Standard Chartered

ANNUAL REPORT 2018

Here for good

Driving commerce and prosperity through our unique diversity

Notice and agenda

Notice is hereby given that the Annual General Meeting of Standard Chartered Bank Ghana Limited will be held at the National Theatre, opposite the Efua Sutherland Children's Park, Accra on Thursday 6 June 2019 at 11:00am for the ordinary business of the Company.

Agenda

Ordinary business

1. To receive and consider the reports of the directors and auditor, the balance sheet as at 31 December 2018 together with the profit and loss and income surplus accounts for the year ended on that date.
2. To declare a dividend
3. To elect directors
4. To approve directors' remuneration
5. To authorise the Directors to fix the remuneration of the auditor

Special business

6. To consider and if thought fit, to pass the following resolutions, (to align with the Bank of Ghana's Corporate Governance Directive, 2018), which will be proposed as Special Resolutions:
   a. That regulation 79 of the Company's Regulations be amended to fix the minimum number of directors on the Board of the Company as five (5) and the maximum number as thirteen (13).
   b. That regulation 103 of the Company's Regulations be amended to include a provision limiting the tenure of office of a Non-Executive Director to a term not more than three (3) years, renewable for not more than two (2) additional terms and the provision on the tenure of office of Independent Non-Executive Directors to be amended to increase their tenure from a term not exceeding two (2) years to a term not exceeding three (3) years, renewable for not more than two (2) additional terms.
   c. That regulation 105 of the Company's Regulations be amended to fix the tenure of office of the Chairperson to a term not more than three (3) years, renewable for one additional term only, and the Managing Director / Chief Executive Officer's tenure of office to a term not more than four (4) years, renewable for additional two (2) terms only.

Dated this 21st day of February, 2019

BY ORDER OF THE BOARD

ANGELA NAA SAKUA OKAI

(COMPANY SECRETARY)

Note: A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such a proxy need not be a member of the Company.

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

A copy of the Proxy form may be deposited at the registered office of the Registrar of the Company, GCB Bank Ltd, Registrar's Department, Head Office, Thorpe Road, P. O. Box 134, Accra, Ghana to arrive not later than 10am on Tuesday, 4 June 2019.

Explanatory notes on the special resolutions

The notes below provide an explanation to the proposed special resolutions set out in item 6 (a - c) of the Notice and Agenda of the Annual General Meeting. These resolutions require 75% of the votes to be cast in favour. The resolutions are proposed to enable the Company to align its Regulations with the Bank of Ghana's Corporate Governance Directive with respect to the following:

- the minimum and maximum size of the Board
- the tenure of Non-Executive Directors, including Independent Non-Executive Directors
- the tenure of the Managing Director/CEO

Below are the specific regulations for which amendments are proposed:

(a) regulation 79:

"Subject to regulation 102 of these presents, the Directors shall be not less than four (4) nor more than twelve (12) in number"

The amended regulation to read as follows:

regulation 79:

"Subject to regulation 102 of these presents, the Directors shall be not less than five (5) nor more than thirteen (13) in number "

(b) regulation 103:

"The Directors may from time to time appoint any other person to be a Director either to fill a casual vacancy or by way of addition to the Board, but so that the maximum number fixed by these Regulations shall not be thereby exceeded. Executive Directors appointed under this regulation shall hold office only until the Annual General Meeting following next after his appointment when he shall retire, but shall be eligible for election as a Director at that meeting. The appointment of an External Non-Executive Director shall not be more than two (2) years, renewable by agreement signed by the Chairman of the Board."

The amended regulation to read as follows:

regulation 103:

"The Directors may from time to time appoint any other person to be a Director either to fill a casual vacancy or by way of addition to the Board, but so that the maximum number fixed by these Regulations shall not be thereby exceeded. Executive Directors appointed under this regulation shall hold office only until the Annual General Meeting following next after his appointment when he shall retire, but shall be eligible for election as a Director at that meeting. The appointment of a Non-Executive Director and an Independent Non-Executive Director shall be for a term not more than three (3) years, renewable for not more than two (2) additional terms, by agreement signed by the Chairman of the Board."

(c) regulation 105:

"The Directors may from time to time appoint one or more of their body to the office of chairman or deputy or vice-chairman or to the holder of some other executive office on such terms and subject as hereinafter mentioned for such period not exceeding in the case of the office of chairman or a deputy or vice chairman the period of one year and in the case of any other executive office the period of five years as they shall determine. The appointment of a Director to an executive office shall be subject to immediate determination if he ceases from any cause to be a Director unless the contract or resolution under which he holds the executive office shall expressly state otherwise, but without prejudice to any claim he may have for damages for breach of any such contract of service between him and the Company."

The amended regulation to read as follows:

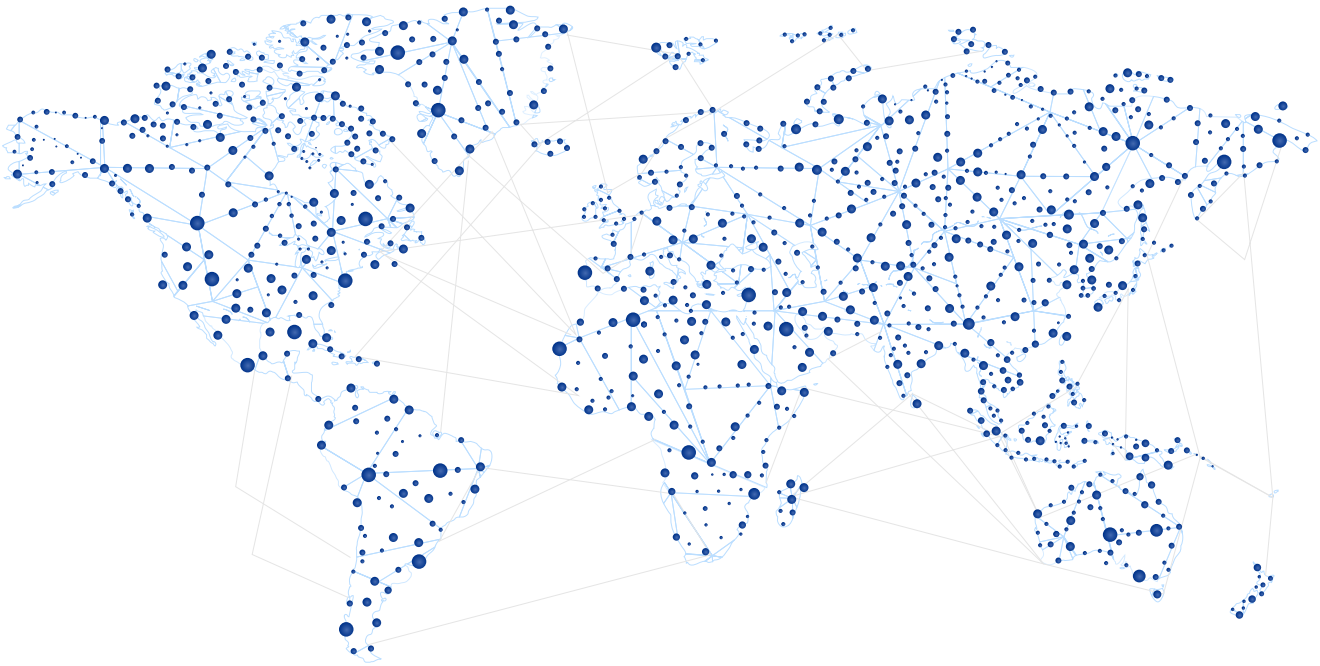
regulation 105:

"The Directors may from time to time appoint one or more of their body to the office of chairman or deputy or vice-chairman or to the holder of some other executive office on such terms and subject as hereinafter mentioned for such period not exceeding in the case of the office of chairman or a deputy or vice chairman a term not exceeding three (3) years, renewable for one additional term only and in the case of the Managing Director, a term not exceeding four (4) years, renewable for two (2) additional terms only. The appointment of a Director to an executive office shall be subject to immediate determination if he ceases from any cause to be a Director unless the contract or resolution under which he holds the executive office shall expressly state otherwise, but without prejudice to any claim he may have for damages for breach of any such contract of service between him and the Company."

Who we are

Standard Chartered Bank Ghana Limited is Ghana's premier bank drawing its history from the Bank of British West Africa established in 1896. We are a member of a leading international Bank Group with presence in 60 markets worldwide. Our heritage and values are expressed in our brand promise, Here for good.

The Bank is made up of client segments supported by functions. Standard Chartered Bank Ghana Limited is listed on the Ghana Stock Exchange.



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"OUR PURPOSE AND PROGRESS"

Driving commerce and prosperity through our unique diversity.

FINANCIAL KPIs

Return on equity	Return on tangible equity	Capital Adequacy Ratio
21% 2018	21% 2018	29% 2018
34% 2017	34% 2017	26% 2017

NON FINANCIAL KPIs

Diversity and inclusion: women in senior roles

41% 2018

44% 2017

OTHER FINANCIAL MEASURES

Operating income	Profit before tax	Earnings per share
GH¢712.9m 2018	GH¢325.9m 2018	GH¢1.54 2018
GH¢676.8m 2017	GH¢422.3m 2017	GH¢2.09 2017

FUNCTIONS

Our client facing businesses are supported by functions, which work together to ensure day to day operations run smoothly and are compliant with banking regulations.

Operations

Responsible for all client operations, end-to-end, and ensures the needs of our clients are at the centre of our operational framework. The function's strategy is supported by consistent performance metrics, standards and practices that are aligned to client outcomes.

Risk

Responsible for the sustainability of our business through good management of risk across the Bank and ensuring that business is conducted in line with regulatory expectations.

Legal

Enables sustainable business and protects the Bank from legal-related risk.

Technology & Innovation

Responsible for operations, systems development and technology infrastructure.

Who we are and what we do

Here for good

At Standard Chartered Bank Ghana Limited our purpose is to drive commerce and prosperity through our unique diversity. We offer banking services that help people and companies to succeed, creating wealth and growth for our clients. Our heritage and values are expressed in our brand promise, Here for good.

How we are organised

OUR CLIENT SEGMENTS

Corporate & Institutional Banking

Serving large corporations, governments, banks and investors.

Operating income

GH¢413.5m

Commercial Banking

Supporting small and medium-sized enterprises.

Operating income

GH¢57.2m

Retail Banking

Serving individual clients and small businesses.

Operating income

GH¢242.2m

Internal Audit

An independent function whose primary role is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Group.

Finance

Incorporates Finance, Supply Chain and Property. The leaders of these functions report directly to the Chief Financial Officer.

Human Resources

Enables business performance through recruiting, developing and engaging colleagues.

Corporate Affairs & Brand and Marketing

Manages the Bank's communications and engagement with stakeholders in order to protect and promote the Bank's reputation, brand and services.

Conduct, Financial Crime and Compliance

Enables sustainable business by delivering the right outcomes for our clients and our markets by driving the highest standards in conduct, fighting financial crime and compliance.

Chairman's statement

A more innovative and resilient bank capable of stronger growth

> Standard Chartered Bank Ghana Limited is a great organisation with rich heritage and legacy spanning over 120 years in Ghana. Our focus is to continue to harness the Bank's potential to deliver value to our shareholders and clients and drive the economic development of Ghana

Distinguished Shareholders, ladies and gentlemen, welcome to the 49th Annual General Meeting of Standard Chartered Bank Ghana Limited. It is indeed a great privilege to deliver this statement and present to you the Annual Report and Financial Statements for the year ended 31 December 2018, my first as Chairman of the Board.

I joined the Board in October 2013 and was appointed Chairman on 1 July 2018. As some of you may know, I have worked in many institutions in Ghana and abroad over the past thirty (30) years including the International Monetary Fund, World Trade Organisation and the Bank of Ghana which together provided me excellent training and invaluable experience. I would like to thank my predecessor, Mr. Ishmael Yamson for his leadership and personal contribution to this organisation for the last thirteen (13) years and also for ensuring a smooth handover process.

As Chairman of the Board, my commitment is to focus on four (4) main priorities:

- Putting our clients at the centre of our activities
- Building a resilient franchise to deliver long-term sustainable value to our shareholders
- Enriching relationships with all major stakeholders
- Ensuring excellent governance and high ethical standards for our operations

Standard Chartered Bank Ghana Limited is a great organisation with rich heritage and legacy. The Bank has been an integral part of the economic development of Ghana for over 120 years. That is an enviable accomplishment that we are proud of and intend to nurture and build upon. Our focus is to continue to harness the Bank's capability to deliver value to our shareholders and clients in line with our overarching Purpose – driving commerce and prosperity through our unique diversity.

Dr. Emmanuel Oteng Kumah
Chairman

Progress in 2018

The 2018 overall performance was delivered against a relatively challenging macroeconomic environment, increasingly fierce competitive financial landscape and a tighter regulatory environment. The financial results albeit lower than expected reflect good progress against our 2015 refreshed strategic priorities. The results also demonstrate good business efficiency, a robust balance sheet, strong liquidity and a healthy capital adequacy ratio. We set out in 2015 to reposition our business for higher accretive returns and sustained long-term growth. We have

achieved significant milestones. Our foundations are secure and we have introduced significant innovations in digital platforms to help deliver better client experience and drive growth across key businesses whilst driving better collaboration among our staff. We remain focused on improving our services as well as delivering a differentiated value proposition to our clients and stakeholders. Our priority, as a Board, is to achieve sustainable growth in a safe and secure manner. We will support the Management team whilst challenging appropriately to ensure we deliver on our commitments to our clients, stakeholders and our communities.

Recapitalisation and dividend

In 2018, the Bank increased its paid-up capital to GH¢400 million to meet the Central Bank's revised directive of minimum paid up capital for banks. The Bank's capital adequacy ratio for the period remains strong at 28.6 per cent which is above the statutory limit of 13 per cent (10 per cent plus 3 per cent buffer). Given our commitment to improve value to you our shareholders for your support over the years, the Board therefore recommends a dividend of GH¢1.04 per ordinary share for the 2018 financial year.

Good governance and a culture of ethical banking

The banking sector went through severe challenges in 2018. The Central Bank took several actions following its Asset Quality review in 2017 which revealed several structural issues such as poor corporate governance, poor risk management practices, regulatory non-compliance among others. The Central Bank took several actions to regularise and build a more robust banking sector.

As a Bank, we believe that embedding a culture of ethical banking will ensure that we are able to deliver value for our investors, our clients, our colleagues and our communities. Good conduct and doing business in the right way can, and will, be a powerful differentiator for us. We believe that is the reason why our Bank continues to exist after 120 years of operating in this market. That also underpins why our Bank has been affirmed Ghana's most credible bank. To further deepen this, we rolled out our refreshed valued behaviours in 2018 designed to support the Bank's desired culture. The Board recognises that a strong culture is crucial for shaping behaviours needed for superior performance. We also believe that it is safer to do business in a robust environment and the Board is committed to ensuring that your Bank offers that.

The Governor of the Central Bank summed it up perfectly during the opening of our new Head Office building in October 2018 and I quote, "there are a number of factors that explain the success of Standard Chartered Bank in the market, the provision of better quality products and services, competitive pricing and enhanced access by customers on terms structured to meet their needs and a culture rooted in uncompromising respect for the highest standards and integrity that are essential for public confidence, and they are doing so we believe in an atmosphere of fair competition in a stable, predictable and liberal regulatory framework. We urge other banks to emulate these strong standards especially the strength of its corporate governance".

Our commitment to making the world more sustainable

Standard Chartered Bank Ghana Limited has played an integral role in the socio-economic development of Ghana for over twelve decades since its establishment. We contribute to sustainable economic growth through our core business of banking, by being a responsible company and by investing in our communities. In 2018, we invested in a new ultra-modern Head Office building adding to the emerging skyline of Accra. The new building which demonstrates our brand promise Here for good is a symbol of innovation and incorporates an environmentally sustainable design to reduce the impact on our environment and protect our planet for the benefit of our communities and future generations.

In 2018, we celebrated 15 years of our global flagship programme Seeing is Believing (SiB) which aims to tackle avoidable blindness and visual impairment. Locally SiB Phase V tranche 3 focuses on tackling avoidable blindness and visual impairment especially among children, working with our partner NGO ORBIS. During 2018, under the programme, 146 community Health Care Nurses (CHNs) were trained leading to 7,780 paediatric eye screenings at the primary level. The programme which is scheduled to run for three (3) ends in 2020. In partnership with ORBIS, we also launched Ghana's first documentary film on eye health in April 2018. The film titled "Meresa Biom (Dancing Again)", an innovative tool for social behavioural change, was rolled out to reduce preventable and treatable blindness and visual impairment in the country by changing the way communities think about and access eye healthcare services.

Chairman's statement continued

Drawing on the successes of SiB we are pivoting to focus on a new initiative - 'Futuremakers by Standard Chartered', our global initiative to tackle inequality and promote greater economic inclusion for young people in our communities. We will be unveiling this later in the year.

It has been almost two years since the Bank launched 'Goal', our programme to empower girls and young women through sports and life skills training. Goal aims to empower and equip adolescent girls with the confidence, knowledge and skills they need to be integral economic leaders in their families, communities and societies. We have reached over 1,500 girls in deprived communities in the Greater Accra and Eastern Regions. To encourage employees to participate in our community engagement initiatives and engage with communities, Standard Chartered Bank Ghana Limited provides three days paid volunteering leave to each member of staff. In 2018, our employees achieved a total of 570 volunteering days.

Board changes

In the course of 2018, in addition to my appointment as Chairman, Mrs. Harriet-Ann Omobolanle Adesola, Chief Executive of Standard Chartered Bank Nigeria Limited, was appointed to the Board as Non-Executive Director.

Conclusion

Ghana is projected to be one of the fastest growing economies in 2019. We will identify and seize opportunities in the market as we continue to develop attractive value propositions for our clients. We however expect challenges as the banking sector continues to evolve rapidly, certainly with emerging issues accompanied by further tightening of the regulatory environment. With the recent recapitalisation of banks, we expect to see increased competition across all businesses. The Board is confident of the strategic actions to deliver profitable growth for the long-term as Mansa our Chief Executive will explain later in this report.

It is important that we remain focused on delivering the strategic plan while being willing to adapt where necessary as conditions evolve.

Though the journey ahead looks challenging, I am excited to be leading the Board at this time. I trust that together with the Management Team we will return the business to the healthy trends our shareholders are used to.

On behalf of the Board, I would like to thank our clients and stakeholders for their trust and support and our employees for their resilience, commitment to the brand and hard work through the year. I also take this opportunity to convey my gratitude to my fellow Board members for their invaluable contributions.

Dr. Emmanuel Oteng Kumah

Chairman

21 February 2019

Seeing is Believing Phase V

Tackling avoidable blindness especially among children

Seeing is Believing (SiB) is our flagship programme to tackle avoidable blindness and visual impairment.

Phase V tranche 3 was launched in 2017 in partnership with ORBIS with the aim of increasing uptake of eye health services with a focus on paediatric eye health. This project is being implemented in four (4) districts in the Ashanti Region - Afigya Kwabre, Ejisu Juaben, Atwima Kwanwoma and Bosomtwe Districts. The project focuses on building the capacity of the School Health Education Programme in Ghana to ensure school children are screened and have access to eyeglasses if needed. the project has achieved impressive results in 2018.

Tackling avoidable blindness especially among children.

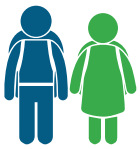
2018 in review

Seeing is Believing

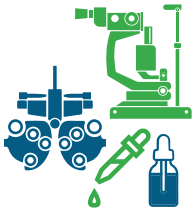
146 Community Health Nurses (CHNs) were trained leading to

7,780 paediatric eye screenings at the primary level.

80 School based Health Coordinators were trained in selected schools in the districts leading to



27,383 pupils screened in schools.



Distribution of consumables and equipment to 4 district hospitals and 156 CHPs zones to improve access and efficiency of eye care the Region.

A media campaign led by the Regional Health Directorate and Ophthalmic nurses is estimated to have covered **120,000 people across 15 media houses.**

Radio messaging campaign through Community Information Centres covered an estimated **80,000 community members.**

65 Spectacles were delivered to those refracted.

9 frontline Ophthalmic nurses were trained leading to

2,009 paediatric screenings at the **4 district hospitals.**

21 Queen Mothers were trained to support CHNs in targeted health education in the communities which reached

7,713 community members.

605 Information Education and Communication (IEC) materials were distributed while

2,272 people received Information Education and Communication in the form of film.

Chief Executive's review

Delivering sustainable high-quality growth

> Our focus is to maintain the right financial framework supported by a strong balance sheet, to generate significant returns while pursuing further recovery and restructuring of impaired assets.

Our purpose

Standard Chartered Bank Ghana Limited is a uniquely positioned bank with a rich heritage and reputation as Ghana's most credible bank. Drawing our history from the Bank of British West Africa established in 1896, the Bank served as the Central Bank in the pre-independence era until 1953. The Bank continues to deliver innovative services and unparalled digital platforms, leveraging on our rich heritage, strong group network, and the expertise of our local and global colleagues with deep understanding of the Ghanaian economy and its drivers. Our tailor-made solutions help create wealth and deliver sustainable value to our individual, commercial and corporate clients, our shareholders, as well as the communities in which we operate.

We have remained at the forefront of thought leadership in Ghana through initiatives such as our Financial Markets forum, Cybersecurity summit and Financial Crime awareness information sessions. The Bank has also contributed to the gradual progression of Ghana's payment systems towards a cash-lite framework that facilitates greater financial inclusion.

Our deep-rooted heritage and values have reflected in our notably high standards of corporate governance, social responsibility and environmental protection, all of which are guided by our purpose – driving commerce and prosperity through our unique diversity. Consistent with our brand promise, we remain Here for good

Mansa Nettey
Chief Executive Officer

2018 performance

Ghana's macro-economy witnessed a period of steady growth in 2018, despite challenges, with key indicators trending positively largely on the back of industry and service sector output. The growth in full year GDP, projected at 5.6 per cent, was below the 2017 growth rate of 8.1 per cent, partly because of the economic rebasing exercise conducted in October 2018.

2018 also marked a watershed period for the banking sector in Ghana as the challenges resulting from the Central Bank's Asset Quality review in 2017 protracted into 2018. Subsequent regulatory pressures and requirements by the Central Bank severely impacted the banking sector. The stringent actions taken by the Central Bank are expected to deliver a more robust and stronger sector to support Ghana's economic development.

We began 2018 strongly with all our performance indicators trending positively. However, challenges in the economy and the banking sector impacted our performance in the second half of the year especially in

our Commercial Banking business. We delivered a total operating income of GH¢712.9 million, 5 per cent increment over our prior year performance. Net impairment charge was GH¢100.8 million compared to prior year of GH¢9.5 million due to our more stringent implementation of IFRS 9 related adjustments and the Bank's prudent internal risk guidelines. This resulted in a decline in underlying profit by 23 per cent to GH¢325.8 million. Our focus will be to concentrate on delivering our strategy through disciplined execution and driving operational efficiency and productivity whiles positioning our business segments for growth. Despite our growth being slower than expected and impacting our short-term profits, we have put in place actions to put the business back on an upward growth trajectory.

We will continue to maintain the right financial framework, supported by a strong balance sheet, to generate strong returns while pursuing further recovery and restructuring of impaired assets to ensure value conservation and creation.

Wealth and prosperity

Our Retail Banking Business continued to focus on improving the banking experience for our clients. We continue to build our human and system capabilities and product suite to make banking easier and meet the lifestyle needs of our clients, in addition to offering them Wealth Management solutions to help them achieve their dreams and ambitions. Our advisory-led Wealth Management approach which now contributes over 25 per cent of our Retail Banking income, allows us to operate with no product bias to enable better investment outcomes for our clients. Our highly skilled and professional local advisory team, coupled with our network of investment specialists, leverage our open-architecture model to help clients assess a comprehensive range of Wealth Management solutions. The Bank has also partnered with leading industry providers to offer our clients world-class solutions that complement their lifestyle and aspirations. Last year, the Bank partnered with Prudential Life Ghana Limited to offer our clients a wide range of life assurance solutions.

We are innovating and investing in digital platforms to ensure we keep up with our clients' fast-paced, digitally connected lives. We have rolled out a fully digital bank on mobile, putting 70 of the most common client in-branch requests such as account opening and information updates on mobile so clients can fulfil their banking needs while on the go without visiting a branch.

Trade and investment

The Corporate and Institutional Business, which serves our global corporate clients and financial institutions contributed 58 per cent of total revenue, translating into a growth of 8 per cent year on year. With our strong international network and unparallelled capabilities, we continued to provide our clients with bespoke financing and risk management solutions. We expanded our range of collections and payments capabilities, delivering digitised payments with real time updates, mobile money solutions as well as remote and off-site banking support services. These capabilities consolidate the payments, collections and reconciliation support we offer to our clients and help drive their strategic objectives. We leveraged our network and strong product capabilities to win key mandates that enabled us to provide innovative sovereign solutions.

To further drive the growth of our business, we combined our Corporate and Institutional Banking and Commercial Banking Business segments in the last quarter of 2018 to create a Commercial Banking-led Business. This new model is expected to help consolidate the gains made in our Commercial Banking business and position us to take opportunities in the market. It will also provide the right banking support required to sustain the growth of our local business, especially those affiliated with our globally managed relationships.

Sustainable banking

Given our heritage and legacy of operating in Ghana for over 120 years, we continued to support the financial and business aspirations of our clients. As indicated by the Chairman in his statement, investing in an ultra-modern Head Office is a testament of our brand promise, Here for good and our commitment to our clients and to the development of the Ghanaian economy.

Good conduct and ethical behaviour remain at the heart of our business and our staff understand this and are guided by our valued behaviours. Our businesses and support functions continue to focus on driving the right conduct through our robust Conduct framework which we actively review to ensure compliance. As we continue to advance our digital capabilities, we will remain fully committed to fighting the incidence and impact of financial crime in our local and network communities through our awareness, prevention and thought leadership initiatives.

