GHANA

# FINANCIAL STATEMENTS 2017

BANK OF AFRICA

Groupe BMCE BANK

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## Opening date: December 2011

Created in 1999: AMALBANK

Integrated into BOA network in 2011

## Capital as at 31/12/2017

Ghana Cedis (GHS) 100.96 billion

## Board of Directors as at 31/12/2017

Stephan ATA, Chairman

Amine BOUABID

Kobby ANDAH

Patrick ATA

Abdelkabir BENNANI

Vincent de BROUWER

John KLINOGO

Nana OWUSU-AFARI

## Auditors

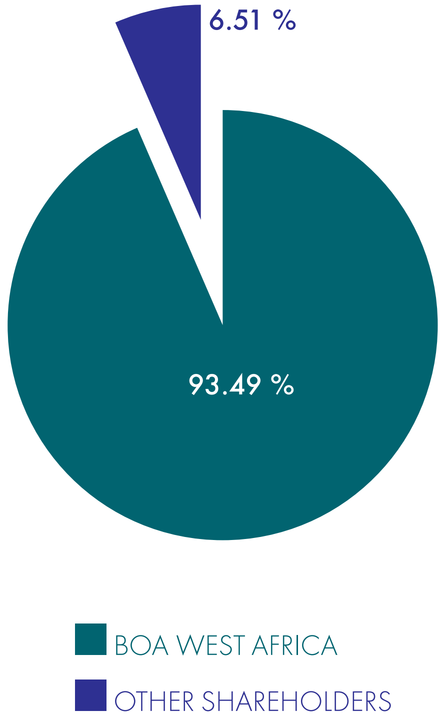
ERNST & YOUNG

## Registered office

1st Floor, Block A&B,
The Octagon, Independence Avenue,
P.O Box C1541, Cantonments, Accra,
Ghana
Tél: (233) 302 249 690 / 302 249 679 -
Fax: (233) 302 249 697

enquiries@boaghana.com
www.boaghana.com

## Principal shareholders as at 31/12/2017




## Financial analysis

BANK OF AFRICA - GHANA (BOA-GHANA) recorded a net profit of GH¢ 23.92 million in 2017.

The Bank saw its **Banking Net profit increasing by 9%**, passing from **GH¢ 112 million** in 2016 to GH¢ 122.1 million at the end of 2017. This figure suits to the growth strategy of the productive asset which consists in increasing the number of loans granted to the retail banking customers.

In a less favorable economic environment, the products of commissions declined by 6.7%, passing **to GH¢ 19.2 million from GH¢** 20.5 million in 2016.

The efforts of optimization of operating expenses allowed to limit the increase to 5%, in a context marked by an average inflation of 12.4%. These thus passed from GH¢ 76.1 million in 2016 to GH¢ 80.1 million in 2017.

## Key figures 2017 (in GHS million)

| Activity | 2016 | 2017 | Variation |
|---|---|---|---|
| Deposits | 679 | 884 | 30.2 % |
| Loans | 447 | 495 | 10.7 % |
| Number of branches | 26 | 26 | 0.0 % |
| **Structure** | | | |
| Total assets | 1,144 | 1,343 | 17.4 % |
| Shareholders' equity | 163 | 188 | 15.3 % |
| Number of employees | 398 | 356 | -10.6 % |
| **Income** | | | |
| Net operating income | 112 | 122 | 9.0 % |
| Operating expenses (includind depreciation and amortization) | 76 | 80 | 5.4 % |
| Gross operating profit | 36 | 42 | 16.7 % |
| Cost of risk in value (*) | 11 | 9 | -21.3 % |
| Net Income | 24 | 24 | -1 % |
| Operating ratio | 67.7 % | 65.6 % | |
| Cost of risk | 2.7 % | 1.8 % | |
| Return on Assets (ROA) | 2.1 % | 1.9 % | |
| Return on Equity (ROE) | 21.0 % | 18.2 % | |
| **Capital adequacy ratio** | | | |
| Tier 1 | 127 | 149 | |
| Tier 2 | | | |
| Risk Weighted Asset (RWA) | 716 | 876 | |
| Tier 1 + Tier 2 / RWA | 17.7 % | 17.0 % | |

(*) Including general provision

+ 17.4 %
Total assets

Deposits
679 GHS million
2016
884 GHS million
2017

Loans
+10.7 %

Net operating income
+ 9.0 %

The quality of the assets of the Bank improved with subsidies in reserves on Non-Performing Loans (NPL) which decreased by 27.6%, passing to **GH¢ 8.7 million** in 2017.

Due to the 30% increase of the customer deposits, the total balance sheet of the Bank increased GH¢ 200 million, closing at **GH¢ 1,343.04 million** in 2017.

The outstanding discounted bill of the customer deposits increased by a third between 2016 and at the end of 2017, passing to **GH¢ 884.6 million** with an improvement of the composition of the wallet (portfolio) of deposits by favoring the weakly paid deposits.

The bank net loans increased by 11% to reach **GH¢ 495.8 million**, against **GH¢ 447.1 million** in 2016. Our Non-Performing Loans ratio (NPL) remained in 18.8%, with a cover rate in 57%.

In spite of the economic difficulties met in 2017 having pressed on the banking sector, the profitability of stockholders' equity (ROE) became established in 18.2% and that of assets (ROA) in 2%.

BOA-GHANA always shows a robust 16.9% debt ratio, clearly upper to the statutory threshold of 10%.

The digital strategy of the bank is led by the central structures of the Group through a project named "X Banking". This construction site has to allow the bank to digitize gradually its products and its services and to improve service delivery to the customer.

BOA-GHANA also widened her clientele with a number of accounts from 231,258 in 2016 to 244,903 in 2017. This growth allowed to improve the rate of mobilization of the deposits of the customers.

## *Directors*

| Board of Directors (Directors) | Position | Remark |
|---|---|---|
| **Stephan Ata** | **Chairman** | |
| Nana Owusu-Afari | Member | |
| Dr. Patrick Ata | Member | |
| John Klinogo | Member | |
| Kobby Andah | Member | |
| Amine Bouabid | Member | |
| Vincent De Brouwer | Member | |
| Abdelkabir Bennani | Member | |

## *Board committees*

### Risk and Compliance committee

| | |
|---|---|
| **Dr. Patrick Ata** | **Chairman** |
| Abdelkabir Bennani | Member |
| Vincent De Brouwer | Member |
| John Klinogo | Member |
| Kobby Andah | Member |
| Festus Awuah Kwofie | Secretary |

### Audit committee

| | |
|---|---|
| **John Klinogo** | **Chairman** |
| Vincent De Brouwer | Member |
| Nana Owusu-Afari | Member |
| Abdelkabir Bennani | Member |
| Arnold Dabi | Secretary |

### Recoveries committee

| | |
|---|---|
| **Dr. Patrick Ata** | **Chairman** |
| Stephan Ata | Member |
| Nana Owusu-Afari | Member |
| Abdelkabir Bennani | Member |
| Kobby Andah | Member |

### HR & Remuneration committee

| | |
|---|---|
| **John Klinogo** | **Chairman** |
| Dr Patrick Ata | Member |
| Abdelkabir Bennani | Member |
| Kobby Andah | Member |
| Abubakar Essuman | Secretary |

## *Company secretary*

Godwyll Ansah
P. O. Box C 1541
Cantonments - Accra

## *Registered office*

The Octagon
First Floor ; Block A & B
Independence Avenue
P.O. Box C 1541
Cantonments – Accra

## *Auditors*

Ernst & Young
Chartered Accountants
G15, White Avenue
Airport Residential Area
P. O. Box KA 16009
Airport, Accra

## *Bankers*

Bank of Ghana, Ghana
Ghana International Bank, London
DZ Bank, Germany
Standard Chartered Bank, New York
Ghana Commercial Bank Limited, Ghana
Commerz Bank, Germany
Ecobank Nigeria
Deutsche Bank, New York
Standard Chartered Bank Ghana Limited
Access Bank, London, UK
BMCE Bank International, Span
BOA-BENIN
BOA-CÔTE D'IVOIRE
BOA-FRANCE
BOA-KENYA
BOA-MALI
BOA-NIGER
BOA-TANZANIA
BOA-UGANDA
BOA-SENEGAL
BOA-BURKINA FASO

# Reports of the Directors

**For the year ended 31 December 2017**

The Directors have the pleasure in presenting their report and the audited financial statements for the year ended 31 December 2017.

## *Statement of directors' responsibilities*

The Bank's Directors are responsible under the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit and loss and cash flows for that year. In preparing these financial statements, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are reasonable and prudent; stated whether applicable accounting standards have been followed, disclosed and explained in the financial statements; prepared the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business and that the financial statements are prepared in accordance with International Financial Reporting Standards.

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

## *Principal activities*

The principal activities carried out by the Bank during the year under review are within the limits permitted by its regulations, which continued to be banking and finance. These represent no change from the activities carried out in the previous year.

## *Operational results*

The results of operations for the year ended 31 December 2017 are set out in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with notes to the financial statements.

## *Activities*

| OPERATIONAL RESULTS | 2017 (IN GH¢) | 2016 (IN GH¢) | CHANGE |
|---|---|---|---|
| PROFIT BEFORE TAXATION | 33,345,987 | 25,115,301 | 33% |
| INCOME TAX EXPENSE | (6,703,140) | (6,008,081) | 12% |
| NATIONAL FISCAL STABILIZATION LEVY | (1,667,299) | (1,255,765) | 33% |
| DEFERRED TAX | (1,056,028) | 6,315,787 | (117)% |
| PROFIT AFTER TAX FOR THE YEAR | 23,919,520 | 24,167,243 | (1)% |
| OTHER COMPREHENSIVE (LOSS)/INCOME | 328,605 | 1,192,856 | (72)% |
| TOTAL COMPREHENSIVE INCOME | 24,248,125 | 25,360,099 | (4) |

The Bank made a profit after tax of GH¢ 23,919,520 relative to a profit position of GH¢ 24,167,243 in 2016. The total assets of the bank increased from GH¢ 1,144,481,867 in 2016 to GH¢ 1,343,035,939 in 2017, an increase of about 14.78% as at 31 December 2017.

## *Dividend*

The directors do not recommend the payment of dividends.

## *Directors*

The present list of members of the board is shown on page 1.

Signed on behalf of the board by:

**Stephan Ata**
Director

**Kobby Andah**
Director

Accra – Ghana, 16th March, 2018

# Report on the audit of the financial statements

**For the year ended 31 December 2017**

## *Opinion*

We have audited the financial statements of Bank of Africa Ghana Limited (the Bank) set out on pages 10 to 81, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

## *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) and other independence requirements applicable to performing audits of BANK OF AFRICA - GHANA Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of BANK OF AFRICA - GHANA Limited. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Key Audit Matter

### Impairment of loans and advances

Because loans and advances form major portion of the Bank's assets and due to the significance of judgment used in estimating both the specific and collective provisions for loans and advances, this audit area is considered a key audit risk.

The Bank exercises significant judgment using subjective assumptions. The determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, estimated time to realisation of collaterals and expected net selling prices.

As at 31 December 2017, the gross loans and advances amounted to GH¢ 502,215,755 and related impairment provision amounted to GH¢ 8,658,470 thousand. The basis of the impairment provision policy is presented in the accounting policies note 3.13 and further analysed in Note 22 to the financial statements.

## How the matter was addressed in the audit

We performed tests of controls over the monitoring process of loans and advances to confirm the operating effectiveness of the key controls in place which identify the impaired loans and advances against which provisions are required.

Where impairment was individually calculated, we tested a sample of loans and advances to assess whether an event of impairment has been identified timely through performing substantive audit procedures in connection with impairment provisions recognized. We also tested the assumptions and underlining data used by management in estimating the required provisions.

For the collective impairment provision, we obtained an understanding of the methodology used by the Bank to determine the collective provisions, assessed the reasonableness of underlying assumptions and sufficiency of the data used by management.

We also assessed whether the financial statement disclosures appropriately reflect the requirements of IFRS. Refer to the critical accounting estimates and judgements, disclosures of loans and advances and credit risk management on notes 3.1, 22 and 6 respectively to the financial statements.

## Adequacy of regulatory credit risk provisioning

Bank of Ghana has specific rules governing regulatory provisions aside application of IFRS impairment rules. Unlike IFRS impairment rules, regulatory provision rules are more deterministic and triggered mainly by the number of days a facility has been in default.

The excess of regulatory provision over IFRS provision is recognised directly in equity as Credit Risk Reserves. Regulatory credit risk provisions represent a key risk area for the bank as misstatements in the carrying amount of this balance could have significant impact on the bank's financial statements including the accuracy of its capital adequacy computations and other key industry performance indicators.

We assessed the systems and related controls instituted by management to ensure the accurate determination of these provisions.

We reviewed the process for aging and categorising the loans into the various loan buckets and the application of related regulatory provision rates.

### Fair valuation of held for trading and available for sale financial assets

As at 31 December 2017, financial assets held for trading (as disclosed in note 21) and available for sale financial assets (as disclosed in note 23) represented 22% of the Bank's total assets. The fair value of financial instruments is determined through the application of valuation techniques. Due to the significance of financial instruments and the related valuation risks, this is considered a key audit focus area. These financial instruments include those held for trading and available for sale financial instruments.

The financial instruments that are carried at fair value in the Banks's statement of financial position as at 31 December 2017 are classified as level 2 financial instruments. These instruments were valued using prices that were observable in the market.

We tested a sample of these provisions based on our overall risk assessment of this account.

Our audit procedures to assess the fair valuation of the financial assets include the following:

• We assessed the controls over the identification and measurement of valuation risk. These controls include independent price verification and management reporting of valuation risk.

• For the financial instruments held for trading and available for sale, we checked that the pricing inputs used were externally sourced and accurately used in determining the fair values. Thus we critically assessed that the market prices used are genuinely observable.

