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Bank of Baroda Ghana Limited

Report and Financial Statements
31 December 2018

CLASSIFICATION: CONFIDENTIAL

Bank of Baroda Ghana Limited

Report and financial statements 2018

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Corporate information

Board of directors	Mr. Mayank K Mehta	Chairman (Resigned 24-07-2018)
	Mr. Larry Kwesi Jiagge	Chairman (Appointed on 07-09-2018)
	Ms. Papia Sengupta	Director (Appointed on 07-09-2018)
	Mr. Praveen Kumar K	Managing Director
	Mr. Murari Lal Sharma	Director (Resigned 31-10-2018)
	Mr. Naresh K. Tekwani	Director

Registered office:

Kwame Nkrumah Avenue
(Near Melcom) Adabraka
Accra
Ghana
P.M.B. No. 298
Accra – North
Accra

Bankers:

Bank of Ghana
Bank of Baroda – Mumbai
Bank of Baroda - New York
Bank of Baroda – London
Bank of Baroda – Brussels
Stanbic Bank

Auditors:

Deloitte & Touche
Chartered Accountants
The Deloitte Place
Plot No. 71, Off George Walker
Bush Highway
North Dzorwulu
P O Box GP 453
Accra

Secretary

Rutben and Associates
Legal Practitioners and
Investment Consultants
No. 11 Nii Sai Crescent
East Legon,
P.O. Box KIA 9475
Airport - Accra

Report of the directors (cont'd)

The directors present their report and the accounts for the year ended 31 December 2018.

1. **Nature of business**

   The principal activity of the bank is the provision of banking and financial services. There was no change in the principal activity of the bank in 2018. The bank operates under the Banks and Specialised Deposit- Taking Institutions Act 2016, (Act 930). The bank is regulated by the Bank of Ghana.

   The Bank was incorporated on 18th April 2007 and was authorized to carry on the following businesses on 5th February, 2008:

   - Acceptance of deposits, borrowing, raising or taking of deposits or money, lend or advance money on farms, lands, claims, mining rights, mining titles, fixed or immovable property of every kind, leases, contracts, goods, wares, merchandise, property, farms and agricultural produce, securities, both movable and immovable rights of action of whatsoever kind with or without security taking securities and property, discounting notes, coupons, drafts, Bills of Lading, warrants, debentures, certificates, scripts and other instruments and securities transferable or negotiable; granting and issuing letters of credit, bonds and guarantees and circular notes; buying selling and dealing in bullion specie, precious and base metals and precious stones; to acquire, purchase, subscribe for, hold, issue, guarantee, underwrite, guarantee the underwriting of and deal in Government, Municipal or other loans, stocks, funds, shares, debentures, debenture stocks, bonds, bills obligations, buying selling and dealing in bullion specie, precious and base metals and precious stones; to acquire, purchase subscribe for, hold, issue, guarantee, underwrite, guarantee the underwriting of and deal in Government, Municipal or other loans, stocks, funds, shares, debentures, debenture stocks, bonds, bills obligations, securities and valuables on deposit or for safe custody or otherwise and transacting all kinds of agency business commonly transacted by Bankers.
   - To undertake and carry on the business of trade development and finance, including mobilization of deposits, to offer credit facilities and to provide services to facilitate the payment systems. These include: Current and Savings Accounts, Fixed and Call deposits, Cash Collection, Issue of Bonds, Guarantees and Certificates of Deposit; to engage in the provision of import and export letters of credit, handling of inward and outward bills for collection, Bills of Exchange, Bills of Lading, Debentures, Commercial papers, all debt instruments and other negotiable or transferable instruments, negotiation of export bills, Dealings in Foreign Exchange, provision of Foreign Currency and Foreign Exchange accounts, handling of Foreign Transfers, remittances and cheques collection. Issuing and administering means of payments including credit cards, travellers cheques and bankers' drafts/cheques, international transactions and services; advisory and financial services for small and medium scale industries and enterprises, investment in financial securities, dealing with money market instruments etc.,
   - To carry on the business of discounting, dealing in exchanges, in specie and securities.