Being a part of the Standard Chartered Group, Standard Chartered Bank Ghana Limited continues to play a leading role in contributing to the achievement of the United Nations' Sustainable Development Goals (SDGs) through our Sustainability Aspirations.

In addition to these measurable targets, we have been collaborating with the clients we support and the

Chief Executive's review continued

Government of Ghana to proactively create solutions that solve existing social challenges especially under the Goals of Good Health and Well-being, Quality Education, Gender Equality, Affordable and Clean Energy, Industry, Innovation, and Infrastructure, Sustainable Cities and Communities, and Climate Action.

In 2018, the Bank of Ghana issued a directive on Cyber and Information Security which seeks to provide a framework for establishing Cyber and Information Security procedures within the banking industry. In addition to our existing internal Cyber and Information Security standards, we have implemented processes to heighten awareness and compliance amongst our employees. We will constantly review the robustness of our systems to minimize any risk to our business and those of our clients. Additionally, we continue to engage institutions and stakeholders across industries we work with, including partnering with Government, to provide thought leadership on Cyber Security. In March 2018, we held the first ever Cyber Security summit which brought together key stakeholders and experts within the financial services industry. The Summit provided a platform to discuss and share best practice in combating Cyber crime and lead the way in enhancing Cyber Security for digital banking channels with the objective to help formulate the right policies.

From turnaround to transformation

At the end of 2015, together with the Standard Chartered Group, we announced a refreshed strategy which focused on prioritising returns and investment into key areas of the bank's operations. Since 2015, we have focused on driving our core priorities which included securing our foundations, getting lean and focused and investing and innovating; all of which have resulted in driving growth and the repositioning of our business. We took deliberate action to derisk our portfolio to ensure that we maintain a strong balance sheet to position us for growth.

A review of our strategy at the end of 2018 provided us with a lot of opportunities to refresh our strategic priorities. Our new strategic direction, draws on our core capabilities and is aligned to our Bank's aspirations of harnessing both local and global growth opportunities while focusing on our clients. We aim to significantly improve our growth and financial returns whiles creating shareholder value as we embed our strategic pillars which include:

- Driving an enhanced service culture to create memorable experiences for our clients
- Investing in digital initiatives to transform our business and deliver superior client experiences
- Driving productivity through enhanced collaboration between businesses and functions whiles embedding a performance oriented culture with reduced turnaround delivery times to delight our clients
- Embedding good conduct principles and ethical behaviour among our employees

We believe the disciplined execution of our priorities would enable us achieve double digit income growth, continue to maintain a tight discipline on cost and build a business with sustained profitability to create enhanced shareholder value in 2019 and beyond, in line with our refreshed strategic priorities.

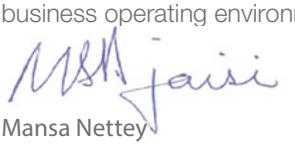
Outlook

Our outlook for 2019 remains positive. We however perceive some headwinds and challenges in the global macroeconomy which could impact our local economy. We believe that with our refreshed strategic priorities we would be able to take advantage of the opportunities the market presents, to drive income growth and deliver on our objectives. We will continue to further pursue our recovery efforts which have been successful to date, to improve our profitability. We aim to draw on our core capabilities and expertise as the world's second-best Trade Bank and Ghana's Most Credible Bank to increase our asset portfolio while keeping it well diversified to reduce impairments.

We will continue to maintain a strong, lean and focused Retail Banking Business while focusing on building our clients' ecosystem to help meet their wealth aspirations. Through our enhanced end to end digital offering, we are responding to the evolving digital needs of our clients. Through the feedback our clients provide, we aim to provide unbiased investment advice, superior market updates and the best service and platforms to our clients as they build their wealth and legacy.

Conclusion

2019 holds a lot of promise for Ghana and our business - the IMF has forecast Ghana as the fastest growing economy in the world in 2019. I am confident of the actions the Management team and our staff have taken so far to deliver on our strategic objectives. I am grateful to all my colleagues for their commitment and hard work in 2018. The task ahead in 2019 remains greater, yet I am confident in our collective ability to deliver on the higher expectations. I would also like to thank our shareholders and investors for their continued support, loyalty and the passion to challenge us to do better despite the complexities of our business operating environment.



Mansa Nettey

Chief Executive
21 February 2019

Standard Chartered Bank Ghana Limited is committed to providing positive social and economic development within the communities where we operate. Our community programmes focus on health and education, with youth as a target demographic.

Goal is our global education programme on adolescent girls and young women. Through sports and life skills training we equip girls with the confidence, knowledge and skills they need to be leaders in their communities.

Goal was launched in Ghana in 2017 in partnership with Right to Dream Academy. In the first year of implementation we reached 1605 girls.

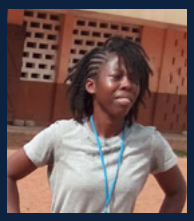
Sports is such a great tool to empower the youth – it teaches confidence, leadership, communication and discipline. Goal combines sports with life-skills training to empower girls with the confidence, knowledge and skills they need to be integral economic leaders in their families and communities. With Goal we are also able to show local communities that girls are powerful assets. We need to invest in girls if we want a better future. Girls are the backbone of our communities.

Goal
reaching
new heights

Through Goal, I have built up my self-confidence and can now speak confidently in front of a large audience. As a Goal coach too, I have been able to impart knowledge to other girls in my community, something I wouldn't have had the courage to do before joining the GOAL programme

Ezatu Alhassan – Goal Coach

The Goal programme has given me an opportunity to interact with many people including influential people within and outside the country. I feel empowered as I am able to step up and speak up and defend myself. It has helped me to make important decisions about my future and wise ways to use money.



Bertha Anku – Goal Coach

Economic environment

Overview of the economy in 2018

Ghana's economic growth was strong in 2018, with the economy likely to grow at 5.6 per cent year on year, supported by continued improvements in oil and gas production. A rebasing of Ghana's GDP resulted in the economy being 25 per cent bigger than previously measured. Inflationary pressures eased considerably, with inflation averaging 9.8 per cent in 2018 (from 12.4 per cent in 2017), creating room for the Bank of Ghana to cut its policy rate by a cumulative 300 basis points to 17 per cent by December from 20 per cent at end-2017. Nonetheless, private-sector credit growth slowed in 2018, averaging 7.5 per cent as at November 2018 from 15.7 per cent for the same period in 2017, as banks focused on repairing their balance sheets and raising additional capital in preparation for the new minimum capital requirements. Domestic interest rates rose, partly reflecting less supportive external risk appetite on tightening global financial conditions. Yields on 91-day and 182-day treasury instruments increased to 14.56 per cent and 15.02 per cent respectively in December 2018 (from 13.33 per cent and 13.78 per cent in December 2017) while the 1-Year treasury instruments remained flat at 15 per cent over the same period.

The Government continued to signal its fiscal consolidation intent, targeting a further reduction in the budget deficit to 4.5 per cent in 2018 from 4.8 per cent in 2017. However, revenue underperformed in H1-2018 and the Government introduced several measures in the mid-year budget to make up for the shortfall, including a rise in the marginal tax rate for high income earners, a luxury vehicle tax, and a decoupling of the health and education levy from the VAT. On the external front, Ghana continued to record improvements in its trade balance, with the trade surplus widening to 2.7 per cent of GDP from 2 per cent in 2017. As a result, the current account deficit narrowed to 3.2 per cent of GDP (3.4 per cent in 2017). FX reserves remained adequate at US$7billion (3.7 months of import) at end of 2018.

Outlook for 2019

Growth should remain robust in 2019, supported by continued gains in hydrocarbon output. Non-oil GDP should also receive a boost from a recovery in domestic credit growth following a recapitalisation of the banking sector. Ghana will be exiting the three-year IMF Extended Credit Facility in 2019 after an encouraging performance that saw the country lower fiscal deficits, adopt a zero-financing deficit policy, and undergo a considerable external rebalancing. The passage of the Fiscal Responsibility Act, which caps the fiscal deficit at 5 per cent of GDP, should also contain the risk of fiscal excess. Headline inflation is likely to be in single digits for much of 2019, allowing monetary policy to remain accommodative. The current account deficit will likely widen in 2019 as the Government steps up infrastructure investment spending. Planned external borrowing in 2019 (up to US$3 billion) should boost FX reserves and help ease pressure on the local currency.

The market environment report has been produced by our Global Resaerch team. The forecasts for 2019 reflect its projections, and not necessarily those of the Board.

Business model

A business model built on long-term relationships

We have a sustainable approach to business and strive to achieve the highest standards of conduct. Our business model and strategy focuses on capturing the opportunities in the market by developing deep, long-term relationships with our clients.

Developing these relationships requires utilising resources in a sustainable manner and deploying them to maximum impact on our profitability and returns.

OUR RESOURCES

We aim to use resources in a sustainable way, to achieve our long-term strategic objectives

Human capital

Our diverse employees are our greatest asset. Having been operating in this market for over 120 years, we have become part of the fabric of the nation. We have a deep understanding of the market and our clients' needs.

916 employees

74 non-employed workers

50% female

Strong brand

We are Ghana's premier bank established in 1896 and a member of a leading international group. We have been at the forefront of financial market development in Ghana.

International network

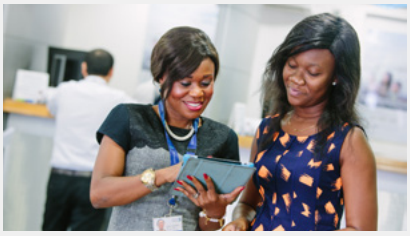
Being part of an international group with presence in over 65 markets we connect companies, institutions, and individuals to and in the world's most dynamic regions.

Technology

We possess leading tecnological capabilities to enable best-in-class customer experience, operations and risk management.

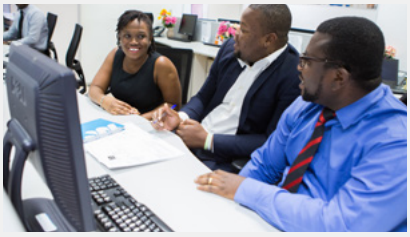
OUR PURPOSE MAKES US DIFFERENT

Our purpose is what sets us apart: We drive commerce and prosperity through our unique diversity



Client focus

We put our clients at the heart of everything we do and we build long-term relationships with them.



Robust risk management

Our risk management approach helps us to grow in a sustainable manner

Distinct proposition

By combining our local expertise and international network, we offer our clients superior tailored proposition

Sustainable approach to business

We promote social and economic development by contributing to sustainable economic growth through our core business of banking, by being a responsible company and by investing in our communities.

Business model continued

WHAT WE DELIVER

We deliver an extensive set of solutions, products and services adapted to the needs of our clients.

Client Segments

Corporate & Institutional Banking

Retail Banking

Commercial Banking

See our client segment reviews on pages 24 to 29

Products and services

Retail Products
- Deposits
- Savings
- Credit cards
- Debit cards
- Personal loans
- Other Retail Banking products

Wealth Management
- Investments
- Insurance and advice
- Planning services

Transaction Banking
- Cash management
- Payments and transactions
- Securities holdings
- Trade finance products

Financial Markets
- Investment
- Risk management
- Debt capital markets

THE VALUE WE CREATE

We aim to create long term value for a broad range of stakeholders, in a sustained manner

Clients

We enable individuals to grow and protect their wealth. We support businesses to trade, transact, invest and expand. We also help a variety of financial institutions – including banks, public sector clients and development organisations with their banking needs.

Employees

We provide learning and development opportunities to create a highly engaged and value-driven teams.

Society

We collaborate with local partners and support small and medium sized businesses to promote social and economic development.

Regulators and governments

We engage with governing bodies to support the effective functioning of the financial system and the broader economy.

Shareholders

We aim to deliver robust returns and long-term sustainable value for our shareholders.

Corporate & Institutional Banking

Profit before taxation

GH¢309.9m

2018

GH¢306.5m

2017

Total assets

GH¢4,655m

2018

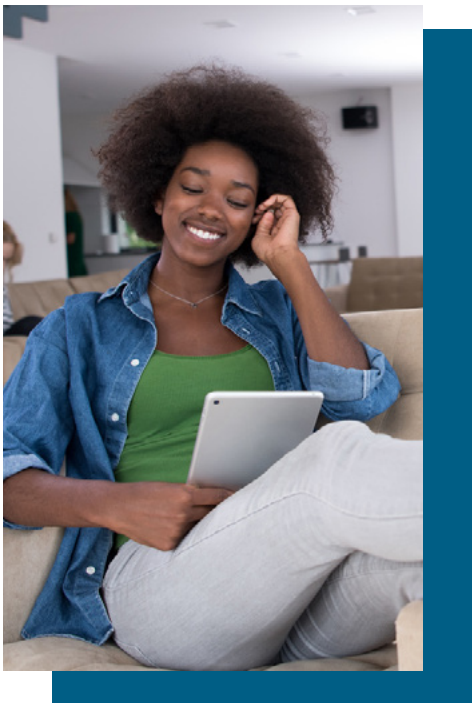
GH¢3,836m

2017

Return on assets

7% 2018

8% 2017



Segment overview

Corporate and Institutional Banking (CIB) supports our clients with Transaction Banking, Corporate Finance, Financial Markets, Lending products and services. The solutions we provide cover over 500 clients across the industries we do business. These clients are segmented into Global Subsidiaries made up of multinational corporates and Financial Institutions which cover banks, non-banking financial institutions as well as Development Organisations and Public-Sector entities.

Strategic objectives

The business is focused to continue to be the leader and partner of choice for all multinational clients in the country. With our extensive industry experience, our primary goal is to ensure that our business remains robust, built with the right fundamentals and churns out incremental profits year on year.

Our client value proposition will continue to evolve with our clients' needs and macroeconomic trends to ensure our clients get value for money. Our global network model continues to give us the competitive advantage of drawing on best practices and adapting to the needs of our local clients. Key priorities for the business include:

- Deepen our multinational and sovereign relationships and become the partner of choice for all their banking needs. We will look to structure financial solutions to drive balance sheet growth and increase our wallet share.
- Aspire, especially, in the sovereign space to remain the lead bank in the provision of debt and risk management solutions and thought leadership.
- Leverage our network capabilities across our global footprints and continue to bridge the gap for our clients to originate and distribute both new and existing assets to increase balance sheet efficiency and better mitigate risks.
- Drive the Government's agenda of industrialisation through the manufacturing sector with our Transaction Banking platform and provide efficient solutions across our clients' value chain via ecosystem banking.
- Continue to drive our corridor value proposition particularly around the Belt & Road Initiative.

Financial & Performance Highlights

- Balance sheet continues to remain liquid and robust as we continue to provide the right financing for our clients.
- Total business revenue increased by 8 per cent in 2018; at GH¢414 million compared to GH¢383 million for 2017. Cost inched up to GH¢93 million from a 2017-year-end recorded figure of GH¢87 million.
- Transaction Banking revenues for 2018 recorded GH¢163.5 million compared to GH¢173.7 million; a decline of 6 per cent.
- Financial Markets revenues went up by 5 per cent from a 2017 figure of GH¢227.5 million to year-end 2018 of GH¢238.7 million.
- Good balance sheet momentum with loans and advances to customers up 8 per cent year-on-year and customer accounts up 9 per cent

Progress against strategic objectives

- We continue to remain the market leader with our thought leadership initiative to relevant stakeholders.
- The Bank continues to deepen the relationship with our Chinese desk operating within the Ghana-China corridor. Particularly with the One Belt, One Road initiative by the Chinese Government, we increased our level of engagement.
- Financial Markets continue to support our clients with risk management solutions.
- Through our Straight2Bank online platform, multiple trade and cash offerings, our clients have been given the chance to grow their balance sheets and effectively manage their working capital cycles.
- Leveraged on the Group's referrals to on-board new clients in the Global Subsidiary segment for whose business the Group's network is a differentiator.

Outlook for 2019

The Corporate and Institutional Banking (CIB) business, despite the headwinds in 2018 remains a strong and robust business. Thus, we expect to make positive gains in 2019 pushing further with our suite of products and offerings to clients. We anticipate positive macro and fiscal external enrvironment which will spur on growth. We are aligning our business model to capitalise on opportunities in the market.

Our target industries still show signs of growth and we will continue to leverage the network, tap deeper into the local market and push our boundaries to remain relevant and play a profitable role as a financial intermediary in the market.

The Bank continued to improve on the quality of its funding base by increasing the proportion of operating account liabilities relative to its balance sheet size. We achieved a 23% growth in operating account balances on the back of strengthened client relationships and strategic engagements.

Working with our clients, we have moved over 99% of clients transactions to electronic channels, through our online banking platforms – Straight2Bank and SC Mobile. The platform minimises fraud, provides a secure transacting environment with audit trails and delivers transaction and account visibility to key executives within client organisations.

We have expanded our range of collections and payment capabilities, delivering digitised, mobile money solutions and remote and off-site banking support services. These capabilities consolidate the payment, collections and reconciliation support to our clients and help drive their strategic objectives.

Once again, SCB Ghana received international recognition for our work in Securities Services. Our custody and clearing capabilities, streamlined transaction execution and corporate action processing has won us Global Finance's Best Sub-Custodian Bank for Ghana in 2018. The business is focused on continuing to support capital market development in Ghana.

Retail Banking

Profit before taxation

GH¢51m
2018

GH¢96m
2017

Total assets

GH¢580m
2018

GH¢367m
2017

Return on assets

9% 2018

26% 2017

UNDERSTANDING CLIENTS' BANKING NEEDS

Building relationships through technology

We are constantly enhancing our products and services to take advantage of digital advances. This includes delivering a full digital bank on mobile. we have also digitised over 70 of the most popular banking services, including account opening process. Every innovation is

based on insights. We spend time getting to know our clients and understanding their banking needs and financial goals.

Segment overview

Retail Banking serves over two hundred thousand individuals and small businesses and represents a third of the Bank's income and profit. We provide digital banking services with a human touch to our clients with services spanning across deposits, payments, financing products and Wealth Management. We focus on high value segments with a growing Wealth business made largely of Offshore Investments, Retail Forex and Bancassurance.

Our clients continue to show us the way they want to do business. They desire deep relationships that help them build and protect their wealth. Our clients want to bank through channels that save them money, make them more efficient and are totally secure.

We have worked tirelessly to keep our commanding lead of the digital agenda. Our capabilities in the mobile banking space have seen tremendous improvements during the year under review.

We aim to deliver convenient and easy banking for clients in our chosen segments.

Strategic objectives

We have made tremendous progress in transforming our business, channels and footprint. This has sharpened our competitive advantage and better positioned us for the future.

Business priorities:

- Accelerate business momentum and growth. We continue to remain innovative in our product offers and back them with relationship deepening in our managed segments to drive business growth.
- Embed the key tenets of the Bank's new strategic priorities by improving our service, delivering a differentiated proposition to our clients and stakeholders, and becoming a future-ready bank.
- Remain intently focused on building an increasingly more efficient business. Efficiency for us derives from optimising the gains from our digital revolution and ensuring our channels of distribution are sized right.
- Continue to implement a client experience which ensures that, we keep our service commitments to our clients. We are on a path of continuously improving our processes to ensure that clients' feedback is leading to improvements in the way we serve them.
- Continue to build the right culture around risk, conduct and compliance. We will continue to build a business that assures stakeholders of the safety of the income the business generates.

2018 Performance Highlights

Income

- Retail Banking delivered a respectable financial performance in 2018, achieving appreciable growth in income. Total Income went up by 5 per cent year-on-year from GH¢231 million to GH¢242 million which was mainly driven by growth in income from Assets, Deposits and Wealth Management. Operating profit dropped by 47 per cent year-on-year from GH¢96 million to GH¢51 million which is largely attributable to higher expenses and specific portfolio provisions. However, the revenue streams of the business are well diversified by customer segments. Our performance is very much in line with our strategic direction. All customer segments performed well and our business remains well positioned to deliver a resilient performance in 2019.

Expenses

Expenses went up by 29 per cent year-on-year from GH¢131 million to GH¢169 million which is primarily attributable to investment in our distribution network and digital platforms, to deliver convenient and easy banking experience for our clients. We will continue to manage cost very tightly to release funds for further investments.

Impairments

We saw a significant increase in our Loan Impairments, 581 per cent from GH¢3 million in 2017 to GH¢23 million in 2018. This was largely from the impact of the implementation of IFRS9 and specific portfolio provisions taken.

Balance Sheet

Deposits grew by 11 per cent year-on-year from GH¢1,400 million to GH¢1,546 million. Growth in deposits was mainly driven by various initiatives including competitive product offerings and sales campaigns. Retail asset went up by 58 per cent from GH¢367 million to GH¢580 million mainly driven by personal loans. We doubled lending to our business Banking relationships during the year and this will continue to be our direction.

Updates on strategic objectives:

- We were committed to serving our clients better by listening and paying attention to their needs. In 2018, we successfully rolled out enhanced products for clients including; Higher Value Personal Loans, Security Backed Lending and Life Insurance Products.
- The Retail business made significant progress in 2018 in driving its digital agenda. Various investments were made into our digital banking platform – with the revamp of our mobile/online banking platform. A range of digital innovations were rolled out including; Online Loan Repayment, Credit Card Repayments, Cardless Cash Withdrawal, Debit/Credit Card Activations, Debit/Credit Card PIN reset, Cheque book request and Status Enquiry, Market views on the go and Mobile Money.
- We also invested in our footprints with the opening of two new branches, all equipped with Cash Deposit Machines/ Intelligent ATMs. We increased our stock of Cash Deposit Machines (CDMs) to a total of 25 in 2018 and still counting. These CDMs have cardless functionality enabled allowing clients and third parties to lodge deposits at their own convenience without their debit cards.
- Good progress was made in delivering on our strategic initiatives of deepening our share of market and wallet in our chosen segments. In 2018, we opened our KNUST and Independence Avenue branches and rationalised some of our branches at key strategic locations to help us serve our clients better. The strategic shift towards banking the ecosystem has taken shape and this will remain one of the focus areas as we move into 2019.

Outlook for 2019

We expect to build on our 2018 performance going into 2019. The year 2019 will inevitably have its own challenges, but we are clear on what we want to achieve. We will continue to focus on the shift to build a more diversified and robust balance sheet to better hedge the book and work harder on providing the wealth solutions that have become crucial in helping our clients manage their personal wealth. The investments and changes we have made over the last couple of years to transform the business have taken shape and placed us on a trajectory to accelerate towards achieving greater heights. In 2019, our main focus will be to grow our customer base, rollout innovative and best in class product offerings to meet the ever-changing needs of our clients and revolutionise client experience. We aim to roll out a full end to end digital bank during the year. This solution will feature an end to end digital onboarding in addition to 70 client journeys and many more bill payment solutions.

Commercial Banking

Profit/Loss for the year before taxation

GH¢(35)m
2018

GH¢19m
2017

Assets

GH¢726m
2018

GH¢573m
2017

Return on assets

(5)% 2018

3% 2017

UNDERSTANDING CLIENTS' BANKING NEEDS

We are increasingly collaborating with other client segments, particularly Corporate and Institutional Banking to provide ecosystem solutions - network of buyers, suppliers, customers and service providers

Segment overview

The Commercial Banking Business is made up of high value small businesses, medium enterprises and local corporate companies in Ghana. These clients are looking to grow bigger beyond the shores of Ghana and into the ecosystem of international markets. We serve our clients through dedicated relationship managers providing financial solutions and services in Transaction Banking, Financial Markets and Corporate Finance.

In 2018, the business made significant progress in onboarding new clients in the productive sectors of the economy. We also embarked on a journey to deepen our existing client relationships through increased cash, trade and risk management offerings. Furthermore, using our award-winning Straight2Bank online banking platform, we improved penetration and utilization of our channels thereby improving client experience. We continue to focus on our remaining non-performing loan book with focus on working together with the relevant clients to ensure full recovery.

Strategic objectives

We strive to be the bank of choice for all local corporate clients to build their brands to international levels. We have taken steps to sharpen our strategic growth focus, restructure cost and push the boundaries of the business through digital, optimise low-returning relationships, deliver the network and improve productivity.

Progress against strategic objectives

In 2018, the business made strides in key productive areas of the economy. The business also prudently took some provisions for loan impairments which affected our bottom line. The key highlights are below:

- Won key transactions with large local corporate firms
- Revived network on-boarding of clients and made significant progress on our ecosystem banking model
- Deepened our relationships with clients involved in Africa – China trade and investment corridor
- Increased focus on our non-performing loan book by appointing designated relationship managers to ensure that the clients are re-integrated into the business to help drive top line growth

Financial performance summary – commentary

The year 2018 proved to be a challenging year despite the strategic efforts put in place. The business experienced a slowdown in the momentum coming in from 2017, resulting in a drop in the bottom line.

Total revenue showed 11 per cent decline year-on-year coming down from GH¢64 million to GH¢57 million. Cost within the business remained contained at GH¢24 million against prior year cost of GH¢27 million. We suffered a setback with our loan impairments more than doubling the estimated figures at the beginning of the year. Loan impairments ended the year at GH¢68 million.

The business recorded a loss of GH¢35 million in 2018.

Outlook for 2019

To return the business to profitability, the business is focused on delivering the following initiatives with a view to increasing the assets booked and reducing loan impairments.

- Focus on the industrialization agenda set by the Government to diversify asset portfolio. We expect to rope in new export names to increase the foreign currency flow to our other clients and also increase the liability business.
- Supporting the health, hospitality and minerals industry with effective collections and payment solutions that will deliver on the asset and contingents strategy.
- Delivering integrated collection platforms and other focused solutions for the education sector and acquiring new names within this industry.
- Executing more into the supply chain agenda and delivering tailor made solutions to grow all the ancillary businesses to grow our client business.
- Continually embed innovation, digitization and analytics into our business model to become leaner and more efficient.

Chief Financial Officer's review

Well positioned to drive further value for shareholders

Performance summary

2018 was one of the challenging years for the industry and for Standard Chartered Bank Ghana Limited. Whiles our clients have remained very active, the overall outcome for the Bank has not been as we would have expected. Notwithstanding the subdued performance in 2018, we have positioned the business to be resilient through cost management, risk tightening and support for the growth and activities of our clients and customers. Our balance sheet remains strong, highly liquid and well-funded.