• We assessed whether the disclosures in the financial statements appropriately reflected the Banks's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

## *Other Information*

The directors are responsible for the other information. The other information comprises corporate information (Directors, Officials and Registered Office), report of the Directors and statement of directors' responsibilities. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179) and the 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

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

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

## *Report on other legal requirements*

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and
- The balance sheet (statement of financial position) and the profit or loss account (profit or loss section of the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) under section 85(2) requires that we report on certain matters. Accordingly, we state that:

- The accounts give a true and fair view of the statement of affairs of the bank and the results of operations for the year under review;
- We were able to obtain all the information and explanation required for the efficient performance of our duties;
- The transactions of the bank are generally within the powers of the bank;
- 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 regulations made under these enactments;
- The bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

**Pamela Des Bordes (ICAG/P/1329)**
For and on behalf of Ernst & Young (ICAG/F/2018/126)
Chartered Accountants
Accra – Ghana
Accra – Ghana, 16th March, 2018

# Financial Statements

For the year ended 31 december 2017

## *Statement of profit or loss and other comprehensive income*

| | NOTE | 2017 GH¢ | 2016 GH¢ |
|---|---|---|---|
| INTEREST INCOME | 8 | 107,759,480 | 134,719,885 |
| INTEREST EXPENSES | 9 | (34,996,566) | (22,345,961) |
| NET INTEREST INCOME | | 72,762,914 | 112,373,924 |
| FEES AND COMMISSION INCOME | 10A | 22,308,919 | 22,443,084 |
| FEES AND COMMISSION EXPENSES | 10B | (3,142,965) | (1,950,784) |
| NET FEE AND COMMISSION INCOME | | 19,165,954 | 20,492,300 |
| NET TRADING INCOME | 11 | 26,907,950 | 21,219,706 |
| NET INCOME FROM OTHER FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE | 12 | - | (45,866,006) |
| OTHER OPERATING INCOME | 13 | 3,264,583 | 4,145,795 |
| | | 30,172,533 | (20,500,505) |
| OPERATING INCOME | | 122,101,401 | 112,365,719 |
| NET IMPAIRMENT LOSS ON FINANCIAL ASSET | 22C | (8,658,470) | (11,139,701) |
| PERSONNEL EXPENSES | 14 | (37,563,143) | (36,805,037) |
| DEPRECIATION AND AMORTISATION | 15 | (5,781,591) | (3,924,562) |
| OTHER EXPENSES | 16 | (36,752,210) | (35,381,118) |
| PROFIT BEFORE INCOME TAX | | 33,345,987 | 25,115,301 |
| INCOME TAX EXPENSE | 17A | (9,426,467) | (948,058) |
| PROFIT FOR THE YEAR | | 23,919,520 | 24,167,243 |
| OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX | | | |
| ITEMS THAT WILL SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS (NET OF TAX): | | | |
| NET GAIN ON AVAILABLE FOR SALE INVESTMENTS (NET OF TAX) | 18 | 328,605 | 1,192,856 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | 24,248,125 | 25,360,099 |
| PROFIT ATTRIBUTABLE TO: | | | |
| MAJORITY SHAREHOLDERS OF BANK OF AFRICA | | 22,361,260 | 22,592,845 |
| MINORITY SHAREHOLDERS OF BANK OF AFRICA | | 1,558,260 | 1,574,398 |
| | | 23,919,520 | 24,167,24 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| MAJORITY SHAREHOLDERS OF BANK OF AFRICA | | 22,668,458 | 23,707,992 |
| MINORITY SHAREHOLDERS OF BANK OF AFRICA | | 1,579,667 | 1,652,107 |
| | | 24,248,125 | 25,360,099 |
| EARNINGS PER SHARE | | | |
| BASIC AND DILUTED EARNINGS PER SHARE | 19 | 0.240 | 0.242 |

## *Statement of financial position as at 31 December 2017*

| | NOTE | 2017 GH¢ | 2016 GH¢ |
|---|---|---|---|
| ASSETS | | | |
| CASH AND CASH EQUIVALENTS | 20 | 394,339,089 | 360,011,980 |
| NON-PLEDGED TRADING ASSETS | 21 | 166,060,315 | - |
| PLEDGED TRADING ASSETS | | - | - |
| DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT | | - | - |
| INVESTMENTS (OTHER THAN SECURITIES) | | - | - |
| LOANS AND ADVANCES TO CUSTOMERS | 22 | 495,750,311 | 447,086,581 |
| INVESTMENT SECURITIES | 23 | 135,410,947 | 196,665,949 |
| DEFERRED TAX ASSETS | 17 (C) | 1,335,338 | 2,500,900 |
| CURRENT INCOME TAX ASSETS | 17 (D) | 2,316,216 | 1,962,548 |
| INTANGIBLE ASSETS | 24 | 1,296,298 | 934,054 |
| OTHER ASSETS | 25 | 91,193,898 | 88,203,036 |
| PROPERTY, PLANT AND EQUIPMENT | 26 | 55,333,527 | 47,116,819 |
| TOTAL ASSETS | | 1,343,055,939 | 1,144,481,867 |
| LIABILITIES | | | |
| TRADING LIABILITIES | | | - |
| DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT | | - | - |
| BORROWINGS | 27 | 215,107,939 | 249,992,506 |
| CUSTOMER DEPOSITS | 28 | 884,659,078 | 679,980,171 |
| DEFERRED TAX LIABILITIES | 17(C) | - | - |
| OTHER LIABILITIES | 29 | 55,080,006 | 50,568,400 |
| TOTAL LIABILITIES | | 1,154,847,023 | 980,541,077 |
| CAPITAL RESOURCES | | | |
| STATED CAPITAL | 30 | 100,960,828 | 100,960,828 |
| RETAINED EARNINGS | | (22,288,535) | (28,924,879) |
| AVAILABLE FOR SALE RESERVE | | 1,597,688 | 1,269,082 |
| REGULATORY CREDIT RISK RESERVE | 31 | 46,981,943 | 41,658,527 |
| STATUTORY RESERVE | 32 | 60,936,992 | 48,977,232 |
| SHAREHOLDERS' FUNDS | | 188,188,916 | 163,940,790 |
| TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS | | 1,343,035,939 | 1,144,481,867 |
| TOTAL ATTRIBUTABLE TO: | | | |
| MAJORITY SHAREHOLDERS OF BANK OF AFRICA | | 175,936,704 | 153,268,245 |
| MINORITY SHAREHOLDERS OF BANK OF AFRICA | | 12,252,212 | 10,672,545 |
| TOTAL | | 188,188,916 | 163,940,790 |

The financial statements on pages 14 to 68 were approved by the board of directors on 16th March, 2018 and were signed on its behalf by:

**Stephan Ata**
**Director**

**Kobby Andah**
**Director**

Accra – Ghana, 16th March 2018

The notes on pages 14 to 68 are an integral part of these financial statements

## Statement of changes in equity as at 31 December 2017

| | STATED CAPITAL GH¢ | RETAINED EARNINGS GH¢ | CREDIT RISK RESERVE GH¢ | STATUTORY RESERVE GH¢ | AVAILABLE SALE RESERVE GH¢ | TOTAL GH¢ | MINORITY SHAREHOLDERS OF BANK OF AFRICA GH¢ |
|---|---|---|---|---|---|---|---|
| AT 1 JANUARY 2017 | 100,960,828 | (28,924,879) | 41,658,527 | 48,977,232 | 1,269,083 | 163,940,791 | 10,672,545 |
| PROFIT FOR THE YEAR | - | 23,919,520 | - | - | - | 23,919,520 | - |
| OTHER COMPREHENSIVE INCOME | - | - | - | - | 328,605 | 328,605 | - |
| TOTAL COMPREHENSIVE INCOME | - | 23,919,520 | - | - | 328,605 | 24,248,125 | 1,579,667 |
| TRANSFER FROM CREDIT RESERVE | - | (5,323,416) | 5,323,416 | - | - | - | - |
| TRANSFER TO STATUTORY RESERVE | - | (11,959,760) | - | 11,959,760 | - | - | - |
| AT 31 DECEMBER 2017 | 100,960,828 | (22,288,535) | 46,981,943 | 60,936,992 | 1,597,688 | 188,188,916 | 12,252,212 |
| **2016** | | | | | | | |
| AT 1 JANUARY 2016 | 100,960,828 | (29,746,898) | 30,396,925 | 36,893,610 | 76,227 | 138,580,692 | 9,021,603 |
| PROFIT FOR THE YEAR | | 24,167,243 | - | - | - | 24,167,243 | - |
| OTHER COMPREHENSIVE INCOME | - | - | - | - | 1,192,856 | 1,192,856 | - |
| TOTAL COMPREHENSIVE INCOME | - | 24,167,243 | - | - | 1,192,856 | 25,360,099 | 1,650,942 |
| TRANSFER FROM CREDIT RESERVE | - | (11,261,602) | 11,261,602 | - | - | - | - |
| TRANSFER TO STATUTORY RESERVE | - | (12,083,622) | - | 12,083,622 | - | - | - |
| AT 31 DECEMBER 2016 | 100,960,828 | (28,924,879) | 41,658,527 | 48,977,232 | 1,269,083 | 163,940,791 | 10,672,545 |

The notes on pages 18 to 68 are an integral part of these financial statements

## *Statement of cash flows as at 31 December 2017*

| | NOTE | 2017 GH¢ | 2016 GH¢ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| PROFIT BEFORE TAXATION | | 33,345,987 | 25,115,301 |
| ADJUSTMENTS FOR: | | | |
| DEPRECIATION AND AMORTISATION | 15 | 5,781,591 | 3,924,562 |
| OPERATING LEASE PREPAID | | 11,552 | 11,552 |
| EXCHANGE GAIN | | 150,429 | (1,973,864) |
| GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT | 26D | (102,678) | (780) |
| PROFIT BEFORE WORKING CAPITAL CHANGES | | 39,186,701 | 27,076,771 |
| CHANGES IN NON-PLEDGED TRADING ASSETS | | (166,060,315) | - |
| CHANGE IN DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT | 21 | - | 8,217,328 |
| CHANGE IN LOANS AND ADVANCES TO CUSTOMERS | 22 | (48,663,730) | (59,592,633) |
| CHANGE IN OTHER ASSETS | 25 | (2,990,863) | (32,070,741) |
| CHANGE IN DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT | 21 | - | (21,129,834) |
| CHANGES IN BORROWINGS | 27 | (37,264,696) | (66,854,002) |
| CHANGE IN DEPOSITS FROM CUSTOMERS | 28 | 204,678,907 | 54,388,132 |
| CHANGE IN OTHER LIABILITIES AND PROVISIONS | 29 | 4,511,606 | 9,137,065 |
| | | (6,602,210) | (80,827,914) |
| INCOME TAX PAID | | (8,724,107) | (7,864,625) |
| NET CASH USED IN OPERATING ACTIVITIES | | (15,326,317) | (88,692,539) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| PURCHASE OF INVESTMENT SECURITIES | | (1,641,675,690) | (1,242,981,831) |
| PROCEEDS FROM SALE OF INVESTMENT SECURITIES | | 1,703,368,834 | 1,487,358,788 |
| PURCHASE OF PROPERTY AND EQUIPMENT | 26B&C | (13,238,624) | (41,058,836) |
| PROCEEDS FROM THE SALE OF PROPERTY AND EQUIPMENT | 26D | 168,647 | 32,710 |
| PURCHASE OF INTANGIBLE ASSETS | 24 | (1,199,441) | (1,016,265) |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | | 47,423,726 | 202,334,566 |
| NET CASH FROM FINANCING ACTIVITIES | | - | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 20 | 32,097,409 | 113,642,027 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 360,011,980 | 244,396,089 |
| EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD | | 2,229,700 | 1,973,864 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 20 | 394,339,089 | 360,011,980 |
| OPERATIONAL CASH FLOWS FROM INTEREST | | | |
| INTEREST RECEIVED | | 107,455,232 | 141,093,606 |
| INTEREST PAID | | 32,179,293 | 73,806,043 |

The notes on pages 18 to 68 are an integral part of these financial statements

# Notes to the Financial Statements

For the year ended 31 December 2017

## *1. Reporting Entity*

BANK OF AFRICA - GHANA (BOA-GHANA) Limited is a financial institution incorporated in Ghana. The registered office of the Bank is at The Octagon, First Floor; Block A & B, Independence Avenue. The Bank operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank is a subsidiary of the BOA Group. Its majority shareholder is BOA West Africa SA, a holding company incorporated in Cote D'Ivoire. It's ultimate parent is Banque Moroccaine du Commerce Exterieur (BMCE), a company based in Morocco.

## *2. Basic operations*

### 2.1. Presentation of financial statements

The bank presents its statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

The financial statements have been prepared in Ghana Cedi (GHC) and under the historical cost convention except for available for sale investments, investment properties, derivative financial assets/liabilities held for trading which have been measured at fair value.

### 2.2. Statement of compliance

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

## *3. Significant accounting policies*

### 3.1. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

## Losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors described in the next paragraph and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively in groups of assets with similar credit risk characteristics to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account;

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- Management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurring and its identification (emergence period) is estimated by management for each identified portfolio. The emergence period varies across products and are based on actual exposure and reviewed on an annual basis. In general, the periods used vary between three and 12 months; in exceptional cases, longer periods are warranted.

In terms of individual assessment, the trigger point for impairment is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. For all loans that are considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

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

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(a) adverse changes in the payment status of borrowers in the portfolio; and

(b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The impairment loss on loans and advances is disclosed in more detail in Note 22a and 22d.

### Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

### Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely. See Note 17c for deferred tax assets disclosure.

### Going concern

The Bank's management has made an assessment of its ability to continue as a going concern which assumes that it will be able to continue operation into the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business. 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 the going concern basis.

### Fair value of financial instruments

#### Property, plant and equipment and Intangible asset

Critical judgments are utilised in determining amortisation rates and useful lives of these assets and in calculating the amount of interest to capitalise against projects in progress at the end of the period is described in more detail in Note 24 and 26.

