume and severity of both past and recently identified impaired loans and concentration of credit. We also considered the consistency of the approach with prior year and evaluated the adequacy of the bank's disclosure on impairment of loans and advances to customers.

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Independent auditors' report - continued
To the members of Bond Savings and Loans Plc (formerly Bond Savings and Loans Limited)

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibility and the Report of the Directors, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

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, the requirements of 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of 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.

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Independent auditors' report - continued
To the members of Bond Savings and Loans Plc (formerly Bond Savings and Loans Limited)

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

- Identify and assess the risks of material misstatement of the 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 Company'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 management's 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 Company'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 Company to cease to continue as a going concern.

- 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 audit committee and 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.

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Independent auditors' report - continued
To the members of Bond Savings and Loans Plc (formerly Bond Savings and Loans Limited)

Report on Other Legal and Regulatory Requirements

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

We confirm that:

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

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) Section 85(2) requires that we state certain matters in our report. We hereby state that:

I. the accounts give a true and fair view of the state of affairs of the Company and their results for the year 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 Company transactions were within its powers; and

IV. the Company has generally complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930).

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

Deloitte Touche

For and on behalf of Deloitte & Touche (ICAG/F/2018/129)
Chartered Accountants
The Deloitte Place, Plot No. 71
Off George Walker Bush Highway
North Dzorwulu
Accra, Ghana

30th April **2018**

Bond Savings and Loans Plc
(formerly Bond Savings and Loans Limited)

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	2017 GHS	2016 GHS
Interest income	6	**100,961,460**	85,623,702
Interest expense	7	**(56,560,896)**	(59,311,734)
Net Interest Income		**44,400,564**	26,311,968
Fees & commission income	8	**1,472,379**	1,332,476
Other operating income	9	**2,919,958**	2,131,460
Operating income		**48,792,901**	29,775,904
Other expenses	10	**(14,150,184)**	(7,261,367)
Personnel expenses	11	**(6,924,325)**	(4,352,087)
Net impairment loss on financial asset	12	**(9,228,194)**	(7,927,623)
Depreciation and amortisation	24	**(1,755,416)**	(1,519,896)
Share of (loss)/profit of associate	20	**(3,831,430)**	1,536,466
Profit before income tax		**12,903,352**	10,251,397
Income tax expense	13	**(1,870,501)**	(2,341,845)
Profit for the period		**11,032,851**	7,909,552
Other comprehensive income:		**-**	-
Total comprehensive income for the year		**11,032,851**	7,909,552
Earnings Per Share:			
Basic and diluted earnings per share (GHS)	14	**3.68**	2.64

Bond Savings and Loans Plc
(formerly Bond Savings and Loans Limited)

Statement of financial position

As at 31 December 2017

	Notes	2017 GHS	2016 GHS
Assets			
Cash and cash equivalent	15	**48,659,480**	32,683,028
Non - pledged Trading assets	16	**72,218,571**	36,876,614
Pledged Trading assets	17	**26,242,890**	13,400,278
Loans and advances to customers	18	**185,606,160**	159,305,000
Investments (Other than Securities)	20	**4,705,016**	8,536,466
Deferred tax assets	23	**4,561,875**	2,202,088
Intangible Assets	24a	**2,096,263**	273,362
Other assets	22	**1,651,096**	1,995,266
Property, plant and equipment	24	**7,589,431**	7,046,804
Total Assets		**353,330,782**	262,318,906
Liabilities			
Deposits from banks, SDIs & other BOG licensed FIs	25	**41,905,694**	31,426,564
Deposits from customers	25a	**242,270,623**	188,759,947
Provisions	26a	**970,060**	643,441
Current tax liabilities	21	**2,762,716**	2,436,445
Other Liabilities	26	**4,958,236**	1,321,907
Total Liabilities		**292,867,329**	224,588,304
Shareholders' Fund			
Stated capital	27	**29,435,267**	16,535,267
Income surplus account	34c	**919,105**	3,493,867
Statutory reserve fund	34e	**18,206,714**	12,690,288
Regulatory credit reserve	34f	**11,902,367**	5,011,180
Total Shareholders' Fund		**60,463,453**	37,730,602
Total Liabilities and Shareholders' Fund		**353,330,782**	262,318,906

The accompanying notes form an integral part of these financial statements.
Approved by the Board on 27 April, 2018 and signed on its behalf as follows:

Director..................................... **Director**.....................................

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Bond Savings and Loans Plc
(formerly Bond Savings and Loans Limited)

Statement of changes in equity

For the year ended 31 December 2017

	Stated Capital	Statutory reserves	Income surplus account	Regulatory credit risk reserve	Total
	GHS	GHS	GHS	GHS	GHS
Balance as at 1 January 2017	**16,535,267**	**12,690,288**	**3,493,867**	**5,011,180**	**37,730,602**
Increase in stated capital	**12,900,000**	-	-	-	**12,900,000**
Total comprehensive income	-	-	**11,032,851**	-	**11,032,851**
Transfer from income surplus	-	**5,516,426**	**(5,516,426)**	-	-
Transfer to credit risk reserve	-	-	**(6,891,187)**	**6,891,187**	-
Dividend paid	-	-	**(1,200,000)**	-	**(1,200,000)**
Balance as at 31 December 2017	**29,435,267**	**18,206,714**	**919,105**	**11,902,367**	**60,463,453**
Balance as at 1 January 2016	16,535,267	8,735,512	5,707,410	72,503	31,050,692
Increase in stated capital	-	-	-	-	-
Total comprehensive income	-	-	7,909,552	-	7,909,552
Transfer from income surplus	-	3,954,776	(3,954,776)	-	-
Transfer to credit risk reserve	-	-	(4,938,677)	4,938,677	-
Dividend paid	-	-	(1,229,642)	-	(1,229,642)
Balance as at 31 December 2016	16,535,267	12,690,288	3,493,867	5,011,180	37,730,602

Bond Savings and Loans Plc
(formerly Bond Savings and Loans Limited)