Report of the directors (cont'd)

- To undertake the collection of dividends, debts and taxes for and on behalf of any government person,
- To carry on Business as a Merchant Bank.
- To carry on the business of underwriters of Securities, Finance Houses and Issuing Houses.
- To undertake corporate finance operations, loan syndications and securities portfolio management.
- To engage in counselling and negotiating in acquisitions and mergers of companies and undertaking.
- To carry on the business of a hire-purchase finance Company and the business of financing the operations of leasing companies;
- To undertake and execute any trusts, and also to undertake the office of executor, administrator, receiver, registrar and to keep for any company, or body, any register relating to any stocks, funds, shares, or securities, or to undertake any duties in relation to the registration of transfers and the issue of certificates or the custody of Securities.
- Carrying on and transacting every kind of guarantee, commitments and indemnity business.
- Managing, selling and realizing any property which may come into the possession of the Company in satisfaction or part satisfaction of any its claims.
- Acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.
- Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.
- To do all or any of the above things and as Principals, Agents, Contractors, Trustees, or otherwise, and by or through Trustees, Agents or otherwise, and either alone or in conjunction with others and either absolutely or conditionally.
- To do all or any of other forms of business that Company is allowed / permitted to do in Ghana.

2. The statement of financial position has been signed by two directors indicating the board's approval of such statement of financial position and attached accounts on pages 20 to 82.

Financial results	**GHS**
The balance brought forward on retained earnings account at 1 January 2018 was	**59,865,425**
To which must be added profit for the year after charging all expenses including depreciation of	**26,480,013**
Transfer to statutory reserve	**(6,620,003)**
Impact of IFRS 9 upon initial application	**17,921**
Transfer to credit risk reserve	**(2,939,534)**
Leaving a balance to be carried forward on	
income surplus account at 31 December 2018 of	**76,803,822**

Report of the directors (cont'd)

4. Dividend

The Directors do not recommend the payment of dividend.

5. Recent development

The Bank comprises a network of three (3) branches and head office. The Bank of Ghana has since approved a request for a voluntary winding up of the operations of Bank of Baroda (Ghana) Limited effective December 31, 2018.

6. Auditors

In accordance with Section 134 (5) of the Companies Act, 1963 (Act 179) the auditors, Messrs. Deloitte & Touche, have been the auditors of the Bank from 2016.

7. Going Concern

The Bank of Baroda, India (the parent company of Bank of Baroda (Ghana) Limited) has decided to divest/sell its entire 100% equity in the bank due to the Government of India's decision to rationalize the overseas operations of the branches/subsidiaries of Indian public sector banks. The Bank of Ghana has since approved a request for a voluntary winding up of the operations of Bank of Baroda (Ghana) Limited effective December 31, 2018.

To ensure an orderly exit, and to safeguard the interest of depositors and customers, the Bank of Ghana has approved an Assumption Agreement between Bank of Baroda (Ghana) Limited and Stanbic Bank Ghana Limited under which the latter will assume all deposits and selected loan assets of the bank.

Hence the financial statements have not been prepared on a going concern basis.

The entity has decided to realize all its assets and to settle all its obligations within the next 6 months.

Pursuant to the winding up of the subsidiary all the deposit accounts (Savings Bank accounts, current accounts, Term Deposits Accounts) were already transferred to Stanbic Bank and seamless service is being provided to the customers. There were 2 overdraft facilities were taken over by Stanbic Bank as on date. Meanwhile, UMB bank and Fidelity Bank have taken over one and two loan clients respectively.

8. Approval of financial statements

The financial statements were approved by the board of directors on 06-05-2019

On behalf of the board

....	....
Director:	**Director:**
Date: 06-05-2019	**Date:** 06-05-2019

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for the year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed;
- prepare the financial statements on the closing concern.

The directors are responsible for ensuring that the Bank keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bank, and which enables them to ensure that the financial statements comply with International Financial Reporting Standards (IFRS). They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Bank, and to prevent and detect fraud and other irregularities

Corporate Governance

The Bank operates in a highly regulated industry and therefore recognizes the importance of complying with legislation and regulation.