## 3.2. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as fair value through profit and loss are recognised within interest income and interest expense in the Statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. Interest income includes interest on loans and advances and placements with other Banks, and is recognised in the period in which it is earned. Interest earned whilst holding available-for-sale and held to maturity financial investments are also reported as interest income.

## 3.3. Fees and commission

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis when the service has been provided. Fees and commissions not integral to the effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Other commitment fees are recognised over the term of the facilities.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective rate as the other participants.

### 3.4. Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that is clearly associated with an identifiable and unique product which will be controlled by the Bank and has a probable economic benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and useful lives is recognised as a capital improvement and added to the original costs of the software. Computer software development costs recognised as assets are stated at cost less amortisation. Amortisation is calculated on a straight line basis over a period of 5 years.

### 3.5. Foreign currencies

Transactions in foreign currencies are initially recorded by the Bank at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The source of the Bank's exchange rates is the Ghana Association of Bankers as published on the Bank of Ghana Website.

### 3.6. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are ready for use.

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in profit and loss as an expense. The estimated depreciation rates of the major asset categories are:

| Class of Assets | Depreciation rate |
|---|---|
| Building on short term leasehold land | Over the remaining period of the lease |
| Computers hardware | 25%-33.3% |
| Motor vehicles | 20%-25% |
| Office equipment | 15-20% |
| Furniture and fittings | 15-20% |

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

### 3.7. Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are compared at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Bank evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset or a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

### 3.9. Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

The Bank operates a defined contribution for its employees. The assets of these schemes are held in separate trustee administered funds. The schemes are funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

The Bank also contributes to the statutory Social Security and National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Pensions Act, 2008 Act 766. The Bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. The Bank's obligations to staff retirement benefit schemes are charged to profit or loss in the year to which they relate.

### 3.10. Taxation

#### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

#### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss In respect of taxable temporary differences, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Where the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 3.11. Leasing

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

### Bank as a lessee

Leases that do not transfer to the bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

### Bank as a Lessor

Leases where the bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

## 3.12. Cash and cash equivalents

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

## 3.13. Financial assets and liabilities

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.  All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial assets and financial liabilities.

On initial recognition, financial assets are classified into fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments or loans and receivables.

Financial liabilities such as customer deposits, due to banks and other financial institutions and long term borrowings are measured at amortised cost, except for trading liabilities designated at fair value through profit or loss on initial recognition which are held at fair value. Purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that the Bank is committed to purchase or sell an asset.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Bank has transferred its contractual right to receive the cash flows from the assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - the Bank has transferred substantially all the risks and rewards of the asset, or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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

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

### Financial instruments at fair value through profit or loss

Financial instruments are classified at fair value through profit or loss where they are trading securities or where they are designated at fair value through profit or loss by management.

Trading securities are debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short-term gains. Such securities are classified as trading securities and recognised in the statement of financial position at their fair value. Gains and losses arising from changes in their fair value are recognised in the profit or loss within net operating income in the period in which they occur.

Other financial assets and liabilities at fair value through profit or loss are designated as such by management upon initial recognition. Such assets and liabilities are carried in the statement of financial position at their fair values and gains and losses arising from changes in fair are recognised in the profit or loss in the period in which they occur.

### Derivatives recorded at fair value through profit or loss

The Bank uses derivatives such as currency swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss.

### Available-for-sale financial assets

Investments in Securities that are not classified as trading securities, at fair value through profit or loss, held-to-maturity investments or as loans and receivables are classified as available-for-sale financial assets and are recognised in the statement of financial position at their fair value. Available- for- sale financial assets are those intended to be held for an indeterminate period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates. Gains and losses arising from changes in the fair value of investments classified as available -for- sale are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Interest calculated using the effective interest method and foreign exchange gains and losses on debt securities denominated in foreign currencies are recognised in profit or loss.

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of Interest income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

### Loans and receivables

Loans and receivables include loans and advances to banks and customers and eligible assets including those transferred into this category out of the fair value through profit or loss or available-for-sale financial assets categories. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in profit or loss. Losses arising from impairment are recognised in the profit or loss in impairment losses on loans and advances.

Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs or, for eligible assets transferred into this category, their fair value at the date of transfer. Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method less provision for impairment.

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method, less any provision for impairment.

### Deposits and balances due from banking institutions and loans and advances to customers

Financial assets, 'Deposits and balances due from banking institutions' and 'Loans and advances to customers' include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available-for-sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, Deposits and balances due from banking institutions and Loans and advances to customers are subsequently measured at amortised cost using the EIR, less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in Interest income in profit or loss. The losses arising from impairment are recognised in profit or loss in impairment losses on loans and advances. The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held for trading because the intent is to sell the loans in the short term. Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

### Impairment of financial assets at amortised cost

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will not be able to honour their debt or enter into other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment together with financial assets with similar risk characteristics. 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 has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on 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 group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

### Determining fair value

The Bank measures financial instruments, such as, available for sale financial assets at fair value. 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 to 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy disclosed in note 44.

### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of financial position. There has been no offsetting of financial instruments during the year.

### 3.14. Write offs

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in profit or loss for both secured and unsecured. Refer to impairment of financial assets for how the amount of impairment loss is measured.

### 3.15. Renegotiated loans

Loans that are either subject to collective or individual impairment and whose term has been renegotiated are initially put on a watch list for a minimum of six (6) months. Subject to the performance of the facility, it may be reclassified as a performing facility.

Renegotiating of loans involves extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

### 3.16. Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

### 3.17. Credit risk reserve

IAS 39 requires the Bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, the Bank of Ghana (BoG) prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory credit reserve. The provision for this additional impairment amounts is to be made only when impairment amounts provided under IFRS rules is lower than the figure to be provided under BOG Prudential Guidelines.

### 3.18. Statutory reserve

This is an accumulation of transfers from profit for the year in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

### 3.19. Financial guarantees

In the ordinary course of business, the bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in profit or loss. The premium received is recognised in profit or loss on a straight line basis over the life of the guarantee.

## 4. Standards issued but not yet effective

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

### IFRS 9 Financial Instruments

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

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed a detailed impact assessment on the adoption of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank will adopt IFRS 9. Overall, the Bank expects a significant impact on its statement of financial position and equity mainly resulting from the effect of applying the impairment requirements of IFRS 9. The Bank expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Bank will implement changes in classification of certain financial instruments.

### (a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity in applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value through profit or loss however, unquoted equity shares currently held at cost will be reclassified as fair value through other comprehensive income and be measured as fair value. Debt securities are expected to be continue to be measured at amortised cost.

Loans and advances to customers are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

### (b) Impairment

#### Overview

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

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

- To calculate ECL, the Bank will estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and

- The cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan. In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.
- Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For 'low risk' FVOCI debt securities, the Bank intends to apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate EC. Such instruments will generally include Ghana Government and Bank of Ghana Treasury bills which the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank will not consider instruments to have low credit risk simply because of the value of collateral. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank's other financial instruments.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as overdrafts, the Bank measures ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

The Bank intends to apply a policy that if the transfer into Stage 2 had been initially triggered by indicators other than the movement in the probability of default, the loan can only return to Stage 1 after a probation period of two years.

### Forward looking information

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

The Bank considers forward-looking information such as macroeconomic factors (e.g., unemployment and GDP growth) and economic forecasts. To evaluate a range of possible outcomes, the bank intends to formulate three scenarios: a base case, a worse case and a better case. The base case scenario represents the more likely outcome resulting from the Bank's normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Bank will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

The Bank will use internal information coming from internal economic experts, combined with published external information from government and other global organisations the world Bank and IMF. Both the Risk and Finance management teams will need to approve the forward-looking assumptions before they are applied for different scenarios.

### (c) Hedge accounting

The Bank determined that it does not have any hedging relationships hence this may not have any impact on the Bank.

### (d) Other adjustments

In addition to the adjustments described above, on adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, will be adjusted as necessary.

In summary, the impact of IFRS 9 adoption is expected to be, as follows:

### Impact on equity (increase/(decrease)) as of 31 December 2017:

| | ADJUSTMENTS GH¢ |
|---|---|
| ASSETS | |
| DUE FROM BANKS | (263,904) |
| LOANS AND ADVANCES TO CUSTOMERS | (3,742,005) |
| DEFERRED TAX ASSETS | 1,001,477 |
| NET IMPACT ON ASSETS | (3,004,432) |
| LIABILITIES | |
| DEFERRED TAX | |
| PROVISIONS FOR OFF BALANCE SHEET ITEMS | 64,021 |
| NET IMPACT ON LIABILITIES | 64,021 |
| EQUITY | |
| RETAINED EARNINGS | (1,135,384) |
| NET IMPACT ON EQUITY | (1,135,384) |

### Impact on Profit or loss

| | ADJUSTMENT GH¢ |
|---|---|
| IMPAIRMENT CHARGED FOR THE YEAR | (3,941,888) |
| INCOME TAX EXPENSE | 1,001,477 |
| NET IMPACT ON EQUITY | (2,940,411) |

### IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not expect any significant impact on its revenue on the adoption of this standard.

### IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

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

### IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The bank plans to adopt this standard when it becomes effective.

## 5. New and ameded standards and interpretations

### Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. This is not expected to impact the Bank.

### Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Bank does not expect any impact when the standard become effective.

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

The amendments clarify that:

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

investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

### IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

**(i) The beginning of the reporting period in which the entity first applies the interpretation**

Or

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

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

### IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply interpretation from its effective date. In addition, the Bank may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

## 6. Risk Management

### Introduction and overview

Taking risk is core in the business of Banking. In the performing of its statutory duties, the Bank analyses, evaluates and assumes positions of taking calculated risks. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The most important types of risk faced by the Bank include:

- Credit Risk
- Liquidity Risk
- Market Risk (i.e. risk related to currency trading, interest rate and other price risk)
- Operational Risk
- Compliance Risk

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Risk and Compliance Committee for the management of risk in the Bank. The arm of the committee within management is the Risk Management Department which assists it in the discharge of this responsibility. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Through the compliance department, the Bank ensures it complies with all prudential and regulatory guidelines in the pursuit of profitable Banking opportunities while avoiding excessive, unnecessary and uncontrollable risk exposures. Being an inherent feature in the business of the Bank, various mitigating measures are put in place to better manage risk.

All risk management policies are formulated at the board level through the Board Committee Risk and Compliance. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Risk and Compliance Committee is responsible among other things for authorising the scope of the risk management function and renewing and assessing the integrity of the risk control systems, ensuring that the risk policies and strategies are effectively managed.

### Credit Risk

Credit risk is the risk of potential financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other Banks as well as investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

### Ageing analysis of past due but not impaired gross financial instruments

The following table provides an analysis of gross loans and advances to customers held at amortised cost which are past due but not considered impaired. There are no other significant balance sheet items where past due balances are not considered impaired.

| | UP TO 90-DAYS | UP TO 180-DAYS | TOTAL |
|---|---|---|---|
| AS AT DECEMBER 2017 | 61,552,910 | 2,553,060 | 64,105,970 |
| AS AT DECEMBER 2016 | 30,020,770 | 331,078 | 30,351,848 |

### Management of Credit Risk

The Board Risk and Compliance Committee manages the risk of the Bank with the assistance of two management committee namely, Management Credit Approval Committee and Management Risk and Compliance Committee. While the Credit Approval Committee manages credit assessments and approvals, the Risk and Compliance Committee oversees the enterprise-wide risk of the Bank.

The Board Risk and Compliance Committee fundamentally;

- Sets out the nature, role, responsibility and authority of the risk management function within the Bank and outlines the scope of the risk.
- Reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.
- Provides an independent and objective oversight and reviews the information presented by management and the Audit Committee to the board on financial, business and strategic risk issues.
- Adopts the principles of governance and codes of best practice.
- Reviews the decision of the Management Credit Approval Committee and Asset-Liability Management Committee (ALCO) on a quarterly basis, to determine the maximum mandate levels for the various credit sanctioning bodies.

The Purpose of the Board Risk and Compliance Committee is to:

- Oversee the credit risk function of the Bank to ensure a healthy credit portfolio
- Ensure that the Bank exercise due care in the use of credit authority.
- Approve/decline credit applications above country limit of the Management Credit Approval Committee.
- Sets and determines the Bank's credit policy and general risk climate of the Bank
- Review on regular basis the monitoring of policy compliance, compliance of portfolio against standards and recommend for appropriate action to be taken.
- Ensure key triggers are kept under review and stress tests on the portfolio conducted whenever significant changes occur or are anticipated.
- Agree portfolio targets, industry and credit grading concentrations.
- Determine in tandem with ALCO, market and product pricing based on risk adjusted return.
- Ensure compliance with regulatory requirements in credit delivery.

## Maximum exposure to credit risk

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| ON-STATEMENT OF FINANCIAL POSITION ITEMS | | |
| A) NON-PLEDGED ASSETS | 166,060,315 | - |
| B) INVESTMENT SECURITIES | 135,410,947 | 196,665,949 |
| C) DEPOSITS DUE FROM BANKING INSTITUTIONS: | | |
| LOCAL | 133,187,091 | 36,842,186 |
| FOREIGN | 130,717,566 | 229,542,875 |
| TOTAL | 263,904,657 | 266,385,061 |
| D) LOANS AND ADVANCES TO CUSTOMERS: | | |
| INDIVIDUALS: | | |
| OVERDRAFT | 2,767,196 | 5,737,988 |
| TERM LOAN | 147,860,111 | 109,633,780 |
| TOTAL | 150,627,307 | 115,371,768 |
| CORPORATE ENTITIES: | | |
| OVERDRAFT | 115,107,679 | 112,212,903 |
| TERM LOAN | 236,480,770 | 226,836,101 |
| TOTAL | 351,588,449 | 339,049,004 |
| GROSS LOANS AND ADVANCES (EXCLUDING SUSPENDED INTEREST) | 502,215,755 | 454,420,772 |
| E) OTHER ASSETS: | | |
| INTER BANK CLEARING ITEMS | 39,743,519 | 36,061,462 |
| OTHERS | 7,735,436 | 6,719,045 |
| TOTAL | 47,478,955 | 42,780,507 |
| OFF STATEMENT OF FINANCIAL POSITION ITEMS | | |
| LETTERS OF CREDIT | 53,538,771 | 38,876,593 |
| LETTERS OF GUARANTEE | 235,070,893 | 44,190,543 |
| TOTAL | 288,609,664 | 83,067,136 |

The Bank doesn't perceive any significant credit risk on the following financial assets:

- Investments in securities and balances with the Central Bank of Ghana
- Deposits and balances due from banking institutions.
- Off statement of financial position items.