Statement of cash flows

For the year ended 31 December 2017

	2017 GHS	2016 GHS
Cash flow from operating activities		
Operating profit before taxation	**12,903,352**	10,251,397
Adjustments for:		
Depreciation	**1,755,416**	1,519,896
Impairment charge	**9,228,194**	7,927,623
Interest in suspense	**2,486,578**	4,106,353
Profit on disposal of motor vehicles	**(38,163)**	(19,900)
Share of loss / (profit) of associate	**3,831,430**	(1,536,466)
Operating profit before working capital changes	**30,166,807**	21,149,504
Changes in operating and other assets and liabilities		
Changes in other assets	**344,189**	(373,399)
Changes in other liabilities	**3,962,948**	3,862,611
Changes in customer deposit	**63,989,805**	44,494,455
Changes in loans and advances to customers	**(38,015,931)**	(46,562,482)
	60,447,818	22,570,689
Tax paid	**(3,904,017)**	(2,732,821)
Net cash generated from operating activities	**56,543,801**	19,837,868
Cash flow from investing activities		
Purchase of property, plant and equipment	**(4,120,944)**	(973,095)
Proceeds from sale of assets	**38,163**	19,900
(Increase/decrease in financial investments	**(48,184,570)**	2,043,731
Net cash (used in)/generated from investing activities	**(52,267,351)**	1,090,536
Cash flow from financing activities		
Dividend paid	**(1,200,000)**	(1,229,640)
Increase in stated capital	**12,900,000**	-
Net cash generated from/(used in) financing activities	**11,700,000**	(1,229,640)
Increase in cash and cash equivalents	**15,976,450**	19,698,764
Cash & cash equivalents as 1 January	**32,683,030**	12,984,266

Bond Savings and Loans Limited
(formerly Bond Savings and Loans Limited)

Statement of cash flows - continued

For the year ended 31 December 2017

Cash and cash equivalents at 31 December 2017	28	**48,659,480**	32,683,030
		========	=========
Operational Cash Flows from Interest:			
Interest Received	6	**100,961,460**	84,066,182
		========	=======
Interest Paid	7		
		56,560,896	59,311,734
		========	=======

Notes to the financial statements

For the year ended 31 December 2017

1. Reporting Entity

Bond Savings and Loans Plc (BOND) is a non-bank financial institution registered and domiciled in Ghana. The company is incorporated in Ghana under the Companies Act, 1963 (Act 179). The registered office is located at Bond House, Safebond Car Terminal, Tema. BOND operates under the and the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930).

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1.2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

2 Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Ghana Cedis except when otherwise indicated.

3 Summary of significant accounting policies

The significant accounting policies applied by Bond Savings and Loans Limited in the preparation of the financial statements are set out below:

3.1 Functional and presentation currency

The financial statements are presented in Ghana Cedis [GHS], which is the functional and presentational currency of the company.

3.2 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated in cedis at the exchange rate ruling at the company's year end. Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. All translation differences are dealt with in arriving at the operating result.

3.3 Property, plant and equipment

The company recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the cost of the item can be measured reliably. Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. Depreciation is calculated on a straight-line basis over the useful life of the asset. The current annual depreciation rates for each class of property, plant and equipment are as follows:

Notes to the financial statements

For the year ended 31 December 2017- continued

Leasehold buildings and improvements	2%
Motor vehicles	25%
Office equipment	25%
Furniture and equipment	25%

3.4 Intangible assets: Computer software

Costs incurred to acquire and bring to use specific computer software licenses are capitalized. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. The amortization period and method for an intangible asset, in this case computer software, are reviewed at least at each reporting date. Changes in the expected useful life in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on the intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight line method on the basis of the expected useful lives of the assets of four years.

The carrying values of intangible assets are reviewed for indications of impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gains or losses arising from de- recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

3.5 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in profit or loss net of any reimbursement.

3.6 Events after the reporting period

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

3.7 Employee benefits

The company contributes to two defined contribution schemes (the Social Security Fund and the Provident Fund) on behalf of employees.

a Social security contributions

This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees. All employer contributions are charged to profit or loss as incurred and included under personnel expenses.

Notes to the financial statements

For the year ended 31 December 2017- continued

b Provident Fund

This is Bond Savings and Loans Limited's specific defined contribution scheme under which the company contributes 10% of qualifying employees' basic monthly salaries to a fund managed by a trustee on behalf of, and for the benefit of the employees. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

c Short term benefit

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 Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.8 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

a Interest income

Interest income is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated on initial recognition of the financial asset or liability, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses.

The calculation includes all amounts for processing and commitment fees paid or received by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

Where a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

b Fees and commissions

Commission and fees revenue and expenses that are integral part of financial instruments and are included in the measurement of the effective interest rate are spread over the period of the financial instruments. Commission and fees in respect of services are recognized in the income statement when the related services are performed.

The company earns commission and fees from a diverse range of services provided to its customers. Fee revenue is accounted as follows:

- Fees which forms an integral part of the effective interest rate of a financial instrument (such as commitment and processing fees on corporate loans) is recognized as an adjustment to the effective interest rate.
- Other fees and commission income, including account servicing fees, investment management fees, sales commission, and placement and arrangement fees are recognised as the related services are performed.

c Net trading income

This comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

d Dividends

Revenue is recognized when the Bank's right to receive the dividend is established and treated as investment revenue.

e Other operating income

This is made up of other operating income including bad debts recovered, profit or loss on sale of property, plant and equipment, other miscellaneous incomes and exchange gains.

3.9 Interest expense

Interest expense is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense.

The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument. The calculation includes all amounts for processing and commitment fees paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Notes to the financial statements

For the year ended 31 December 2017- continued

3.10 Taxation

Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

a Current income tax

Current tax is the tax expected to be payable under the Income Tax Act, 2015 (Act 896) on the taxable profit for the year, calculated using the tax rates enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set off exists.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

b Deferred income tax

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.
Deferred tax is calculated using the rate expected to apply in the period in which the assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities and relate to income taxes levied by the Ghana Revenue Authority, and when a legal right to set off exists in the entity.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Notes to the financial statements

For the year ended 31 December 2017- continued

Deferred tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

Value Added Tax -VAT

Revenues, expenses and assets are recognized net of the amount of VAT except:

- Where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of value added tax included.
- The net amount of value added tax recoverable from, or payable to, the Ghana Revenue Authority is included as part of receivables or payables in the statement of financial position.

3.11 National stabilization levy

Under the National Fiscal Stabilization Levy Act, 2013 of Ghana, financial institutions and some large firms were required to pay a levy of 5% of their profit before tax towards fiscal stabilization with effect from July 2013. The Company has complied with this statutory obligation.

3.12 Classification of financial assets and liabilities

The company classifies its financial assets as follows: financial assets held at fair value through profit or loss; loans and receivable; held-to-maturity and available for sale financial assets. However, the classification of financial liabilities is restricted to either held at fair value through profit or loss, or at amortized cost.

3.13 Financial instruments - Initial recognition and subsequent measurement

a Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date i.e. the date that the company commits to purchase or sell the asset.

b Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

c Financial assets designated at fair value through profit and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit and loss.

Debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short- term gains are classified as trading securities and recognized in the statement of financial position at their fair value.

Gains and losses arising from changes in their fair value are recognized in the profit and loss in the period in which they occur. Other financial assets at fair value through profit or loss are designated as such by management upon initial recognition.

Such assets are carried in the statement of financial position at their fair value and gains and losses recognized in the profit and loss in the period in which they occur.