- Operating income was moderate and was up by 5 per cent year on year to GH¢712.9 million compared to prior year of GH¢676.8 million due to progress made in the respective businesses.
- Profit before tax of GH¢325.8 million represented a 23 per cent decline from previous year mainly due to an increase in impairment charge of GH¢91.2 million
- Operating expenses increased by 17 per cent from GH¢ 244.9 million in 2017 to GH¢ 286.3 million in 2018 due to some accelerated investments to improve the business.
- Impairment charge was GH¢100.8 million compared to prior year's impairment of GH¢ 9.5 million. This was as a result of a GH¢33.3 million incremental impairment from implementation of IFRS 9 and additional specific impairments taking in 2018.
- The Bank's capital adequacy ratio for the period was 28.59 per cent which is above the statutory limit of 13 per cent (10 per cent +3 per cent buffer).
- Net loans and advances increased by 5 per cent from prior year of GH¢1.38 billion to GH¢1.45 billion. Gross loans moved from GH¢1.74 billion from December 2017 to GH¢1.64 billion in December 2018 largely as a result of loan write-offs of GH¢0.27 billion.
- The Bank's average return on equity was 21 per cent compared to prior year of 34 per cent on the back of increased equity.
- The performance recorded during the period under review and the Bank's strong capital position underpin the Board's decision to recommend a dividend of GH¢1.04 per ordinary share.

Kweku Nimfah-Essuman
Chief Financial Officer

Income

Operating income growth of 5 per cent was contributed by our three (3) business segments.

- Corporate & Institutional Banking income contributed 58 per cent of total revenue, up 8 per cent year on year.
- Retail Banking posted a 5 per cent year on year revenue growth against margin pressures. The business continues to benefit from the focus on affluent segments with income from Wealth Management 50 per cent higher than previous year.
- Commercial Banking income decreased by 10 per cent on the back of downgrade of some customers and delayed closure of some asset pipelines. However, Management has put in place a strategy to turn the business around.

Expenses

Operating expenses increased by 17 per cent from GH¢244.9 million in prior year to GH¢286.3 million. This was primarily driven by new investments in people, technology and infrastructure.

Cost to income ratio increased from 36 per cent in prior year to 40 per cent.

The Bank will continue to maintain tight cost management to enable cash investment at a similar elevated rate with growing proportion into technology enabled initiatives to deliver improved productivity into the future.

Impairment

Impairment increased from GH¢ 9.5 million in prior year to GH¢100.8 million in 2018 mainly on the back of expected credit loss (ECL) emanating from the implementation of IFRS9 *Financial Instruments* in addition to specific provisions booked.

Credit quality

The credit quality of the Bank has continued to improve year on year with a focus on high quality origination within a more granular risk appetite.

IFRS 9 became effective from 1 January 2018 and requires the recognition of expected credit losses rather than incurred losses under IAS 39. Financial Instruments that are not already credit-impaired are originated in stage 1 and a 12 month expected credit loss provision is recognised. An instrument will remain in stage 1 until it is repaid unless it experiences significant credit deterioration in which case it will transfer to stage 2, or it becomes credit-impaired where it would transfer to stage 3.

Balance sheet

The Bank continues to be disciplined in its focus on sustaining a strong balance sheet, which remains structurally liquid, well diversified and conservatively positioned. Liquid ratio for the period is 85 per cent compared to 76 per cent from prior year. The overall balance sheet increased by 25 per cent.

The Bank's net loans and advances increased by 5 per cent from GH¢1.39 billion to GH¢1.45 billion in December 2018 due to impairment allowance of GH¢100.8 million which was offset by additional deals booked.

Customer deposits increased by 26 per cent year on year from GH¢3.42 billion to GH¢4.30 billion as the Bank continued to focus on improving the quality and mix of its liabilities.

The customer advances-to-deposits ratio declined from 41 per cent in prior year to 30 per cent.

Risk weighted assets

- Total risk weighted assets (RWAs) was 16 per cent higher in 2018 compared to prior year's decline of 2 per cent.
- Return on risk-weighted assets was 10 per cent in prior year compared to 7 per cent in 2018.

Capital base and ratios

The Bank's capital and liquidity remained strong with all metrics above the regulatory threshold.

The Bank's paid up capital was increased to GH¢400 million to comply with the Bank of Ghana notice issued in accordance with Section 28 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The Bank has met the new minimum paid up capital of GH¢400million.

Outlook and summary

The Bank's performance has been mixed with major highpoints being adversely impacted by some headwinds. Management continues to navigate these headwinds to steer the affairs of the Bank safely.

Although competition remains intense, the Bank aspires to be the market leader in every sense.

It is encouraging to see an increase in balance sheet momentum and income.

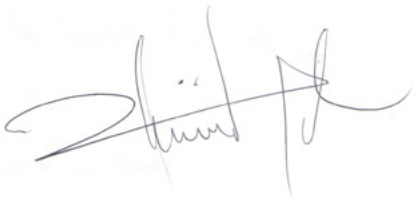
Management is investing to enhance controls and improve productivity to make the Bank safer and simpler to do business with.

Banking remains a risk-based industry and we will remain prudent in our management and pricing of risk. At the same time, we are well placed to take advantage of any opportunity that will arise.

We know what our clients want from us and what we need to do to become simpler, faster, better, more sustainable and profitable.

We are undoubtedly poised and confident that we will deliver strong performances in the years ahead.

Our actions will improve the client experience and create a differentiated proposition for all stakeholders.



Kweku Nimfah-Essuman

Chief Financial Officer

21 February, 2019

Stakeholders and responsibilities

Our stakeholders

CLIENTS

How we serve and engage

We consider our clients' needs paramount in deciding how we structure our solutions and business transactions. As such, we have regular engagements with our clients. We listen to their specific needs and tailor make solutions that meet their trade, transaction, investment and growth needs.

In an effort to build deeper relationships with clients, we have made a deliberate effort to take feedback from them. This was done through client focus group sessions and inviting clients to sit through business brain-storming sessions. The main aim of these sessions is to enable us to incorporate our clients' needs in the development of our new solutions and enhancement of existing ones. We held an unprecedented number of market engagement sessions leading to increased client satisfaction with our product offerings.

Our Digital banking solution has also been revamped. We have included over 70 client journeys that would traditionally have been completed in our branches on our SC Mobile App. We have enabled our clients to complete these requests at their convenience. New clients can also open an account online without visiting our branches.

Conduct continued to be one of our biggest agenda in 2018. Our goal across the business is to ensure that all staff do the right thing at all times. To achieve this, we ensure that frontline colleagues are properly trained to engage clients the right way, and only provide honest and accurate feedback to clients. In doing so, we guarantee clients that Standard Chartered Bank Ghana Limited is really a trusted partner.

REGULATORY AND GOVERNMENTAL ENGAGEMENT, COMPLIANCE

How we serve

In 2018, we continued our active engagements with all regulators and authorities, employing effectively our robust tool for such engagements – the Government and Regulatory Relationship Plan (GRRP). These engagements afforded us the opportunity not only to support the financial industry and the Ghanaian economy with our technical expertise within the banking space, but also allowed us to proactively take the needed steps to identify and adhere to regulations and directives applicable to the business in Ghana.

Consequentially, we contributed to and benefited from industry best practices from these engagements.

At a bank, we are deeply committed to ensuring that the franchise operates within the requisite regulatory framework that supports the financial industry and the economy as a whole. Our focus on adhering to both local and global standards in conduct, financial crime and compliance has contributed significantly towards the sustainability of our business by delivering the right outcomes for clients and our market. It is therefore no wonder the Bank was adjudged the Most Credible Bank in Ghana, taking into consideration the robust compliance and corporate governance frameworks within which the Bank operates.

Given the developments in the banking sector in 2018, we will continue with our strict adherence to the regulations and directives of all regulators as well as our internal policies and procedures to ensure safe banking for our clients and shareholders. We will also continue to engage the Government, regulators and other stakeholders to ensure that clients have fair outcomes.

COLLEAGUES

Transforming culture

Our culture is key to the way we behave towards each other, and ultimately to our clients, and it is an important part of our existence as an organisation. In 2018, we set out to embed our organisational culture that makes us truly human to both our employees and clients. In Ghana, we launched the #Makingmemorableexperiences which focused on four pillars namely People First, Culture, Client Experience and Millennial Leadership. Throughout the year, there were various engagements, activities and workshops to ensure that all employees were conscious and committed to driving these key pillars so that we become the bank of choice to our clients and an employer of choice to our employees.

We also continue to engage differently to embed our valued behaviours which clearly articulate how we want to achieve our purpose to drive commerce and prosperity through our unique diversity. These valued behaviours - Do The Right Thing, Never Settle and Better Together emphasise the need to do everything with integrity, challenge the status quo in order to drive innovations, leverage our unique diversity and build for the long term.

We are passionate about building an organisational culture that makes our Bank a great place to work, and that delivers an exceptional client experience.

Leveraging diversity

Diversity and Inclusion (D&I) is critical in ensuring business success, and we are committed to creating an inclusive environment that allows our employees to bring their uniqueness to bear in making a difference within the organisation and the society as a whole.

The D&I Council promotes year round initiaive involving gender, nationality and ethnicity, disability and generational issues. In 2018, we partnered with a non governmental organisation to mentor about 50 girls to empower them in leadership and career development.

Within the year, we also delivered various workshops on 'Unconscious Bias' as we acknowledge that our biases can potentially get in the way of leveraging the full impact of our diversity.

Our partnership with the Ghana Federation of the Disabled continues to be important in our quest to meaningfully contribute to our society, and we worked with the Federation to deliver career workshops for students with disability. This we have done for five

COLLEAGUES CONT'D

consecutive years. Through this, we have improved the employability of people with disability and given some of them opportunities to work in the Bank.

Engaging and developing our colleagues

We measure the engagement level of our employees through our annual engagement survey (My Voice). In 2018, our engagement index was at 73 per cent (same as 2017), with employee net promoter score of 13.32.

Our focus in 2018 was on engaging the hearts and minds of our people, and developing the skill set necessary for them to succeed in the work place.

Seventeen (17) employees also had exposures to other markets within the Standard Chartered Group through short term assignments and permanent international transfers.

We recognise the importance of building talent to ensure succession bench strength and business continuity, and so we focused on developing our talent and giving them opportunities to progress within the organisation. This resulted in 30 per cent of them changing roles within the year. We emphasised building the skills and capabilities of our people through targeted development for line managers as well as their teams.

To improve knowledge across the Bank, we continued with the cross business and function rotations which led to 47 employees gaining experience outside of their key areas of responsibility. We have seen the huge opportunities that this creates for employees as it reflected in 80 per cent of roles filled internally, and increased collaboration across the Bank.

Our people leaders still remain pivotal in employee engagement as well as retention, and so our people leader conferences continue to be key in developing the skills of our managers. Our 2018 conference themed, 'who is your client'?, was aimed at building client-centric leaders in the Bank.

We launched two peer mentoring programmes, the Manager Mentoring Manager as well as the Women Mentoring Women Programmes which were both aimed at upskilling our people leaders and building succession to ensure the sustainability of the business in Ghana.

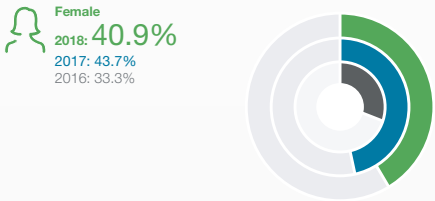
Ninety (90) employees had diverse development opportunities through this, and we aim to increase the number in 2019 to ensure that our employees (both mentors and mentees) build on their communication and personal skills, develop their leadership capabilities and increase their confidence and motivation.

Stakeholders and responsibilities continued

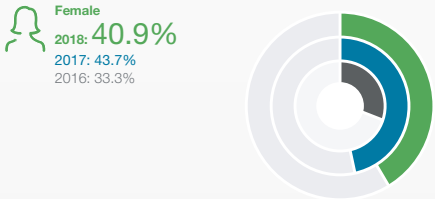
COLLEAGUES CONT'D

My voice-Employee Net Promoter Score

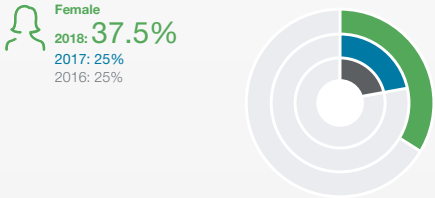
Diversity and inclusion (Women in banded role)



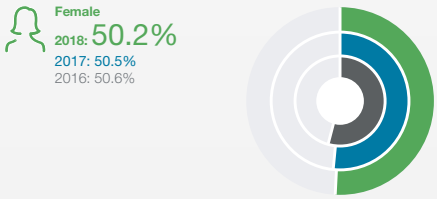
Females in Country Management Team (CMT)



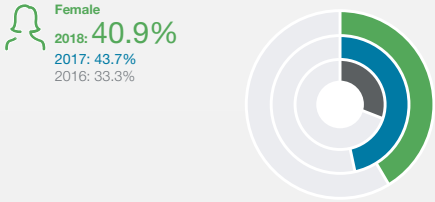
Females at Board Level



Female Staff as a % of Total HC



Banded Female



Total Headcount

2018: 916 2017: 928 2016: 974

COMMUNITIES

Investing in communities

At Standard Chartered we aim to create more inclusive communities by sharing our skills and expertise, and developing community programmes that transform lives. In 2018, our staff contributed more than 500 volunteering days. In 2018, having met the fundraising targets set for our flagship programme, Seeing is Believing, we took steps to wind down on this initiative. We will deliver the current SiB programme till the end of 2020 as planned. Our Goal programme combines sports with life-skills training to empower girls with the confidence, knowledge and skills they need to be integral economic leaders in their families and communities. With Goal, we are also able to show local communities that girls are powerful assets. We need to invest in girls if we want a better future. In the first year of implementation from 2017 to 2018, we reached 1605 girls.

The Standard Chartered Financial Education programme draws on employee volunteers to build the financial capability of youth and entrepreneurs. During the year, our employee volunteers used their skills to teach 4000 young people in our Financial Education for Youth programme. For the first time we also run two Education for Entrepreneurs sessions for 300 ladies in the informal sector.

We continued to demonstrate our support for initiatives that promote environmental protection. To commemorate World Environment Day, 200 primary school students were educated on recycling plastic at a recycling plant. Additionally, our employee volunteers continued with our annual tree planting exercise, planting 500 trees at the Sakumono Ramsar Site in Tema to protect the site and secure parts of Accra from perennial flooding

As a Bank, from 2019, we will focus on tackling inequality and promoting greater economic inclusion through a new initiative, Futuremakers by Standard Chartered. Our aim is to empower the next generation to learn, earn and grow and this we will deliver through new and existing programmes in education, employability and entrepreneurship for disadvantaged young people.

Our donations are guided by our Sponsorship and Donations policy and our teams receive annual training on the policy.

CORPORATE GOVERNANCE

Corporate Information

Board of Directors

Dr. Emmanuel Oteng Kumah	Chairman (Appointed on 01/07/2018)
Mansa Nettey	Chief Executive Officer/ Managing Director
Felix Addo	Independent Non-Executive Director
David Adepoju	Non-Executive Director
Kweku Nimfah-Essuman	Executive Director
Henry Baye	Executive Director
Professor (Mrs.) Akua Kuenyehia	Independent Non-Executive Director
Harriet-Ann Omobolanle Adesola	Non-Executive Director (Appointed on 27/07/18)
Ishmael Yamson	Stepped down on 30/06/18

Secretary

Angela Naa Sakua Okai
Standard Chartered Bank Ghana Limited
87 Independence Avenue
P. O. Box 768, Accra

Auditors

KPMG
Chartered Accountants
Marlin House.
13 Yiyiwa Drive, Abelenkpe
P. O. Box GP 242, Accra

Solicitor

Bentsi-Enchill Letsa & Ankomah
#4 Momotse Avenue
Adabraka, Accra
P O Box GP 1632
Accra

Registrar

GCB Bank Limited
Share Registry Department
Thorpe Road
John Evans Atta Mills High Street
P. O. Box 134
Accra

Registered Office

Standard Chartered Bank Building
87 Independence Avenue
P. O. Box 768
Accra

Board of Directors

Dr. Emmanuel O. Kumah (63)
Chairman

Appointed: October 2013.

Experience: Dr. Kumah is an International Economic Consultant and Advisor, and has served in several high profile roles including the International Monetary Fund (IMF), where he served for 25 years as Division Chief, IMF Resident Representative in Djibouti and Deputy Division Chief at the Balance of Payments and External Debt Division. During 1993-1994, he was Coordinator and Advisor of the Research Department of the Bank of Ghana. He also served as Senior Advisor, Bank of Ghana from 1997 to 1999, where he provided key macroeconomic advice to the Government of Ghana.

Dr. Kumah has lectured at many institutions and written many articles on International Finance and Banking. He is currently Chairman of KEDSS Consulting, an economic and financial consulting company.

Mansa Nettey (52)
Chief Executive & Managing Director

Appointed: March 2017

Experience: Mansa Nettey was appointed Chief Executive on March 1, 2017 as the first female CEO in the Bank's 120 year history in Ghana.

Mrs. Nettey has more than 20 years of experience in banking, having held various senior roles in Corporate and Institutional Banking in Standard Chartered including managing across the West Africa sub-region.

Mansa has extensive experience in financial and capital markets and has contributed significantly to financial markets development including pioneering risk management solutions for Governments.

Prior to being appointed CEO, Mansa was appointed first female Executive Director of Standard Chartered Bank Ghana Limited in 2013 and in 2015 was appointed a Non-Executive Director of the Board of Standard Chartered Bank Nigeria Limited.

Mansa is passionate about the youth and advocates for developing the next generation of leaders.

Mansa holds a Bachelor of Pharmacy Degree from Kwame Nkrumah University of Science and Technology, Ghana and a Masters in Business Administration from Manchester Business School in the United Kingdom.

Kweku Nimfah-Essuman (50)
Executive Director & Chief Financial Officer

Appointed: November 2016

Experience: Kweku was appointed Chief Financial Officer in October 2016, after acting as the Chief Financial Officer, from August 2015. He is responsible for providing leadership and plays a critical role in the delivery of financial controls and maintenance of high standards in finance and regulatory reporting in addition to tax risk management of the Bank. Kweku has a strong finance, regulatory and audit background. He was the Bank's Financial Controller from June 2009 till August 2015. Prior to this, Kweku held various positions including Regulatory Reporting Manager and Financial Controls Manager.

Before joining the Bank in 2005, Kweku worked with the Banking Supervision Department of the Bank of Ghana for a period of eight (8) years as a Bank Examiner.

He is a Chartered Accountant by profession and holds BSc Administration (Accounting option) and an Executive MBA in Finance from the University of Ghana Business School.

David Adepoju (44)
Non-Executive Director

Appointed: February 2016

Experience: David has over 16 years banking experience in financial markets having worked in 14 different markets in Africa, the U.K. and the Middle East. He is a specialist in asset and liability management, market risk and fixed income trading. He has a strong appreciation of Risk Management (with a focus on Market Risk), a sustained revenue track record and active involvement in market development across multiple markets through partnership with respective regulators.

External Appointments: David is the past President of the Financial Markets Dealers Association, Nigeria. He is a Director on the Board of Standard Chartered Capital Nigeria, a member of the Institute of Directors and an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria.

Committees:

Member, Board Audit Committee

Member, Board Risk Committee

Judge Professor (Mrs) Akua Kuenyehia (71)
Independent Non-Executive Director

Appointed: July 2017

Experience: Her Excellency Judge Professor (Mrs) Akua Kuenyehia retired in March 2015 from the International Criminal Court at The Hague (the ICC) after serving the maximum possible term of twelve years. She was elected an inaugural judge of the ICC at the inception of the court in 2003 serving as a judge and First Vice President from 2003 to 2009 and then as a judge of the Appeals Division of the Court from 2009 to March 2015.

Prior to the ICC, Her Excellency was in academia. She joined the law faculty of University Of Ghana in 1972 and rose to become a Professor of Law. She was the first female to be employed by the Faculty, the first female Professor of Law and the first female Dean of the Faculty of Law. She has also been a visiting professor at the University of Pennsylvania School of Law, Temple University, Northwestern University, USA and Imo State University, Nigeria. She is an honorary fellow of Somerville College Oxford, her alma mater, and the life patron of the Akua Kuenyehia Foundation.

She has been the recipient of numerous awards and accolades including the Order of the Star of Ghana (the highest award conferred by the Government of the Republic of Ghana on an individual).

She holds a Bachelor of Laws (LLB) degree from the University of Ghana and a Bachelor of Civil Laws (BCL) degree from the University of Oxford. She has published widely in leading academic journals, written or edited books and book chapters and delivered over a hundred research papers. Together with Professor Cynthia Bowman of Cornell University she authored "Women and Law in Sub Saharan Africa".

Committees:

Member, Board Audit Committee,

Chair, Board Risk Committee

Felix E. Addo (63)
Independent Non-Executive Director

Appointed: August 2015

Experience: Felix E. Addo is a past Country Senior Partner and a former member of the PwC Africa Governance Board. Felix has more than 30 years of practice and consulting experience in corporate finance and recovery, financial and forensic auditing, organizational restructuring and performance improvement in both developed and developing economies. Mr. Addo has worked on a number of important projects including the privatization of Ashanti Gold Fields Limited and GCB Bank Limited and served as the transaction advisor to the Government of Ghana on the acquisition of VALCO.

Felix has professional memberships in the Institute of Chartered Accountants, Ghana; Institute of Chartered Accountants, Sierra Leone and the American Institute of Certified Public Accountants, USA. Felix holds an MA (Professional Accounting) from Loyola College, Maryland (USA).

External Appointments: Felix serves on various Boards and Committees: He is a member of the KOSMOS Advisory Council, Advisory Council of the University of Ghana College of Education, The Ghana American Chamber of Commerce (Vice-President), Ghana Association of Restructuring and Insolvency Advisors, Board member of AIESEC Ghana, KEK Insurance Brokers Limited, Guinness Ghana Breweries Ltd and Payswitch Ghana Limited and Advisor to the National Investment Bank.

Committees:

Chair, Board Audit Committee
Member, Board Risk Committee

Board of Directors continued

Henry Baye (49)
Executive Director and Head, Retail Banking

Appointed: November 2017

Experience: Henry Baye was appointed as Head of Retail Banking West Africa in November 2015. Prior to this he was Head of Retail Clients for Ghana, Gambia and Sierra Leone.

Henry has 19 years of banking experience. He commenced his banking career in Standard Chartered Bank in 1997. Henry has extensive experience across various roles including senior roles. During his first eleven years in Standard Chartered he served in various roles including Branch Manager, General Manager Unsecured Lending, General Manager Distribution and Wealth all in Ghana and then General Manager, Wealth Management, West Africa. He also worked for Barclays Bank Ghana Limited as Head of Distribution. He also served as Head of Consumer Banking and doubled as Head of Corporate Banking at the Universal Merchant Bank.

Harriet-Ann Omobolanle Adesola (58)
Non-Executive Director

Appointed: July 2018

Experience: Bola Adesola is the Senior Vice-Chairman, Africa at Standard Chartered Bank, where she supports the execution of the Group's strategic intent within the Africa region, including representing the bank on various boards in Africa; as well as leading as a Senior Banker on key relationships and transactions.

She joined the SCB Group in 2011 as Managing Director and Chief Executive Officer of Standard Chartered Bank Nigeria, leading the business by providing overall strategic direction. Prior to joining the bank, she was an Executive Director at First Bank of Nigeria Plc and prior to that Managing Director of Kakawa Discount House, Nigeria, where she drove record business performance. She also worked in Citibank for 9 years in senior leadership roles in Nigeria and Tanzania.

Bola Adesola has about 30 years banking experience and is an alumnus of Harvard Business School and Lagos Business School. She holds a Law degree from the University of Buckingham, UK and was called to the Nigerian Bar in 1985.

Bola is an Honorary Fellow of the Chartered Institute of Bankers Nigeria. She has previously sat on the Boards of the Financial Markets Dealers Association and Nigeria Interbank Settlement Systems Ltd, having served in various capacities in developing the Nigerian Money Market, the Interbank Settlement Systems and the Discount House subsector over the years. Bola also chairs the Central Bank of Nigeria Bankers' Sub-Committee on Economic Development, Sustainability and Gender and is the immediate past President of the Lagos Business School Alumni Association (LBSAA).

Bola Adesola was appointed to the United Nations Global Compact Board by the UN Secretary General in June 2015 and as Co Vice-Chair of the Board in February 2018.

Angela Naa Sakua Okai (45)
Company Secretary

Appointed: April 2014

Experience: Angela is a lawyer with a wealth of experience in Branch banking having served in many roles, including Branch Manager, within the Retail Segment of the Bank. She joined the Legal and Compliance Department as a Compliance Officer in 2008, transitioning to the role of Legal Counsel for the Corporate and Institutional Clients Segment in 2010. In her role as Company Secretary, Angela is the first female to have held this position in the Bank's history in Ghana. Angela has oversight responsibilities for Subsidiary Governance, West Africa (excluding Nigeria), with responsibility for providing leadership and support to Cameroon, Cote D'Ivoire, Gambia and Sierra Leone to ensure that the Group's subsidiary governance standards are fully implemented.

Angela is a member of the Ghana Bar Association, the Commonwealth Lawyers Association and an alumni of the 2010 Fortune / US State Department Global Women's Mentoring Program.

Management Team

Mansa Nettey
Chief Executive Officer / Managing Director

Kweku Nimfah-Essuman
Chief Financial Officer

Henry Baye
Head, Retail Banking

Xorse Godzi
Country Head, Commercial Banking

Appointed: December 2018

Experience: Xorse Godzi was appointed Country Head of Commercial Banking effective 1 December 2018 following a change in the Bank's participation model. In his expanded role as the Country Head, Commercial Banking, he is responsible for growing the Commercial Banking business and overseeing the Global Subsidiaries as well as the Financial Institutions activities in-country. Xorse previously served as Country Head of Global Banking.