The table below shows the loans and advances the maximum credit risk exposure to the Bank at 31 December 2016, and after taking into account provision for impairment.

2017

| LOANS AND ADVANCES TO CUSTOMERS | GROSS AMOUNTS INTEREST IN SUSPENSE) GH¢ | IMPAIRMENT ALLOWANCES GH¢ | NET AMOUNTS GH¢ | % |
|---|---|---|---|---|
| PAST DUE AND IMPAIRED | 94,434,553 | 6,465,443 | 87,969,110 | 18.8% |
| PAST DUE BUT NOT IMPAIRED | 64,105,970 | - | 64,105,970 | 12.8% |
| NEITHER PAST DUE NOR IMPAIRED | 343,675,231 | - | 343,675,231 | 68.4% |
| TOTAL | 502,215,754 | 6,465,443 | 495,750,311 | 100.0 |

| 2016<br>LOANS AND ADVANCES TO CUSTOMERS | GROSS AMOUNTS INTEREST IN SUSPENSE) GH¢ | IMPAIRMENT ALLOWANCES GH¢ | NET AMOUNTS GH¢ | % |
|---|---|---|---|---|
| PAST DUE AND IMPAIRED | 78,090,266 | 7,334,191 | 70,756,075 | 17% |
| PAST DUE BUT NOT IMPAIRED | 30,351,848 | - | 30,351,848 | 7% |
| NEITHER PAST DUE NOR IMPAIRED | 345,978,658 | - | 345,978,658 | 76% |
| TOTAL | 454,420,772 | 7,334,191 | 447,086,581 | 100% |

Each business unit is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Board. Each business unit has a Relationship Officer who reports all credit related matters to Management Credit Committee on a monthly basis. There is also a Credit Risk and Monitoring Unit under the Risk department that continuously tracks and monitors the performance of each credit facility and prompts the Relationship Officers and Managers concern on all sticky accounts.

The non-performing loan (NPL) ratio at the end of year 2017 was 18.8% (2016:17%)

## Impaired loans

Impaired loans and securities are loans and securities for which the Bank determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of the loan / security agreement(s). These loans are graded "Extreme" which is 9 -10 in the Bank's internal credit risk grading system.

## Past due but not impaired loans

Past due but not impaired facilities are loans and advances where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

## Neither past due nor impaired

The Bank uses an internal rating system which contains 9 grades, representing the Bank’s best estimate of credit risk for a counterparty based on the probability of default of a customer within the next 12 months in current economic environment or probability of default of a customer within the next 12 months but in a cycle neutral economic environment. The credit quality of neither past due nor impaired loans at 31 December 2016 is as follows:

| DETAILS | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| STRONG | 282,451,828 | 264,980,552 |
| GOOD | 55,896,564 | 55,787,744 |
| SATISFACTORY | 5,326,839 | 25,210,362 |
| TOTALS | 343,675,231 | 345,978,658 |

Financial statement descriptions can be summarised as follows:

Strong – there is a very high likelihood of the asset being recovered in full

Good – whilst there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Bank, the asset may not be collateralised, such as unsecured loans, which have been classified as good, regardless of the fact that the output of internal grading models may have indicated a higher classification. At a lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of some deterioration.

Satisfactory – there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. However, the borrower or counterparty is continuing to make payment when due and is expected to settle all outstanding amounts of principal and interest.

### Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. Total amount of renegotiated loans during the year amounted to GH¢ 114,932,068.63 (2016: GH¢ 53,940,248.04).

### Allowances for impairment

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

| AT 31 DECEMBER | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| INDIVIDUALLY IMPAIRED LOANS | 4,799,808 | 5,841,158 |
| COLLECTIVELY IMPAIRED LOANS | 1,665,635 | 1,493,033 |
| TOTAL | 6,465,443 | 7,334,191 |

### Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

### Collateral held

The Bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities incurred by the customer. These collaterals cannot be sold or pledged while there is no default.

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest or income.

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:

| | AGAINST INDIVIDUALLY IMPAIRED | | AGAINST PAST DUE BUT NOT IMPAIRED | | AGAINST NEITHER PAST DUE NOR IMPAIRED | |
|---|---|---|---|---|---|---|
| TYPE OF SECURITY | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| CASH | | | - | - | - 115,265,932 | 77,285,237 |
| MORTGAGE | 115,653,208 | 97,011,600 | 56,895,620 | 13,450,000 | 358,965,983 | 258,956,832 |
| INTERIM PAYMENT CERTIFICATES | 16,568,933 | 5,350,000 | 21,568,926 | 33,499,400 | 50,265,986 | 68,952,586 |
| DEBENTURES | 10,256,005 | 10,778,366 | 18,986,530 | 20,850,000 | 75,689,563 | 81,568,935 |
| INSURANCE BOND | - | - | 21,128,500 | 10,000,000 | 38,056,483 | 58,925,683 |
| GUARANTEES | 62,891,708 | 60,650,132 | 37,520,460 | 13,786,607 | 907,652,379 | 827,535,275 |
| TOTAL | 205,369,854 | 173,790,098 | 156,100,036 | 91,586,007 | 1,545,898,343 | 1,373,224,548 |

## Concentrations of risk

The Bank monitors concentration of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| ADVANCES TO CUSTOMERS-GROSS | GH¢ | % | GH¢ | % |
| AGRICULTURE | 940,118 | 0.19% | 1,198,518 | 0.26% |
| MANUFACTURING | 22,661,695 | 4.51% | 9,035,040 | 1.99% |
| COMMERCE & FINANCE | 82,866,665 | 16.50% | 83,755,063 | 18.43% |
| TRANSPORT & COMMUNICATIONS | 4,155,779 | 0.83% | 9,219,997 | 2.03% |
| MINING AND QUARRYING | 10,039,272 | 2.00% | 10,076,863 | 2.22% |
| BUILDING & CONSTRUCTION | 95,056,958 | 18.93% | 96,014,768 | 21.13% |
| SERVICES | 47,682,045 | 9.49% | 31,189,656 | 6.86% |
| ELECTRICITY, OIL, GAS, ENERGY AND WATER | 89,097,780 | 17.74% | 99,381,292 | 21.87% |
| OTHERS | 149,715,442 | 29.81% | 114,549,575 | 25.21% |
| | 502,215,754 | 100.00% | 454,420,772 | 100% |

## Off statement of financial position items (letters of credit and guarantees)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | GH¢ | % | GH¢ | % |
| ASOCIAL COMM. & PERSONAL SERV. | 548,796 | 0.2% | 167,792 | 0.2% |
| BUSINESS SERVICES | 45,689,566 | 15.8% | 23,337,073 | 28.1% |
| WHOLESALE AND RETAIL | 35,869,542 | 12.4% | 21,657,850 | 26.1% |
| TRANSPORT & COMMUNICATION | 145,620 | 0.1% | 103,767 | 0.1% |
| OTHER | 51,848,641 | 18.0% | 37,661,451 | 45.3% |
| MANUFACTURING | 154,507,500 | 53.5% | 139,203 | 0.2% |
| TOTAL | 288,609,665 | 100.0% | 83,067,136 | 100.0% |

## Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Bank's risk function.

## Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset."

"Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

## Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

To limit this risk, the bank has developed internal control processes through its treasury department which maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The Bank also maintains a statutory deposit with the Central Bank of Ghana which is equal to 10% of customer deposits.

## Exposure to liquidity risk

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

| AT 31 DECEMBER | 2017 | 2016 |
|---|---|---|
| AVERAGE FOR THE PERIOD | 10.60% | 10.00% |
| MAXIMUM FOR THE PERIOD | 11.00% | 10.00% |
| MINIMUM FOR THE PERIOD | 10.00% | 10.00% |
| STATUTORY MINIMUM REQUIREMENT | 10.00% | 10.00% |

## Residual contractual maturities of financial liabilities

The table below presents the cash flows payable by the Bank under both derivative and non-derivative financial liabilities by the remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted inflows.

### Maturity analysis of financial assets and financial liabilities

| 2017 | CARRYING AMOUNT GH¢ | UP TO 1 MONTH GH¢ | 1-3 MONTHS GH¢ | 3-12 MONTHS GH¢ | 1-5 YEARS GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|---|
| FINANCIAL LIABILITIES | | | | | | |
| CUSTOMER DEPOSITS | 884,659,078 | 351,357,413 | 259,985,094 | 243,161,416 | 43,411,218 | 897,915,141 |
| BORROWINGS | 215,107,939 | 22,247,769 | 80,466,568 | 114,101,320 | - | 216,815,657 |
| OTHER LIABILITIES | 55,080,006 | 13,834,841 | 5,919,565 | - | 35,325,600 | 55,080,006 |
| TOTAL FINANCIAL LIABILITIES | 1,154,847,023 | 387,440,023 | 346,371,227 | 357,262,736 | 78,736,818 | 1,169,810,804 |
| FINANCIAL ASSETS | | | | | | |
| CASH AND CASH EQUIVALENTS | 394,339,088 | 317,026,155 | 77,667,563 | - | - | 394,693,718 |
| INVESTMENT SECURITIES | 301,471,262 | 425,332 | 22,072,217 | 136,190,497 | 151,083,312 | 309,771,358 |
| LOANS AND ADVANCES TO CUSTOMERS (NET) | 495,750,311 | 182,266,684 | 55,565,014 | 46,322,050 | 222,905,583 | 507,059,331 |
| OTHER ASSETS | 47,478,955 | 41,732,664 | 5,746,291 | - | - | 47,478,955 |
| TOTAL FINANCIAL ASSETS | 1,239,039,616 | 541,450,835 | 161,051,085 | 182,512,547 | 373,988,895 | 1,259,003,362 |
| NET LIQUIDITY GAP | 84,192,593 | 154,010,812 | (185,320,142) | (174,750,189) | 295,252,077 | 89,192,558 |
| OFF BALANCE SHEET | | | | | | |
| FINANCIAL GUARANTEE CONTRACT | 235,070,893 | 28,781,176 | 47,775,637 | 136,797,885 | 25,887,296 | 239,241,994 |

| 2016 | CARRYING AMOUNT GH¢ | UP TO 1 MONTH GH¢ | 1-3 MONTHS GH¢ | 3-12 MONTHS GH¢ | 1-5 YEARS GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|---|
| FINANCIAL LIABILITIES | | | | | | |
| CUSTOMER DEPOSITS | 679,980,171 | 514,199,849 | 124,618,474 | 52,912,488 | - | 691,730,811 |
| BORROWINGS | 249,992,506 | 34,487,330 | 107,964,754 | 109,031,665 | - | 251,483,749 |
| OTHER LIABILITIES | 49,866,100 | 12,256,295 | 3,474,700 | - | 39,237,115 | 54,968,110 |
| TOTAL FINANCIAL LIABILITIES | 979,838,777 | 560,943,474 | 236,057,928 | 161,944,153 | 39,237,115 | 998,182,670 |
| FINANCIAL ASSETS | | | | | | |
| CASH AND CASH EQUIVALENTS | 360,011,980 | 232,674,731 | 128,354,402 | - | - | 361,029,133 |
| INVESTMENT SECURITIES | 196,665,949 | 47,402,479 | 62,905,224 | 87,700,141 | - | 198,007,844 |
| LOANS AND ADVANCES TO CUSTOMERS (NET) | 447,874,603 | 202,036,553 | 11,241,622 | 36,462,743 | 215,769,304 | 465,510,222 |
| OTHER ASSETS | 42,780,507 | 37,714,070 | 1,402,554 | - | 3,162,367 | 42,278,991 |
| TOTAL FINANCIAL ASSETS | 1,047,333,039 | 519,827,833 | 203,903,802 | 124,162,884 | 218,931,671 | 1,066,826,190 |
| NET LIQUIDITY GAP | 66,706,240 | (41,115,641) | (32,154,126) | (37,781,269) | 179,694,556 | 68,643,520 |
| OFF BALANCE SHEET | | | | | | |
| FINANCIAL GUARANTEE CONTRACT | 44,190,543 | 10,720,303 | 763,077 | 15,089,051 | 19,596,571 | 46,169,002 |

The balances in the above table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flows (both principal and interest), on an undiscounted basis.

The previous table shows the undiscounted cash flows on the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately. The gross nominal inflow/(outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment.

## Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

## Management of market risks

Overall responsibility for management of market risk rests with Assets and Liabilities Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

### i. Interest rate risk

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

Interest rates on advances to customers and other risk assets are pegged to the Bank's base lending rate. The base rate is adjusted from time to time to reflect the cost of funds.

The Assets and Liability Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

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

The interest rate risks sensitivity analysis is based on the following assumptions.