Financial assets are only designated as at fair value through profit or loss when doing so results in more relevant information because it eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

d Available for sale assets

Debt securities including investments in money market and equity shares, other than those classified as trading securities or at fair value through profit or loss, are classified as available-for- sale and recognized in the statement of financial position at their fair value.

Available for sale financial assets are measured at fair value on the statement of financial position, with gains and losses arising from changes in the fair value of investments recognized in other comprehensive income and accumulated in other reserves in equity, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognized in equity is recognized through other comprehensive income into profit and loss.

Interest calculated using the effective interest method is recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the company's right to receive payment is established.

e Held-to-maturity assets

Held to maturity financial investments are those which carry fixed determinable payments and have fixed maturities and which the company 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 amortization is included in 'interest income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line 'Impairment losses on financial investments'.

Notes to the financial statements

For the year ended 31 December 2017- continued

f Due from banks and loans and advances to customers

Due from banks and 'Loans and advances to customers' 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, amounts due from companies and loans and advances to customers 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 amortization is included in 'Interest income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Charge for Impairment'.

g Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

Non-trading liabilities are recorded at amortized cost applying the effective interest method. Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

h Determination of fair value of financial instruments

i) Availability of active market

The fair value of a financial instrument traded in active markets such as the Ghana Stock Exchange (GSE) at the reporting date is based on their quoted market price.

ii) Non-availability of active market

Where market prices are not available, the company establishes a fair value by using valuation techniques. These include the use of recent arm's- length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants.

For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

i De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either when the company have a legal right to offset the amount and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

a) the company has transferred substantially all the risks and rewards of the asset, or

b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset.

In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. A financial liability is derecognized when the obligation is discharged, cancelled or expired.

j Offsetting

Financial assets and liabilities are off set and the net amount is shown in the statement of financial position, and only when the company have a legal right to offset the amount and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Impairment of financial assets

a Framework for impairing financial assets

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

b Available-for-sale financial assets

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

Notes to the financial statements

For the year ended 31 December 2017- continued

3.14 Impairment of financial assets

In the case of equity investments classified as available-for-sale, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss) is removed from available for sale reserve and recognized through other comprehensive income into profit or loss.

Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit and loss statement.

c Loans and advances and due from banks & other financial institutions

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

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

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.
For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

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

d Held to maturity financial investment

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

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

3.15 Regulatory credit reserve

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset until the asset is impaired (90 days overdue) ; after 90 days the interest is on a non-accrual basis.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collaterals have been utilized or have been transferred to the company and all the necessary procedures have been completed.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the 'other operating income'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. For the purposes of collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system that considers credit risk characteristics, such as asset type, industry, geographical location, collateral type, past- due status and other relevant factors.

Notes to the financial statements

For the year ended 31 December 2017- continued

Loans & Advances

To cater for any excess of Bank of Ghana's credit loss provision requirements over loans and advances impairments based on IFRS principles, a transfer is made from the income surplus (distributable reserves) to a non- distributable reserves in the statement of changes in equity, being the Regulatory Credit Reserve.

The non-distributable Regulatory Credit Reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

3.16 Dividend

Dividends declared are treated as an appropriation of profit in the year of approval while dividends proposed are disclosed as a note to the financial statements.

3.17 Cash and cash equivalents

Cash and cash equivalents are recorded in the balance sheet at cost. 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, treasury bills and other eligible bills and amounts due from other Banks.

3.18 Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities in associates are incorporated in these financial statements using the equity method of accounting, except when the investments, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of profit or loss and other comprehensive income of the associate

When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate (which includes any long-term interest that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate (which includes any long-term interest that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

3.19 Borrowing

Borrowings by the company are initially recognized at fair value and there after stated at amortized cost. Associated net transaction costs of borrowings are recognized in profit or loss over the maturity period of the borrowings.

3.20 Financial instruments

Non-derivative financial instrument

Non-derivative financial instrument comprise financial instrument, other receivables, cash and cash equivalents, loan and other payables.

Notes to the financial statements

For the year ended 31 December 2017- continued

(i) Classification

The Company classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes in this category collateral on derivatives, securities borrowed and quoted in an active market. The Company includes in this category collateral on derivatives, securities borrowed and other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as at FVPL. The Company includes in this category collateral on derivatives, securities lent and other short-term payables.

(ii) Recognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

Other receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

Notes to the financial statements

For the year ended 31 December 2017- continued

(a) the Company has transferred substantially all of the risks and rewards of the asset
Or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses (ECLs) that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense. Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If a previous write-off is future recovery and all collateral has been realised or has been transferred to the Company. If a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Fair value measurement

The Company measures all its investments in investments in financial instruments, such as equities, debts, other interest bearing investments at cost as there is no active market for those instruments.

3.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability, or
• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4 Significant Accounting Estimates, Assumptions & Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the financial statements

For the year ended 31 December 2017- continued

4.1 Going concern

The management of the company has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the required resources to continue in business for the foreseeable future.

Furthermore, the company's management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Consequently, the financial statements continue to be prepared on the going concern basis.

4.2 Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4.3 Impairment of financial assets

The company makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets. Refer to 2.15(b) and (c) for details.

4.4 Impairment of non-financial assets (Including PPE)

The company assesses at least at each reporting date whether there is any evidence that non financial assets (including PPE) may be impaired.

Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value discount rates in order to calculate the present value of those cash flows.

5 Application of new and revised International Financial Reporting Standards (IFRS)

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective

IFRS 9 Financial Instruments

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

Notes to the financial statements

For the year ended 31 December 2017- continued

The company is still assessing the impact of the standard.

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

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

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.
The company will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The company will apply these amendments when they become effective

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

Notes to the financial statements

For the year ended 31 December 2017- continued

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

In 2018, the company will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 *Insurance Contracts*
In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective,

IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the entity

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.
An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight.

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

This standard is not applicable to the company.

Annual Improvements 2014-2016 Cycle (issued in December 2016)
These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose.
The amendment is effective from 1 January 2018. This amendment is not applicable to the company.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.
These amendments are not applicable to the company.

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For the year ended 31 December 2017- continued

Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts,* which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

These amendments are not applicable to the company.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

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

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

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

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

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

The Interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. This standard is not applicable to the company.