Xorse is in his seventeenth year with the Bank and has worked in various roles in a number of geographies. He has rich experience in client coverage having worked as Director, Global Corporates, London between 2006 and 2010. He was in charge of the Bank's coverage of commodity and agri-business clients in our footprints in Africa between 2013 and 2015 and was based in South Africa. He also previously held senior roles in Corporate and Institutional Clients business in Ghana.

Sheikh Jobe
Chief Information Officer

Appointed: November 2015

Experience: Sheikh Jobe was appointed Chief Information Officer, in November 2015.

In this role, he is responsible for providing leadership, strategic direction and support to the Information Technology & Operation teams and maintaining the Bank's operational and technology infrastructure in Ghana which underpins the Bank's client services.

Sheikh has 25 years of extensive banking experience at global, regional and country levels across banking technology and operations, operational risk management, financial crime risk management, compliance, audit and branch banking. These include positions held as Global Head, Lending Operations and Technology including Corporate Finance and Loans Agency Operations based in Singapore between 2007 and 2012 and Africa Regional CIO based in Nigeria between 2014 and 2015. In his current role, he is also a member of the Information Technology and Operations management team.

Prior to joining Standard Chartered in 1994, Sheikh worked with National Audit Office of The Gambia.

Joan Essel-Appiah
Head, Compliance

Appointed: November 2015

Experience: Joan was appointed Head, Compliance, in November 2015 and is responsible for leading and strengthening the Bank's compliance and regulatory framework across West Africa. She moved to this role after leading the Legal and Compliance functions from April 2014 till end October 2015 in West Africa (excluding Nigeria).

Prior to that Joan headed Compliance in Ghana and West Africa (excluding Nigeria) when she joined the Bank in May 2011.

Joan has over 27 years extensive experience in the legal profession both in the public and private sectors and has for the past eleven years also practiced in the regulatory and Compliance sphere in the banking industry. She was Director, Legal in CAL Bank just before she joined Standard Chartered Bank Ghana Limited. Before that she was Senior and later Principal Counsel at the Volta River Authority. Joan also worked as Head of Legal in the Ghana National Fire Service prior to her time in the Volta River Authority.

Joan has an LLM from the University of Warwick, Coventry, an LLB from the University of Ghana and a BL from the Ghana School of Law.

Kwame Asante
Head, Transaction Banking

Appointed: November 2015

Experience: Kwame Asante was appointed as Head of Transaction Banking, Ghana in November 2015. He is responsible for leading the Transaction Banking product agenda for Corporate & Institutional and Commercial Banking in Ghana. Prior to this role, Kwame was the Regional Head of Transaction Banking Sales, Commercial Clients, Africa.

Kwame joined Standard Chartered Bank Ghana Limited in 2006 and has held a variety of roles across Africa including, Interim Head of Corporate Sales, Transaction Banking, South Africa; Country Head of Transaction Banking, Botswana and Director, Transaction Banking Sales, Ghana.

Kwame is a graduate of Kwame Nkrumah University of Science and Technology in Ghana, and holds a postgraduate degree from the University of Leicester, UK.

Setor Quashigah
Head, Wealth Management

Appointed: November 2015

Experience: Setor was appointed Head, Wealth Management in November 2015, responsible for delivering world class wealth products and solutions.

She joined Standard Chartered as a Management trainee. 18 years on, Setor has a vast banking experience ranging from branch banking as a Sales Consultant, Customer Services Manager and Branch Manager. Setor has held other managerial roles including Head, Direct Banking, Head, Proximity and Remote Banking, and General Manager, Preferred and Priority Banking. Setor built a team of high performing Relationship Managers, best in class Trusted Advisors managing our Priority Clients segment. Setor has an excellent track record in Sales, Relationship and Portfolio Management.

Prior to joining Standard Chartered, Setor's career started in 1997 at Unilever Ghana Ltd.

Setor has an MBA from the University of Leicester, UK. and B.A from the Kwame Nkrumah University of Science and Technology in Ghana.

Asiedua Addae
Head, Corporate Affairs and Brand & Marketing

Appointed: November 2015

Experience: Asiedua Addae was appointed Head, Corporate Affairs and Brand and Marketing in November 2015. In her role, she is responsible for managing the Bank's engagement with stakeholders in order to promote and protect the Bank's reputation, brand and services in Ghana. Asiedua joined Standard Chartered Bank Ghana Limited in 2012 and has held various positions in the Bank including Head, Business Marketing and Head, Brand and Marketing.

Asiedua has over 18 years of experience working with a number of global brands across geographies. Prior to joining Standard Chartered Bank Ghana Limited, Asiedua worked with Unilever and L'Oreal. Asiedua is a graduate of the University of Ghana and has an MBA from Fordham University in New York.

Harry Dankyi
Head, Internal Audit

Appointed: November 2015

Experience: Harry was appointed Head of Audit in November 2015. He is responsible for providing independent assurance to the Board and Management on the state of the Bank's control environment.

Harry joined the Bank in September 2002 and has held various roles within Finance, Risk and Compliance. In his previous role as Head Compliance and Assurance, he was responsible for ensuring adherence to Group and local policies. In this capacity he provided functional leadership and direction, and embedded a robust compliance culture within the Bank.

Prior to joining the Bank, he worked at the Volta River Authority (VRA), as a Financial Accountant and in various other capacities within the company.

He is a graduate of the University of Ghana and holds an MBA (Finance) from the same University. He is also a fellow of the Association of Chartered Certified Accountants (UK) and a member of the Institute of Chartered Accountants (Ghana).

Gifty Fordwuo
Head, Human Resources

Appointed: December 2016

Experience: Gifty Fordwuo was appointed Head, Human Resources on 1st December, 2016. Prior to this role, Gifty was the Senior HR Business Partner for Retail Banking and Information Technology & Operations for Ghana.

Gifty joined the Bank in 1997 as a Graduate Trainee, and has a proven track record of over 18 years experience in Standard Chartered Bank, having worked in Branch Banking, Channels Management, Products and Human Resources.

Gifty is a Chartered Member of the Chartered Institute of Personnel and Development, UK, and holds a Post Graduate Degree in Human Resources from the University of Ghana, Legon.

Adoteye Anum
Head, Financial Markets

Appointed: May 2017

Experience: Adoteye Anum was appointed Head, Financial Markets Ghana and Head, Treasury Markets for West Africa (excluding Nigeria) in May 2017. Adoteye was previously the Head of Treasury Markets before assuming the added responsibility of managing the Financial Markets business.

Adoteye has worked in various senior capacities in the Bank. He was Head of Global Markets in Uganda and Sierra Leone from 2007 to 2008.

He previously worked in senior roles at Ecobank Transnational Incorporated and Treasury Warehouse, providing advisory services on treasury management, balance sheet, ALCO framework and ALM management.

Management Team continued

Alikem Adadevoh
Head, Legal

Appointed: January 2017

Experience: Alikem was appointed Head, Legal, Ghana on January 23, 2017 and is responsible for leading the legal team in the country. She has a Master of Laws (LLM) Degree in International Banking and Finance Law from the University of London and twenty-five years of experience as a legal practitioner. Alikem has over twelve years of experience in private legal practice working with the law firm, Fugar and Company. She also has diverse and extensive experience in corporate and commercial law practice and worked with the African Development Bank (AfDB) at its headquarters in Abidjan and Tunisia respectively. Alikem also spent six years in the mining industry where she was the Legal and Compliance Manager of Golden Star Resources Limited, a Canadian mining company, based in Denver, Colorado, USA with key mining operations in Ghana. Prior to joining Standard Chartered Bank, she worked as the Director, Legal Services of The First Group (Ghana) Limited, an investment and management services company.

Kwabena Koranteng
Chief Risk Officer

Appointed: December 2018

Experience: Kwabena Koranteng joined Standard Chartered Bank in December 2018 as the Country Chief Risk Officer. Kwabena's previous roles included Head of Wholesale Credit Sanctioning Barclays Bank Ghana and Senior Credit Officer, Barclays Africa Group.

He has over seventeen years' experience in the Banking Sector primarily with the Barclays Bank Group, with almost four years specific experience as a Head of Risk with Barclays Bank, Seychelles responsible for the Credit, Market and Operational Risk and Acting Head of Compliance.

He has good international exposure having worked in about four different countries within the Barclays Bank Group. He possesses a holistic understanding of the risk management discipline. Kwabena's areas of expertise include Credit Risk, Operational Risk, Market Risk, Financial Crime, Fraud Strategy.

He holds a Bsc. Business Administration degree from the University of Ghana and a Master of Business Administration from the University of Leicester, U.K

Sam Kwaku Peprah
Business Planning Manager

Appointed: December 2015

Experience: Sam is the Business Planning Manager supporting the Chief Executive Officer in formulating and executing the business strategy, ensuring the achievement of performance indicators through strategic functional and business alignment and enforcing exemplary control and governance standards.

Sam joined the Bank's Wholesale Banking International Graduate training programme in 2010, subsequently working as Business Planning Manager for the Transaction Banking business across West Africa and Product Sales Manager for the Bank's Global Corporate clients in Ghana. Prior to joining Standard Chartered Bank, he held sales and consulting roles with Fidelity Investments in Massachusetts, and Deloitte Touche Tomahatsu in New York respectively.

He holds an MPA in Finance and Fiscal Policy from Cornell University in Ithaca, New York.

Corporate governance

Standard Chartered Bank Ghana Limited ("the Company") is a key player in the banking industry in Ghana. The Company has consistently practised high standards of corporate governance in order to contribute to the promotion of an environment where such standards are upheld and practised by all industry players. The Company recognises that exemplary governance is key to sustaining the viability of the Company in the long term and is also at the heart of its commitment to be Here for good.

To this end, the Company has committed resources to ensure that business is conducted in an ethical manner; in compliance with all legal and regulatory requirements. The Company maintains a Code of Conduct, the key principles of which underpin the conduct of all employees in their dealings with one another, clients, suppliers and other stakeholders. The Board is ultimately responsible for ensuring adherence to the Code of Conduct. The Code is reviewed and staff are required to recommit to the Code on an annual basis. The last such review and recommitment was in September 2018.

The Board

The Board is the ultimate decision making body for all material matters within the Company. It is responsible for providing leadership, setting the strategic direction of the Company and monitoring Management to ensure effective execution of such strategy. The Board's mandate is set out in the Schedule of Matters reserved for the Board, key amongst which are the reviewing and tracking of the Company's strategy, financial performance, approving any changes to capital, ensuring a sound system of internal controls and risk management, delegation and monitoring of authorities for expenditure and other significant commitments.

The Schedule of Matters reserved for the Board is reviewed by the Board periodically.

The Board discharges some of its responsibilities directly and delegates certain other functions to its Committees. The Board also delegates authority for the operational management of the Company's business to the Chief Executive Officer (CEO)/Managing Director(MD) for further delegation by her in respect of matters which are necessary for the day to day running of the Company. The Board holds the CEO/MD accountable for the effective discharge of her delegated responsibilities.

The Board is diverse, with a good mix of experience and skills. The areas of expertise and age of the directors are as follows:

Name	Status	Expertise	Age
Dr. Emmanuel Oteng Kumah	Chairman (Independent Director)	Economist	63
Mrs. Mansa Nettey	Executive Director	Banking/Financial Services	52
Professor Akua Kuenyehia	Independent Director	Lawyer	71
Mr. Felix E. Addo	Independent Director	Chartered Accountant	63
Mrs. Harriet-Ann Omobolanle Adesola	Non-Executive Director	Lawyer	58
Mr. David Adepoju	Non-Executive Director	Banking/Financial Services	44
Mr. Kweku Nimfah-Essuman	Executive Director	Chartered Accountant	50
Mr. Henry Baye	Executive Director	Banking/Financial Services	49

The Board has a total of 8 members; 5 non-executive directors (3 of whom, including the Chair are independent); and 3 executive directors. There is a very cordial working relationship between executive and non-executive directors, characterised by a healthy level of challenge and debate. Non-executive directors also have access to Management and staff at all levels.

Mr Ishmael Evans Yamson, an independent non-executive director and Chair of the Board retired from the Board on 30th June 2018. Dr. Emmanuel Oteng Kumah, an independent non-executive director, was appointed to succeed Mr. Yamson, as Chair of the Board, effective 1 July 2018.

Mrs Harriet-Ann Omobanle Adesola was appointed to the Board as Non-Executive Director on 27th July 2018. Mrs. Adesola will stand for election at the 2018 Annual General Meeting.

Regulatory approval has been obtained for the appointment of another Independent Non-Executive Director, Mr. Ebenezer Twum-Asante.

Roles of the Board Chair and Chief Executive Officer

The roles of the Board Chair and the Chief Executive Officer are kept separate. Except for direction and guidance on general policy, the Board has delegated the conduct of the day-to-day business to the Chief Executive Officer and the Executive Committee.

Independent Non-Executive Directors

The majority of the non-executive directors are independent and free of any business relationship or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining their independence, the Board has considered the criteria set out in the Bank of Ghana Corporate Governance Directive, 2018 ("the Directive") and the contribution and conduct of directors at Board meetings, including how they demonstrate independent judgement. Directors are required to declare, on an ongoing basis, any interests that may give rise to a potential or perceived conflict of interest. The Board is made aware of the other commitments of individual non-executive directors and is satisfied that largely, these do not conflict with their duties and time commitments as directors of the Company.

Non-executive directors are appointed for an initial term of two (2) years with an option for renewal. To align with the Directive, non-executive directors would now be appointed for an initial term of three years, with an option to renew for an additional two terms. The Board Chairman would now be appointed for a term of three (3) years with an option to renew for an additional term only. Shareholders at the Company's 2019 AGM, would be asked to approve the amendment of the Company's Regulations in this regard.

Professional Development and Training Activities

The Company has a very comprehensive and tailored induction process for new directors. The induction process covers the Company's business operations, the risk and compliance functions, as well as the legal, regulatory and other personal obligations and duties of a director of a listed company. Aside the induction programme, the Company ensures a continuous development programme which is needs-based and is designed for individual directors, Committees or for the Board as indicated by the annual Board training plan.

The directors are kept updated on all regulations and laws that are enacted which may affect the operations of the Company and are also advised of the legal, regulatory and other obligations of a director of a listed company on an ongoing basis. Directors have access to independent professional advice to enable them to discharge their duties.

The Board and its Committees received training in 2018 on the Company's Enterprise Risk Management Framework, Anti-Money Laundering and Financial Crime Risk, the Bank of Ghana's Capital Requirement Directive and the Bank of Ghana's Cyber and Information Security Directive. All directors participated in the training.

In compliance with the Directive, the Company has engaged the National Banking College to provide training leading to the requisite governance certification for the directors. The training would comprise four modules relating to Corporate Governance & Directors Roles and Responsibilities, Prudential Regulations, Balance Sheet Management Framework and Risk Management. The first module was delivered in February 2019 and subsequent modules would be delivered on a quarterly basis in 2019.

Performance Evaluation Process

A performance evaluation of the Board is conducted on an annual basis. The last Board evaluation was conducted in September 2018 via an online process called the "Linstock" tool. The evaluation covered members' views on overall Board interactions, the effectiveness of the Company's strategy and risk management, top risks facing the Company, conduct of business, meetings, effectiveness of the Board Committees, succession planning for the Board and Management and scope of control exercised by the directors, amongst others. Following the evaluation exercise, Directors identified areas that required further consideration by the Board. These would be addressed through specific trainings and on site visits by directors.

Board meetings and attendance

The Board meets at least four times a year, and has a special strategy session annually. A rolling agenda of matters to be discussed is maintained. There is a process in place to ensure that directors receive reports in a timely manner to enable them to ask appropriate questions and make informed decisions.

Aside the formal meetings, the directors are engaged informally throughout the year. This creates an environment that encourages challenge, consultation, information sharing, innovative thinking and openness in communication. The directors are encouraged to interact with the Company's staff and senior staff from the Company's Group offices and to also broaden their understanding and knowledge of the Company's operations through their annual branch visits.

Corporate governance

Number of Board meetings held in 2018

Board members	Scheduled meetings 4	Ad hoc 2	Remarks
Mr. Ishmael Yamson	2/4	1/2	Retired from the Board on 30 June 2018
Mrs. Mansa Nettey	4/4	2/2	
Dr. Emmanuel Oteng Kumah	3/4	2/2	Appointed as Board Chair on 1 July 2018
Mr. Felix E. Addo	4/4	2/2	
Mr. David Adepoju	4/4	1/2	
Mr. Kweku Nimfah-Essuman	4/4	2/2	
Mr. Henry Baye	4/4	2/2	
Professor Akua Kuenyehia	4/4	2/2	
Mrs. Harriet-Ann Omonbolanle Adesola	0/4	1/2	Appointed to the Board on 27 July 2018

• One adhoc meeting was held to appoint a Board Chairman and the other, to discuss and approve the Bank's strategy.

Board Committees

The Board has three Committees with specific delegated authorities. These are the Board Audit Committee, the Board Risk Committee and the Executive Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. The functions of the various committees and attendance of members can be found on pages 46 to 54.

In line with Bank of Ghana's Cyber and Information Security Directive which was issued in 2018, the Board at its meeting in February 2019, approved the establishment of a Cyber and Information Security Risk Committee to oversee cyber and information security risks within the Company.

Directors' remuneration

Remuneration for independent non-executive directors is reviewed every two years. The review is based on surveys carried out on the going market rates for non-executive directors. Depending on the results of the survey, directors' remuneration is either maintained or reviewed to ensure that the levels of remuneration and compensation are appropriate and competitive.

The independent non-executive directors are paid annual fees and a sitting allowance for meetings attended. Information on the aggregate amount of emoluments and fees paid to directors is disclosed as part of Note 136b of the financial statements.

Executive directors' remuneration is based on the reward, support and benefits arrangements the Company has for all staff.

Conflicts of interest

The Company has a comprehensive policy on Conflicts of Interest. Staff as well as directors are required to abide by it. Directors are made aware of their obligation to avoid conflicts of interest at the induction and through ongoing training. There is a robust process which requires directors to disclose outside business interest before they are entered into. The provisions on conflict of interest are embodied in the directors' letters of appointment and Induction Handbook and is also a legal requirement under the Companies Act 1963, Act 179.

External Directorships and Other Business Interests

Details of the directors' external directorships can be found in their biographies on pages 38 to 40. Per the Banks and Specialised Deposit Taking Institutions Act, 2016, (Act 930) and the Directive, directors cannot hold more than five (5) directorship positions at a time in both financial and non-financial companies (including offshore engagements).

Before committing to an additional role, directors are required to confirm that no conflicts will arise. They must also provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as director of the Company. The Board's Executive Directors are permitted to hold only one external non-executive directorship.

Internal controls

The Board is committed to managing risk and to controlling its business and financial activities in a

manner which enables it to maximise profitable business opportunities, manage and ensure compliance with applicable laws and regulations and enhance resilience to external events. The Company has a process in place to ensure that any changes in legislation are captured and monitored effectively. A comprehensive gap analysis is conducted once the laws are in place.

The Compliance Department ensures that the business units put in place controls to ensure compliance with the various laws and regulations. The Compliance Department also performs compliance monitoring reviews and submits its findings to the Board Audit Committee. The effectiveness of the Company's internal control system is reviewed regularly by the Board through an Enterprise Risk Management framework and the Internal Audit function.

The Internal Audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Company through its programme of business audits. The work of the Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Head of the Internal Audit function reports to the Board Audit Committee.

Report of the Directors

Key highlights

The Directors have pleasure in submitting their reports and the financial statements of the Bank for the year ended 31 December 2018. The financial statements have been prepared and presented in accordance with the Companies Act, 1963, (Act 179), Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB).

On behalf of the Board, the Audit Committee has reviewed the annual report and the process by which the Bank believes that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance of the Bank. Following its review, the Audit Committee has advised the Board that such a statement can be made in the annual report.

Nature of business

The Bank is licensed to carry out universal banking business in Ghana. There was no change in the nature of the Bank's business during the year. The financial statements and the notes thereon as shown from pages 65 to 126 provide the business performance and position for the year ended 31 December 2018.

The Board and its Committees

The Board is accountable for the long term success of the Bank and it is responsible for ensuring leadership, approving the strategy, and ensuring that the Bank is suitably resourced to achieve its strategic aspirations. In doing so, the Board considers its responsibilities to, and the impact of its decisions on its stakeholders including shareholders, employees, customers, suppliers, the environment and the communities the Bank operates in.

The Board also delegates certain responsibilities to its Committees to ensure its independent oversight. In addition, the Board also delegates authority for the operational management of the Bank to the Managing Director/Chief Executive Officer and the Executive Committee in respect of matters which are necessary for the day to day running and management of the Bank.

The Board remains very diverse with a distinctive mixture of backgrounds, experience and skills with a mixture of Executive and Non-Executive directors. Risk and governance, shareholder and stakeholder relationships, strategy and budget, financial performance oversight, business development and people were some of the key focus areas for the Board in 2018 as it provided guidance to Management in steering the Bank through the financial sector clean up.

The Board met regularly throughout the year. In addition to substantial strategy discussions held at each meeting, the Board held an off-site strategy session in December 2018 at which it had a systematic and comprehensive discussion around the strategy and direction of the Bank.

During the review period, Dr. Emmanuel Oteng-Kumah was appointed as Chairman of the Board effective 1 July 2018 to replace Mr. Ishmael Yamson who stepped down as Chairman. Mrs. Harriett-Ann Omobolanle Adesola was appointed as Non-Executive Director of the Bank by the Board on 27 July 2018. All the necessary regulatory approvals have been received with respect to the changes.

At the time of the approval of the 2018 audited accounts on 21 February 2019, the Board was made up of eight (8) Directors: three (3) Executive Directors and five (5) Non-Executive Directors and the list is as stated below:

Board members	Standard Chartered Bank Ghana Limited Board	Board Audit Committee	Board Risk Committee
Dr. Emmanuel Oteng Kumah	Yes	No	No
Mrs. Mansa Nettey	Yes	No	No
Mr. Kweku Nimfah-Essuman	Yes	No	No
Mr. Felix Addo	Yes	Yes	Yes
Mr. David Adepoju	Yes	Yes	Yes
Mr. Henry Baye	Yes	No	No
Professor (Mrs) Akua Kuenyehia	Yes	Yes	Yes
Mrs. Harriett-Ann Omobolanle Adesola	Yes	No	No

Board roles and key responsibilities

Chairman

The Chairman is responsible for leading the Board and its overall effectiveness and governance, promoting high standards of integrity and ensuring effective communication between the Board, Management, shareholders and other stakeholders.

Managing Director (MD)/Chief Executive Officer (CEO)

The MD/CEO is responsible for managing all aspects of the Bank's businesses, developing the strategy in conjunction with the businesses, the Chairman and the Board and leading its implementation.

Non-Executive Directors (NEDs)

NEDs provide an independent perspective, constructive challenge and monitor the performance and delivery of the strategy within the risk and controls set by the Board.

Board committees

The Board made a conscious decision to delegate a broader range of issues to the Board committees, namely Audit and Risk. The linkages between the Committees and the Board are critical for the smooth running of the Bank.

The Board duly received the minutes and updates from each of the Committees meetings throughout the reporting period.

The Bank has effective mechanisms in place to ensure that there are no gaps or unnecessary duplication between the remit of each Committee.

Audit committee

The Committee has exercised its authority delegated by the Board for ensuring the integrity of the Bank's published financial information by discussing and challenging the judgements made by Management and the assumptions and estimates on which they are based. The Committee has exercised judgement in deciding which of the issues we considered in the financial statements as being significant and this report sets out the material matters that we have considered in these deliberations.

In addition to discharging its responsibilities as set out in its Terms of Reference in accordance with the requirements of the Corporate Governance Directive, the Committee spent time discussing the root causes of control weaknesses and regulatory matters and the resulting remediation and mitigating action taken by Management where applicable.

The Committee reviewed and discussed the work undertaken by the Internal Audit (GIA) function against a backdrop of

Report of the Directors continued

significant programmes to understand and fully challenge where GIA has been focusing and how it maximises value from GIA resource to be as productive as possible. It also discussed resourcing for GIA and the GIA Plan.

Committee composition and meeting attendance in 2018

Board members	Scheduled meetings
Felix Addo (Chairman)	4/4
Akua Kuenyehia	4/4
David Adepoju	4/4

The Committee members have detailed and relevant experience and bring an independent mindset to their role.

Other attendees at Committee meetings in 2018 included: Chief Financial Officer, Head of Internal Audit, Acting Chief Risk Officer, Head of Compliance, Operational Risk Officer, Company Secretary, Retail Credit Head, Retail Banking Head.

Committee responsibilities

The Committee's role is to review, on behalf of the Board, the Bank's internal financial controls. It is also responsible for oversight and advice to the Board on matters relating to financial reporting and exercises oversight of the work undertaken by Compliance, Internal Audit and the Bank's statutory auditor, KPMG. This is to ensure that the interest of shareholders are properly protected in relation to financial reporting. Financial internal contro is fundamental tothe committee's role.

Risk committee

The Committee's role is to exercise oversight on behalf of the Board on wide risks facing the Bank and to provide assurance to the Board that the overall framework for complying with the Risk Management Principles and the Board's approved Risk Appetite is operating effectively.

The Committee recognises that good risk management is not static but responds to internal and external pressures and is intrinsically linked to strategy. The Committee has discharged its responsibilities through receiving a combination of routine and regulatory reporting, requesting reports on specific matters from Management and ensuring that the management information to the Committee is not just data but also provides analysis and enables the Committee to have deeper discussions.

The Committee continued to review the quality of the Bank's loan portfolio to ensure that the quality is improved despite increased impairment partly from the IFRS 9 adoption in 2018. There are some segments of the portfolio that remained under stress and the Committee has sought and received assurance that Management continues to actively manage those segments particularly given the unpredictable nature of the external environment.