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

The table below summarises the exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re pricing or maturity dates. The Bank does not bear an interest rate risk on off statement of financial position items.

| 2017 | LESS THAN 1 MONTH | 1 MONTH LESS THAN 3 MONTHS | 3 MONTHS LESS THAN 6 MONTHS | 6 MONTHS LESS THAN 1 YEAR | 1 YEAR LESS THAN 5 YEARS | TOTAL |
|---|---|---|---|---|---|---|
| FINANCIAL ASSETS | | | | | | |
| INVESTMENT IN SECURITIES | 46,810,510 | 62,405,962 | 87,463,377 | - | - | 196,665,949 |
| LOANS AND ADVANCES TO CUSTOMERS (NET) | 190,318,659 | 10,972,788 | 18,885,016 | 16,362,396 | 210,547,722 | 447,086,581 |
| TOTAL FINANCIAL ASSETS | 237,129,169 | 72,264,308 | 106,348,393 | 16,362,396 | 210,547,722 | 643,752,530 |
| FINANCIAL LIABILITIES | | | | | | |
| CUSTOMER DEPOSITS | 514,199,849 | 115,387,476 | 31,519,946 | 18,872,899 | - | 679,980,171 |
| TOTAL FINANCIAL LIABILITIES | 514,199,849 | 115,387,476 | 31,519,946 | 18,872,899 | - | 679,980,171 |
| INTEREST RATE SENSITIVITY GAP | (277,070,680) | (42,022,626) | 74,828,447 | (2,510,503) | 210,547,722 | (36,227,641) |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being held constant) of the Bank's profit or loss. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held at 31 December 2017.

## Interest Rate Sensitivity Analysis

| | | | IMPACT ON PROFIT OR LOSS | IMPACT ON EQUITY |
|---|---|---|---|---|
| | | | INCREASE/(DECREASE) IN RATES | |
| 2017 | GH¢ | | GH¢ | GH¢ |
| RATE SENSITIVE ASSETS | 797,221,574 | INCREASE IN | 39,861,079 | 39,861,079 |
| RATE SENSITIVE LIABILITIES | 884,659,078 | 500 BASIS POINT | (44,232,954) | (44,232,954) |
| TOTAL | | | (4,371,875) | (4,371,875) |
| RATE SENSITIVE ASSETS | 797,221,574 | DECREASE IN | (39,861,079) | (39,861,079) |
| RATE SENSITIVE LIABILITIES | 884,659,078 | 500 BASIS POINT | 44,232,954 | 44,232,954 |
| TOTAL | | | 4,371,875 | 4,371,875 |
| 2016 | GH¢ | | GH¢ | GH¢ |
| RATE SENSITIVE ASSETS | 643,752,530 | INCREASE IN | 32,187,626 | 32,187,626 |
| RATE SENSITIVE LIABILITIES | 679,980,172 | 500 BASIS POINT | (33,999,009) | (33,999,009) |
| TOTAL | | | (1,811,383) | (1,811,383) |
| RATE SENSITIVE ASSETS | 643,752,530 | DECREASE IN | (32,187,626) | (32,187,626) |
| RATE SENSITIVE LIABILITIES | 679,980,171 | 500 BASIS POINT | 33,999,009 | 33,999,009 |
| TOTAL | | | 1,811,383 | 1,811,383 |

## Interest rate risk and foreign currency risk

The Bank has in place Reuters System to monitor live interest and exchange rates to facilitate trading by the treasury department. This helps the Bank know what is happening at any moment in time on the markets and where opportunities are present.

## b. Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline stipulated by the Bank of Ghana. This position is reviewed and monitored on a daily basis and hedging strategies such as currency swaps are used to ensure positions are maintained within established limits.

The exchange rates used for translating the major foreign currency balances at the year-end were as follows:

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| US DOLLAR | 4.4157 | 3.7998 |
| GB POUND | 5.9669 | 5.6279 |
| EURO | 5.2962 | 4.4367 |
| NGN | 0.0144 | 0.0137 |

Foreign exchange risk represents appreciation/depreciation of the GH¢ against other currencies. The Foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Ghana Cedi (GHc).
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.
- The base currency in which the Bank's business is transacted is Ghana Cedis (GH¢).

### ii. Foreign exchange risk

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at reporting date.

| 2017 | USD<br>GH¢ | GBP<br>GH¢ | EUR<br>GH¢ | TOTAL<br>GH¢ |
|---|---|---|---|---|
| ASSETS | | | | |
| CASH AND CASH EQUIVALENTS | 131,921,918 | 5,965,684 | 4,338,524 | 142,226,126 |
| INVESTMENT IN SECURITIES | 176,628,000 | - | - | 176,628,000 |
| LOANS AND ADVANCES TO CUSTOMERS (NET) | 135,152,862 | 2,096 | 46,660,139 | 181,815,097 |
| OTHER ASSETS | 2,812,761 | - | 359,521 | 3,172,282 |
| TOTAL FINANCIAL ASSETS | 446,515,541 | 5,967,780 | 51,358,184 | 503,841,505 |
| FINANCIAL LIABILITIES | | | | |
| CUSTOMER DEPOSITS | 214,422,369 | 5,666,631 | 41,103,469 | 261,192,469 |
| BORROWINGS | 185,927,768 | - | 29,180,171 | 215,107,939 |
| OTHER LIABILITIES | 38,657,870 | 1,441 | 75,334 | 38,734,645 |
| TOTAL FINANCIAL LIABILITIES | 439,008,007 | 5,668,072 | 70,358,974 | 515,035,053 |
| NET BAL. SHEET POSITION | 7,507,534 | 299,708 | (19,000,790) | (11,193,548) |

| 2016 | USD GH¢ | GBP GH¢ | EUR GH¢ | TOTAL GH¢ |
|---|---|---|---|---|
| ASSETS | | | | |
| CASH AND CASH EQUIVALENTS | 247,721,803 | 3,093,057 | 4,327,684 | 255,142,544 |
| LOANS AND ADVANCES TO CUSTOMERS (NET) | 118,823,138 | 1,576 | 57,798,242 | 176,622,956 |
| OTHER ASSETS | 2,260,872 | - | 266,990 | 2,527,862 |
| TOTAL FINANCIAL ASSETS | 368,805,812 | 3,094,633 | 62,392,916 | 434,293,361 |
| FINANCIAL LIABILITIES | | | | |
| CUSTOMER DEPOSITS | 180,040,990 | 4,236,817 | 39,203,785 | 223,481,592 |
| BORROWINGS | 208,714,775 | - | 36,272,252 | 244,987,027 |
| OTHER LIABILITIES | 35,680,385 | 9,539 | 1,168,901 | 36,858,825 |
| TOTAL FINANCIAL LIABILITIES | 424,436,150 | 4,246,355 | 76,644,939 | 505,327,444 |
| NET BAL. SHEET POSITION | (55,630,337) | (1,151,722) | (14,252,023) | (71,034,082) |

| | | CHANGE IN CURRENCY RATE % 2017 | EFFECT ON PROFIT BEFORE TAX 2017 | | | CHANGE IN CURRENCY RATE % 2017 | EFFECT ON PROFIT BEFORE TAX 2017 |
|---|---|---|---|---|---|---|---|
| USD | 7,507,534 | 10% | 750,753 | USD | (55,630,337) | 10% | (5,563,034) |
| GBP | 299,708 | 10% | 29,971 | GBP | (1,151,722) | 10% | (115,172) |
| EUR | (19,000,790) | 10% | (1,900,079) | EUR | (14,252,023) | 10% | (1,425,202) |
| | (11,193,548) | | (1,119,355) | | | | (7,103,408) |

## Operational risks

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

Operational risks relate to the risk that the Bank's operations may be halted temporarily or permanently by inadequate internal and/or systems controls, allowing for people to take advantage to commit fraud.

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

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

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements

- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks.
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plan
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the bank's standards is supported by a programme of continuous reviews by the bank's Branch Operations and periodic reviews by the Internal audit Department. The reports on these reviews are discussed at the Management Risk and Compliance Committee with issues being escalated to the Board Risk and Compliance Committee when necessary.

## Compliance Risk

Compliance risk, sometimes also referred to as integrity risk because a Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing, is defined as the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice (together "laws, rules and standards").

As part of its efforts to address supervisory issues and enhance sound practices in the Bank, the Board, through its Risk and Compliance Committee and the Compliance Department of the Bank manages compliance related risk of the Bank.

Compliance with laws, rules and standards helps to maintain the Bank's reputation with, and thus meet the expectations of, its customers, the markets and society as a whole. Although compliance with laws, rules and standards has always been important, compliance risk management has become more formalised within the past few years and has emerged as a distinct risk management discipline.

## Management of Compliance Risk

The Board, through its Sub-Committee on Credit and Risk, oversees the compliance functions of the Bank. The Compliance department of the Bank, on monthly basis, updates the Management Risk and Compliance Committee on critical compliance issues within the period pertaining to statutory regulations, the BOA Group policies and BANK OF AFRICA - GHANA policies. Management of issues related to anti-money laundering is of core importance to the committee. The issues are aggregated and reported to the Board Credit and Risk Committee on a quarterly basis.

The Compliance department has standard procedural and policy checklist for every department of the Bank. This checklist ensures compliance on all regulatory and statutory issues. The department has also instituted a system to ensure that proper Know-Your-Customer (i.e. KYC) and Customer Due Diligence (i.e. CDD) procedures are followed in line with Bank of Ghana and Financial Intelligence Centre (i.e. FIC). This is achieved through a developed culture of respecting the standard account opening procedure religiously and a system that fosters a continuous update of our customer data base.

## 7. Capital Management

### Regulatory capital

The Bank of Ghana sets and monitors capital requirements for the Bank. The Bank's objectives when managing capital are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the Bank of Ghana.
- Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the Bank of Ghana for supervisory purposes. The required information is filed with the Central Bank of Ghana on a monthly basis.

### The new capital regulation

The Governor of the Bank of Ghana on the 11 of September 2017 announced an increase in the minimum paid up capital of GH¢ 60M for existing banks and GH¢ 120M for new entrants to a new level of GH¢ 400M.

Subject to regulatory approval, a merger with other existing banks in Ghana whiles the BOA Group retains operational control is the Board of Directors' and the BOA Group's preferred option for meeting the increased minimum capital requirements. The Bank's shareholders need to raise about US$ 60million to meet the new regulatory capital.

For the BOA Group to maintain a controlling interest, it needs to raise about US$ 22million out of the US$60 million to obtain 53.9% in the recapitalized entity.

The Bank is currently engaging multiple targets in potential merger talks from which one or two will be selected for a merger transaction to meet the required minimum capital.

The Board expects that by the end of the first quarter of 2018, the preliminary discussions for the merger transaction would have been concluded and a transaction which puts the Bank's capital at the regulatory minimum closed by the end of the third quarter of 2018.

### The Bank's regulatory capital is analysed into two tiers

- Tier 1 capital, which includes ordinary share capital, retained earnings, after deductions for intangible assets (excluding computer software), investments in equity instruments of other institutions 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 Capitalised Revaluations Reserves; Latent Revaluation Reserves; Undisclosed Reserves; Revaluation Sub-ordinated Loans and Hybrid Capital subject to a limit of 100% of Tier 1 Capital. Refer to note 42 for the summary of the quantitative data about what it manages as capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future 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 relationship between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

### Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved in the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in certain cases, the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital 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 independence of those responsible for the operation, by Bank Risk and Bank's capex committee, Risk management or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objective. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. Refer to note 42.

## 8. Interest Income

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| GOVERNMENT SECURITIES - HTM INVESTMENTS | 8,209,452 | 31,510,662 |
| GOVERNMENT SECURITIES - AFS INVESTMENTS | 8,800,445 | 31,990,134 |
| PLACEMENTS | 5,757,829 | 7,852,084 |
| LOANS AND ADVANCES TO CUSTOMERS | 84,991,754 | 63,367,005 |
| TOTAL | 107,759,480 | 134,719,885 |

## 9. Interest Expense

### (a) On deposits:

| | | |
|---|---|---|
| FIXED /TIME DEPOSITS | 20,335,826 | 5,760,081 |
| SAVINGS DEPOSITS | 3,390,437 | 2,026,715 |
| DEMAND & CALL DEPOSITS | 3,272,781 | 2,874,848 |
| TOTAL | 26,999,044 | 10,661,643 |

### (b) On borrowed funds:

| | | |
|---|---|---|
| INTER-BANK BORROWING | 1,133,366 | 6,296,158 |
| BORROWINGS | 6,864,156 | 5,388,160 |
| TOTAL | 7,997,522 | 11,684,318 |
| TOTAL DEPOSITS & BORROW | 34,996,566 | 22,345,961 |

## 10. Net Fees and Commission Income

### (a) Income

| | | |
|---|---|---|
| COMMISSION ON TURNOVER | 3,797,913 | 3,733,062 |
| FEES AND CHARGES | 3,118,399 | 5,524,121 |
| FOREIGN TRADE INCOME | 6,348,819 | 5,808,640 |
| LOAN FEE INCOMES | 4,939,808 | 5,189,810 |
| GUARANTEES CHARGES & COMMISSION | 4,103,980 | 2,187,451 |
| TOTAL | 22,308,919 | 22,443,084 |

**(b) Expenses**

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| FEES AND COMMISSIONS EXPENSES | (3,142,965) | (1,950,784) |
| TOTAL INCOME & EXPENSES | 19,165,954 | 20,492,300 |

## 11. Net Trading Income

| | | |
|---|---|---|
| GAINS ON FINANCIAL ASSETS HELD FOR TRADING | 4,557,662 | - |
| FOREIGN EXCHANGE DEALINGS | 22,350,288 | 21,219,706 |
| TOTAL | 26,907,950 | 21,219,706 |

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

## 12. Net Income from other Financial Instruments Carried at Fair Value

| | | |
|---|---|---|
| LOSS ON SWAP REVALUATION | - | 45,866,006 |

## 13. Other Operating Income

| | | |
|---|---|---|
| BAD DEBTS RECOVERED | 3,161,905 | 4,145,015 |
| GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT | 102,678 | 780 |
| TOTAL | 3,264,583 | 4,145,795 |

## 14. Personnel Expenses

| | | |
|---|---|---|
| SALARIES, BONUSES AND STAFF ALLOWANCES | 31,161,095 | 30,248,638 |
| SOCIAL SECURITY FUND CONTRIBUTION | 1,391,927 | 1,476,324 |
| PROVIDENT FUND CONTRIBUTION | 1,071,095 | 1,394,934 |
| MEDICALS | 2,499,974 | 2,351,761 |
| OTHER STAFF RELATED COSTS | 1,439,052 | 1,333,380 |
| TOTAL | 37,563,143 | 36,805,037 |