Notes to the financial statements

For the year ended 31 December 2017- continued

6	**Interest income**	**2017**	2016
		GHS	GHS
	Loans and advances	**79,529,019**	62,055,140
	Investment securities	**21,432,441**	23,568,562
		100,961,460	85,623,702

7	**Interest expense**	**2017**	2016
		GHS	GHS
	Time and other deposits	**55,891,228**	56,474,967
	Current Accounts	**669,668**	2,836,767
		56,560,896	59,311,734

8	**Fees and commission income**	**2017**	2016
		GHS	GHS
	Arrangement fees	**1,472,379**	1,332,476
		1,472,379	1,332,476

9	**Other operating income**	**2017**	2016
		GHS	GHS
	Penal income	**125,337**	161,364
	COT and account management fees	**99,767**	51,093
	Commission on clearing and money transfers	**250,429**	24,859
	Overdraft fees	**275,745**	260,094
	Miscellaneous income	**2,168,680**	1,634,050
		2,919,958	2,131,460

Notes to the financial statements

For the year ended 31 December 2017- continued

10		**2017**	2016
		GHS	GHS
	Advertising and marketing	**6,133,048**	2,579,228
	Audit fees	**80,000**	75,000
	Directors' remuneration/expenses	**202,020**	191,849
	Legal and consultancy fees	**1,071,430**	503,098
	Rent	**807,501**	734,462
	Communication expenses	**279,857**	254,815
	Utilities	**707,872**	352,798
	Security	**662,044**	469,291
	Fuel costs	**1,251,154**	844,239
	Other operating expenses	**2,955,258**	1,256,587
		14,150,184	7,261,367

11	**Personnel expenses**	**2017**	2016
		GHS	GHS
	Salaries, bonuses and staff allowances	**3,733,782**	2,505,048
	Social security fund contribution	**485,343**	325,657
	Provident fund contribution	**309,841**	250,506
	Staff welfare	**1,262,106**	644,626
	Staff training	**123,693**	127,216
	Other employee costs	**1,009,560**	499,034
		6,924,325	4,352,087

12	**Charge for impairment**	**2017**	2016
		GHS	GHS
	Individual impairment	**8,176,973**	5,101,642
	Portfolio impairment	**1,051,221**	1,726,582
	Bad debt written off	**-**	1,099,399
		9,228,194	7,927,623

Notes to the financial statements

For the year ended 31 December 2017- continued

13 Income tax expense

Analysis of charge for the year	**2017 GHS**	2016 GHS
Current tax (20)	**3,447,714**	4,031,364
National stabilisation levy	**645,168**	512,569
Tax adjustment	**137,406**	-
Deferred tax charge	**(2,359,787)**	(2,202,088)
Charge to statement of profit or loss and other comprehensive income	**1,870,501**	2,341,845

The current tax charge on the profit is based on Ghana's corporate tax rate of 25% (2016: 25%).Tax adjustment is the result arising from an audit by Ghana Revenue Authority(GRA).

13b National Stabilization Levy

Analysis of Charge for the Year	**2017 GHS**
Charge to statement of profit or loss and other comprehensive income	**645,168**

In accordance with the National Fiscal Stabilization Act, 2013 (Act 862) all companies in Banking, Non Bank Financial Institutions, Insurance, Mining, Brewery and Communication are supposed to pay a levy of 5% of profit before tax towards National Fiscal Stability .

14 Earnings per share

Basic earnings per share is calculated by dividing the profit after tax for the year attributable to the equity holders of the Bank by the weighted average number of shares, held during the year after deducting treasury shares.

The following table shows the income and share data used in the calculation of the basic earnings per share:

	2017	2016
Profit attributable to shareholders of the Company (GHS)	**11,032,851**	7,909,552
Weighted average number of outstanding ordinary shares	**3,000,000**	3,000,000
Basic earning per share (GHS)	**3.68**	2.64

Diluted earnings per share: The company has no category of dilutive potential ordinary shares.

15 Cash and cash equivalent

	2017 GHS	2016 GHS
Cash	**4,530,745**	2,943,851
Due from local banks	**44,128,735**	29,739,177
	48,659,480	32,683,028

Due from Bank and other financial institutions includes a mandatory primary reserve of GHS146,794,105 (2016: GHS110,089,087) and are not available for use in the Bank's day to day operations

Notes to the financial statements

For the year ended 31 December 2017- continued

16 Financial investments

	2017 GHS	2016 GHS
Non-pledged Trading assets	**65,338,340**	35,266,617
Accrued interest	**6,880,231**	1,609,997
	72,218,571	36,876,614

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Pledged Trading assets	**23,700,000**	12,805,233
Accrued interest	**2,542,890**	595,045
	26,242,890	13,400,278

Financial investments are funds placed with approved financial institutions with tenor ranging between 91 to 365 days and earning an average interest of 32% (2016: 32%).

18 Loans and advances

(a) Analysis by type:

	2017 GHS	2016 GHS
Employee assistance facility	**9,790,029**	8,126,356
Bond import loan	**14,472,217**	11,856,345
Working capital loan	**92,845,052**	76,664,639
Bond Asset Finance	**70,232,816**	58,365,298
Bond Asetenapa	**6,810,455**	5,546,265
Bond Dwadie Boafo	**5,107,841**	4,126,512
Overdraft	**13,568,306**	10,125,369
Gross loans and advances	**212,826,715**	174,810,784
Interest in suspense	**(7,618,153)**	(5,131,575)
Less: Allowances for impairment - note 19	**(19,602,403)**	(10,374,209)
	185,606,159	159,305,000

(b) Other statistics

i. Loan loss provision ratio	**9.55%**	5.93%
ii. Gross non-performing loan ratio	**16.37%**	15.67%
iii 50 Largest exposure (gross funded loan and advances to total exposure)	**77.42%**	76.96%

(c) Analysis by type of customers

Personal	**33,762,226**	28,356,245
Corporate	**176,646,173**	144,969,194
Staff	**2,418,316**	1,485,345
	212,826,715	174,810,784

Notes to the financial statements

For the year ended 31 December 2017- continued

(d) Analysis by industry sector

	2017	2016
	GHS	GHS
Agric & forestry	250,380	420,365
Service	16,600,484	13,645,236
Commerce and finance	62,848,015	48,785,949
Transport, storage & communication	14,897,870	12,365,265
Manufacturing	18,515,924	15,236,365
Construction	29,204,266	25,369,265
Electricity, water, oil & gas	22,133,978	18,256,365
Mining & quarrying	14,897,870	12,365,989
Miscellaneous & personal loans	33,477,928	28,365,985
	212,826,715	174,810,784

*Miscellaneous includes staff personal loans of GHS2,418,315.5 (2016: GHS1,485,345)

19 Impairment allowance for loans and receivables

	2017	2016
	GHS	GHS
Balance at 1 January	10,374,209	3,545,985
Charge for the year	9,228,194	6,828,224
Balance at 31 December	19,602,403	10,374,209
Individual impairment	8,176,974	5,101,642
Collective impairment	1,051,221	1,726,582
Balance at 31 December	9,228,194	6,828,224

Loan provisioning/impairment are carried out in accordance with Bank of Ghana Policy as well as the principles of IFRS. Loan impairment losses calculated based on IFRS principles are passed through the income statement .