Given the rising level of cyber security threat across the industry, the Committee has increased its focus on the steps being taken by the Bank to improve its defenses, create stronger control frameworks and improve intelligence sharing.

Through its work, the Committee has considered and challenged whether there are any gaps in risk coverage and sought and received assurance concerning the mitigating actions being taken to address any such gaps. The Committee has examined the effectiveness of the Bank's risk management and how risk management has responded to internal and external pressures.

It has also discussed the progress that has been made in embedding a stronger risk culture in the Bank. Among other things, this was covered in the Committee's review and discussion of the revised Enterprise Risk Management Framework implemented in 2018 and discussions on operational risk events.

Committee composition and meeting attendance in 2018

Board members	Scheduled meetings	Remarks
Akua Kuenyehia (Chairperson)	4/4	Appointed Chairperson on 21/2/2019
Felix Addo	4/4	
David Adepoju	4/4	

Other attendees at Committee meetings in 2018 included: Chief Financial Officer, Head of Internal Audit, Acting Chief Risk Officer, Operational Risk Officer, Company Secretary, Retail Credit Head, Head Retail Banking, Commercial, Corporate and Institutional Banking Head.

Committee responsibilities:

The Committee is responsible for the oversight and review of prudential risk. The Committee's responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the Bank's business and ensuring effective due diligence on material acquisitions and disposals.

Interaction with Management

On an annual basis, the Committee members meet individually with our statutory auditor, KPMG, Chief Financial Officer, Head of Internal Audit, Head of Compliance and Chief Risk Officer. These meetings allow the Committee members to discuss freely matters relating to the auditor's remit and issues arising from the audit.

Directors' securities transactions

The Directors' beneficiary interest in the ordinary shares of the Bank as at 31 December 2018 is as shown in note 34 of the financial statement:

Going concern

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

Parent company

The Bank is a subsidiary of Standard Chartered Holdings (Africa) B.V., a company incorporated in The Netherlands.

Area of operation

The Bank comprises a network of 24 branches and a Head Office as at the time of signing this account.

Subsidiary

The Bank maintains a special purpose legal entity, Standard Chartered Ghana Nominee Limited, to warehouse assets held in trust on behalf of custody clients in the conduct of its fiduciary activities. The assets and income due to such clients arising thereon are not the bona fide property of the company. These assets have not been included either in the books of the Bank or its subsidiary company. Refer to note 22(b)(i) for the necessary disclosures on this nominee company.

Report of the Directors (continued)

The subsidiary's financial statements have not been consolidated with that of the parent as the Directors are of the opinion that it is insignificant and would present no real value to the members.

Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information of which the Bank's statutory auditor, KPMG is unaware. The Directors have taken all reasonable steps to ascertain any relevant audit information and ensured that the Bank's statutory auditor is aware of such information.

Auditor

The Audit Committee has the responsibility delegated from the Board of Directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. Messrs KPMG has been the auditor of the Bank commencing with the financial statements for the year ended 31 December 2018. KPMG did not provide non-audit service to the Bank during the year.

Sufficiency of public float

As at the date of this report, the Bank has maintained the prescribed public float governing the listing of securities on the Ghana Stock Exchange based on the information publicly available to the Bank and within the knowledge of the Directors.

Political donations

No political donations were made in the year ended 31 December 2018 (2017: Nil).

Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation of the financial statements that gives a true and fair view of the state of affairs of the Bank, comprising the statement of financial position and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit- Taking Institutions Act, 2016 (Act 930); and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and maintaining adequate accounting records and an effective system of risk management. In addition, the Directors are responsible for the preparation of the Report of the Directors.

Business performance

- Operating income increased by 5.0 per cent from GH¢676.8 million to GH¢712.9 million.
- Profit after tax decreased to GH¢210.6 million from GH¢283.6 million recorded in 2017, representing 25.7 per cent decrease.
- Earnings per share decreased by 26.3 per cent from GH¢2.09 per share in 2017 to GH¢1.54 per share.
- Overall balance sheet grew by 25 per cent from GH¢4.78 billion to GH¢5.96 billion.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Minimum paid up capital

The Bank's paid up capital was increased to GH¢400 million to comply with the Bank of Ghana notice issued in accordance with Section 28 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This was achieved through capitalisation of GH¢278 million (net of taxes and charges) from the 2017 audited distributable reserves. All the related withholding taxes and charges have been paid to the relevant statutory bodies.

Reserve fund

In accordance with Section 34(1)(b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) a cumulative amount of GH¢299.7 million (2017: GH¢247.0 million) has been set aside in a Reserve Fund from the Income Surplus. The cumulative balance includes the amount set aside from the net profit for the year.

Dividend

Based on the Bank's performance, Directors are recommending an ordinary share dividend of GH¢1.04 per share amounting to GH¢140,148,838.00

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors and authorized for issue on 21 February 2019 and signed on the Board's behalf by Mansa Nettey and Kweku Nimfah-Essuman.

Dr. Emmanuel Oteng Kumah
Chairman

Mansa Nettey
Director

Kweku Nimfah-Essuman
Director

Here for good

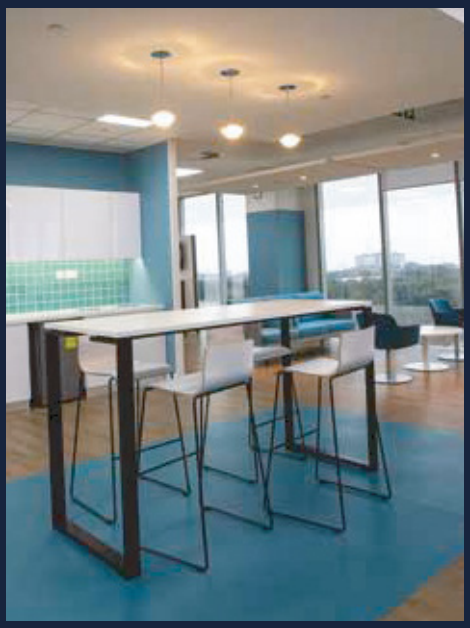
This 13-storey edifice has eight floors of fully furnished office space and five floors of parking with a parking management system.

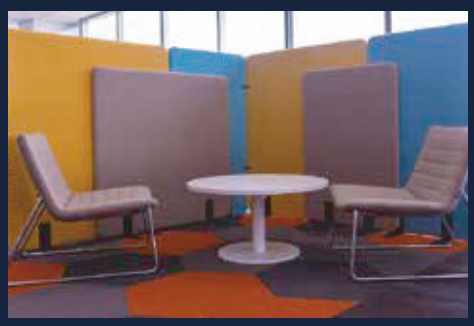
There are 650 workstations with 26 multi-purpose meeting rooms and collaborative zones that include focus rooms, video conferencing, adjustable desks and phone booths. Carefully selected antique artwork, paintings and photographs line the walls. There is also a fully furnished pantry on each floor. This makes our new office the first flexible workspace of its kind in Ghana.

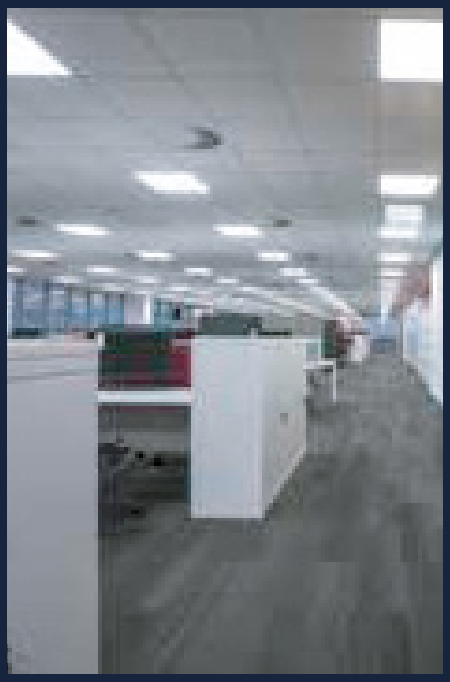
The ultra-modern canteen with adjustable seating overlooks the Atlantic Ocean. Combined with a state-of-the-art aquarium, the canteen provides staff with a relaxing view while enjoying meals.

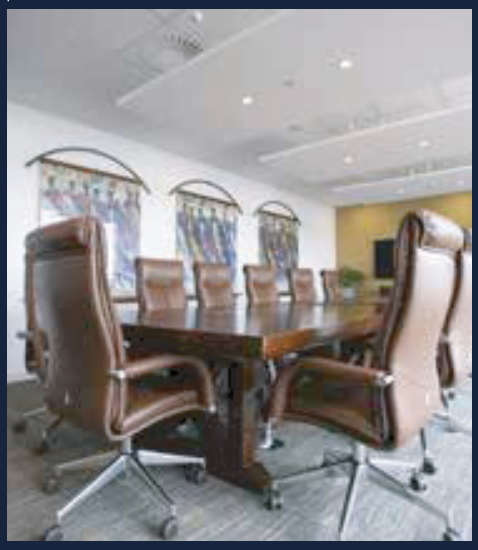
Diversity and inclusion are critical in ensuring business success, and we are committed to creating an inclusive environment. The building has a multi-faith room, a nursing station for working mothers and a creche for the children of our staff.

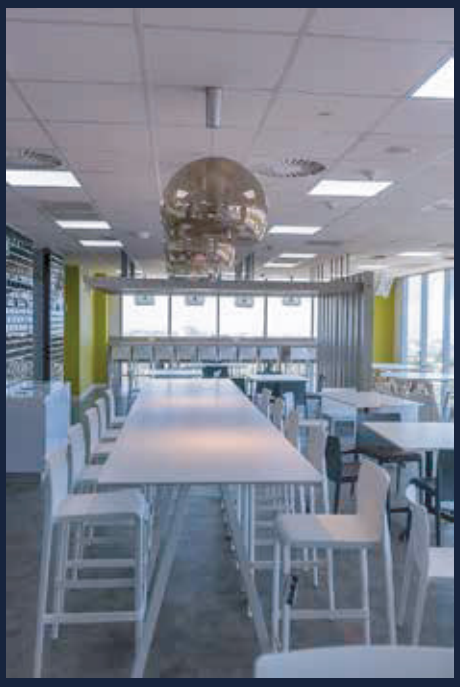
Finally our new head office has an intelligent Building Management System that controls systems such as ventilation, lighting, power, fire and security systems, making it a highly energy-efficient and environmentally friendly place to work.











valued behaviours

Never settle

Our valued behaviours are the expression of Our Purpose, and will help us to truly be Here for good.
Never Settle means we must always strive to do better; we can never settle for second best.

FINANCIAL STATEMENTS

Independent Auditor's Report to the members of Standard Chartered Bank Ghana Limited

Opinion

We have audited the financial statements of Standard Chartered Bank Ghana Limited ("the Bank"), which comprise the statement of financial position at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 69 to 126.

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

Basis for Opinion

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

Key audit matters

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

Impairment of loans and advances to customers **Refer to note 21b to the financial statements**	
The key audit matter	**How the matter was addressed in our audit**
Loans and advances to customers amounted to GH¢ 1,494 million at 31 December 2018 (GH¢ 1,743 million at 31 December 2017), and the total impairment allowance account for the Bank amounted to GH¢ 192 million at 31 December 2018 (GH¢ 358 million at 31 December 2017). IFRS 9 Financial Instruments ("IFRS 9") was implemented by the Bank on 1 January 2018. This new standard requires the Bank to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Bank. The carrying value of financial instruments within the scope of IFRS 9 ECL may be materially misstated if judgements or estimates made by the Bank are inappropriate. The most significant areas where we identified greater levels of management judgement are: • Significant Increase in Credit Risk (SICR) – the criteria selected to identify a SICR are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of facilities is greater than 12 months. • Economic base case – IFRS 9 requires the Bank to measure ECL on a forward-looking basis, incorporating future macro-economic variables reflecting a range of future conditions. The economic base case is the key driver of the range of future conditions. • ECL modelling – inherently judgemental and complex modelling techniques used to estimate ECLs which involve determining Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). • Qualitative adjustments – adjustments to model-driven ECL results are raised to address model limitations or emerging risks and trends in underlying portfolios which are inherently judgemental.	Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. Our procedures included the following: • Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers. • Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding Management's review process over impairment calculations. • Assessing the completeness and accuracy of key data inputs used in the ECL calculation through testing a sample of relevant data fields and their aggregate amounts against data in the source system. • Assessing and testing the effectiveness of the SICR thresholds employed by the Bank across material retail and corporate portfolios. • Assessing the appropriateness of the Bank's methodology for determining the base case economic scenario for material macroeconomic variables, and to challenge the base case forecast against market information. • Using a KPMG financial risk management modelling specialist to independently assess and substantively validate the impairment models by re-performing calculations for certain aspects of material models. • Assessing the appropriateness of overlays (qualitative adjustments) to model-driven ECL by taking into account the judgements and estimates the Bank has made through the ECL calculation process (including macroeconomic forecasts).

Independent Auditor's Report to the members of Standard Chartered Bank Ghana Limited continued

Impairment of loans and advances to customers Refer to note 21b to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
• Carrying value of individually assessed Stage 3 assets – the carrying value of loans and advances to banks and customers may be incorrectly assessed if individual impairments are not appropriately identified and estimated. The identification of impaired assets and the estimation of impairment including a range of estimates of future cash flows and valuation of collateral. • Disclosure quality - the disclosures regarding the Bank's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgements and material inputs to the IFRS 9 ECL results. The effect of these matters is that, as part of our risk assessment, we determined that the value of ECL has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Measurement of impairment under IFRS 9 is deemed a key audit matter because impairment is based on an expected credit loss model, which the Bank estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate	• Assessing individual exposures: We selected a sample (based on quantitative thresholds) of larger clients where impairment indicators had been identified by the Bank. We obtained the Bank's assessment of the recoverability of these exposures and challenged whether individual impairment allowance, or lack of, were appropriate. Assessing the adequacy of the Bank's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), which we obtained prior to the date of this auditor's report, the Chairman's Statement, Chief Executive's Review, Chief Financial Officer's Review, the Statement on Corporate Governance and the Annual Report which is expected to be made available to us after that date, but 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, 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 and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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

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

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

Independent Auditor's Report to the members of Standard Chartered Bank Ghana Limited continued

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendments and Regulations governing the Acts.

The engagement partner on the audit resulting in this independent auditor's report is Frederick Nyan Dennis (ICAG/P/1426).

KPMG

.....

For and on behalf of:
KPMG: (ICAG/F/2019/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P. O. BOX GP 242
ACCRA

27 February 2019

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Note	2018 GH¢'000	2017 GH¢'000
Interest income	8	**612,784**	587,093
Interest expense	8	**(123,970)**	(116,256)
Net interest income	8	**488,814**	470,837
Fees and commission income	9	**113,840**	97,136
Fees and commission expense	9	**(15,251)**	(11,920)
Net fee and commission income		**98,589**	85,216
Net trading income	10	**125,428**	136,169
Net income/(loss) from other financial instruments carried at fair value	11	**90**	(15,451)
Total trading income		**125,518**	120,718
Operating income		**712,921**	676,771
Net impairment loss on financial asset	12	**(100,758)**	(9,511)
Operating income net of impairment charges		**612,163**	667,260
Personnel expenses	13a	**(165,048)**	(154,308)
Operating lease expenses	23b	**(25,219)**	(6,594)
Depreciation and amortisation	23c	**(7,574)**	(7,270)
Other expenses	14	**(88,451)**	(76,810)
Total operating expenses		**(286,292)**	(244,982)
Profit before income tax		**325,871**	422,278
Income tax expense	15(i)	**(95,128)**	(117,566)
National Fiscal Stabilization Levy	15(i)	**(20,089)**	(21,114)
Profit for the year		**210,654**	283,598
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available for sale investment securities		**-**	7,702
Debt instruments at FVOCI		**(49,657)**	-
Total comprehensive income for the year		**160,997**	291,300
Basic earnings per share (Ghana Cedi per share)	16(i)	**GH¢1.54**	GH¢2.09
Diluted earnings per share (Ghana Cedi per share)	16(ii)	**GH¢1.54**	GH¢2.09

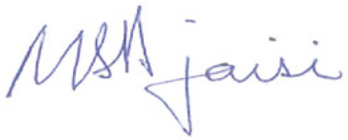
The notes on pages 69 to 126 are an integral part of these financial statements.

Statement of financial position

as at 31 December 2018

	Note	2018 GH¢'000	2017 GH¢'000
Assets			
Cash and cash equivalents	18	**2,386,507**	1,692,694
Derivative assets held for risk management	19a	**2,448**	543
Trading assets non- pledged	20	**55,066**	43,082
Loans to other banks	21a	**144,600**	-
Loans and advances to customers	21b(i)	**1,302,095**	1,385,696
Investment securities	22a	**1,664,912**	1,256,940
Current tax	15(ii)	**60,786**	21,909
Property, plant and equipment	23a	**64,846**	31,587
Intangible assets	24	**-**	1,079
Equity investment	22b(i)	**1**	1
Deferred tax	25	**2,256**	-
Other assets	26	**277,978**	343,453
Total assets		**5,961,495**	4,776,984
Liabilities			
Derivative liabilities held for risk management	19b	**3,787**	543
Deposits from banks	27	**44,604**	66,086
Deposits from customers	28	**4,302,072**	3,420,164
Borrowings	29	**265,100**	88,313
Provisions	30b	**71,275**	56,079
Deferred tax	25	**-**	3,571
Other liabilities	30a	**226,838**	221,472
Total liabilities		**4,913,676**	3,856,228
Shareholders' funds			
Stated capital	31(i)	**400,000**	121,631
Income surplus	31(ii)	**230,215**	361,859
Reserve fund	31(iii)	**299,658**	246,994
Credit risk reserve	31(iv)	**126,647**	148,237
Other reserves	31(v)	**(8,701)**	42,035
Total shareholders' funds		**1,047,819**	920,756
Total liabilities and shareholders' funds		**5,961,495**	4,776,984
Net assets value per share (Ghana Cedis per share)	36	**7.71**	6.77

These financial statements were approved by the Board of Directors on 21 February 2019 and signed on its behalf by



Mansa Nettey
Director

Kweku Nimfah-Essuman
Director

The notes on pages 69 to 126 are an integral part of these financial statement

Statement of changes in equity

for the year ended 31 December 2018

	Stated capital	Income surplus	Reserve fund	Credit risk reserve	Other reserves	Total Shareholders' Funds
	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000
Balance at 1 January 2017	61,631	335,122	211,544	121,408	35,511	765,216
Comprehensive income						
Profit for the year	-	283,598	-	-	-	283,598
Other comprehensive income						
Net fair value gains on financial asset at FVOCI	-	-	-	-	7,702	7,702
Total comprehensive income	-	283,598	-	-	7,702	291,300
Transfers:						
Transfer to credit risk reserve	-	(26,829)	-	26,829	-	-
Transfers from other reserves	-	1,178	-	-	(1,178)	-
Transfer to reserve fund	-	(35,450)	35,450	-	-	-
Total transfers	-	(61,101)	35,450	26,829	(1,178)	-
Transactions with owners of the bank						
Dividends paid	-	(131,611)	-	-	-	(131,611)
Transfer to stated capital	60,000	(60,000)				-
WHT on transfer to retained earnings	-	(4,149)	-	-	-	(4,149)
Total Transactions with owners of the bank	60,000	(195,760)	-	-	-	(135,760)
Balance at 1 January 2018	121,631	361,859	246,994	148,237	42,035	920,756
Expected Credit loss adjustment	-	(12,393)	-	-	-	(12,393)
Excess in credit risk reserve per IFRS 9 transferred to retained earnings	-	12,393	-	(12,393)	-	-
Restated balance at 1 January 2018	121,631	361,859	246,994	135,844	42,035	908,363
Comprehensive income						
Profit for the year	-	210,654	-	-	-	210,654
Other comprehensive income						
Net fair value gains on financial asset	-	-	-	-	(49,657)	(49,657)
Total Comprehensive income	-	210,654	-	-	(49,657)	160,997
Transfers:						
Transfer to credit risk reserve	-	9,197	-	(9,197)	-	-
Transfers from other reserves	-	1,079	-	-	(1,079)	-
Transfer to reserve funds	-	(52,664)	52,664			-
Total transfers	-	(42,388)	52,664	(9,197)	(1,079)	-
Transactions with owners of the bank						
Dividend paid		(1,483)	-	-	-	(1,483)
Dividend Forfeitures		655	-	-	-	655
Transfer to stated capital	278,369	(278,369)	-	-	-	-
Stamp duty and WHT on capitalisation	-	(20,713)	-	-	-	(20,713)
Total Transactions with owners of the bank	278,369	(299,910)	-	-	-	(21,541)
Balance at 31 December 2018	400,000	230,215	299,658	126,647	(8,701)	1,047,819

The notes on pages 69 to 126 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2018

	Note	2018 GH¢'000	2017 GH¢'000
Cash flows from operating activities			
Profit before tax		**325,871**	422,278
Adjustments for:			
Depreciation and amortisation	23c	**7,574**	7,270
Impairment on financial assets	12	**100,758**	9,511
Net interest income	8	**(488,814)**	(470,837)
		(54,611)	(31,778)
Change in trading assets		**(11,984)**	24,468
Change in investment securities		**(407,972)**	21,934
Change in derivative assets held for risk management		**(1,905)**	3,742
Change in other assets		**65,475**	(83,465)
Change in loans to other banks		**(144,600)**	-
Change in loans and advances to customers		**(17,157)**	(123,060)
Change in derivative liabilities held for risk management		**3,244**	543
Change in deposits from banks		**(21,482)**	56,384
Change in deposits from customers		**881,908**	222,491
Change in other liabilities and provisions		**140,589**	(44,771)
		431,505	46,488
Interest received		**551,616**	540,585
Interest paid		**(88,150)**	(53,400)
Income tax paid	15(ii)	**(159,921)**	(155,644)
Net cash from operating activities		**735,050**	378,029
Cash flows from investing activities			
Purchase of property and equipment	23a	**(39,754)**	(8,266)
Net cash used in investing activities		**(39,754)**	(8,266)
Cash flows from financing activities			
Dividend paid	32	**(1,483)**	(131,611)
Net cash used in financing activities		**(1,483)**	(131,611)
Net increase in cash and cash equivalents		**693,813**	238,152
Cash and cash equivalents at 1 January		**1,692,694**	1,454,542
Cash and cash equivalent at 31 December	18	**2,386,507**	1,692,694

The notes on pages 69 to 126 are an integral part of these financial statement

Notes to the financial statements

for the year ended 31 December 2018

1. Reporting entity

Standard Chartered Bank Ghana Limited is a company incorporated in Ghana. The Bank operates with a Universal Banking license that allows it to undertake banking and related activities. Its registered office is Standard Chartered Bank Building situated at the 87 Independence Avenue, Accra. The financial statements comprise the separate financial statements of the Bank as at and for the year ended 31 December 2018.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of profit or loss and other comprehensive income, in these financial statements.

The Bank is listed on the Ghana Stock Exchange.

Refer to page 55 for date of financial statements authorisation.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of preparation

Basis of measurement

The financial statements are prepared using the historical cost basis except for the following assets and liabilities that are measured at their fair value: derivative financial instruments, financial instruments at fair value through statement of profit or loss and financial instruments classified as available-for-sale in are fair valued through other comprehensive income.

Functional and presentation currency

The financial statements are presented in Ghana Cedis which is the Bank's functional currency. All values are rounded to the nearest thousand GH¢ except otherwise indicated.

3. Accounting policies

3.1 Changes in accounting policies

3.1.1 New and amended standards adopted by the Bank

The Bank has initially adopted IFRS 9 and IFRS 15 from 1 January 2018.

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

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

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

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

- an increase in impairment losses recognised on financial assets (see Note 4.4);
- additional disclosures related to IFRS 9 (see Notes 4.4); and
- additional disclosures related to IFRS 15.

Notes to the financial statements continued

for the year ended 31 December 2018

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

a. IFRS 9 Financial Instruments

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

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements.

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

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 4.4.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Bank classifies financial assets under IFRS 9, (see Note 3.8).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. For an explanation of how the Bank classifies financial liabilities under IFRS 9, (see Note 3.8).

Impairment of financial assets

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

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, (see Note 3.8.8).

Transition

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

- Comparative periods generally have not been restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in income surplus as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. To provide comparability to IAS 39 the Bank compares the total of stage 1 and stage 2 Expected Credit Loss (ECL) against IAS 39 portfolio provisions. Stage 3 is based on Bank's definition of default, which remains unchanged. Therefore, stage 3 ECLs is comparable with specific impairments raised under IAS 39.

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

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

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

For more information and details on the changes and implications resulting from the adoption of IFRS 9, (see Note 4.4_.

b. IFRS 15 Revenue from contract with customers

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

The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirements.

3.1.2 New and amended standards issued not yet adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to early adopt these standards.

a. IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 *Leases,* and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the statement of financial position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The standard is effective for annual periods beginning on or after 1 January 2019.

b. IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The Bank is yet to assess the potential impact on the financial statements.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

3.2 Interest income and expense

3.2.1 Policy applicable before 1 January 2018

a. Effective Interest Rate

Interest income and expense were recognised in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Notes to the financial statements (continued)

for the year ended 31 December 2018

b. Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities were considered to be incidental to the Bank's trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see note 3.4).

Interest income and expense on other financial assets and financial liabilities carried at FVTPL were presented in net income from other financial instruments at FVTPL (see note 3.5).

3.2.2 Policy applicable from 1 January 2018

a. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

b. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

c. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

d. Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss comprise financial liabilities measured at amortised cost;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

3.3 Fees and commissions

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

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

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

3.4 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest and foreign exchange differences.

3.5 Net income from other financial instruments at FVTPL

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and, from 1 January 2018, also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

3.6 Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency of the Bank at the average exchange rate at the date of the transactions. The transaction rates used are the average of the buying and selling of the underlying inter-bank foreign exchange rate as quoted by the Ghana Association of Bankers. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or exchange rates at the date the fair value was determined if held at fair value, and the resulting foreign exchange gains and losses are recognised in the statement of profit or loss or shareholders' equity as appropriate.