The Bank is committed to business integrity and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the development of best practices.

Bank of Baroda (Ghana) Limited has adopted its own internal corporate governance guidelines, which are embodied in the Bank governance practices. These practices are constantly being monitored to ensure that they are the best fit for the Bank and serve to enhance business and community objectives.

Board of Directors
The Bank still advocates for an integrated approach to corporate governance as evidenced by the governance framework. The Board consists of the Chairman, two Executive Directors and one Non-Executive Director. The independent board provides strategic direction and has ultimate responsibility for the functioning of the Bank.

The Board is accountable for all decisions taken by its Board committees and management. The Board and its committees all operate in terms of agreed mandates, which set out their terms of reference, and are reviewed and revised regularly in order to keep pace with global developments.
There are three reporting Committees responsible for supporting the Board of Directors

1. **Credit committee**

The Committee's main terms of reference include:

- Setting the Bank's credit governance structure to ensure that there is a clearly defined mandate and delegated authorities within the structure.
- Reviewing the Bank's credit portfolio, including trends and provisions and ensuring alignment with the Bank's credit strategy and risk appetite.
- Noting and / or approving large exposures as required by the regulatory authorities.

2. **Audit committee**

The Role of Audit Committee includes:

- Keeps up to date with changes in the legal and regulatory environment affecting the work the committee monitors for proper execution.
- Follows up the implementation of the audit plan and makes the necessary readjustments
- Reviews the procedures and the functioning of the anti-money laundering and
- Submits to the Board of Directors the measures likely to improve, where applicable, the security of operations, and monitors the implementation of the selected measures.

Corporate Governance (cont'd)

3. Nomination and compensation committee
The primary objective of the Nomination and Compensation Committee in accordance with good corporate governance is to ensure that the Bank has a Board of Competent and effective composition and is adequately charges to carry out its responsibility in the best interest of the Bank and its shareholders.

Apart from the above, management has constituted the following sub-committees in order have effective control on various risks arising out of its normal business:

a) Asset Liability Management Sub-committee (ALCO)
b) Credit & Settlement Sub-committee
c) Investment Sub-committee
d) Operational Risk Management Sub-committee
e) Management Review Sub-committee
f) Premises Review Sub-committee

4. Systems of internal control
Bank of Baroda (Ghana) Limited has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the business are being controlled. The corporate internal assurance function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

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

Directors and their interest
The directors of the Bank at 31 December 2018 are:

- Mr. Larry Kwesi Jiage — Chairman
- Mr. Praveen Kumar K — Managing Director
- Ms. Papia Sengupta — Director
- Mr.Naresh K. Tekwani — Director

Corporate Governance (cont'd)

Role and Responsibilities of the Board of Directors

The basic responsibility of the Directors is to employ as individuals and as well as collective, their respective knowledge, expertise and experiences to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Bank, its shareholders and customers. In discharging their obligation, directors should be entitled to rely on the honesty and integrity of the Bank's senior executives and its outside advisors and auditors.

In so doing they should be guided by the vision of the Bank –"To be the Most Trusted Emerging Bank, Partnering with Ghana's Economic Transformation through Care, Concern and Competence" and ultimately to be in line with its mission -To be one of the Most Admired Bank that Creates enormous Values for all the Stakeholders and the Economy".

More specifically in furtherance of its responsibilities, the Board of Directors will have responsibility for the review evaluation and in appropriate cases approval of:

- the overall corporate organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession.
- the compensation strategy as it relates to senior management of the Bank.
- long term plans for the Bank
- the Bank's budget and forecasts.
- major resource allocations and capital investments.
- the financial and operating results of the Bank.
- the expansion plans of the Bank, including the establishment of its branches and offices.

In pursuance of the said responsibilities the Directors shall:

- adopt, implement and monitor compliance with the Bank's Code of Conduct;
- review and assess the effectiveness of the Bank's policies and practices with respect to risk assessment and risk management; and
- review periodically the Bank corporate objectives and policies relating to social responsibility.