When the credit loss provision calculated under IFRS principles is less than what is required under the Bank of Ghana, transfers are made from the income surplus account into the non-distributable regulatory credit reserves. During the year ended 2017, the provisions for bad debts against loans and advances exceeded provision computed under IFRS guidelines by GHS 6,891,187 (2016: GHS 4,938,677). This excess amount has been transferred from the income surplus to General Regulatory Credit Reserve in line with Bank of Ghana regulations.

	2017	2016
	GHS	GHS
Provisions per Bank of Ghana Guidelines	26,493,590	15,312,886
Provisions per IFRS	(19,602,403)	(10,374,209)
Regulatory credit reserve	6,891,187	4,938,677

Notes to the financial statements

For the year ended 31 December 2017- continued

Under both the Bank of Ghana requirements and IFRS principles of loan impairment, some loans were individually assessed for impairment and others were assessed collectively. The gross amount of loans individually assessed for impairment for the year was GHS 43,553,971 (2016: GHS 21,239,507). The stock of loans collectively assessed was GHS 169,272,743 (2016: 107,008,785). One group exists under the collective category and the company applies a standard rate of 1%

Category	Level of Provision Required
a. Current	1%
c. Substandard	20%
d. Doubtful	50%
e. Loss	100%

20 Investment in associate

The entity acquired a 25% ownership interest in Acacia Health Insurance, a private commercial health insurance company registered under the laws of Ghana, on 31 December 2015 and was carried at cost. The investment in associate is accounted for using the equity method.
The financial year end of Acacia Health Insurance is 31 December 2017. For the purposes of applying the equity method of accounting, the unaudited financial statements for the year ended and as at 31 December 2017 of Acacia Health Insurance Limited have been used.

Summarised financial information in respect of the investment is set out below:
The summarised financial information (unaudited) represents amounts shown in the associate's financial statements prepared in accordance with the IFRSs.

Acacia Health Insurance

	2017	2016
	GHS	GHS
Current assets	**17,114,130**	30,205,196
Non-current assets	**19,474,471**	13,966,103
Current liabilities	**17,768,538**	9,226,237
Revenue	**22,068,602**	40,271,834
Profit (loss) for the year	**3,671,484**	15,052,051
Dividends received from associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in Acacia Health Insurance

	2017	2016
	GHS	GHS
Net assets of associate	**18,820,063**	34,145,863
Proportion of interest in Acacia	**25%**	25%
Carrying amount of interest in Acacia	**4,705,016**	**8,536,446**
Share of (loss)/profit of associate	**(3,831,430)**	1,536,466

Notes to the financial statements

For the year ended 31 December 2017- continued

21 Current tax: assets/liabilities

Corporate tax	Balance 1-Jan GHS	Charge for the year GHS	Payment/Credits during the year GHS	Tax adjustment GHS	**Balance 31-Dec GHS**
2015		-	-		-
2016	2,295,853	-	(2,436,445)	140,592	-
2017	-	3,447,714	(1,003,372)	-	**2,444,342**
	2,295,853	3,447,714	(3,439,817)	140,592	**2,444,342**

21a National stabilization levy

	Balance 1-Jan GHS	Charge for the year GHS	Payment/Credits during the year GHS	Tax adjustment GHS	**Balance 31-Dec GHS**
2016	140,592	-	(14,200)	(3,186)	**123,206**
2017	-	645,168	(450,000)	-	**195,168**
	140,592	645,168	(464,200)	(3,186)	**318,374**
	2,436,445	4,092,882	(3,904,017)	137,406	**2,762,716**

The levy charged on the profit is based on a rate of 5%.

In accordance with the National Fiscal Stabilization Act, 2013, (Act 862) all companies in Banking, Non-Bank Financial Institutions, Insurance, Mining, Brewery and Communication are supposed to pay a levy of 5% of profit before tax towards National Fiscal Stability.

A reconciliation between tax expense and accounting profit for the years ended 31 December 2017 and 2016 is as follows:

	2017 GHS	2016 GHS
Accounting profit	**12,903,352**	10,251,397
Add back provision for bad debt	**1,051,221**	6,828,224
Add back provision for depreciation	**1,755,416**	1,519,896
Add back penalty	-	-
	15,709,989	18,599,517
Capital allowance	**(1,919,131)**	(1,374,661)
write off	-	(1,099,399)
Chargeable income	**13,790,858**	16,125,457
Current tax charge	**3,447,714**	4,031,364
Effective tax rate	**25%**	25%

Notes to the financial statements

For the year ended 31 December 2017- continued

22 Other assets

	2017	2016
	GHS	GHS
Prepayment	**1,594,729**	1,051,336
Sundry assets	**56,367**	943,930
	1,651,096	1,995,266

23 Deferred tax asset/(liability)

	2017	2016
	GHS	GHS
Balance at 1 January	**2,202,088**	-
Charge/(released to) profit or loss for the year	**2,359,787**	2,202,088
Balance at 31 December	**4,561,875**	2,202,088

	Liabilities	Assets	2017
	GHS	**GHS**	**GHS**
Property, plant and equipment	(449,076)	-	**(449,076)**
Provision for impairment		4,900,600	**4,900,600**
Provision for staff bonus		110,351	**110,351**
Balance as at December 31, 2017	(449,076)	5,010,951	**4,561,875**
			2016
Property, plant and equipment	(476,221)	-	(476,221)
Provision for impairment	-	2,593,552	2,593,552
Provision for staff bonus	-	84,757	84,757
Balance as at December 31, 2016	(476,221)	2,678,309	2,202,088

24 Property, plant and equipment

	At 1-Jan	Disposal	Additions	At 31-Dec
Cost	**GHS**	**GHS**	**GHS**	**GHS**
Land and building	5,075,000		-	**5,075,000**
Motor Vehicles	769,727	(72,612)	1,025,592	**1,722,707**
Office equipment	1,059,822	-	123,991	**1,183,813**
Computers	1,759,454	-	92,084	**1,851,538**
Furniture and fittings	2,720,012	-	352,900	**3,072,912**
Capital Work In Progress	-	-	529,666	**529,666**
	11,384,015	(72,612)	2,124,234	**13,435,638**

Notes to the financial statements

For the year ended 31 December 2017- continued

Depreciation	**At 1-Jan GHS**	**Disposal GHS**	**Charge for the period GHS**	**At 31-Dec GHS**
Land and building	738,684	-	101,500	**840,184**
Motor Vehicles	545,980	(72,612)	257,219	**730,587**
Office equipment	515,103	-	236,431	**751,534**
Computers	970,717	-	383,428	**1,354,145**
Furniture and fittings	1,566,727	-	603,030	**2,169,757**
	4,337,211	(72,612)	1,581,608	**5,846,207**
Net book value:				
At 31 December 2017				**7,589,431**
At 31 December 2016				7,046,804