## 15. Depreciation and Amortisation

| | | |
|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT (25A) | 4,944,394 | 3,148,447 |
| INTANGIBLE ASSETS | 837,197 | 776,115 |
| TOTAL | 5,781,591 | 3,924,562 |

## 16. Other Expenses

| | | |
|---|---|---|
| DIRECTORS' FEES | 747,340 | 609,511 |
| OCCUPANCY COST | 11,478,577 | 10,668,976 |
| AUDITORS REMUNERATION | 530,584 | 324,465 |
| DONATIONS AND SOCIAL RESPONSIBILITY | 3,388 | 225,769 |
| MOTOR VEHICLE RUNNING | 759,213 | 1,709,656 |
| GENERAL & ADMINISTRATIVE | 15,156,487 | 12,680,742 |
| REPAIRS AND MAINTENANCE | 985,009 | 891,848 |
| INSURANCE | 458,520 | 539,882 |
| LEGAL AND OTHER PROFESSIONAL FEES | 5,120 | 68,535 |
| SOFTWARE FEES & MAINTENANCE | 3,648,685 | 4,507,661 |
| TRAINING & RESEARCH | 409,942 | 480,980 |
| OPERATING LEASE PREPAID | 11,552 | 11,552 |
| SECURITY | 1,779,223 | 1,741,766 |
| TELEPHONE AND POSTAGE | 778,570 | 919,775 |
| TOTAL | 36,752,210 | 35,381,118 |

## 17. Taxation

The major components of income tax expense for the years ended 31 December 2017 and 2016 were:

### (a) Tax credit/(charged) to profit or loss

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| CURRENT INCOME TAX | 6,703,140 | 6,008,081 |
| DEFERRED TAX RELATING TO THE ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES | 1,056,028 | (6,315,787) |
| NATIONAL FISCAL STABILIZATION LEVY | 1,667,299 | 1,255,765 |
| AT 31 DECEMBER | 9,426,467 | 948,058 |

### (b) Reconciliation of tax charge to the expected tax based on accounting profit

| | | |
|---|---|---|
| ACCOUNTING PROFIT BEFORE TAXATION | 33,345,987 | 25,115,301 |
| TAX AT THE APPLICABLE RATE OF 25% | 8,336,497 | 6,278,825 |
| TAX ON NON-DEDUCTIBLE EXPENSES | 140,152 | 382,880 |
| INCOME NOT SUBJECT TO TAX | (717,481) | (1,418,912) |
| DEFERRED TAX ADJUSTMENT | - | (5,550,500) |
| NATIONAL FISCAL STABILIZATION LEVY | 1,667,299 | 1,255,765 |
| TOTAL | 9,426,467 | 948,058 |

### (c) Deferred tax asset

Deferred tax relates to the following:

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| DEFERRED TAX LIABILITIES | | |
| PROPERTY, PLANT AND EQUIPMENT | (296,717) | - |
| AVAILABLE FOR THE SALE INVESTMENTS | (532,563) | (423,028) |
| DEFERRED TAX ASSETS | | |
| PROPERTY, PLANT AND EQUIPMENT | | 139,003 |
| PROVISION FOR IMPAIRMENT OF LOANS | 2,164,618 | 2,784,925 |
| NET DEFERRED TAX ASSET/(LIABILITY) | 1,335,338 | 2,500,900 |

| CHARGES IN DEFERRES TAX ASSETS AND LIABILITIES | 2017<br>GH¢ | 2016<br>GH¢ | IMPACT OF CHARGES ON PROFIT AND LOSS<br>GH¢ |
|---|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT | (296,717) | 139,003 | (435,720) |
| PROVISION FOR IMPAIRMENT OF LOANS | 2,164,618 | 2,784,925 | (620,308) |
| TOTAL | 2,164,618 | 2,923,928 | (1,056,028) |

| CHARGES IN DEFERRES TAX ASSETS AND LIABILITIES | 2017<br>GH¢ | 2016<br>GH¢ | IMPACT OF CHARGES ON PROFIT AND LOSS<br>GH¢ |
|---|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT | 139,003 | (305,097) | 444,100 |
| UNREALISED EXCHANGE GAIN | - | (5,550,500) | 5,550,500 |
| PROVISION FOR IMPAIRMENT OF LOANS | 2,784,925 | 2,463,738 | 321,187 |
| TOTAL | 2,923,928 | (3,391,859) | 6,315,787 |

Movement on deferred tax account as shown in the profit or loss is as follows:

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| OPENING BALANCE (ASSETS) / LIABILITIES | (2,923,928) | 3,391,859 |
| TAX (RECOVERED)/ EXPENSE TO PROFIT OR LOSS | 1,056,028 | (6,315,787) |
| TOTAL | (1,867,901) | (2,923,928) |

Movement on deferred tax account as shown in the OCI is as follows:

| | | |
|---|---|---|
| OPENING BALANCE (ASSETS) / LIABILITIES | 423,028 | 25,409 |
| TAX (RECOVERED)/ EXPENSE TO OCI | 109,535 | 397,619 |
| | 532,563 | 423,028 |
| TOTAL DEFERRED TAX (ASSET) / LIABILITY | (1,335,338) | (2,500,900) |

### (d) Corporate taxation (Payable)/Recoverable

### Corporate Tax and National Stabilisation Levy

| | 1/1 GH¢ | PAID DURING THE YEAR GH¢ | CHANGED DURING THE YEAR GH¢ | 31/12 GH¢ |
|---|---|---|---|---|
| CORPORATE TAX | | | | |
| 2012 | (1,561,705) | - | - | (1,561,705) |
| 2013 | 601,402 | - | - | 601,402 |
| 2014 | 145,259 | - | - | 145,259 |
| 2015 | (1,210,262) | | - | (1,210,262) |
| 2016 | (546,114) | - | - | (546,114) |
| 2017 | - | (7,201,674) | 6,703,140 | (498,534) |
| TOTAL | (2,571,420) | (7,201,674) | 6,703,140 | (3,069,954) |
| NATIONAL STABILISATION LEVY | | | | |
| 2014 | 58,226 | | | 58,226 |
| 2015 | 605,311 | | | 605,311 |
| 2016 | (54,665) | | | (54,665) |
| | - | (1,522,433) | 1,667,299 | 144,866 |
| | 608,872 | (1,522,433) | 1,667,299 | 753,738 |
| TOTAL | (1,962,548) | (8,724,107) | 8,370,439 | -2,316,216 |

## *18. Net Gain /(Loss) on Available for sale*

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| GAIN/(LOSS) ON AVAILABLE FOR SALE INVESTMENTS | 2,130,251 | 1,692,110 |
| AVAILABLE FOR SALE RECLASSIFIED TO PROFIT AND LOSS | (1,692,110) | (101,636) |
| | 438,141 | 1,590,474 |
| DEFERRED TAX (LIABILITIES) / ASSETS | (109,535) | (397,619) |
| TOTAL | 328,605 | 1,192,856 |

## 19. Earnings per Share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the year.

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | 23,919,520 | 24,167,243 |
| WEIGHTED AVERAGE NUMBER OF SHARES | | |
| NUMBER OF ORDINARY SHARES ISSUED | 99,683,823 | 99,683,823 |
| EARNINGS PER SHARE - BASIC (GH¢) | | 0.242 |

There were no potentially dilutive instruments outstanding at balance sheet date.

## 20. Cash and Cash Equivalents

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| CASH ON HAND AND CASH BALANCES WITH BANK OF GHANA (20A) | 130,434,432 | 93,626,919 |
| DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS (20B) | 263,904,657 | 266,385,061 |
| TOTAL | 394,339,089 | 360,011,980 |

The balances with Bank of Ghana represent a mandatory reserve and represents at least 10% of total customer liability that are required to be held with the Central Bank.

### 20a. Cash on hand and Cash Balances With BANK OF GHANA

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| CASH ON HAND | 50,057,876 | 52,276,500 |
| BALANCES WITH BANK OF GHANA | 80,376,556 | 41,350,419 |
| TOTAL | 130,434,432 | 93,626,919 |

### 20b. Deposits and Balances DueFrom Banking Institutions

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| NOSTRO BALANCES | | |
| LOCAL CURRENCY | 12,555,226 | 1,823,823 |
| FOREIGN CURRENCY | 53,404,632 | 28,594,596 |
| INTERBANK PLACEMENT | | |
| LOCAL CURRENCY | 120,631,865 | 35,018,363 |
| FOREIGN CURRENCY | 77,312,934 | 200,948,279 |
| TOTAL | 263,904,657 | 266,385,061 |

## 21. Non-Pledged Trading Assets

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| 1 YEAR TREASURY NOTES | 21,614,709 | - |
| 2-YEAR FIXED RATE NOTE | 42,205,192 | - |
| 3-YEAR NOTES | 91,114,417 | - |
| 5-YEAR TREASURY BONDS | 11,125,997 | - |
| TOTAL | 166,060,315 | - |

## 22. Loans and Advances to Customers

### (a)

| | | |
|---|---|---|
| OVERDRAFTS | 93,941,748 | 99,707,272 |
| MORTGAGES | 2,672,706 | 1,954,916 |
| LOANS | 405,601,300 | 352,758,584 |
| GROSS LOANS AND ADVANCES | 502,215,754 | 454,420,772 |
| ALLOWANCE FOR IMPAIRED LOANS AND ADVANCES: | | |
| ALLOWANCE FOR IMPAIRMENT LOSSES | (6,465,443) | (7,334,191) |
| TOTAL | 495,750,311 | 447,086,581 |

Included in loans and advances to customers are staff loans amounting to GH¢ 12,745,519.49 (2016 - GH¢ 8,574,521.76). The effective interest rate on loans and advances at 31 December 2017 was 26.6%

### (b) By maturity

| | | |
|---|---|---|
| MATURING: | | |
| WITHIN ONE YEAR | 280,406,707 | 236,538,860 |
| ONE TO THREE YEARS | 215,343,604 | 210,547,721 |
| TOTAL | 495,750,311 | 447,086,581 |

### (c) Net impairment loss on financial asset for the year

| | | |
|---|---|---|
| COLLECTIVE IMPAIRMENT | 1,665,635 | 1,493,033 |
| INDIVIDUAL IMPAIRMENT | 6,992,835 | 9,646,668 |
| TOTAL | 8,658,470 | 11,139,701 |

### Provision for loans and advances

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| COLLECTIVE IMPAIRMENT LOSS | | |
| OVERDRAFTS | 865,940 | 970,471 |
| LOANS | 799,695 | 522,561 |
| TOTAL | 1,665,635 | 1,493,033 |
| INDIVIDUAL IMPAIRMENT | | |
| OVERDRAFTS | 2,711,168 | 5,691,534 |
| LOANS | 4,281,667 | 3,955,134 |
| TOTAL | 6,992,835 | 9,646,668 |
| TOTAL CHARGED FOR THE YEAR | 8,658,470 | 11,139,701 |

### (d) Reconciliation of Impairment Charges

| | | |
|---|---|---|
| OPENING BALANCE | 7,334,191 | 10,381,156 |
| CHARGE FOR THE YEAR | 8,658,470 | 11,139,701 |
| WRITE-OFFS | (9,527,218) | (14,186,666) |
| AT 31 DECEMBER | 6,465,443 | 7,334,191 |

## 23. Investment Securities

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| AVAILABLE-FOR-SALE INVESTMENT SECURITIES | 44,856,547 | 83,854,482 |
| HELD-TO-MATURITY INVESTMENT SECURITIES | - | 91,355,232 |
| AVAILABLE-FOR-SALE INVESTMENT SECURITIES PLEDGED AS COLLATERAL | 90,554,400 | 5,012,000 |
| HELD-TO-MATURITY INVESTMENT SECURITIES PLEDGED AS COLLATERAL | - | 16,444,235 |
| | 135,410,947 | 196,665,949 |

### (a) Available for sale investments

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| 28-DAY BILL | - | 5,016,021 |
| 91-DAY TREASURY BILL | 432,841 | 4,407,031 |
| 182-DAY TREASURY BILL | 1,002,361 | 74,431,430 |
| 1 YEAR TREASURY NOTES | 76,226 | - |
| 2-YEAR FIXED RATE NOTE | 43,345,119 | - |
| | 44,856,547 | 83,854,482 |

### (b) Held to maturity investment

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| 1 YEAR TREASURY NOTES | - | 110,376 |
| 2-YEAR FIXED RATE NOTE | - | 90,114,856 |
| 5-YEAR TREASURY BONDS | - | 1,130,000 |
| | - | 91,355,232 |

### (c) Available for sale investments pledged as collateral

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| 28-DAY BILL | - | 5,012,000 |
| 182-DAY TREASURY BILL | 20,863,500 | - |
| 2-YEAR FIXED RATE NOTE | 69,690,900 | - |
| | 90,554,400 | 5,012,000 |

### (d) Held to maturity investments pledged as collateral

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| 1 YEAR TREASURY NOTES | - | - |
| 2-YEAR FIXED RATE NOTE | - | 16,444,235 |
| | - | 16,444,235 |
| TOTAL INVESTMENTS IN SECURITIES | 135,410,947 | 196,665,949 |

The interest rates on the treasury bills are between 15% to 27% and that of the treasury notes/bonds are 8% -10% and are fixed.

## 24. Intangible Assets - Software

| | 2017 | 2016 |
|---|---|---|
| | GH¢ | GH¢ |
| AS AT 1 JANUARY | 934,054 | 693,904 |
| ADDITIONS | 1,199,441 | 1,016,265 |
| AMORTISATION | (837,197) | (776,115) |
| TOTAL | 1,296,298 | 934,054 |

The intangible assets represent computer software costs.