Board and Committee Meetings; Attendance at Annual General Meetings

Regular Board meetings will be held approximately three to four times per year, and special meetings will be called as necessary. A schedule of locations of the regular meetings will be provided to the Directors in advance. Directors are expected to attend Board meetings and meetings of the committees on which they serve. Directors should spend the time necessary and meet as frequently as necessary to effectively discharge their responsibilities.

The Chairman, Chief Executive Officer or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings whenever deemed appropriate.

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Independent auditor's report

To the Shareholders of Bank of Baroda Ghana Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bank of Baroda Ghana Limited which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and statement of other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

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

Basis 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 requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern – Voluntary liquidation

We draw attention to the fact that the Bank is currently under voluntary liquidation. As disclosed in Note 36 to the financial statements, the Bank has decided to divest/sell its entire 100% equity in the Bank due to Government of India's decision to rationalize the overseas operations of the branches/subsidiaries of Indian public sector banks. The Bank of Ghana has since approved a request for a voluntary winding up of the operations of Bank of Baroda (Ghana) Limited effective December 31, 2018, hence, the financial statements have not been prepared on a going concern basis.

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.

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Independent auditor's report

To the Shareholders of Bank of Baroda Ghana Limited

Key Audit Matter	How our audit addressed the Key Audit Matter
IFRS 9 Impairment	
As described in note 18 to the financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a new and complex accounting standard, which requires significant judgment to determine impairment at year-end. • Determining the staging of financial assets of the Bank which includes establishing groups of similar financial assets; • Determining criteria for significant increase in credit risk; • Determination of the probability of default (PD) and Loss Given Default (LGD), which includes establishing the relative weightings of forward-looking scenarios for each type of loan and the associated Expected Credit Loss (ECL); • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices); • The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	In assessing impairment reserve, we performed the following procedures: We gained understanding of the Group's key credit processes comprising granting, booking, monitoring and provisioning. We read the Group's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; We assessed the modeling techniques and methodology against the requirements of IFRS 9. We checked and understood the key data sources and assumptions for data used in the Expected Credit Loss (ECL) models used by the Group to determine impairment provisions. We examined a sample of exposures and performed procedures to evaluate the: • Data used to determine the impairment reserve, including transactional data captured at loan origination, ongoing internal credit quality assessments and interfaces to the expected credit loss model; • Expected credit loss model, including the models developed and approval, ongoing monitoring/validation, model governance and mathematical accuracy; • We checked the appropriateness of the Group's staging; • Basis for and data used to determine overlays; • For Probability of Default (PD) used in the ECL calculations we checked the Through the Cycle (TTC) PDs calculation and checked the appropriateness of conversion of the TTC PDs to point in time (PIT) PDs; • We checked the appropriateness of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations; • We checked the calculation of the Loss Given Default (LGD) used by the Group in the ECL calculations, including the appropriateness of the use of collateral and the resultant arithmetical calculations; • For forward looking assumptions used by the Group's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information; • We checked the completeness of loans and advances, off balance sheet items, investment securities, placements and other financial assets included in the ECL calculations;

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Independent auditor's report

To the Shareholders of Bank of Baroda Ghana Limited

Report on Other Legal and Regulatory Requirements

Key Audit Matter	How our audit addressed the Key Audit Matter
IFRS 9 Impairment	
	• Other key modeling assumptions adopted by the Bank; and • We then challenged the appropriateness of the models and management assumptions included in the ECL calculations. We also performed procedures to ensure the competence, objectivity and independence of the Group's consultant. We involved our credit specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model). We checked the appropriateness of the opening balance adjustments and assessed the accuracy of the disclosures in the financial statements. We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We considered the disclosure of loan impairment to be appropriate and adequate.

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Independent auditor's report

To the Shareholders of Bank of Baroda Ghana Limited

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963, (Act 179) 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. However the Bank is currently under voluntary liquidation hence the financial statements have not been prepared on a going concern basis.