		2017	2016
24a	**Intangible Assets**		
	Cost	**GHS**	GHS
	Balance as at 1 January	**586,108**	554,817
	Additions	**1,996,709**	31,291
	Gross Value as 31 December	**2,582,817**	586,108
	Amortisation		
	Balance at 1 January	**312,746**	159,123
	Charge for the Year	**173,808**	153,623
	Balance at 31 December	**486,554**	312,746
	Carrying amount at 31 December	**2,096,263**	273,362

		2017	2016
25	**Customer deposits**		
	Analysis by type of deposits	**GHS**	GHS
	Deposits from Banks	**3,180,822**	2,385,411
	Deposits from SDIs	**32,744,869**	24,556,537
	Deposits from Other BoG licensed FIs	**5,980,003**	4,484,616
		41,905,694	31,426,564

Notes to the financial statements

For the year ended 31 December 2017- continued

25a Deposits from Customers

	2017 GHS	2016 GHS
Time deposits	**195,093,201**	146,307,301
Demand deposit	**47,177,422**	42,452,646
	242,270,623	188,759,947

26 Other liabilities

	2017 GHS	2016 GHS
Creditors & Accruals	**4,958,236**	1,321,907
	4,958,236	1,321,907

26a Provisions

	2017 GHS	2016 GHS
Balance as at 1 January	**643,441**	188,699
Provisions made during the year	**326,619**	454,742
Balance as at 31 December	**970,060**	643,441

27 Stated capital

i) The number of shares authorized, issued and in treasury are as follows:-

Ordinary:	2017	2016
Authorized	**10,000,000**	10,000,000
Issued	**3,000,000**	3,000,000

ii) Proceeds from the issued shares are as follows:-

	2017 GHS	2016 GHS
Ordinary shares:		
Issued for cash	**24,734,267**	11,834,267
Issued for consideration other than cash	**4,701,000**	4,701,000
	29,435,267	16,535,267

Notes to the financial statements

For the year ended 31 December 2017- continued

28 Cash and cash equivalents

	2017	2016
	GHS	GHS
Cash in hand (Note 15)	**4,530,745**	2,943,851
Due from banks and other financial institutions (Note 15)	**44,128,735**	29,739,177
	48,659,480	32,683,028

29 Dividend declared and paid

Equity dividend on ordinary shares:	2017 GHS	2016 GHS
Final dividend for the preceding year	**1,200,000**	1,300,000
Total dividend payments during the year	**(1,200,000)**	(1,299,640)
Balance at 31 December	-	360.00

Dividends are treated as appropriation of profit in the year of approval by shareholders. Dividends proposed are disclosed as notes to the financial statements.

30 Related Party transactions / disclosures

A number of banking transactions were entered into with related parties in the normal course of business. These include loans and placements. These transactions were carried out on commercial terms and at arms length.

During the year the following transactions were performed with related parties:

a. Related party balances at December

	2017	2016
	GHS	GHS
Remuneration of key management personnel	**1,035,553**	637,089
Loans to officers and other employees	**2,418,316**	1,485,345

Loans to officers and other employees are at rates lower than that extended to external customers with savings in the staff savings scheme held as collateral.

31 Contingencies and commitments

(a) Guarantees and indemnities

There were no guarantees and indemnities as at 31 December 2017. (2016: Nil).

(b) Contingent liability

There were no contingent liabilities as at 31 December 2017 (2016: Nil).

(c) Commitments

There were no commitments outstanding as at 31 December 2017 (2016: Nil).

Notes to the financial statements

For the year ended 31 December 2017- continued

32 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Fair values of financial assets and liabilities

(i) Financial instruments not measured at fair value

The table below summaries the carrying amounts and fair values of those financial assets and liabilities not presented on the statement of financial position at their fair values:

	Carrying amount 2017 GHS	Carrying amount 2016 GHS	**Fair value 2017 GHS**	Fair value 2016 GHS
Financial assets				
Cash and Cash Equivalents	**4,530,745**	2,943,851	**4,530,745**	2,943,851
Due from banks and other financial institutions	**44,128,735**	29,739,177	**44,128,735**	29,739,177
Financial investments	**98,461,462**	36,876,614	**98,461,462**	36,876,614
Loans and advances to customers	**185,606,159**	159,305,000	**185,606,159**	159,305,000
	332,727,101	228,864,642	332,727,101	228,864,642
Financial liabilities				
Customer deposits	**284,176,316**	31,426,564	**284,176,316**	31,426,564
Other liabilities	**4,958,236**	1,321,907	**4,958,236**	1,321,907
	289,134,552	32,748,471	**289,134,552**	32,748,471

Loans and advances to other financial institutions

Loans and advances to other financial institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The carrying amount approximates their fair value.

Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of approximates their fair value

Notes to the financial statements

For the year ended 31 December 2017- continued

Managed funds and other borrowed funds
The aggregate fair values are calculated based on a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Off-balance sheet financial instruments
The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

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 Company'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, The Ghana Stock Exchange).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of Bank of Ghana's securities and other derivative contracts.

• 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. As at 31 December 2017, the Company did not hold any level 3 financial assets and/or liabilities.

33 Financial risk management

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.
The Company is exposed to credit risk, liquidity risk, interest rate risk and market risk. It is also subject to various operating risks.
The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

Risk management structure
The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (CC), Risk Management Department, Asset and Liability (ALCO), which are responsible for developing and monitoring company 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 company's risk management policies are established to identify and analyse the risks faced by the company, 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 company, 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.

Notes to the financial statements

For the year ended 31 December 2017- continued

Risk measurement and reporting systems

The company's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the actual loss. These models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The company also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept. In addition the company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information and data on risk measures across the business are generated periodically and processed in order to analyse, control and identify early risks. This information is made available to the Board, as well to the key management risk control functions of the company. The reports include aggregate credit exposure analysed into industry and customer as well as liquidity ratios.

Credit risk management

Credit risk is the risk that the company will incur a loss because its customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk is the company's largest risk and considerable resources, expertise and controls are devoted to managing it.

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring such limits. The Board sub-committee reviews the quality of the Credit Book, past due credits and all new credits approved by the Credit Committee. In all cases, the Board reviews at its meetings all extensions of credit that are in place.