Notes to the financial statements (continued)

for the year ended 31 December 2018

3.7 Leases

3.7.1 Where the Bank is the lessee

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Where the Bank is a lessee under finance leases, the leased assets are capitalized and included in property and equipment with a corresponding liability to the lessor recognized in other liabilities.

Financing charges payable are recognized over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

3.8 Financial Instruments

3.8.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.8.2 Classification and subsequent measurement

Financial assets and liabilities - Policy before 1 January 2018

The Bank classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables and available-for-sale financial assets.

Financial liabilities other than financial guarantees and loan commitments are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

a. Financial assets at fair value through profit or loss – held-for-trading

Held-for-trading assets comprise investment in securities that the Bank acquires principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short term profit or position taking.

Held-for-trading assets are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in Statement of profit or loss. All changes in the fair value are recognised as part of net trading income in profit or loss. Trading assets may be reclassified out of the fair value through Statement of profit or loss - i.e. trading category if they are no longer held for purpose of being sold or repurchased in the near term and the following:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading on initial recognition), then it may be reclassified if the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables then it may be reclassified out of the trading category only in rare circumstances

b. Loans and receivables

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

Loans and receivables comprises cash and cash equivalents, advances to banks, loans and advances to customers and other assets.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest method less any impairment losses.

c. Available-for-sale

Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise debt securities. Available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in Statement of profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in statement of profit or loss. Impairment losses are recognised in statement of profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to statement of profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

d. Financial liabilities at fair value through statement of profit or loss

Trading liabilities are those liabilities that the Bank incurs principally for the purpose of repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit.

Trading liabilities (including derivatives other than those designated as hedging instruments) are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in statement of profit or loss. All changes in fair value are recognised as part of income in statement of profit or loss.

e. Other financial liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits is initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Financial assets and liabilities - Policy from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair value through other comprehensive income (FVOCI) or Fair value through statement of profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

Notes to the financial statements (continued)

for the year ended 31 December 2018

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

i. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

ii. How the performance of the portfolio is evaluated and reported to the Bank's management;

iii. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

iv. How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;

v. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

vi. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to

reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

a. Amortised cost

Financial assets at amortised cost comprises cash and cash equivalents, advances to Banks, loans and advances to customers and other assets.

They are initially recognized at fair value plus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income from these financial assets is determined using the effective interest method and reported in statement of profit or loss as 'Interest income'.

b. Fair value through other comprehensive income (FVOCI)

i. Debt Instruments

The debt instrument is initially recognised at fair value plus direct transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognised in statement of profit or loss. Upon disposal or derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income from these financial assets is determined using the effective interest method and recognised in statement of profit or loss as 'Interest income'.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

c. Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through statement of profit or loss. The gain or loss arising from changes in fair value of a debt investment that is subsequently measured at fair value through statement of profit or loss and is not part of a hedging relationship is included directly in the income statements and reported as 'Net gains/(losses) in financial instruments classified as FVTPL' in the period in which it arises. Interest income from these financial assets is recognised in statement of profit or loss as 'other income on financial asset at fair value through statement of profit or loss'.

d. Financial liabilities at fair value through statement of profit or loss

Trading liabilities are those liabilities that the Bank incurs principally for the purpose of repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit.

Trading liabilities (including derivatives other than those designated as hedging instruments) are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of income in statement of profit or loss.

e. Other financial liabilities

Customer deposits, deposits from bank and borrowings from other financial institutions are the Bank's sources of funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Notes to the financial statements (continued)

for the year ended 31 December 2018

Deposits, deposits from banks and borrowings from other financial institutions are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.8.3 Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in statement of profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. Any interest in such derecognized financial asset that is created or retained by the Bank is recognized as a separate asset or liability.

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

3.8.4 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 Bank.

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.

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

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

For complex instruments such as swaps, the Bank uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may be derived from market prices or rates or are estimates based on assumptions.

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

Day 1 Profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same

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

3.8.5 Reclassification of financial assets

Policy before 1 January 2018

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in other reserves in statement of changes in equity is amortised to statement of profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR) Method.

Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in other reserves in statement of changes in equity is recycled to the statement of profit or loss.

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

Policy from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes the business model for managing financial assets.

3.8.6 Offsetting

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

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

3.8.7 Modification

Policy before 1 January 2018

Financial assets

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial liabilities

The Bank derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in statement of profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Notes to the financial statements (continued)

for the year ended 31 December 2018

Policy from 1 January 2018

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the statement of profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in statement of profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

3.8.8 Identification and measurement of impairment

Policy before 1 January 2018

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets are impaired.

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

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

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

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects cash flows from the realization of the collateral and other sources. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographical location, collateral type, past due status and other relevant factors).These characteristics are relevant to the estimation of future cash flows for group of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

The Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. In general, the Bank considers a decline of 20% to be significant and a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

Impairment losses are recognized by reclassifying the losses accumulated in the other reserve in equity to statement of profit or loss. The cumulative loss that is reclassified from other reserves in changes in equity to statement of profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss on that financial asset previously recognised in statement of profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in statement of statement of profit or loss, the impairment loss is reversed through other comprehensive income.

Policy from 1 January 2018

a. Significant accounting estimates and judgements

The Bank's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining expected credit loss include:

The Bank's criteria for assessing if there has been a significant increase in credit risk; and development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

The calculation of credit-impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information.

b. Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the bank expects to receive over the contractual life of the instrument.

Notes to the financial statements (continued)

for the year ended 31 December 2018

Measurement

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. Further details on the components of PD, LGD and EAD are disclosed in the Credit risk section. For less material Retail Banking loan portfolios, the Bank has adopted simplified approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Bank's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the bank's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the bank is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the bank's exposure to credit risk is not limited to the contractual period. For these instruments, the bank estimates an appropriate life based on the period that the bank is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the bank may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Recognition

12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit- impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (SICR)(Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

SICR is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk.

We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions;
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower; and
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawn down are also included within the stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash

Notes to the financial statements (continued)

for the year ended 31 December 2018

flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment. The bank's definition of default is aligned with definition of default as set out in IFRS 9.

Expert credit judgement

For Corporate & Institutional and Commercial Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as non-performing loans, i.e. Stage 3 or credit impaired exposures.

For individually significant financial assets within Stage 3, Group Special Asset Management (GSAM) will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo-political climate of the customer, quality of realisable value of collateral, the bank's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The difference between the loan carrying amount and the discounted expected future cash flows will result in the stage 3 credit impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail Banking clients are considered credit impaired where they are more 90 days past due. Retail Banking products are also considered credit impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account.

Additionally, if the account is unsecured and the borrower has other credit accounts with the bank that are considered credit impaired, the account may be also be credit impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

Write-offs of credit impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the income statement.

Improvement in credit risk

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12 month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

3.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with Bank of Ghana, other bank balances and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

3.10 Investment securities

This comprises investments in short-term Government securities and medium-term investments in Government and other securities such as treasury bills and bonds. Investment securities are categorized as available-for-sale (as applicable before 1 January 2018) or debt securities at FVOCI (as applicable from 1 January 2018) or trading financial assets and carried in the statement of financial position at fair value.

3.11 Loans and advances

This is mainly made up of loans and advances to customers. Loans and advances are carried in the statement of financial position at amortised cost, i.e. gross receivable less impairment allowance.

3.12 Property, plant and equipment

3.12.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses when arise.

Notes to the financial statements (continued)

for the year ended 31 December 2018

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

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

3.12.2 Subsequent costs

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

3.12.3 Work-in-progress

Property, plant and equipment may be classified as work-in-progress if it is probable that future economic benefits will flow to the Bank and the cost can be measured reliably. Typically, these are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management.

Amounts held within work-in-progress that are substantially complete, in common with other property, plant and equipment, are required to be assessed for impairment. Where asset lives are short (technological assets for example) and the assets are held as WIP for a significant period, impairment (through technological obsolescence) is more likely to occur. In such situations, if the assets are generic in nature and do not require significant modification to bring them into use, it would be more appropriate to hold the assets within property, plant and equipment and amortise them. Assets that would typically fall into this category are Computers, screens and other items that require little modification to bring them into use.

In general, assets should not be held in work in progress for a significant period unless it relates to a significant construction project (a building for example).

3.12.4 Depreciation

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and the useful life of the asset. Land is not depreciated.

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

Buildings	-	50 years
Leasehold improvements	-	life of lease up to 50 years
IT equipment and vehicles	-	3 - 5 years
Fixtures and fittings	-	5 - 10 years

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

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

3.13 Intangible Assets

3.13.1 Software

Software acquired by the Bank is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

3.14 Taxation

Tax expense comprises current and deferred tax. Income tax is recognised in statement of profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

3.15 Deferred taxation

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

3.16 Events after the reporting date

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

3.17 Dividend

Dividend payable is recognised as a liability in the period in which they are declared. Dividend on ordinary shares are recognised in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

3.18 Provisions and contingencies

Provision

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Notes to the financial statements (continued)

for the year ended 31 December 2018

3.19 Financial guarantee and loan commitments

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at below-market interest rates are initially recognized at fair value and amortized over the life of the guarantee or commitment. The liability is subsequently carried at the higher of the amortized amount and the present value of any expected payments to settle the liability, when payment becomes probable. Financial guarantees and commitments to provide a loan at below-market rates are included within other liabilities.

3.20 Employee benefits

3.20.1 Defined contribution plans

Obligations of contributions to defined contribution pension plans are recognised as an expense in the statement of profit or loss in the period during which related services are rendered.

The Bank operates the three-tier pension scheme as directed by the National Pension Regulatory Authority. This requires an additional contribution rate of 1% to be shared equally between the employer and the employee. The Bank pays 13% and the employee pays 5.5% making a total contribution of 18.5%.

Out of a total contribution of 18.5%, the Bank remits 13.5% to a restructured Social Security and National Insurance Trust towards the first tier pension scheme, out of which 2.5% is a levy for the National Health Insurance scheme. The Bank remits the remaining 5% to a privately managed and mandatory second tier for lump sum benefit.

The third tier is a voluntary provident fund and personal pension scheme which the Bank contributes 7% of staff basic salary.

3.20.2 Retired staff medical plan

The Bank has a scheme to pay the medical cost of some retired staff and their spouses from the date of retirement till death. Under the scheme, the Bank pays the medical cost of eligible persons with a cost cap of GH¢3,472 per person per annum. The Bank has taken an insurance policy to cover the scheme.

3.20.3 Termination benefits

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

3.20.4 Short-term benefits

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

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

3.20.5 Share-based payments

A share based payment can either be cash-settled share based payment or equity-settled share based payment.

Cash-settled share based payment refers to a share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity.

Equity-settled share based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).

3.21 Impairment of non-financial assets

The carrying amount of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. Impairment losses are recognised in the profit or loss.

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

3.22 Stated capital

3.22.1 Ordinary share capital

Ordinary shares are classified as equity. The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction from income surplus.

3.22.2 Preference share capital

Preference share capital of the Bank is classified as part of shareholders' funds. The preference shares are irredeemable and the dividends thereon are fixed.

3.23 Earnings per share

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

3.24 Net asset value per share

The Bank presents net asset value per share (NAPS) data for its ordinary shares. NAPS is calculated by dividing the net assets attributable to ordinary shareholders of the Bank after adjustments for preference shares by the weighted average number of ordinary shares outstanding during the period.

3.25 Segment reporting

Segment results that are reported to the Bank's Managing Director (being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's property and equipment), head office expenses and tax assets and liabilities.

The Bank has three reportable segments: Retail banking, Commercial banking and Corporate and Institutional banking which are the Bank's strategic operations. For each reportable segment, the Bank's Managing Director reviews internal management reports on the performance of each segment.

Notes to the financial statements (continued)

for the year ended 31 December 2018

4. Financial risk management

4.1 Introduction and Overview

The Bank has a defined risk appetite, approved by the Board, which is an expression of the amount of risk the Bank is prepared to take and plays a central role in the development of our strategic plans and policies. Our overall risk appetite has not changed. The Bank regularly assesses the aggregate risk profile, conduct stress tests and monitor concentrations to ensure that we are operating within our approved risk appetite.

The Bank reviews and adjusts underwriting standards and limits in response to observed and anticipated changes within our environment and the evolving expectations of stakeholders. In 2018, the Bank maintained our overall cautious stance whilst continuing to support our core clients.

The management of risk lies at the heart of the Bank's business. One of the main risks incur arises from extending credit to customers through trading and lending operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as country cross-border, market, liquidity, operational, pension, reputational and other risks that are inherent to our strategy and product range.

4.2 Risk Management Framework

Ultimate responsibility for setting risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, the Board Risk Committee (BRC), whose membership is comprised exclusively of non-executive directors of the Board, has responsibility for oversight and review of prudential risks including but not limited to credit, market, and liquidity, operational and reputational. It reviews the Bank's overall risk appetite and makes recommendations thereon to the Board.

Its responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on monitoring the activities of the Bank Executive Risk Committee (RiskCo) and Asset and Liability Committee (ALCO).

The BRC receives quarterly reports on risk management, including portfolio trends, policies and standards, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

The Executive Risk Committee (RiskCo) is responsible for the management of all risks other than ALCO and the Pensions Executive Committee (PEC). RiskCo is responsible for the establishment of, and compliance with, policies relating to credit risk, market risk, operational risk, and reputational risk. The RiskCo also defines our overall risk management framework. RiskCo oversees committee such as Country Non-Financial Risk Committee, Group Special Asset Management, Early Alert (CIB, RB and CB), and Credit Approval Committee.

ALCO is responsible for the management of capital and the establishment of, and compliance with, policies relating to statement of financial position management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate risk.

The CPC is responsible for the management of pension risk

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down through to the appropriate functional, divisional and country-level committees. Information regarding material risk issues and compliance with policies and standards is communicated to the functional committees and country-level sub-committees.

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business and function governance heads are accountable for risk management in their respective businesses and functions.

The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes

that relate to that Risk Type. These responsibilities cut across and are not constrained by functional and business boundaries.

The third line of defence is the independent assurance provided by the Country's Internal Audit function. The role is defined and overseen by the Audit Committee. The findings from the country audits are reported to management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board. The Country's internal audit provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, Internal Audit provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

Credit Risk

Credit risk is the potential for loss due to the failure of counterparty to meet its obligations to pay the bank in accordance with agreed terms. Credit exposures may arise from both the banking and trading books. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

Credit monitoring

Management regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios; portfolio delinquency and loan impairment performance; including credit grade migration.

Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types.

Traded products

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions. The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

4.3 Problem credit management and provisioning

4.3.1 Commerical, Corporate & Institutional Businesses

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected.
- Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected

The loan loss provisions are established to recognize expected credit losses on specific loan assets or within a portfolio of loans and receivables. Individually impaired loans are those loans against which individual impairment provisions have been raised.

Estimating the amount and timing of future recoveries involves significant judgment, and considers the level of arrears as well as the assessment of matters such as future economic conditions, court processes and the value of collateral, for which there may not be a readily accessible market.

Notes to the financial statements (continued)

for the year ended 31 December 2018

The total amount of the Bank's impairment allowances is inherently uncertain being sensitive to changes in economic and credit conditions. It is possible that actual events over the next year differ from the assumptions built into the model resulting in material adjustments to the carrying amount of loans and advances

Impairment allowance identified in our books are prepared in line with IFRS 9. The Bank of Ghana (BoG) prudential guidelines prescribes principles for calculating impairment allowance. Any difference between the impairment allowance per IFRS and that calculated per BoG guidelines is reported in our statement of changes in equity under Credit Risk Reserve.

4.3.2 Retail Business

In Retail Business, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. A loan is considered delinquent (past due) when the counterparty has failed to make a principal or interest payment when contractually due.

However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. For delinquency reporting purposes the industry standards are followed, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are the definition of default as stated above continues to apply. All Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest.

Provisioning within Retail Business reflects the fact that the product portfolios consist of a large number of comparatively small exposures.

For the main unsecured products and loans secured, the entire outstanding amount is generally written off at 150 days past due. Unsecured consumer finance loans are written off at 90 days past due. For secured loans individual impairment provisions (IIPs) are generally raised at either 150 days (Mortgages) or 90 days (Wealth Management) past due.

The provisions are based on the estimated present values of future cash flows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write-offs and IIPs are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write-off process is accelerated, such as in cases involving bankruptcy, customer fraud and death. Write-off and IIPs are accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively.

Individually impaired loans for Retail Business will therefore not equate to those reported as non-performing, because non-performing loans include all those over 90 days past due. This difference reflects the fact that, while experience shows that an element of delinquent loans is impaired it is not possible to identify which individual loans the impairment relates to until the delinquency is sufficiently prolonged that loss is almost certain, which, in the bank's experience, is generally around 150 days in Retail Businesses. Up to that point the inherent impairment is captured in Expected Credit-Loss (ECL).

The ECL methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. ECL is raised on a portfolio basis for all products, and is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

4.4 Analysis by credit grade of loans and advances

4.4.1 Set out below is an analysis of various credit exposures.

Exposure To Credit Risk	Loans and advances to customers	
	2018	2017
	GH¢ '000	GH¢ '000
Carrying amount		
Individually impaired		
Grade 14: Impaired (loss)	**368,656**	629,714
Grade 13: Impaired (Doubtful)	**776**	109,546
Grade 12: Impaired (Substandard)	**91,322**	571
Gross Non performing loans	**460,754**	739,831
Grade 1-8: Normal (Current)	**1,085,566**	1,050,260
Grade 9-11: Watch list (Olem)	**285,251**	308,765
Gross Performing loans	**1,370,817**	1,359,025
Gross Loans and advances	**1,831,571**	2,098,856
Interest in suspense (Deferred interest income)	**(337,081)**	(355,305)
Impairment Loss	**(192,395)**	(357,855)
Carrying Amount	**1,302,095**	1,385,696
IFRS Classification		
Past due but not impaired		
Past due comprises:		
30-60 days	**38,073**	2,125
60-90 days	**4,053**	54,620
90-180 days	**96,089**	29,992
180-360 days +	**242,121**	2,954
Neither past due nor impaired	**380,336**	89,691
Grade 1-3:Normal	**1,114,154**	1,653,860
Grade 4-5: Watch list		
Carrying amount	**1,114,154**	1,653,860
Includes loans with renegotiated terms		
Gross Loans	**1,494,490**	1,743,551
Impairment Loss	**(192,395)**	(357,855)
Total carrying amount	**1,302,095**	1,385,696

Notes to the financial statements (continued)

for the year ended 31 December 2018

4.4.2 Transition to IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on the transition to IFRS 9 on 1 January 2018.

	IAS 39 GH¢ '000	Carrying amount Re-measurement GH¢ '000	IFRS 9 GH¢ '000
Financial Assets			
Amortised cost			
Cash and cash equivalents:			
Opening balance	1,692,694		1,692,694
Re-measurement	-	-	-
Closing balance	**1,692,694**	**-**	**1,692,694**
Loans and advances to customers:			
Opening balance	1,385,696		1,385,696
Re-measurement	-	10,880	10,880
Closing balance	**1,385,696**	**10,880**	**1,396,576**
Investment securities:			
Opening balance	1,256,940		1,256,940
Re-measurement	-	(21,619)	(21,619)
Closing balance	**1,256,940**	**(21,619)**	**1,235,321**
Financial liabilities			
Deposits from customers:			
Opening balance	3,420,164		3,420,164
Re-measurement	-	-	-
Closing balance	**3,420,164**	**-**	**3,420,164**

4.4.2 (i) The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	Impact of adopting IFRS 9 at 1 Jan. 2018 GH¢ '000
Retained earnings	
Opening balance under IAS 39 (1 January 2018)	361,859
- Reclassification under IFRS 9	-
- Recognition of expected credit losses under IFRS 9 (including financial guarantees)	(12,393)
- Excess in credit risk reserve transferred to retained earnings	12,393
Opening balance under IFRS 9 (1 January 2018)	361,859

4.4.2 (ii)The following table reconciles:

- the opening impairment for financial assets in accordance with IAS 39 and provision for loan commitments and financial guarantee contracts as at 1 January 2018; to
- the ECL allowance determined in accordance with IFRS 9 as at 1 January 2018

	31 December 2017 IAS 39 GH¢ '000	Re-measurement GH¢ '000	1 January 2018 IFRS 9 GH¢ '000
Loans and advances	1,385,696	10,880	1,396,576
Investment securities	1,256,940	(21,619)	1,235,321
Cash and cash equivalent	1,692,694	-	1,692,694
IFRS 9 ECL also includes impairment for off balance sheet items (guarantees and undrawn portions of OD)	520,135	(1,654)	518,481

4.4.3 ECL Analysis

The following table shows the credit quality of financial assets and debt investments measured at amortised cost. The maximum exposure to credit risk before collateral held and other credit enhancement in respect of loans and advances to customers are:

	2018			
	12 - Months ECL	Lifetime ECL Not Credit Impaired GH¢ '000	Lifetime ECL Credit Impaired GH¢ '000	Total GH¢ '000
Loans and advances to customer				
Balance at 31 December 2017	-	-	-	1,385,696
Transition adjustment	-	-	-	10,880
Balance at 1 January 2018	815,698	201,577	379,301	1,396,576
Transfer to 12 - Month ECL	(80,568)	114,809		34,241
Transfer to lifetime ECL not Credit - Impaired	-	(2,982)	142,276	139,294
Transfer to lifetime ECL Credit - Impaired	-	-	11,415	11,415
Net Remeasurement of Loss Allowance	(80,568)	111,827	153,691	184,950
New financial assets originated or	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	(268,270)	(268,270)
Recoveries of amounts previously written off	-	-	(11,161)	(11,161)
Changes in models/risk parameters	-	-	-	-
Foreign exchange and Other movements	-	-	-	-
Subtotal			(279,431)	(279,431)
Balance at 31 December 2018	735,130	313,404	253,561	1,302,095

Notes to the financial statements (continued)

for the year ended 31 December 2018

4.4.4 Segmental Classification

	2018			
	12 - Months ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000
Retail				
Loans and advances to Customer at amortised cost Retail	-	-	-	-
Balance at 1 January	516,529	5,935	3,112	525,576
Transfer to 12 - Month ECL	34,241			34,241
Transfer to lifetime ECL not Credit - Impaired	-	7,079	-	7,079
Transfer to lifetime ECL Credit - Impaired	-	-	11,415	11,415
Net Remeasurement of Loss Allowance	34,241	7,079	11,415	52,735
New financial assets originated or	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	(4,604)	(4,604)
Changes in models/risk parameters	-	-	-	-
Foreign exchange and Other movements	-	-	-	-
Subtotal	-	-	(4,604)	(4,604)
Balance at 31 December	550,770	13,014	9,923	573,707
Corporate				
Loans and advances to Customer at amortised cost				
Balance at 1 January	299,169	195,642	376,188	870,999
Transfer to 12 - Month ECL	(114,809)	114,809		-
Transfer to lifetime ECL not Credit – Impaired	-	(10,060)	142,276	132,216
-Transfer to lifetime ECL Credit - Impaired	-	-	-	-
Net Re-measurement of Loss Allowance	(114,809)	104,749	142,276	132,216
New financial assets originated or	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	(268,270)	(268,270)
Recoveries of amounts previously written off	-	-	-	-
Changes in models/risk parameters	-	-	(6,557)	(6,557)
Foreign exchange and Other movements	-	-	-	-
Subtotal	-	-	(274,827)	(274,827)
Balance at 31 December	184,360	300,391	243,637	728,388

4.4.5 Categorisation of loans

2018

Risk/Current

Loans and advances to Customers at amortised cost	12 - Months ECL GH¢'000	Lifetime ECL Not Credit Impaired GH¢'000	Lifetime ECL Credit Impaired GH¢'000	Total GH¢'000
Grades 1-6: Low-Fair Risk/Current	748,349	319,365	-	1,067,714
Grades 7-9: Watch List/OLEM			103,245	103,245
Grade 10: Substandard			85,902	85,902
Grade 11: Doubtful			1,431	1,431
Grade 12. Loss			236,195	236,195
	784,349	319,365	426,773	1,494,487
Loss Allowance	(12,780)	(3,040)	(176,572)	(192,392)
Carrying Amount	735,569	316,325	250,201	1,302,095

4.4.6 Analysis of credit concentration risk

The concentration of loans and advances by business segment and customer types are disclosed in Note 21b(iv) and 21(v) respectively. Investment securities are held largely in Government instruments.

4.4.7 Maximum credit exposure

At 31 December 2018, the maximum credit risk exposure of the Bank in the event of other parties failing to perform their obligations is detailed below. No account has been taken of any collateral held and the maximum exposure to loss is considered to be the instruments' statement of financial position carrying amount or, for non-derivative off-statement of financial position transactions, their contractual nominal amounts.

	2018 GH¢'000	2017 GH¢'000
Placements with other banks	**500,000**	-
Loans and advances	**1,446,695**	1,385,696
Unsecured contingent liabilities and commitments (Net)	**763,901**	520,135
	2,710,596	1,905,831

The Bank 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.

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

i. Loans and receivables	**2018 GH¢'000**	2017 GH¢'000
Against impaired assets	**4,728,222**	4,286,569
Against past due but not impaired assets	**197,049**	1,368,592
	4,925,271	5,655,161

Notes to the financial statements (continued)

for the year ended 31 December 2018

ii. Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank would have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2018	2017
	GH¢'000	GH¢'000
Guarantees	**712,284**	607,145
Letters of credit	**52,281**	48,029
	764,565	655,174
Margins against contingents	**(664)**	(135,039)
	763,901	520,135

iii Liquidity risk

The Bank defines liquidity risk as the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

It is the policy of the Bank to maintain adequate liquidity at all times, and for all currencies. Hence the Bank aims to be in a position to meet all obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments.

Liquidity risk management is governed by the Bank's Asset and Liability Management Committee (ALCO), which is chaired by the Chief Executive Officer. ALCO is responsible for both statutory and prudential liquidity. These responsibilities include the provision of authorities, policies and procedures.