Auditor's Responsibilities for the Audit of Financial Statements

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

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Independent auditor's report

To the Shareholders of Bank of Baroda Ghana Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 relating 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 Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

Partners: *C Larbi-Odam *D Owusu *K Ampim-Darko *G Ankomah *A Biney *C Forson
*Partner and Chartered Accountant
Associate of Deloitte Africa, a Member of Deloitte Touché Tohmatsu Limited

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Independent auditor's report

To the Shareholders of Bank of Baroda Ghana Limited

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

(a) The accounts give a true and fair view of the state of affairs of the Bank and the results of its operations for the period under review;
(b) We obtained all the information and explanations required for the efficient performance of our audit;
(c) The transactions of the Bank are within its powers;
(d) In our opinion 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 the regulations made under these enactments and,
(e) The Bank has generally complied with the provisions of the Banks and Specialised Deposit - Taking Institutions Act 2016, (Act 930).

The engagement partner on the audit resulting in this independent auditor's report is **Charlotte Forson (ICAG/P/1509)**

Deloitte & Touche

For and on behalf Deloitte & Touche (ICAG/F/2019/129)
Chartered Accountants
The Deloitte Place, Plot No. 71
Off George Walker Bush Highway
Accra Ghana

15 May, **2019**

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Bank of Baroda Ghana Limited

Statement of profit & loss and other comprehensive income

For the year ended 31 December 2018

		2018 GHS	2017 GHS
Interest income	8	**46,465,252**	47,007,931
Interest expense	9	**(4,074,608)**	(5,477,637)
Net interest income		**42,390,644**	41,530,294
Fees and commission income	10	**2,802,697**	392,388
Net fees and commission income		**2,802,697**	392,388
Net trading income	11	**1,804,687**	2,977,538
Other operating income		**10,600**	-
Operating income		**47,008,628**	44,900,220
Net impairment charge on financial asset	12	**(1,614,480)**	(1,049,232)
Personnel expenses	13	**(2,076,387)**	(1,985,700)
Depreciation and amortization	22	**(223,247)**	(250,179)
Bad debt written off		**(6,707)**	-
Other expenses	14	**(5,116,385)**	(4,149,142)
Profit before income tax		**37,971,422**	37,465,967
Income tax expense	16(a)	**(11,491,409)**	(11,862,155)
Profit for the year		**26,480,013**	25,603,812
Other comprehensive income:			
Items that may be reclassified subsequently to profit & loss:		-	-
Net fair value gains on assets designated at FVOCI		-	-
Total comprehensive income for the year		**26,480,013**	25,603,812

The accompanying notes on pages 20 to 82 form an integral part of the financial statements.

Bank of Baroda Ghana Limited

Statement of financial position

As at 31 December 2018

Assets		**2018 GHS**	2017 GHS
Cash and cash equivalents	17	**202,807,558**	212,934,419
Loans and advances	18	**52,669,557**	143,319,409
Investment securities	19	-	30,000,000
Other assets	20	**952,341**	1,508,000
Property and equipment	22	**243,341**	458,538
Total Assets		**256,672,797**	388,220,366
Liabilities			
Deposits from customers	23	**27,903,838**	181,477,707
Borrowings	24	**33,733,000**	35,325,600
Current tax liabilities	16(b)	**586,127**	632,474
Deferred tax Liability	16(c)	-	321,466
Other Liabilities	25	**1,067,845**	3,579,066
Total liabilities		**63,290,810**	221,336,313
Shareholders' funds			
Stated capital	26	**60,000,000**	60,000,000
Retained earnings	27	**76,803,822**	59,865,425
Amounts held towards capital	28	**9,771**	9,771
Statutory reserve fund	29	**53,628,860**	47,008,857
Credit risk reserve	29a	**2,939,534**	-
Total shareholders' funds		**193,381,987**	166,884,053
Total liabilities and shareholders' funds		**256,672,797**	388,220,366

Director:
Date: 06.05.2019

Director:
Date: 06-05-2019

The accompanying notes on pages 20 to 82 form an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2018