## 25.Other Assets

| | 2017 | 2016 |
|---|---|---|
| | GH¢ | GH¢ |
| PREPAYMENTS | 27,503,736 | 29,374,858 |
| STATIONERY STOCKS | 1,311,208 | 1,147,673 |
| LOCAL CHEQUES ON COLLECTION | 39,743,519 | 36,061,462 |
| FOREIGN BILLS ON COLLECTION | 1,989,144 | 1,358,669 |
| REPOSSESSED COLLATERALS HELD FOR SALE (25B) | 14,900,000 | 14,900,000 |
| PREPAID STAFF COST | 3,463,652 | 3,162,367 |
| SETTLEMENT ON MONEY TRANSFER | 508,615 | 1,547,488 |
| OTHERS | 1,774,024 | 650,519 |
| TOTAL | 91,193,898 | 88,203,036 |

### By maturity

| | 2017 | 2016 |
|---|---|---|
| | GH¢ | GH¢ |
| WITHIN ONE YEAR | 71,001,115 | 65,690,812 |
| ONE TO THREE YEARS | 20,192,783 | 22,512,224 |
| TOTAL | 91,193,898 | 88,203,036 |

### 25b. Repossessed Collaterals Held for Sale

| | | |
|---|---|---|
| AS AT 1 JANUARY | 14,900,000 | 6,700,000 |
| ADDITION | - | 8,200,000 |
| | 14,900,000 | 14,900,000 |

The Bank in its normal course of business took possession of commercial property at Accra in addition to the one it took possession of in prior years. These assets are included in other assets as repossessed collaterals held for sale.

## 26. Property, Plant and Equipement

| | 2017 | 2016 |
|---|---|---|
| | GH¢ | GH¢ |
| LONG TERM LEASE PREPAID (26A) | 387,097 | 398,649 |
| PROPERTY, PLANT AND EQUIPMENT (26B) | 54,946,430 | 46,718,170 |
| TOTAL | 55,333,527 | 47,116,819 |

### 26a. Long Term Lease Preparaid

| | | |
|---|---|---|
| LONG TERM LEASE PREPAID | 398,649 | 410,202 |
| AMORTISATION IN CURRENT YEAR | (11,552) | (11,552) |
| BALANCE AT 31 DECEMBER | 387,097 | 398,649 |

| MATURITY ANALYSIS OF OPERATING LEASE PREPAID; | | |
|---|---|---|
| NOT LATER THAN ONE YEAR | 11,552 | 11,552 |
| LATER THAN ONE YEAR BUT NOT LATER THAN FIVE YEARS | 46,209 | 46,209 |
| LATER THAN FIVE YEARS | 329,336 | 340,888 |
| TOTAL | 387,097 | 398,649 |

Long term lease prepaid refers to advance payment for office premises. These are being amortised over the period of the lease.

## 26b. Property, Plant and Equipement

| 2017 | BUILDINGS ON SHORT LEASEHOLD LANDS GH¢ | OFFICE EQUIPMENT GH¢ | FURNITURE & FITTINGS GH¢ | MOTOR VEHICLES GH¢ | COMPUTERS HARDWARE GH¢ | WORK IN PROGRESS GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| AT 1 JANUARY 2017 | 2,058,260 | 13,639,504 | 2,043,132 | 4,210,400 | 4,341,944 | 36,770,952 | 63,064,192 |
| ADDITIONS | 70,500 | 1,730,822 | 7,86 | 292,183 | 347,723 | 10,789,529 | 13,238,624 |
| TRANSFERS | 38,324,440 | 1,514,904 | 1,969,307 | - | 655,908 | (42,464,559) | - |
| DISPOSALS | - | (3,585) | (653,707) | (294,603) | - | - | (951,895) |
| AT 31 DEC. 2017 | 40,453,200 | 16,881,645 | 3,366,599 | 4,207,980 | 5,345,575 | 5,095,922 | 75,350,921 |
| DEPRECIATION | | | | | | | |
| AT 1 JAN. 2017 | 594,825 | 7,843,458 | 1,438,521 | 2,979,593 | 3,489,625 | - | 16,346,022 |
| CHARGE | | | | | | | |
| FOR THE YEAR | 1,188,597 | 2,161,683 | 447,251 | 732,790 | 414,074 | - | 4,944,395 |
| RELEASED ON DISPOSAL | - | (3,290) | (605,064) | (277,572) | - | - | (885,926) |
| AT 31 DEC. 2017 | 1,783,422 | 10,001,851 | 1,280,708 | 3,434,811 | 3,903,699 | - | 20,404,491 |
| NET BOOK VALUE | | | | | | | |
| AT 31 DEC. 2017 | 38,669,778 | 6,879,794 | 2,085,891 | 773,169 | 1,441,876 | 5,095,922 | 54,946,430 |

None of the assets are used as security.

## 26c. Property, Plant and Equipement

| 2016 | BUILDINGS ON SHORT LEASEHOLD LANDS GH¢ | OFFICE EQUIPMENT GH¢ | FURNITURE & FITTINGS GH¢ | MOTOR VEHICLES GH¢ | COMPUTERS HARDWARE GH¢ | WORK IN PROGRESS GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| AT 1 JANUARY 2016 | 2,058,260 | 10,018,396 | 1,695,423 | 4,295,522 | 4,039,929 | - | 22,107,530 |
| ADDITIONS | | 3,621,108 | 347,709 | 17,052 | 302,015 | 36,770,952 | 41,058,836 |
| TRANSFERS/DISPOSALS | - | - | - | (102,174) | - | - | (102,174) |
| AT 31 DEC. 2016 | 2,058,260 | 13,639,504 | 2,043,132 | 4,210,400 | 4,341,944 | 36,770,952 | 63,064,192 |
| DEPRECIATION | | | | | | | |
| AT 1 JAN. 2016 | 528,748 | 6,263,627 | 1,234,221 | 2,224,009 | 3,017,214 | - | 13,267,819 |
| CHARGE FOR THE YEAR | 66,077 | 1,579,831 | 204,300 | 825,828 | 472,411 | - | 3,148,447 |
| RELEASED ON DISPOSAL | - | - | - | (70,244) | - | - | (70,244) |
| AT 31 DEC. 2016 | 594,825 | 7,843,458 | 1,438,521 | 2,979,593 | 3,489,625 | - | 16,346,022 |
| NET BOOK VALUE | | | | | | | |
| AT 31 DEC. 2016 | 1,463,435 | 5,796,046 | 604,611 | 1,230,807 | 852,319 | 36,770,952 | 46,718,170 |

## 26d. Disposal of Property, Plant and Equipment

| 2017 | COST GH¢ | ACCUM. DEPRN. GH¢ | NBV GH¢ | DISPOSAL VALUE GH¢ | PROFIT/ LOSS GH¢ |
|---|---|---|---|---|---|
| MOTOR VEHICLE | 294,603 | 277,572 | 17,031 | 133,660 | 116,629 |
| FURNITURE & FITTINGS | 653,707 | 605,064 | 48,643 | 33,020 | (15,623) |
| OFFICE EQUIPMENT | 3,585 | 3,290 | 295 | 1,967 | 1,672 |
| | 951,895 | 885,926 | 65,969 | 168,647 | 102,678 |
| 2016 | | | | | |
| MOTOR VEHICLE | 102,174 | 70,244 | 31,930 | 32,710 | 780 |
| TOTAL | 102,174 | 70,244 | 31,930 | 32,710 | 780 |

## 27. Borrowings

### (a) Borrowings

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| LOCAL BANKS | - | 30,235,217 |
| FOREIGN BANKS (27B) | 215,107,939 | 219,757,289 |
| | 215,107,939 | 249,992,506 |

### By maturity

| | | |
|---|---|---|
| MATURING: | | |
| WITHIN ONE YEAR | 215,107,939 | 249,992,506 |
| AFTER ONE YEAR | - | - |
| TOTAL | 215,107,939 | 249,992,506 |

### (b) Foreign Banks

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| SHORT TERM LOANS AND BORROWING | | |
| BANK OF AFRICA – DJIBOUTI | 137,795,005 | 142,019,404 |
| BANK OF AFRICA – KENYA | 77,312,934 | 73,536,168 |
| BANK OF AFRICA-UGANDA | - | 4,201,717 |
| TOTAL | 215,107,939 | 219,757,289 |

The average interest rate ranges between 18% and 24% and are fixed.

## 28. Customer Deposits

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| SAVINGS DEPOSITS | 190,639,382 | 115,117,236 |
| DEMAND AND CALL DEPOSITS | 357,909,410 | 412,837,667 |
| FIXED/TIME DEPOSITS | 336,110,286 | 152,025,268 |
| TOTAL | 884,659,078 | 679,980,171 |

### Customer deposits
### Maturity analysis of customer deposits

| | | |
|---|---|---|
| FROM GOVERNMENT AND PARA-STATALS: | | |
| PAYABLE WITHIN 90 DAYS | 40,338,972 | 23,925,687 |
| PAYABLE AFTER 90 DAYS AND WITHIN ONE YEAR | 30,748,172 | 10,623,505 |
| | 71,087,144 | 34,549,192 |
| FROM PRIVATE SECTOR AND INDIVIDUALS: | | |
| PAYABLE WITHIN 90 DAYS | 564,751,304 | 605,661,638 |
| PAYABLE AFTER 90 DAYS AND WITHIN ONE YEAR | 248,820,630 | 39,769,340 |
| | 813,571,934 | 645,430,978 |
| AT 31 DECEMBER | 884,659,078 | 679,980,171 |

The weighted average effective interest rate on interest bearing customer deposits was 10.5% (2016: 8.21%).

## 29. Other Liabilities

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| ACCRUALS | 2,009,247 | 982,751 |
| SUNDRY CREDITORS | 5,919,565 | 2,438,905 |
| BRIDGE CAPITAL | 35,325,600 | 33,601,600 |
| OTHER LIABILITIES | 11,825,594 | 13,545,144 |
| TOTAL | 55,080,006 | 50,568,400 |

### By maturity

| | | |
|---|---|---|
| MATURING: | | |
| WITHIN ONE YEAR | 19,754,406 | 15,333,692 |
| AFTER ONE YEAR | 35,325,600 | 35,234,708 |
| TOTAL | 55,080,006 | 50,568,400 |

The bridge capital represents a funding of USD 8.0 million from BOA West Africa which carries a fixed interest rate of 2.5%. It is a temporary bridge finance which can only be repaid after the investment of similar amount in Equity. Currently, there are several multinational financial institutions that have conducted due diligence into the bank and are finalising arrangements to invest in the equity of the bank.

## 30. Stated Capital

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| AUTHORISED | | |
| NUMBER OF ORDINARY SHARES OF NO PAR VALUE | 100,000,000 | 100,000,000 |

| 2017 | NUMBER OF SHARES | AMOUNT<br>GH¢ |
|---|---|---|
| ISSUED AND FULLY PAID | | |
| 1 JANUARY | 99,683,823 | 100,960,828 |
| ISSUED FOR CASH | - | - |
| 31 DECEMBER | 99,683,823 | 100,960,828 |

| 2016 | | |
|---|---|---|
| GH¢ | | |
| ISSUED AND FULLY PAID | | |
| 1 JANUARY | 99,683,823 | 100,960,828 |
| ISSUED FOR CASH | - | - |
| 31 DECEMBER | 99,683,823 | 100,960,828 |

## 31. Regulatory Credit Risk Reserve

Regulatory credit risk reserve represents cumulative amounts required to meet the Bank of Ghana guidelines for loan impairment allowances. The Bank's regulator (Bank of Ghana) requires a transfer from retained earnings to regulatory credit risk reserve account when the impairment allowance per IFRS is lesser than the impairment allowance per Bank of Ghana's guideless.

| | | |
|---|---|---|
| 1 JANUARY | 41,658,528 | 30,396,925 |
| TRANSFER (TO)/FROM RETAINED EARNINGS | 5,323,415 | 11,261,602 |
| 31 DECEMBER | 46,981,943 | 41,658,528 |

### 31a. Regulatory Risk Reserve

| | GAAP<br>GH¢ | IFRS<br>GH¢ | TRS TO CREDIT RISK RESERVE<br>GH¢ |
|---|---|---|---|
| 2017 LOAN PROVISION | 53,447,386 | 6,465,443 | 46,918,943 |
| 2016 LOAN PROVISION | 48,992,719 | 7,334,191 | 41,658,528 |

## 32. Statutory Reserve

This is an accumulation of transfers from profit for the year in accordance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| 1 JANUARY | 48,977,232 | 36,893,610 |
| TRANSFER FROM RETAINED EARNINGS | 11,959,760 | 12,083,622 |
| 31 DECEMBER | 60,936,992 | 48,977,232 |

The transfer to statutory reserve represents 50% of the profit after tax.

## 33. Value Added Statements for the year ended 31 december 2017

| | 2017 BANK GH¢ | 2016 BANK GH¢ |
|---|---|---|
| INTEREST EARNED AND OTHER OPERATING INCOME | 126,925,434 | 155,212,185 |
| DIRECT COST OF SERVICES | (34,996,566) | (68,211,967) |
| VALUE ADDED BY BANKING SERVICES | 91,928,868 | 87,000,217 |
| NON-BANKING INCOME | 30,172,533 | 25,365,502 |
| IMPAIRMENTS | | |
| VALUE ADDED | 122,101,401 | 112,365,719 |

Distributed as follows:

| | | |
|---|---|---|
| TO EMPLOYEES | | |
| DIRECTORS (WITHOUT EXECUTIVES) | 747,340 | 609,511 |
| EXECUTIVE DIRECTORS | 4,357,726 | 3,625,341 |
| OTHER EMPLOYEES | 33,205,417 | 33,179,696 |
| TO GOVERNMENT: | | |
| INCOME TAX | 8,379,802 | 5,946,144 |
| TO PROVIDERS OF CAPITAL | | |
| DIVIDENDS TO SHAREHOLDERS | - | - |
| TO EXPANSION AND GROWTH | | |
| DEPRECIATION | 4,944,394 | 3,148,448 |
| AMORTISATION | 848,749 | 787,667 |
| RETAINED EARNINGS | (22,288,534) | (28,924,879) |

## 34. Contingencies and Commitments Including Off Balance sheet items

### Contingent liabilities

In common with other banks, the bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| LETTERS OF CREDIT | 53,538,771 | 38,876,593 |
| GUARANTEES AND INDEMNITIES | 235,070,893 | 44,190,543 |
| | 288,609,664 | 83,067,136 |

Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

### Concentrations of contingent liabilities are covered under note 3.

### Pending legal claims

As at the year end, there were some cases pending against the bank. Should judgement go in favour of the plaintiffs, the likely claims against the bank have been estimated at GH¢ 2,350,000 (2016: GH¢ 2,707,000). No provisions have been made in the financial statements in respect of these amounts as the possibility of the liability is remote.