Analysis by credit grade of loans and advances	**2017 GHS**	2016 GHS
Impaired loans		
Individually impaired	**43,553,971**	37,442,485
Allowance for impairment	**4,825,146**	5,101,642
Impaired loans, net of individual provisions	**38,728,825**	32,340,843
Loans past due but not impaired		
Past due up to 91-180 days	**23,259,379**	1,793,113
Past due up to 181-360 days	**90,381**	8,120,627
Above 360 days	**12,647,736**	9,404,437
	35,997,495	19,318,177
Loans neither past due nor impaired	**133,275,248**	118,050,122
Less: Specific impairment	**13,623,066**	8,647,627
Less: Collective impairment Provision	**3,184,671**	1,726,582
Total net loans	**116,467,512**	107,675,912

Level of provision required

a. Current	**1%**	1%
b. Substandard	**20%**	20%
c. Doubtful	**50%**	50%
d. Loss	**100%**	100%

Types of credit risk assets

Credit facilities extended to customers may be short term (up to one year) medium term (one to three years) or long term (over three years) in tenor. Additionally, facilities may be of a direct or indirect nature. They may be contractual (where the borrower has the contractual right to draw) or advised (where the company can cancel the credit at its discretion).

Direct facilities are those where the company actually disburses funds to a borrower, in the form of a loan or other advance, or creates an arrangement whereby the customer may himself draw funds on credit at his volition up to an agreed limit. Such direct facilities include:

- Demand Loans
- Term Loans
- Bill discounting
- Advances under Letters of Credit
- Acceptances, Guarantees and Indemnities etc.

Indirect (or contingent) obligations are created when the company enters into a contractual obligation to pay a third party at a future date, or upon the occurrence of a certain event, against the indemnity of a customer (who is the direct obligor). Such indirect facilities include:

- Opening and/or confirmation of letters of credit
- Issuance of guarantees and indemnities (e.g. to customs, immigration)
- Issuance of bid/performance/advance payment bonds
- Issuance of standby letters of credits.

This can also consist of operational risk such as non delivery, facilities for FX and other dealing lines.

Target market and risk asset selection

The target market and risk asset selection is a continuous process which involves a screening of the entire market, identifying business potential, defining desirable opportunities and adhering to resultant marketing objectives and strategies. An unfocused approach to the market can lead to unplanned asset concentrations of uneven quality on the books, and it may not be possible for the company to easily work out from undesirable relationships even when such a decision has been made.

The company undertakes a screening of the market and economic sectors to identify key players and potential business for the company. This is followed by a short listing of the desirable industries. This list should be supported by a justification as to why only some industries were selected, and why the company will not deal with some others.

Industry studies are also carried out on each of the selected industries. This exercise enables the company to understand the importance of each sector to the economy, Gross Domestic Product percentage share, and key players in the industry, business cycles and product mix. The information derived above guides the company in identifying critical success factors and quantitative/qualitative acceptance parameters by industry.

- A consistent approach to risk assessment and monitoring applied throughout the Group.

Notes to the financial statements

For the year ended 31 December 2017- continued

Workable and appropriate Risk Asset Acceptance Criteria (RAAC) have been developed for each industry, taking into account both quantitative as well as qualitative parameters identified above. Example of these include, net sales, net income, years in business, market reputation, management quality, minimum lending, among others.

Differing financing needs for the different industries often make it necessary to identify the credit products mostly required by each industry. Such products should be supported by a product RAAC which evidences that tenor, documentation requirements and approval process are consistent with the associated transaction risks and that transaction flows are understood and documented.

Credit Application (CA) Process

Prior to extension of any credit facility, whether direct or contingent, it must be recommended and approved by means of a CA. Such CA will incorporate analysis and evaluation of all risk inherent in the transaction. These reviews are both quantitative, i.e. balance sheet spreading, cash flow analysis as well as subjective, nature of the business, quality of management, suitability of loan to business.

Credit approval authority is delegated to Management by the Board of Directors of Company. Any extension of credit exceeding authority delegated is subject to approval by a Sub-committee of the Board, following recommendation to the Board by Management.

Authority for approval of credit within limits is delegated by the Board of Directors. There is a Credit Sub Committee of the Board that may exercise the authority of the Board pending full sittings of the Board. The Credit Sub-Committee comprises a minimum of two Ghanaian resident non-executive directors of the Board.

The Board may delegate authority down the line to an in-house Credit Committee (CC) who may in turn delegate authority (but not the ultimate responsibility) to the Head of Credit Risk Management and/or to other Credit Officers as may be required under the policy approved by the Board. All decisions of the Credit Sub-Committee must be unanimous.

All Credit granted by the company are subject to the laws and regulations contained in the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930). No single party facility shall exceed 25% of the net worth of the company on secured basis or 10% of net worth on unsecured basis. No unsecured facilities to directors are permitted without the approval of the Bank of Ghana.
Loans and advances to customers in Ghana analysed by industry sector, as well as by customer type is shown in note 17(b) & 17(c) above.

Fair value of collateral held

The company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Notes to the financial statements

For the year ended 31 December 2017- continued

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2017	2016
	GHS	GHS
Against impaired assets	**8,253,659**	4,182,339
Against past due but not impaired assets	**421,522,840**	278,033,751
	429,776,499	282,216,090

There were no collateral securities repossessed during the period.

Maximum credit exposure

At 31 December 2017, the maximum credit risk exposure of the Compnay in the event of other parties failing to perform their obligations is detailed below. No account has been taken of any collateral held and the maximum exposure to loss is considered to be the instruments' statement of financial position carrying amount or, from non-derivative off-statement of financial position transactions, their contractual nominal amounts.

	2017	2016
	GHS	GHS
Due from banks and other financial institutions	**44,128,735**	29,739,177
Financial investments	**98,461,462**	50,276,892
Loans and advances po customers	**185,606,159**	159,305,000
	328,196,356	239,321,069

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Liquidity risk management

Liquidity risk is defined as the likely event of a negative impact on the value or volume of liquid assets as a result of changes in any of the following variables that impact on liquidity: interest and exchange rates, inflation, customer actions, changing economic conditions and the action(s) of competitors.

To limit this risk, management adopts a number of measures including monitoring the day-to-day funding requirements to ensure that future cash flows can be met. This requires that the company maintains an active presence in the local money markets to enable that to happen. The company also maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

Liquidity risk measurement

The company prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the company to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

Notes to the financial statements

For the year ended 31 December 2017- continued

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing; defined to include all liabilities taken from customers that are in excess of GHS1 billion per client. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralized with a Treasury Bill or Bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. To manage the impact of deposit concentration on liquidity, wholesale borrowings from individual clients does not exceed 25% of total customer liabilities. Also, the recommended ratio of the top 20 deposits to total liabilities is 15% or less. The implication of these ratios is the need to diversify the mix of deposits such that the action of one group is unable to significantly affect the company's deposit base especially in a negative manner. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

The loan/borrowing ratio measures the amount of advances as a percentage of borrowings and is used to monitor the availability of funds for additional credits out of borrowings. All approved loans that are yet to be disbursed are captured as part of the loan borrowings ratio, to ensure that the true position of available funds is reported at any one time. Two loan/borrowings ratios are reported using only facilities that have been disbursed for one report and another ratio using both disbursed and un-disbursed facilities.