ALCO has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

The Bank also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

ALCO oversees the structural foreign exchange and interest rate exposures that arise within the Bank. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by ALCO. Compliance with Bank ratios is also monitored by ALCO.

Refer to Note 21(biii) for key ratios of the bank.

4.4.8 Maturities of assets and liabilities

An analysis of various maturities of the Bank's assets and liabilities is provided below.

The Net liquidity gap is the difference between the total assets and total liabilities for the various time brackets, while the cumulative gap is sum of the net difference of the net liquidity gap over the time brackets.

	0-3 months GH¢'000	3-6 months GH¢'000	6-12 months GH¢'000	over 1 year GH¢'000	**2018 GH¢'000**
2018					
Assets					
Cash and cash equivalents	2,386,507	-	-	-	2,386,507
Derivative assets held for risk management	2,448	-	-	-	2,448
Trading asset(non-pledge)	55,066	-	-	-	55,066
Loans to other banks	-	-	144,600	-	144,600
Loans and advances to customers	452,060	44,062	8,852	797,121	1,302,095
Investment securities	97,892	122,151	661,137	783,732	1,664,912
Current tax assets	-	-	60,786	-	60,786
Intangible assets	-	-	-	-	-
Equity investment	-	-	-	1	1
Deferred tax asset	2,256				2,256
Other assets	277,978	-	-	-	277,978
Property, plant and equipment	-	-	-	64,846	64,846
Total asset	3,274,207	166,213	875,375	1,645,700	5,961,495
Liabilities					
Deposits from banks	44,604	-	-	-	44,604
Deposits from customers	4,130,430	78,515	93,127	-	4,302,072
Derivative liabilities held for risk management	3,787	-	-	-	3,787
Borrowings	192,800	-	-	72,300	265,100
Provisions	71,275				71,275
Other liabilities	226,838	-	-	-	226,838
Total liabilities	4,669,734	78,515	93,127	72,300	4,913,676
Net liquidity gap	(1,395,527)	87,698	782,248	1,573,400	1,047,819
Cumulative gap	(1,395,527)	(1,307,829)	(525,581)	1,047,819	-

Notes to the financial statements (continued)

for the year ended 31 December 2018

	0-3 months GH¢'000	3-6 months GH¢'000	6-12 months GH¢'000	over 1 year GH¢'000	2017 GH¢'000
2017					
Assets					
Cash and cash equivalents	1,692,694	-	-	-	1,692,694
Derivative assets held for risk management	543	-	-	-	543
Trading asset (non-pledge)	43,082	-	-	-	43,082
Loans to other banks	-	-	-	-	-
Loans and advances to customers	551,339	98,556	88,851	646,950	1,385,696
Investment securities	55,110	75,198	201,873	924,759	1,256,940
Current tax assets	-	-	21,909	-	21,909
Intangible assets	270	270	539	-	1,079
Equity investment	-	-	-	1	1
Other assets	343,453	-	-	-	343,453
Property, plant and equipment	-	-	-	31,587	31,587
Total asset	2,686,491	174,024	313,172	1,603,297	4,776,984
Liabilities					
Deposits from banks	66,086	-	-	-	66,086
Deposits from customers	3,329,091	45,068	46,005	-	3,420,164
Derivative liabilities held for risk management	543	-	-	-	543
Borrowings	88,313	-	-	-	88,313
Deferred tax liabilities		-	3,571	-	3,571
Provisions	56,079				56,079
Other liabilities	186,930	-	34,542	-	221,472
Total liabilities	3,727,042	45,068	84,118	-	3,856,228
Net liquidity gap	(1,040,551)	128,956	229,054	1,603,297	920,756
Cumulative gap	(1,040,551)	(911,595)	(682,541)	920,756	-

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	On demand GH¢'000	**Less than 3 months GH¢'000**	**3 to 12 Months GH¢'000**	**Over12 months GH¢'000**	**Total GH¢'000**
2018					
Financial guarantees	**17,574**	**29,995**	**548,701**	**116,014**	**712,284**
Letters of credit	**155**	**50,561**	**1,565**	**-**	**52,281**
Total	**17,729**	**80,556**	**550,266**	**116,014**	**764,565**
2017					
Financial guarantees	222	59,317	432,334	115,272	607,145
Letters of credit	3,360	44,669	-	-	48,029
Total	3,582	103,986	432,334	115,272	655,174

4.4.9 Market risks

i. Management of market risk

The Bank recognises market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank is exposed to market risk arising principally from customer driven transactions.

Market risk is governed by the Bank's Market Risk unit which is supervised by ALCO, and which agrees policies, procedures and levels of risk appetite in terms of Value at Risk ("VaR").The unit provides market risk oversight and guidance on policy setting. Policies cover both the trading and non-trading books of the Bank. The non-trading book is defined as the Banking book. Limits are proposed by the businesses within the terms of agreed policy.

The unit also approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and currency concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools.

VaR models are back tested against actual results to ensure pre-determined levels of accuracy are maintained. The Bank's Market Risk unit complements the VaR measurement by regularly stress testing market risk exposures to highlight potential risks that may arise from extreme market events that are rare but plausible. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. Ad hoc scenarios are also prepared reflecting specific market conditions. A consistent stress testing methodology is applied to trading and non-trading books.

i. Management of market risk

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The unit has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. It also considers stress testing results as part of its supervision of risk appetite. The stress test methodology assumes that management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs. Contingency plans are in place and can be relied on in place of any liquidity crisis. The Bank also has a liquidity crisis management committee which also monitors the application of its policies.

ii. Foreign exchange exposure

The Bank's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from customer driven transactions. Concentration of Ghana cedi equivalent of foreign currency denominated assets and liabilities and off statement of financial position items are disclosed below:

	US$	GBP	EUR	Others	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Assets						
Cash and cash equivalents	1,090,012	48,217	31,575	969	1,170,773	982,706
Derivative assets held for risk management	2,448	-	-	-	2,448	543
Loans to other banks	144,600	-	-	-	144,600	-
Advances to customers	398,317	1,035	30,060	-	429,412	453,452
Investment securities	48,998	-	-		48,998	76,205
Other assets	143,109	9	6,761	-	149,879	110,373
Total assets	1,827,484	49,261	68,396	969	1,946,110	1,623,279

Notes to the financial statements (continued)

for the year ended 31 December 2018

	US$ GH¢'000	GBP GH¢'000	EUR GH¢'000	Others GH¢'000	2018 GH¢'000	2017 GH¢'000
Liabilities						
Deposits from banks	361	3	8,963	75	9,402	-
Deposits from customers	1,498,896	44,416	49,507	115	1,592,934	1,365,030
Derivative liability held for risk management	-	-	-	-	-	543
Other liabilities	156,234	4,601	7,658	723	169,216	142,331
Total Liabilities	1,655,491	49,020	66,128	913	1,771,552	1,507,904
Net-on statement of financial position	171,993	241	2,268	56	174,558	115,375
Off-statement of financial position credit and commitments	611,571	29	41,561	-	653,161	535,813

4.4.10 Sensitivity Analysis

A 5% strengthening of the cedi against the following currencies at 31 December 2018 would have an impact on equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

Sensitivity analysis

Effect in cedis

	Profit GH¢'000
31 December 2018	
US$	39,782
GBP	202
EUR	98
Others	52
31 December 2017	
US$	22,471
GBP	57
EUR	155
Others	104

A best case scenario 5% weakening of the Ghana cedi against the above currencies at 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

i. Interest rate exposure

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Bank's Market Risk unit in its day-to-day monitoring activities.

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

A change of a 100 basis points in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

	100 bps Increase GH¢'000	**100 bps Decrease GH¢'000**
31-Dec-18		
Interest income impact	**38,401**	**(38,401)**
Interest expense impact	**(43,271)**	**43,271**
Net impact	**(4,870)**	**4,870**
31-Dec-17		
Interest income impact	33,350	(33,350)
Interest expense impact	(33,795)	33,795
Net impact	(445)	(445)

4.4.11 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The Bank's Country Non-Financial Risk Committee (CNFRC) has been established to supervise and direct the management of operational risks across the Bank. CNFRC is also responsible for ensuring adequate and appropriate policies, and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

The CNFRC is responsible for establishing and maintaining the overall operational risk framework and for monitoring the Bank's key operational risk exposures. This committee is supported by Corporate & Institutional Clients and Retail Clients Operational Risk units. These units are responsible for ensuring compliance with policies and procedures in the business, monitoring key operational risk exposures, and the provisions of guidance to the respective business areas on operational risk.

4.4.12 Compliance and regulatory risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements. The Bank's compliance and Regulatory Risk function is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

4.4.13 Capital Management

i. Regulatory capital

The Bank of Ghana sets and monitors capital requirements for the Bank.

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

Notes to the financial statements (continued)

for the year ended 31 December 2018

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

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

- Tier 2 capital, which includes qualifying subordinated liabilities.

The bank did not have any tier 2 capital during the period under review.

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

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

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

i. Regulatory capital

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's or Group's management of capital during the period.

The Bank's regulatory capital position at 31 December was as follows:

	Note	**2018**	2017
		GH¢'000	GH¢'000
Tier 1 capital			
Ordinary paid up capital	31(i)	**390,910**	112,541
Preference share paid up capital	31(i)	**9,090**	9,090
Income surplus	31(ii)	**230,215**	361,859
Reserve fund	31(iii)	**299,658**	246,994
Total tier 1 capital		**929,873**	730,484
Other regulatory adjustments		**(18,662)**	(4,407)
Total tier 1		**911,211**	726,077
Risk-weighted assets			
Credit risk		**2,557,620**	2,174,548
Market risk		**20,067**	11,393
Operational risk		**609,556**	557,877
Total risk-weighted assets		**3,187,243**	2,743,818
Total regulatory capital expressed as a per centage of total risk-weighted assets		**28.59%**	26.00%
Total tier 1 capital expressed as a percentage of total risk-weighted assets		**28.59%**	26.00%

ii. Capital allocation

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

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by the bank's ALCO.

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

5. Contingencies and commitments

i. Contingent liabilities

	2018	2017
	GH¢'000	GH¢'000
*Pending legal suits	**1,671**	3,077

* There are a number of legal proceedings outstanding against the Bank as at 31 December 2018. Provisions have been recognised for those cases where the Bank is able to reliably estimate the probable loss. There were contingent liabilities amounting GH¢ 1,671,000 with respect to legal cases for the year (2017: GH¢3,077,000)

ii. Commitments for capital expenditure

There was no commitment for capital expenditure at the statement of financial position date (2017: Nil)

iii. Unsecured contingent liabilities and commitments

	2018	2017
	GH¢'000	GH¢'000
This relates to commitments for trade letters of credit and guarantees. (Net of margin deposits)	**763,901**	520,135

6. Segmental Reporting

The Bank has three main business segments: Retail Banking, Commercial Banking, and Corporate and Institutional Banking.

i. Retail Banking

Retail banking business serves the banking needs of Personal, Priority and Business clients, offering a full suite of innovative products and services to meet their borrowing, wealth management and transactional needs.

A client-focused approach enables a deeper understanding of clients' evolving needs and provision of customised financial solutions

Notes to the financial statements (continued)

for the year ended 31 December 2018

ii. Commercial Banking

Commercial Banking focuses on helping mid-sized local companies grow, especially as they expand across borders. This group of clients is already a key contributor to trade and investment in our market today and presents a large and growing opportunity.

iii. Corporate and Institutional Banking

Corporate and Institutional Banking focuses on driving origination by building core banking relationships with clients across the full range of their product needs. The SCB network is fundamental to our strategy, structured to provide clients with global expertise delivered through local support.

Some of the Bank's corporate costs are managed centrally and standardised basis are used to allocate these costs to the business segments on a reasonable basis.

Operating Segments	Corporate & Institutional Banking GH¢ '000	Retail Banking GH¢ '000	Commercial Banking GH¢ '000	Total GH¢ '000
2018				
Net interest income	**304,578**	**155,543**	**28,693**	**488,814**
Net fee and commission income	**25,815**	**57,245**	**15,529**	**98,589**
Net trading income	**83,056**	**29,405**	**12,967**	**125,428**
Net income from other financial instruments carried at fair value	**90**	**-**	**-**	**90**
Total segment revenue	**413,539**	**242,193**	**57,189**	**712,921**
Net impairment loss	**(10,283)**	**(22,704)**	**(67,771)**	**(100,758)**
Total operating expenses	**(93,303)**	**(168,782)**	**(24,207)**	**(286,292)**
Profit before tax	**309,953**	**50,707**	**(34,789)**	**325,871**
Total assets	**4,655,165**	**579,964**	**726,366**	**5,961,495**
Total liabilities	**2,989,544**	**1,546,110**	**378,022**	**4,913,676**
2017				
Net interest income	255,614	164,323	50,900	470,837
Net fee and commission income	38,290	34,950	11,976	85,216
Net trading income	104,281	31,310	578	136,169
Net income from other financial instruments carried at fair value	(15,451)	-	-	(15,451)
Total segment revenue	382,734	230,583	63,454	676,771
Net impairment loss	10,481	(3,334)	(16,658)	(9,511)
Total operating expenses	(86,696)	(130,971)	(27,315)	(244,982)
Profit before tax	306,519	96,278	19,481	422,278
Total assets	3,836,527	367,153	573,304	4,776,984
Total liabilities	1,993,602	1,400,437	462,189	3,856,228

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

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

No operating segments have been aggregated in arriving at the reportable segment of the Bank.

The Executive Committee monitors operating results of the business units separately for the purpose of decision making about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss.

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

Segment revenue above represents revenue generated from external customers. There were no inter – segments sales in the current year (2017: nil)

The accounting policies of the reportable segments are the same as the Bank's accounting policies.

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than other financial assets and current and deferred tax assets
- All liabilities are allocated to reportable segments other than borrowing, other financial liabilities and current and deferred tax liabilities.

7. The Bank's classification of its principal assests and liabilities.

7.1 The Bank's classification of its principal financial assets and liabilities are summarised below:

	Fair Value through OCI GH¢ '000	Amortised cost GH¢ '000	Fair Value through P/L GH¢ '000	Total carrying amount GH¢ '000	Fair value GH¢ '000
31 December 2018					
Cash and cash equivalents	**-**	**2,386,507**	**-**	**2,386,507**	**2,386,507**
Derivative assets	**2,448**	**-**	**-**	**2,448**	**2,448**
Trading assets (non- pledged)	**-**	**-**	**55,066**	**55,066**	**55,066**
Loans to other banks	**-**	**144,600**	**-**	**144,600**	**144,600**
Loans and advances to customers	**-**	**1,302,095**	**-**	**1,302,095**	**1,302,095**
Investment securities	**1,664,912**	**-**	**-**	**1,664,912**	**1,664,912**
Assets	**1,667,360**	**3,833,202**	**55,066**	**5,555,628**	**5,555,628**
Deposits from customers	**-**	**4,302,072**	**-**	**4,302,072**	**4,302,072**
Deposits from banks	**-**	**44,604**	**-**	**44,604**	**44,604**
Liabilities	**-**	**4,346,676**	**-**	**4,346,676**	**4,346,676**
31 December 2017					
Cash and cash equivalents	-	1,692,694	-	1,692,694	1,692,694
Derivative assets	543	-	-	543	543
Trading assets	-	-	43,082	43,082	43,082
Loans to other banks	-	-	-	-	-
Loans and advances	-	1,385,696	-	1,385,696	1,385,696
Investment securities	1,256,940	-	-	1,256,940	1,256,940

Notes to the financial statements (continued)

for the year ended 31 December 2018

	Fair Value through OCI GH¢'000	Amortised cost GH¢'000	Fair Value through P/L GH¢'000	Total carrying amount GH¢'000	Fair value GH¢'000
Assets	1,257,483	3,078,390	43,082	4,378,955	4,378,955
Deposits from customers	-	66,086	-	3,420,164	3,420,164
Deposits from bank	-	3,420,164	-	66,086	66,086
Liabilities	-	3,486,250	-	3,486,250	3,486,250

7.2 Fair value categorisation of financial instruments

i. Valuation principles

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

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

ii. Valuation governance

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

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

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

	Level 1 GH¢'000	Level 2 GH¢'000	Level 3 GH¢'000	Total GH¢'000
2018				
Trading assets (non- pledged)	**55,066**			**55,066**
Derivative assets (foreign exchange contracts)		**2,448**		**2,448**
Investment in securities	**1,664,912**	**-**	**-**	**1,664,912**
Total at 31 December 2018	**1,719,978**	**2,448**	**-**	**1,722,506**
2017				
Trading assets (non- pledged)	43,082	-	-	43,082
Derivative assets (foreign exchange contracts)	-	543	-	543
Investment in securities	1,256,940	-	-	1,256,940
Total at 31 December 2017	1,300,022	543	-	1,300,565

iii. Trading assets (non-pledged)

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

iv. Derivative - Foreign exchange contracts

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over the-counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. The Bank classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

8. Net interest income

	2018	2017
	GH¢'000	GH¢'000
Interest income		
Cash and cash equivalent	**61,657**	46,068
Loans and advance to customers	**212,142**	217,938
Investment Securities	**338,985**	323,087
Total interest income	**612,784**	587,093
Interest expense		
Deposits from banks	**(6,777)**	(7,324)
Deposits from customers	**(99,774)**	(70,067)
Other	**(17,419)**	(38,865)
Total Interest expense	**(123,970)**	(116,256)
Net Interest Income	**488,814**	470,837

There is no interest income accrued on any impaired financial asset.

9. Fees and commissions income

	2018	2017
	GH¢'000	GH¢'000
Retail banking customer fees	**36,647**	47,906
Corporate banking credit related fees	**77,193**	49,230
Total fee and commission incomes	**113,840**	97,136
Fee and commission expense		
Brokerage	**(10)**	(49)
Visa interchange fees	**(15,241)**	(11,871)
Total fee and commission expense	**(15,251)**	(11,920)
Net fee and commission income	**98,589**	85,216

Notes to the financial statements (continued)

for the year ended 31 December 2018

10. Net Trading Income

	2018 GH¢'000	2017 GH¢'000
Fixed income	**28,815**	31,709
Foreign exchange	**91,358**	88,946
Other	**5,255**	15,514
Net trading income	**125,428**	136,169

11. Net income/(loss) from other financial instruments carried at fair value through P/L

	2018 GH¢'000	2017 GH¢'000
OTC structured derivatives	**90**	(15,451)

12. Impairment loss on financial assets

	2018 GH¢'000	2017 GH¢'000
Specific impairment	**88,081**	53,687
ECL/ Portfolio impairment	**15,374**	(9,380)
IFRS 9 Bills and debt securities	**8,474**	-
Recovery	**(11,171)**	(34,796)
	100,758	9,511

13. Personnel costs

a. Personnel expenses

	2018 GH¢'000	2017 GH¢'000
Wages, salaries, bonus and allowances	119,157	108,152
Social security costs	10,843	9,407
Pension and retirement benefits	6,158	5,445
Other staff costs	23,815	25,949
Training	931	736
Directors' emolument (Note 13b)	4,144	4,619
	165,048	154,308

The average number of persons employed by the Bank during the year was 916 (2017: 928).

b. Particulars of directors' emoluments

In line with section 128 of the Companies Act, 1963 (Act 179), the following are the aggregate of the directors' emoluments:

	2018	2017
	GH¢'000	GH¢'000
Salaries, allowances and benefits in kind	**2,726**	3,001
Pension contributions	**205**	207
Bonuses paid or receivable	**1,122**	1,160
Share-based payments	**91**	251
	4,144	4,619

14. Other expenses

	2018	2017
	GH¢'000	GH¢'000
Advertising and marketing	**6,264**	4,730
Premises and equipment	**16,412**	13,402
Administrative	**49,777**	54,396
Auditors' remuneration	**499**	549
Donations and sponsorship	**397**	46
Redundancy cost	**8,592**	2,372
Others	**6,510**	1,315
	88,451	76,810

15. Taxation

i. Income tax expense

	2018	2017
	GH¢'000	GH¢'000
Corporate tax charge for the year	**103,957**	114,772
Adjustment for prior year per GRA tax audit	**(3,002)**	-
	100,955	114,772
Deferred Tax	**(5,827)**	2,794
	95,128	117,566

	2018	2017
	GH¢'000	GH¢'000
National Fiscal Stabilisation Levy		
Charge for the year (5% of profit)	**16,294**	21,114
Adjustment for prior year per GRA tax audit	**3,795**	-
	20,089	21,114

Notes to the financial statements (continued)

for the year ended 31 December 2018

ii. Taxation payable

2018	Balance at 1/1/2018 GH¢'000	Payment during the year GH¢'000	Charge for the year GH¢'000	Tax Adjustment GH¢'000	Balance at 31/12/18 GH¢'000
Current Tax	**(16,182)**	**(133,821)**	**103,957**	**(3,002)**	**(49,048)**
National Fiscal Stabilisation Levy	**(5,727)**	**(26,100)**	**16,294**	**3,795**	**(11,738)**
	(21,909)	**(159,921)**	**120,251**	**793**	**(60,786)**

2017	Balance at 1/1/2017 GH¢'000	Payment during the year GH¢'000	Charge for the year GH¢'000	Tax Adjustment GH¢'000	Balance at 31/12/17 GH¢'000
Current Tax	(10,223)	(132,598)	114,772	11,867	(16,182)
National Fiscal Stabilisation Levy	(3,795)	(23,046)	21,114	-	(5,727)
	(14,018)	(155,644)	135,886	11,867	(21,909)

iii. Reconciliation of effective tax rate

Analysis of tax charge in the year:

The charge for taxation based upon the profit for the year comprises:

	2018 GH¢'000	2017 GH¢'000
Profit before tax	**325,871**	422,278
Tax at 25% (2017:25%)	**81,468**	105,570
Non-deductible expenses	**16,662**	11,996
Changes to estimates relating to prior periods	**(3,002)**	-
Current tax charge	**95,128**	117,566
Effective tax rate	**29.19%**	27.84%

Tax liabilities up to 2017 have been agreed with the Ghana Revenue Authority. The 2018 liabilities are subject to agreement with the Ghana Revenue Authority.

National Fiscal Stabilisation Levy is a levy introduced by the Government as a charge on profit before tax effective July 2013. This is at the rate of 5% on the profit before tax.

iv. The Current tax balance for the year is **GH¢ 60,786,000** (2017: GH¢ 21,909,000)

16. Earnings per share

i. Basic earnings per share

The calculation of basic earnings per share GH¢1.54 (2017: GH¢2.09) at 31 December 2018 was based on the profit attributable to ordinary shareholders of GH¢ 208 million (2017: GH¢ 281 million) and a weighted average number of ordinary shares outstanding of 134.8 million (2017: 134.8 million)

Profit attributable to ordinary shareholders

	2018 GH¢'000	2017 GH¢'000
Net profit for the period (after tax)	**210,654**	283,598
Less Preference share dividend	**(2,483)**	(2,243)
Profit attributable to equity holders	**208,171**	281,355

Earnings per share	2018 GH¢'000	2017 GH¢'000
Weighted average number of ordinary shares at 31 December	**134,758**	134,758

ii. Diluted earnings per share

The calculation of diluted earnings per share GH¢1.54 (2017:GH¢2.09) at 31 December 2018 was based on the profit attributable to ordinary shareholders of GH¢ 208 million (2017: GH¢ 281 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 134.8 million (2017: 134.8 million), calculated as follows:

Profit attributable to ordinary shareholders

	2018 GH¢'000	2017 GH¢'000
Net profit for the period	**210,654**	283,598
Less Preference Share Dividend	**(2,483)**	(2,243)
Profit attributable to equity holders	**208,171**	281,355

	2018 '000	2017 '000
Number of ordinary shares at 31 December	**134,758**	134,758

17. Dividend per share

At the Annual General Meeting to be held, Directors are recommending an ordinary share dividend of GH¢1.04 per share.

Preference share dividend is paid semi-annually on 31st March and 30th September as determined by the Registrar, (GCB Bank Ltd, Share Registry Department) using the preference rate. The rate is derived from the 182 day Treasury bill rate existing on or about 30th September, 2017 and 31st March, 2018 plus a risk premium of 300 basis point.

Payment of dividends is subject to withholding tax at the rate of 8 per cent for residents and 7.5 per cent for non-resident shareholders in countries with Double Taxation Agreement (DTA) with Ghana.

18. Cash and cash equivalents

	2018 GH¢'000	2017 GH¢'000
Cash and balances with banks	**218,402**	598,231
Unrestricted balances with BoG	**1,013,540**	894,004
Restricted balances with BoG	**617,897**	200,459
Money market placements	**536,668**	-
	2,386,507	1,692,694

Notes to the financial statements (continued)

for the year ended 31 December 2018

19. Derivatives held for risk management

a. Derivative assets held for risk management

For risk management purposes, the bank entered into interest rate swaps (IRS). The following describes the fair value of derivatives held for risk management purposes. The Bank's approach to managing market risk including interest rate risk is discussed in note 4(iii).