### Capital expenditure

Capital expenditure not provided for in the financial statements as at 31 December 2017 was nil (2016: nil)

## 35. Related Party Transactions

Parties are considered to be related through common directorship or subsidiaries of the BOA GROUP S.A.

Advances to customers at 31 December 2017 included advances and loans to companies associated to directors and banking transactions with BOA-GHANA. All transactions with related parties are done at arm's length in the normal course of business, and on terms and conditions similar to those applicable to other customers.

### (a) Details of related party transactions are as follows:

| | 2017<br>BANK GH¢ | 2016<br>BANK GH¢ |
|---|---|---|
| ADVANCES TO CUSTOMERS: | | |
| ATLANTIC CLIMATE CONTROL LIMITED | 4,841,506 | 3,412,160 |
| ATLANTIC INTERNATIONAL HOLDINGS | 174,677 | 813,872 |
| ATLANTIC COMPUTERS & ELECTRONICS | 4,160,864 | 109,327 |
| THE OFFICE FURNITURE | 30,987 | 54,512 |
| | 9,208,034 | 4,389,871 |
| INTEREST INCOME AND COMMISSION CHARGED | | |
| ATLANTIC CLIMATE CONTROL LIMITED | 68,319 | 32,297 |
| ATLANTIC INTERNATIONAL HOLDINGS | 379,828 | 36,127 |
| ATLANTIC COMPUTERS & ELECTRONICS | 76,070 | 44,303 |
| THE OFFICE FURNITURE | 50,934 | 39,713 |
| | 575,151 | 152,440 |

Balances on these related parties have been included in the loans and advances balances.

### (b) Transactions with corresponding banks in the BOA GROUP S.A. which results in amounts due to or due from other banks;

| | | |
|---|---|---|
| BOA-TANZANIA | 238,395 | 214,739 |
| BOA-KENYA | 144,105 | 125,692 |
| BOA-FRANCE | 200,644 | 1,288,141 |
| BOA-MALI | 6,392 | 73,141 |
| BOA-BENIN | 64,140 | 577,850 |
| BOA-COTE D'IVOIRE | 613,585 | 19,556 |
| BOA-NIGER | 7,738 | 6,241 |
| BOA-BURKINA FASO | 356 | 285 |
| BMCE BANK INTL, SPAIN | 355,018 | 156,760 |
| TOTAL | 1,630,372 | 2,462,405 |

### (c) Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS | 3,898,041 | 3,366,012 |
| DEFINED CONTRIBUTION | 459,685 | 259,329 |
| | 4,357,726 | 3,625,341 |

Key management staff constitutes staff with grades from Assistant General Manager.

| | | |
|---|---|---|
| DIRECTORS' REMUNERATION | | |
| FEES FOR SERVICES AS A DIRECTOR | 747,340 | 609,511 |
| TOTAL | 747,340 | 609,511 |

## *37. Retirement Benefit Obligations*

The bank makes contributions to a statutory pension scheme and a defined contribution to a provident fund for eligible employees. Contributions by the Bank to the mandatory pension scheme are determined by law. Total contributions to the scheme in Year 2017 was GH¢ 1,391,927. Total contributions towards employees Provident Fund was GH¢ 1,071,095. The Bank's liability in both schemes is limited to its unpaid contributions to the scheme.

| | 2017<br>GH¢ | 2016<br>GH¢ |
|---|---|---|
| CONTRIBUTIONS TO THE STATUTORY DEFINED PENSION SCHEME (SSNIT) | 1,391,927 | 1,476,324 |
| CONTRIBUTIONS TO STAFF PROVIDENT FUND | 1,071,095 | 1,394,934 |
| TOTAL | 2,463,022 | 2,871,258 |

## 38. Government Related Transactions

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| GOVERNMENT SECURITIES | | |
| THE MOVEMENT IN GOVERNMENT RELATED ADVANCES IS AS FOLLOWS: | | |
| AT 1 JANUARY | 196,665,949 | 439,452,430 |
| FAIR VALUE GAIN/(LOSS) | 6,687,912 | 1,692,110 |
| NET ACQUISITIONS/(DISPOSAL) IN THE YEAR | 98,117,401 | (244,478,591) |
| AT 31 DECEMBER | 301,471,262 | 196,665,949 |

The balance due from Government is categorised under investment securities (Note 21 and 23).

## 39. Assets pledged as Security

As at 31 December 2017, a total of GH¢ 90,554,400 (2016: GH¢ 21,456,235) of the Bank's investment in Government of Ghana securities were pledged as security for liabilities from other financial institutions. These assets cannot be sold or pledged as security whilst there is no default on the liability.

## 40. Incorporation

The bank is incorporated in Ghana under the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

## 41. Currency

These financial statements are presented in Ghana Cedis (GH¢).

## 42. Capital ADequacy Ratio

The capital adequacy ratio as at 31 December 2017 was 16.89% (2016: 17.67%).

| | 2017 GH¢ | 2016 GH¢ |
|---|---|---|
| PAID-UP CAPITAL | 100,961 | 100,961 |
| DEPOSIT FOR SHARES | 35,326 | 33,602 |
| DISCLOSED RESERVES | 87,228 | 62,980 |
| TIER 1 CAPITAL | 223,515 | 197,542 |
| LESS | | |
| GOODWILL/INTANGIBLES | (75,454) | (71,033) |
| ADJUSTED CAPITAL BASE | 148,061 | 126,509 |
| TOTAL ASSETS (LESS CONTRA ITEMS) | 1,344,033 | 1,144,140 |
| LESS | | |
| CASH AT BANK OF GHANA | (130,434) | (93,627) |
| CLAIMS OF FINANCIAL & GUARANTEED LOANS | (622,054) | (513,376) |
| ADJUSTED TOTAL ASSETS | 591,545 | 537,479 |
| ADD | | |
| NET CONTINGENT LIABILITIES | 139,837 | 83,067 |
| 50% OF NET OPEN POSITION | 3,369 | 2,088 |
| 100% OF 3YEARS AVERAGE ANNUAL GROSS INCOME | 141,984 | 93,470 |
| ADJUSTED ASSET BASE | 876,735 | 716,104 |
| CAPITAL ADEQUACY RATIO (%) | 16.89 | 17.67 |
| CAPITAL SURPLUS/(DEFICIT) | 60,642 | 54,899 |

## 43. Capital ADequacy Ratio

There were no breaches to BoG's prudential guidelines in year 2017.

## 44. Fair Value of Financial Assets and Liabilities

### a. Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes available for sale financial assets which are Bank of Ghana's securities which are valued by reference to Bank or Ghana market rates and financial assets held for trading which are valued based on forward rates from Reuters and spot rates from Bank of Ghana.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. As at 31 December 2017 and 2016, the bank did not hold assets in this category.

Financial instruments measured at fair value at 31 December 2017 and 31 December 2016 were classified as follows:

| 2017 | VALUATIONS BASED ON OBSERVABLE INPUTS (THIS MEASUREMENTS ARE RECURRING) | | | |
|---|---|---|---|---|
| | (LEVEL 1) | (LEVEL 2) | (LEVEL 3) | TOTAL |
| ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS | | | | |
| INVESTMENT SECURITIES AVAILABLE-FOR-SALE | - | 135,410,947 | - | 135,410,947 |
| HELD FOR TRADING INVESTMENTS | - | 166,060,315 | - | 166,060,315 |
| TOTAL ASSETS | - | 301,471,262 | - | 316,371,262 |
| DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - |

| 2016 | VALUATIONS BASED ON OBSERVABLE INPUTS (THIS MEASUREMENTS ARE RECURRING) | | | |
|---|---|---|---|---|
| | (LEVEL 1) | (LEVEL 2) | (LEVEL 3) | TOTAL |
| ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS | | | | |
| INVESTMENT SECURITIES AVAILABLE-FOR-SALE | - | 88,866,482 | - | 88,866,482 |
| TOTAL ASSETS | - | 88,866,482 | - | 103,766,482 |
| DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - |

## b. Financial instruments not measured at fair value

### Deposits and balances due from banking institutions

Deposits and balances due from banking institutions include inter-bank placements. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. The carrying amount approximates their fair values.

### Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost. Expected cash flows are discounted at current market rates to determine fair value using the effective interest method, less any provision for impairment.

### Loans and advances to customers

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

### Borrowings

The aggregate fair values are calculated based on a discounted cash flow model using observable market rate appropriate for the remaining term to maturity of the debt securities.

Other assets (excluding prepayments and stationery stocks)

The estimated fair value of other assets excluding prepayments and stationery stocks represents the discounted amount of estimated future cash flows expected to be received. The carrying amount approximates their fair value.

### Cash and bank balances with bank of Ghana

Management assessed that cash and bank balances with bank of Ghana approximate their carrying amounts largely due to the short-term nature.

### Off-statement of financial position financial instruments

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

### Other liabilities

The fair values of other financial liabilities approximates their carrying amounts.

## c. Financial instruments by category

| 2017 FINANCIAL ASSETS | LOANS AND RECEIVABLES GH¢ | AVAILABLE FOR SALE GH¢ | HELD TO MATURITY GH¢ | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|
| CASH AND CASH EQUIVALENTS | 394,339,088 | - | - | - | 394,339,088 |
| INVESTMENT SECURITIES | | 135,410,947 | - | 166,060,315 | 301,471,262 |
| OTHER ASSETS (EXCLUDING PREPAYMENTS AND STATIONERY STOCK) | 47,478,955 | - | - | - | 47,478,955 |
| LOANS AND ADVANCES TO CUSTOMERS | 495,750,311 | - | - | - | 495,750,311 |
| TOTAL | 937,568,354 | 135,410,947 | - | 166,060,315 | 1,239,039,616 |

| FINANCIAL LIABILITIES | | | FIANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS | OTHER FINANCIAL LIABILITIES AT AMORTIZED COST GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|
| BORROWINGS | | | | 215,107,939 | 215,107,939 |
| CUSTOMER DEPOSITS | - | - | - | 884,659,078 | 884,659,078 |
| OTHER LIABILITIES | - | - | - | 55,080,006 | 55,080,006 |
| TOTAL | - | - | - | 1,154,847,023 | 1,154,847,023 |

## d. Financial instruments by category

| 2016 FINANCIAL ASSETS | LOANS AND RECEIVABLES GH¢ | AVAILABLE FOR SALE GH¢ | HELD TO MATURITY GH¢ | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS GH¢ | TOTAL TOTAL GH¢ |
|---|---|---|---|---|---|
| CASH AND CASH EQUIVALENTS | 360,011,980 | - | - | - | 360,011,980 |
| INVESTMENT SECURITIES | - | 88,866,482 | 107,799,467 | - | 196,665,949 |
| OTHER ASSETS (EXCLUDING PREPAYMENTS AND STATIONERY STOCK) | 42,780,507 | - | - | | 42,780,507 |
| LOANS AND ADVANCES TO CUSTOMERS | 447,086,581 | - | - | - | 447,086,581 |
| TOTAL | 849,879,068 | 88,866,482 | 107,799,467 | - | 1,046,545,017 |

| FINANCIAL LIABILITIES | | | FIANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS | OTHER FINANCIAL LIABILITIES AT AMORTIZED COST GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|
| BORROWINGS | | | | 249,992,506 | 249,992,506 |
| CUSTOMER DEPOSITS | - | - | - | 679,980,171 | 679,980,171 |
| OTHER LIABILITIES | - | - | - | 50,568,400 | 50,568,400 |
| TOTAL | - | - | - | 980,541,077 | 980,541,077 |

## 45. Events After Reporting Date

There have been no events after the reporting date requiring adjustment or disclosure in the financial statement.

## 46. List of Shareholders

Below are details of shareholders and their percentage holding in the BANK OF AFRICA - GHANA Limited as at 31 December 2017:

| SHARE HOLDERS | NUMBER OF SHARES HELD | PERCENTAGE OF SHARES HELD |
|---|---|---|
| ESTATE OF DR. HOK ATA | 4,425,334 | 4.44% |
| NANA OWUSU-AFARI | 1,298,165 | 1.30% |
| CHRISTOPHER ADOM | 281,858 | 0.28% |
| ESTATE OF ALEX AWUKU | 124,228 | 0.12% |
| JOHN A.Y. KLINOGO | 145,157 | 0.15% |
| MIGUEL RIBEIRO | 97,162 | 0.10% |
| ERIC OSEI-BONSU | 122,091 | 0.12% |
| BOA WEST AFRICA S.A. | 93,189,828 | 93.49% |
| TOTAL | 99,683,823 | 100.00% |

## 47. Directors Shareholdings

Below are details of directors and their shareholdings in the BANK OF AFRICA - GHANA Limited as at 31 December 2017:

| SHARE HOLDERS | NUMBER OF SHARES HELD | PERCENTAGE OF SHARES HELD |
|---|---|---|
| ESTATE OF DR. HOK ATA | 4,425,334 | 4.44% |
| NANA OWUSU-AFARI | 1,298,165 | 1.30% |
| JOHN A.Y. KLINOGO | 145,157 | 0.15% |
| TOTAL | 5,868,656 | 5.89% |