In addition to the above, the company also ensures compliance to the regulatory requirements set by the Bank of Ghana such as effective volatile liability dependency ratio which is measured as (volatile funds – liquid assets)/long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. The company targets a negative ratio to be in compliance with BoG. (Volatile funds is short term wholesale funds e. g call accounts).

Assets	Total GHS	Below 3 months GHS	3 to 6 months GHS	6 to 12 months GHS	Above 1 year GHS
Cash in hand	**4,530,745**	4,530,745	-	-	-
Due from other banks & financial institutions	**44,128,735**	23,066,310	9,708,322	7,445,057	3,909,046
Financial investment	**98,461,462**	6,634,993	59,757,336	32,069,133	-
Loans and advances to customers	**212,826,715**	73,924,007	42,565,343	68,104,549	28,232,816
Investment in unquoted company	**4,705,016**	-	-	-	4,705,016
Other assets (excluding prepayment)	**56,367**	56,367	-	-	-
Total assets	**364,709,039**	108,212,423	112,031,000	107,618,739	36,846,877

Notes to the financial statements

For the year ended 31 December 2017- continued

Liabilities	Total	Below 3 months	3 to 6 months	6 to 12 months	Above 1 year
	GHS	GHS	GHS	GHS	GHS
Customer Deposits	**284,176,316**	101,650,645	66,905,647	89,006,545	26,613,480
Other Liabilities	**4,958,236**	536,373	1,851,470	2,106,787	-
Total Liabilities	**289,134,552**	102,187,018	68,757,116	91,113,332	26,613,480
Net Liquidity Gap	**75,574,487**	6,025,404	43,273,884	16,505,407	10,233,398

Liquidity Crises Management

Liquidity crisis is defined as a condition where the company is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the company resulting in substantial withdrawal of funds by investors.

This is deemed to have occurred when any of the following conditions exist:

- Liquidity guidelines/ratios have been breached for four consecutive weeks.
- BoG support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

Market risk management

Market risks arise from interest rate products and open positions in currency, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate mismatch report in addition to interest rate sensitivity reports using different rates are produced for ALCO meetings as part of the process of managing interest rate risk. Different interest rate sensitivity scenarios, 1 to 5 percent changes, are produced for review at each ALCO. The review is guided by profitability, liquidity needs (projections) and interest rate risk.

33 Financial risk management - continued

Interest Rate Risk Exposure

Interest rate risk exposure is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the financial assets and liabilities with variable/floating interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variable held constant, of the company's profit before tax (through the impact on the floating rate financial assets and liabilities).

As at 31 December 2017	300 b p Increase	300 b p Decrease
Interest income impact	9,055,952	(9,055,952)
Interest expense Impact	(6,559,550)	6,559,550
Net impact on Profit and Equity	2,496,402	(2,496,402)
As at 31 December 2016		
Interest income impact	6,686,479	(6,686,479)
Interest expense Impact	(5,028,899)	5,028,899
Net impact on Profit and Equity	1,657,580	(1,657,580)

Market risk

Market risk is the risk of losses being incurred as a result of adverse movements in interest or exchange rates and arises in the company's treasury activities.

Market risk is controlled by interest mismatch and foreign currency open position limits approved by the Executive Committee of the company and monitored daily. The foreign currency exposure analysis of the company is shown in the currency exposure table below.

This risk is managed by the establishment of limits, monitoring of exposures on a daily basis and ensuring that regulatory requirements are met.

34 Capital management

The company's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Ghana, (ii) to safeguard the company's ability to continue as a going concern and (iii) to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximize shareholder value. Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Company's Finance Director.

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34 Capital management - continued

Regulatory capital as defined by the Bank of Ghana has two (2) components;

Tier 1 capital: share capital arising on permanent shareholders' equity, retained earnings and reserves created; and

Tier 2 capital: qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to qualify as subordinated loan capital, it should possess the following attributes:

- should be unsecured
- repayment is subordinated to other debt instruments
- should have a minimum original fixed term to maturity of over 5 years
- not available to absorb the losses of a company which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier I capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

The primary objectives of the company's capital management are to ensure that the company complies with externally imposed capital requirement by company of Ghana and that the company maintains strong credit rating and healthy capital ratios in order to support its business and to maximise shareholders value. The company manages its capital structure and makes adjustment to it in the light of changes in the economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

a Capital Definition

The company's capital comprises stated capital, retained earnings including current year profit and various reserves the company is statutorily required to maintain. As a company, it also has regulatory capital as defined below:

b Stated Capital

This amount is made up of issue of shares for cash and transfers from retained earnings.

c Income Surplus

This amount represents the cumulative annual profits after appropriations available for distribution to shareholders.

d Capital Surplus

This amount comprises revaluation of property, plant and equipment.

Notes to the financial statements

For the year ended 31 December 2017- continued

e Statutory Reserve

This is amount set aside from annual profit as a non-distributable reserve in accordance with regulatory requirements.
The transfer to Statutory Reserve Fund is in compliance with Section 34 of the Banks and Specialised Deposit Taking Institutions Act 2016. (Act 930).

f Regulatory Credit Reserve

This is amount set aside from retained earnings as a non-distributable reserve to meet minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances.

g Other Reserves

This is made up of the share option reserve, available for sale reserve on debt securities and available for sale on equity investments. Share option reserve is an amount set aside for future exercise of share options. Available for sale reserve on debt securities records unrealized gains and losses on government securities. Available for sale reserve on equity investments records unrealized fair value gains and losses on available for sale equity investments.

h Regulatory Capital

Regulatory capital consist of Tier 1 capital, which comprises share capital, share deals account, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividend, net long positions in own share and goodwill. Certain adjustments are made to IFRS-based result and reserves, as prescribed by the Central Bank of Ghana. The other component of regulatory capital is Tier 2 capital which includes revaluation reserves.

i Capital adequacy

The adequacy of the company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Ghana. The capital adequacy ratio of the company as of 31st December 2017 is shown below:

	2017 Actual GHS	2016 Actual GHS
Tier 1 Capital	**48,561,086**	32,719,421
Tier 2 Capital	**-**	-
Total Capital	**48,561,086**	32,719,421
Adjusted Capital Base (a)	**48,561,086**	32,719,421
Adjusted Asset Base (b)	**300,266,808**	245,099,055
Capital Adequacy Ratio (a/b)	**16.17%**	13.35%

35 Regulatory breaches

There were no regulatory breaches during the year.
(2016: Nil)

Notes to the financial statements

For the year ended 31 December 2017- continued

36 Subsequent events

There were no major events after the reporting date that materially changed the company's position.

37 Comparative information

The comparative financial information, where considered necessary, have been reclassified to achieve consistency with presentation of current year figures.