	2018	2017
	GH¢'000	GH¢'000
OTC Structured derivatives	**2,448**	543

b. Derivative liabilities held for risk management

	2018	2017
	GH¢'000	GH¢'000
OTC Structured derivatives	**3,787**	543

20. Trading assets (non-pledge)

	2018	2017
	GH¢'000	GH¢'000
Securities	**55,066**	43,082

21. Loans and advances

a. Loans to other banks

	2018	2017
	GH¢'000	GH¢'000
Loans to other	**144,600**	-

The loans to other banks are for a period of 6 months and 1 year respectively.

b. Loans and advances to customers

i. Analysis by Type

The table below contains loans and advances (including credit bills negotiated) to customers and staff

	Gross Amount **2018** **GH¢'000**	Impairment Allowance **2018** **GH¢'000**	Carrying Amount **2018** **GH¢'000**	Gross Amount 2017 GH¢'000	Impairment Allowance 2017 GH¢'000	Carrying Amount 2017 GH¢'000
Retail customers						
Mortgage lending	**110,672**	**(2,488)**	**108,184**	101,425	-	101,425
Personal loans	**453,538**	**(12,096)**	**441,442**	431,254	(6,192)	425,062
Corporate customers						
Term loan	**494,988**	**(177,808)**	**317,180**	722,238	(351,663)	370,575
Trade	**195,660**	**-**	**195,660**	314,090	-	314,090
Other secured lending	**239,629**	**-**	**239,629**	174,544	-	174,544
Total	**1,494,487**	**(192,392)**	**1,302,095**	1,743,551	(357,855)	1,385,696

ii.a Total impairment

	2018 GH¢'000	2017 GH¢'000
Impairment at 1 January	**357,855**	354,693
IFRS 9 adjustment	**10,880**	-
Provision charged in the year	**103,455**	44,307
Recovery	**(11,171)**	(34,796)
Write-offs	**(268,627)**	(6,349)
At 31 December	**192,392**	357,855

ii.b Reconciliation between BOG and IFRS

	2018 GH¢'000
BOG provisions	**343,850**
Expected credit loss	**(24,811)**
Excess of BOG over IFRS provisions	**(126,647)**
IFRS Provisions	**192,392**

iii. Key ratios on loans and advances

a. Loan loss provision ratio was 12.9 per cent (2017: 20.5 per cent).

b. Gross non-performing loan ratio with respect to Bank of Ghana Prudential Guidelines was 25.16 per cent (2017:35 per cent).

c. Non-Performing loan ratio excluding loss category with respect to Bank of Ghana prudential guidelines was 6.30 per cent (2017: 7.50 per cent)

d. Ratio of fifty (50) largest exposures (gross funded and non-funded) to total exposures was 60.4 per cent (2017:74.2 per cent).

e. Loan deposit ratio was 30 per cent (2017:41 per cent)

iv. Analysis by business segments

	2018 GH¢'000	2017 GH¢'000
Agriculture, forestry and fishing	**66**	164,919
Mining and quarrying	**26,701**	3,797
Manufacturing	**248,317**	346,942
Construction	**5,404**	-
Electricity, gas and water	**31**	8,156
Commerce and finance	**531,741**	527,729
Transport, storage and communication	**49,166**	16,462
Services	**30,681**	18,669
Miscellaneous	**153,994**	139,648
Individuals	**448,386**	517,229
Gross loans and advances	**1,494,487**	1,743,551
Impairment allowance	**(192,392)**	(357,855)
Net loans and advances	**1,302,095**	1,385,696

Notes to the financial statements (continued)

for the year ended 31 December 2018

v. Analysis by client type

	2018 GH¢'000	2017 GH¢'000
Individuals	**448,386**	358,861
Private enterprises	**755,769**	1,245,042
Public institutions	**136,388**	-
Staff	**153,944**	139,648
Gross loans and advances	**1,494,487**	1,743,551
Impairment allowance	**(192,392)**	(357,855)
Net loans and advances	**1,302,095**	1,385,696

vi. Assets held as collateral

	2018 GH¢'000	2017 GH¢'000
Against impaired assets	**4,728,222**	4,286,569
Against past due but not impaired assets	**197,049**	1,368,592
Good assets	**7,349,443**	6,388,263
	12,274,714	12,043,424

vii. Loan write-off

	2018 GH¢'000	2017 GH¢'000
Balance at 1 January	**39,453**	33,104
Charge off for the year	**268,627**	6,349
Balance at 31 December	**308,080**	39,453

22. Investments

a. Investment securities	2018 GH¢'000	2017 GH¢'000
Treasury bills	**199,373**	297,915
Debt securities	**1,474,013**	959,025
IFRS 9 impairment charge (note:12)	**(8,474)**	-
Total	**1,664,912**	1,256,940

b. Equity investment	2018 GH¢'000	2017 GH¢'000
Investment in Subsidiaries	**1**	1

Investment in subsidiaries represents the Bank's equity interest in Standard Chartered Ghana Nominees Limited, which is a wholly owned subsidiary specifically set up to warehouse assets held in trust on behalf of custody clients in the conduct of its fiduciary activities. The assets and income due to such clients arising thereon are not the bona fide property

of the company and have not been included in the books of the company.

The results of the company are insignificant and have not been consolidated with that of the Bank.

(i) Fiduciary Activities

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefits plans and other institutions.

	2018	2017
	GH¢'000	GH¢'000
The total assets under the company's management which wholly relates to investments in Ghana is	**24,217,859**	24,924,883

23. Property, plant and equipment

a. Property schedule

	Land and building	**Furniture and equipment**	**Computer**	**Motor vehicle**	**Capital work in progress**	**Total**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢000**
Gross value						
At 1 January 2018	**29,545**	**13,835**	**15,342**	**231**	**5,587**	**64,540**
Additions	**12,795**	**5,085**	**2,555**	**-**	**19,319**	**39,754**
At 31 December 2018	**42,340**	**18,920**	**17,897**	**231**	**24,906**	**104,294**
Depreciation						
At 1 January 2018	**16,122**	**9,959**	**6,641**	**231**	**-**	**32,953**
Charges for the year	**2,327**	**1,679**	**2,489**	**-**	**-**	**6,495**
At 31 December 2018	**18,449**	**11,638**	**9,130**	**231**	**-**	**39,448**
Net book value	**23,891**	**7,282**	**8,767**	**-**	**24,906**	**64,846**
Gross Value						
At 1 January 2017	27,668	10,975	12,024	231	5,376	56,274
Additions	1,877	2,860	3,318	-	211	8,266
At 31 December 2017	29,545	13,835	15,342	231	5,587	64,540
Depreciation						
At 1 January 2017	13,665	8,298	4,667	231	-	26,861
Charges for the year	2,457	1,661	1,974	-	-	6,092
At 31 December 2017	16,122	9,959	6,641	231	-	32,953
Net book value	13,423	3,876	8,701	-	5,587	31,587

Notes to the financial statements (continued)

for the year ended 31 December 2018

b. Operating leases in respect of property, plant and equipment

Non-cancellable operating lease rentals are payable as follows:

	2018 GH¢'000	2017 GH¢'000
Less than one year	**23,031**	4,579
Between one and 5 years	**2,188**	2,015
	25,219	6,594

c. Depreciation and amortization

	2018 GH¢'000	2017 GH¢'000
Depreciation	**6,495**	6,092
Amortisation	**1,079**	1,178
	7,574	7,270

24. Intangible asset

	2018 GH¢'000	2017 GH¢'000
At Cost		
Balance at 1 January	**1,079**	2,257
Amount written off	**(1,079)**	(1,178)
Carrying Amount	**-**	1,079

The intangible asset comprise of those assets recognised as part of the acquisition of the Custody business from Barclays Bank Ghana Limited in 2010, with the approval from the Bank of Ghana. These intangible assets were written off over an eight year period that ended in November 2018.

25. Deferred taxation

	2018 GH¢'000	2017 GH¢'000
Balance at 1 January	**3,571**	777
Charge to profit and loss	**(5,827)**	2,794
Balance at 31 December	**(2,256)**	3,571

i. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018			2017		
	Assets GH¢'000	**Liabilities GH¢'000**	**Net GH¢'000**	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000
Property and equipment	**(1,838)**	**-**	**(1,838)**	(792)	-	(792)
Impairment provision	**(418)**	**-**	**(418)**	-	4,363	4,363
Net tax (liabilities)/assets	**(2,256)**	**-**	**(2,256)**	(792)	4,363	3,571

26. Other assets

	2018 GH¢'000	2017 GH¢'000
Accounts receivable and prepayments	**47,570**	14,814
LC acceptance	**92,697**	83,057
Accrued interest receivable	**134,338**	114,139
Impersonal accounts	**3,373**	131,443
	277,978	343,453

27. Deposits from banks

	2018 GH¢'000	2017 GH¢'000
Balances from financial entities outside Ghana	**44,604**	66,086

28. Deposits from customers

Analysis by type and product

	2018 GH¢'000	2017 GH¢'000
Current accounts	**2,929,427**	2,268,028
Time deposit	**216,300**	187,229
Savings deposit	**732,220**	628,802
Call deposit	**424,125**	336,105
	4,302,072	3,420,164

29. Borrowings

	2018 GH¢'000	2017 GH¢'000
Balances due to other SCB subsidiary outside Ghana	**265,100**	88,313

30. Notes to other liabilities and provisons

a. Other liabilities

	2018 GH¢'000	2017 GH¢'000
Accrued interest payable	**12,840**	10,449
Other creditors and accruals	**121,301**	127,966
LC acceptance	**92,697**	83,057
	226,838	221,472

Notes to the financial statements (continued)

for the year ended 31 December 2018

b. Provisions

	Staff related GH¢'000	Others GH¢'000	Total GH¢'000
Balance at 1 January 2018	24,088	31,991	56,079
Charged to profit or loss	27,978	5,754	33,732
	52,066	37,745	89,811
Utilised during the year	(17,340)	(1,196)	(18,536)
Balance at 31 December 2018	34,726	36,549	71,275

Staff related

This relates to provisions made for staff related obligations that exist at the year end.

Others

This comprises provisions made for various operational obligations during the year

31. Capital and reserves

i. Stated capital

	2018		2017	
	No of Shares '000	Proceeds GH¢'000	No of Shares '000	Proceeds GH¢'000
(a). Ordinary shares Authorised No. of ordinary shares of no par value	250,000	-	250,000	-
Issued and fully paid	5,655	48,001	5,655	48,001
Issued for cash consideration	109,852	64,540	109,852	64,540
Transferred from income surplus account	19,251	278,369	19,251	-
Recapitalisation from income surplus	134,758	390,910	134,758	112,541
(b) Preference Shares Issued and fully paid No. of preference shares	17,486	9,090	17,486	9,090
Total stated capital		400,000		121,631

There is no share in treasury and no call or instalment unpaid on any share.

The preference shares are irredeemable and non-cumulative with respect to dividend payments.

ii. Income surplus

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

	2018 GH¢'000	2017 GH¢'000
Balance at 1 January	361,859	335,122
Profit for the year	210,654	283,598

	2018	2017
	GH¢'000	GH¢'000
Transfer to reserve fund	**(52,664)**	(35,450)
Dividend paid	**(1,483)**	(131,611)
Transfer from other reserves	**1,079**	1,178
Transfer from credit risk reserve	**9,197**	(26,829)
Transfer to stated capital	**(278,369)**	(60,000)
Stamp duty and WHT on capitalisation	**(20,713)**	(4,149)
Dividend forefeitures	**655**	-
Balance at 31 December 2017	**230,215**	361,859

iii. Reserve fund

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 34 (1)(b) of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930) and guidelines from the Bank of Ghana. A cumulative amount of GH¢299.7 million (2017: GH¢247.0 million) has been set aside in a Reserve Fund from each year's profit. The cumulative balance includes an amount set aside from the retained earnings during the year.

	2018	2017
	GH¢'000	GH¢'000
Balance at 1 January	**246,994**	211,544
Transfers from income surplus during the year	**52,664**	35,450
Balance at 31 December	**299,658**	246,994

iv. Credit risk reserve

This represents amounts set aside from the retained earnings account to meet Bank of Ghana's requirement for loan loss allowance for non-performing loans and advances, where Bank of Ghana's provision is higher than the requirement under the International Financial Reporting Standards (IFRS).

	2018	2017
	GH¢'000	GH¢'000
Bank of Ghana provision	**91,561**	36,340
IFRS provision	**(100,758)**	(9,511)
Transfer from/(to) income surplus	**(9,197)**	26,829
Balance at 1 January	**148,237**	121,408
IFRS 9 Adjustment	**(12,393)**	-
Balance at 31 December	**126,647**	148,237

v. Other reserves

This comprises mainly of financial instruments held at fair value through other comprehensive income

	2018	2017
	GH¢'000	GH¢'000
Marked-to-market gains/loss on fair value securities (Net of Tax)	**(8,701)**	40,956
Amount relating to intangible assets	**-**	1,079
	(8,701)	42,035

Notes to the financial statements (continued)

for the year ended 31 December 2018

32. Dividend paid

	2018 GH¢'000	2017 GH¢'000
Ordinary dividend	-	129,368
Preference dividend	1,483	2,243
Payments during the year	1,483	131,611

33. Related party transactions

i. Parent and ultimate controlling party

The Bank is a subsidiary of Standard Chartered Holdings (Africa) B.V and its ultimate parent company is Standard Chartered PLC.

ii. Key management compensation

IAS 24 "Related party disclosures" requires the following information for key management compensation. Key management personnel have been identified as the management team, executive and non-executive directors of the bank.

	2018 GH¢'000	2017 GH¢'000
Salaries, allowances and benefits in kind	8,285	7,354
Pension contributions	995	796
Bonuses paid or receivable	2,789	2,314
Share based payments	115	303
Directors emoluments	4,144	4,619
	16,328	15,386

iii. Transactions with key management

The following are loan balances and deposits due from related parties:

	2018 GH¢'000	2017 GH¢'000
Key managers loans	8,133	3,692
Key managers deposits	2,280	3,599

The movement of the key managers accounts is as follows:

	2018 GH¢'000	2017 GH¢'000
Balance at 1 January	3,692	2,950
Loans advanced during the year	5,549	1,375
Loans repayments	(1,108)	(633)
Balance at 31 December	8,133	3,692

Interest earned on key managers loans during the year amounted to GH¢ 345,000 (2017: GH¢156,000).

No impairment losses have been recorded against balances outstanding during the period from directors, officers and employees, and no specific allowance has been made for impairment losses on balances due from these persons at the period end.

iv. Associated companies

	2018 GH¢'000	2017 GH¢'000
Nostro account balances	**76,649**	79,783
Due to group entities	**181,268**	195,226
	257,917	275,009

Amounts due to associated companies at the balance sheet date were as follows:

	2018 GH¢'000	2017 GH¢'000
Short-term borrowing	**265,100**	88,313
Due to group entities	**325,431**	66,086
	590,531	154,399

Related parties comprise Standard Chartered Bank: Dubai, London, China, Frankfurt, Tokyo, New York, Cote D'Ivoire, South Africa and Mauritius as well as key management staff of Standard Chartered Bank Ghana Limited and the Board of Directors (Executives and Non-Executives).

All transactions with related parties were carried out at arm's length.

v. Management and technical services fees

The Bank had agreement with the SCB Group under Technology Transfer Regulation (LI 1547) approved by GIPC, which expired on 31 January 2016. The agreement is pending with GIPC for the approval renewal. No payment has been effected. The total unpaid is GH¢58.5million.

vi. Share based payments

Included in staff cost is an amount of GH¢758,024 (2017:GH¢1,569,642) payable for the year to the Holding company in respect of value of equity settled share based payments allocated to employees of the Bank on a group arrangement basis.

vii. Financial guarantees

Guarantees of the Bank that have been counter guaranteed (Back-to-Back) by other SCB offices for the period amount to GH¢17,431,200 (2017: GH¢286,244,649).

34. Directors' shareholding

The Bank's Directors held no shares in the Bank as at 31 December 2018. (2017: 5,000)

35. Regulatory disclosures

i. Non–performing loans ratio

Percentage of gross non-performing loans ("substandard to loss") to total loans/advances portfolio (gross) on BoG-basis 25.16 per cent, (2017: 35 per cent).

ii. Capital adequacy ratio

The capital adequacy ratio as at 31st December 2018 was calculated at approximately 28.59 per cent (2017: 26.00 per cent).

iii. Liquidity ratio

The liquidity ratio as at 31st December 2018 was calculated at approximately 84.79 per cent (2017: 76.06 per cent).

Notes to the financial statements (continued)

for the year ended 31 December 2018

iv. Regulatory breaches

Penalty for a regulatory breach of GH¢100 was recorded during the period under review. (2017: GH¢157,144)

v. Year end rates used for foreign exchange translations

		Rate	
Currency		**2018**	2017
US$	US Dollar	**4.8200**	4.4157
EUR	Euro	**5.5148**	5.2964
GBP	Pound Sterling	**6.1113**	5.9669

36. Net asset value per share

The calculation of Net Assets per Share GH¢7.71 (2017: GH¢6.77) at 31 December 2018 was based on the net assets attributable to ordinary shareholders of GH¢1,039 million (2017: GH¢912 million) and a weighted average number of ordinary shares outstanding of 134.8 million (2017: 134.8 million).

Net assets attributable to ordinary shareholders

	2018	2017
	GH¢'000	GH¢'000
Net assets	**1,047,819**	920,756
Less Preference shares	**(9,090)**	(9,090)
Net assets attributable to equity holders	**1,038,729**	911,666
Weighted average number of ordinary shares at 31 December ('000)	**134,758**	134,758

a. Number of shares in issue

Number of shareholders

The company had ordinary and preference shareholders as at 31 December 2018 distributed as follows:

i. Ordinary shares

Range of shares	Number of shareholders	Holding	Percentage
1 - 1,000	3,671	975,562	0.72
1,001 - 5,000	1,602	3,581,182	2.66
5,001 - 10,000	280	1,864,167	1.32
Over 10,000	231	128,337,587	95.24
	5,784	**134,758,498**	**100.00**

ii. Preference shares

Range of shares	Number of shareholders	Holding	Percentage
1-1,000	776	282,836	1.62
1,001 – 5000	150	324,442	1.86
5001 - 10,000	20	167,017	0.95
Above 10,000	26	16,714,771	95.57
	972	**17,489,066**	**100.00**

b.

i. details of 20 largest ordinary shareholders at 31 December 2018

Name of shareholder	Number of shares held	(%) Holding
Standard Chartered Holdings (Africa) B.V	93,544,612	69.42
Social Security And National Insurance Trust	19,605,509	14.55
SCGN/SSB & Trust As Cust For Kimberlite Frontier, Africa Master Fund, L.P-Rckc	2,335,084	1.73
STD Noms/ Credit Suisse Ag - Singapore	1,166,667	0.87
Teachers Fund	634,774	0.47
SCGN / Enterprise Life Ass. Co Policy Holders SCGN / E.L.A.C.P.H.	599,783	0.45
STD Noms/Cs Sec (Us) Llc/Africa Oppt Fund L.P	553,800	0.41
Ghana Union Assurance Co. Ltd	507,248	0.38
SCGN/'Epack Investment Fund Limited Transaction E I F L	426,901	0.32
Council Of University Of Ghana Endowment Fund	422,730	0.31
STD Noms Tvl Pty/ Bnym Sanv/Vanderbilt University	321,066	0.24
Kojo Anim-Addo	297,042	0.22
SCBN/SSB Eaton Vance Tax- , Managed Emerging Market Fund	283,150	0.21
SCBN/SSB &Trust As Cust For Conrad N Hilton , Foundation-00Fg	273,862	0.20
HFCN/ EDC Ghana Balanced Fund Limited	273,506	0.20
SCBN/SSB Eaton Vance Structured , Emerging Market Fund	244,300	0.18
GSE Securities Depositiry Account	202,222	0.15
University Of Science & Technology	173,250	0.13
SSNIT Informal Sector Fund	149,100	0.11
Mr Norbert Kwasivi Kudjawu	140,000	0.10
	122,154,606	**90.65**

Notes to the financial statements (continued)

for the year ended 31 December 2018

ii. Details of 20 largest preference shareholders at 31 December 2018

Name of shareholder	Number of shares held	(%) Holding
STD Chartered Holdings (Africa) Bv	15,220,598	87.03
Barton Kwaku Glymin	451,419	2.58
SSNIT Sos Fund	307,692	1.76
Kojo Anim-Addo	128,089	0.73
Ghana Union Assurance Co. Ltd	99,351	0.57
Mr Norbert Kwasivi Kudjawu	68,775	0.39
Akosah-Bempah F Ophelia	54,150	0.31
Akosah- Bempah Kwaku Mr	40,654	0.23
Nii Kwaku Sowa	30,000	0.17
STD Noms/Cs Sec (US) Llc/Africa Oppt Fund L.P	29,366	0.17
Aryee Clifford Edward	25,000	0.14
Ebenezer Magnus Boye	25,000	0.14
E3a Holdings Company Ltd	20,661	0.12
Mr Anthony Minkah	20,268	0.12
Nyako John Percival Awuku Mr	20,000	0.11
Safo Kwakye Eddie Mr	20,000	0.11
Edem Yankson	20,000	0.11
HFCN / Glico Pensions Re: Fidelity Securities	19,231	0.11
Nthc Securities Limited	19,231	0.11
Nelson Aruna	19,230	0.11
	16,638,715	**95.14**

37. Value added statements

	2018		2017	
	GH¢'000	**(%)**	GH¢'000	(%)
Revenue (operating income)	**712,921**	**100%**	676,771	100%
Value Add distribution:				
Staff cost (excluding directors)	**160,904**	**23%**	149,689	22%
Directors	**4,144**	**1%**	4,619	1%
Operating lease expenses	**25,219**	**4%**	6,594	1%
Depreciation and amortisation	**7,574**	**1%**	7,270	1%
Other expenses	**88,451**	**12%**	76,810	11%
Impairments	**100,758**	**14%**	9,511	1%
Tax	**115,217**	**16%**	138,680	20%
Reserve fund	**52,664**	**7%**	35,450	5%
Credit risk	**9,197**	**1%**	26,830	4%
Preference dividend	**1,483**	**0%**	2,582	0%
Ordinary dividend	**-**	**0%**	-	0%
Total	**565,611**	**79%**	458,035	68%
Income surplus	**147,310**	**21%**	218,736	32%

We believe in always striving to make things better. In the world of business, and the world at large.

SUPPLEMENTRY INFORMATION

Supplementary financial information

Five year summary

	2018	2017	2016	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Interest income	**612,784**	587,093	549,942	490,482	422,136
Interest expense	**(123,970)**	(116,256)	(89,687)	(116,730)	(88,250)
Net interest income	**488,814**	470,837	460,237	373,752	333,886
Fees and commission income	**98,589**	85,216	80,259	65,238	91,048
Other operating income	**125,518**	120,718	80,285	92,125	96,801
Non-interest income	**224,107**	205,934	160,544	157,363	187,849
Operating income	**712,921**	676,771	620,781	531,115	521,735
Operating expenses	**(286,292)**	(244,982)	(194,115)	(227,273)	(197,774)
Impairment charges	**(100,758)**	(9,511)	(81,108)	(212,781)	(49,121)
Profit before taxation	**325,871**	422,278	345,558	91,062	274,840
Taxation	**(115,217)**	(138,680)	(121,047)	(24,914)	(66,569)
Profit for the year	**210,654**	283,598	224,511	66,148	208,271
Total Statutory and other transfers	**(42,388)**	(61,101)	(93,894)	(21,320)	(100,653)
Retained profit/available for distribution	**168,266**	222,497	130,617	44,828	107,618
Shareholders funds	**1,047,819**	920,756	765,216	555,100	528,927
Net own funds	**911,211**	726,077	603,317	392,023	387,161
Total assets	**5,961,495**	4,776,984	4,373,564	3,369,448	3,506,297
Total liabilities	**4,913,676**	3,856,228	3,197,673	2,422,382	2,198,585
Loans & advances	**1,446,695**	1,385,696	1,262,636	1,219,459	1,278,362
Information on ordinary shares	**GH¢**	GH¢	GH¢	GH¢	GH¢
Earnings per share	**1.54**	2.09	1.92	0.55	1.78
Proposed final dividend per share	**1.04**	-	1.12	0.37	0.35
Outstanding issued shares (1,000)	**134,758**	134,758	115,507	115,507	115,507
Key ratios					
Returns on assets (PAT/average assets)	**4%**	6%	6%	2%	6%
Return on equity (PAT/average equity)	**21%**	34%	34%	12%	40%
Capital adequacy Ratio	**29%**	26%	22%	15%	16%
Cost/income ratio	**40%**	36%	31%	43%	38%

2017 issues shares has been restated due to the bonus shared issued

Standard Chartered

Form of Proxy

I.....
(Block Capitals Please)

of

.....
being Member/Members of **STANDARD CHARTERED BANK GHANA LIMITED** hereby appoint

.....

of

.....

or failing him the duly appointed Chairman of the Meeting, as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11:00 am on Thursday the 6th day of June 2019 and at every adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast.

RESOLUTION	**FOR**	**AGAINST**
1. Declaring a dividend		
2. Electing the following Directors - **a) HARRIET-ANN OMOBOLANLE ADESOLA**		
b) EBENEZER TWUM ASANTE		
3. Approving remuneration of Directors		
4. Approving the remuneration of the Auditor		
5. Approving the amendment of regulation 79 of the Company's Regulations to amend the minimum and maximum number of Directors on the Board		
6. Approving the amendment of regulation 103 of the Company's Regulations to fix the tenure of office of Non-Executive Directors to a term not exceeding 3 years, renewable for an additional 2 terms only and to amend the tenure of office of Independent Non-Executive Directors to same		
7. Approving regulation 105 of the Company's Regulations to fix the tenure of office of the Chairperson of the Board to a term not exceeding 3 years, renewable for an additional term only and the Managing Director/Chief Executive Officer's tenure of office to a term not more than four (4) years, renewable for additional two (2) terms only		

Signed..... day of ..... **2019** Signature .....

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IMPORTANT: Before posting the Form of Proxy above, please tear off this part and retain it – see over. If you wish to insert in the blank space on the form the name of any person, whether a Member of the Company or not, who will attend the meeting and vote on your behalf, you may do so; if you do not insert a name, the Chairman of the Meeting will vote on your behalf. If this Form is returned without any indication as to how the person appointed a proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting. To be valid, this Form must be completed and must reach the Registered Office of the Company or the Registrar of the Company not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.

This Form is only to be completed if you will NOT attend the Meeting

FIRST FOLD HERE

SECOND FOLD HERE

PLEASE
AFFIX
STAMP
HERE

The Company Secretary
Standard Chartered Bank Ghana Limited
Head Office
P. O. Box 768
Accra

THIRD FOLD HERE

CUT HERE

CUT HERE

IMPORTANT: A person attending the meeting should not produce this form

Standard Chartered

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Share Registry Department, Head Office
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Accra, Ghana

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