2018	Stated Capital	Credit Risk Reserve	Statutory Reserve	Amounts held towards capital	Retained Earnings	Total Equity
	GHS	GHS	GHS	GHS	GHS	GHS
Balance at 1 January 2018	60,000,000	-	47,008,857	9,771	59,865,425	166,884,053
Impact of IFRS 9 upon initial application	-	-	-	-	17,921	17,921
IFRS 9 restated balances	60,000,000	-	47,008,857	9,771	59,883,346	166,901,965
Profit for the year	-	-	-	-	26,480,013	26,480,013
Other comprehensive income	-	-	-	-	-	-
Transfer to Statutory reserve	-	-	6,620,003	-	(6,620,003)	-
Transfer to Credit risk reserve	-	2,939,534	-	-	(2,939,534)	-
As at 31 December 2018	60,000,000	2,939,534	53,628,860	9,771	76,803,822	193,381,987

2017	Stated Capital	Credit Risk Reserve	Statutory Reserve	Amounts held towards capital	Income Surplus	Total Equity
	GHS	GHS	GHS	GHS	GHS	GHS
Balance at 1 January 2017	60,000,000	33,225	40,607,904	9,771	40,629,341	141,280,241
Profit for the year	-	-	-	-	25,603,812	25,603,812
Transfer to Statutory reserve	-	-	6,400,953	-	(6,400,953)	-
Reversal of credit risk reserve	-	(33,225)	-	-	33,225	-
As at 31 December 2017	60,000,000	-	47,008,857	9,771	59,865,425	166,884,053

The accompanying notes on pages 20 to 82 form an integral part of the financial statements.

Bank of Baroda Ghana Limited

Statement of cash flows

For the year ended 31 December 2018

	Notes	2018 GHS	2017 GHS
Operating activities			
Profit for the year		**37,971,422**	37,465,967
Adjustments for:			
Depreciation & amortization	22	**223,247**	250,180
Net cash provided by operating activities		**-**	-
Before changes in operating assets and liabilities		**38,194,669**	37,716,147
Change in investment	19	**30,000,000**	-
Change in loans and overdraft	18	**90,667,773**	(44,081,756)
Change in other assets	20	**555,659**	(735,002)
Change in deposits	23	**(153,573,869)**	49,578,349
Change in accounts payable	25	**(2,511,222)**	929,260
Net cash provided by operating activities		**3,333,010**	43,406,998
Corporate tax paid	16b	**(11,859,221)**	(10,800,000)
Net cash flow from operating activities		**(8,526,211)**	32,606,998
Investing activities			
Purchase of property, plant & equipment	22	**(8,050)**	(36,561)
Sale/transfer of property, plant & equipment	22	**-**	219,834
Net cash provided by investing activities		**(8,050)**	183,273
Financing activities			
Increase/(Decrease) short term loan	24	**(1,592,600)**	18,524,800
Net cash from (used in) financing activities		**(1,592,600)**	18,524,800
Increase/(decrease) in cash & cash equivalents		**(10,126,861)**	51,315,072
Cash and cash equivalents at 1 January 2018		**212,934,419**	161,619,347
Cash and cash equivalents at 31 December 2018		**202,807,558**	212,934,419

The accompanying notes on pages 20 to 82 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. Reporting entity

Bank of Baroda Ghana Limited (the "Bank") is a Bank incorporated in Ghana. The address and registered office of the Bank is Kwame Nkrumah Avenue, (Near Melcom), Adabraka, Accra, P. M. B. No. 298, Accra - North, Accra, Ghana.

2. Basis of preparation

a. Statement of compliance

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

b. Basis of preparation

The financial statements are presented in Ghana cedis which is the Bank's functional and presentational currency. All values are indicated in GHS unit values only except otherwise indicated. They are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments classified as equity instrument.

In the previous years, the Bank prepared its financial statement on a going concern basis. The Bank of Ghana has since approved a request for a voluntary winding up of the operations of Bank of Baroda (Ghana) Limited effective December 31, 2018. Hence the financial statements have not been prepared on a going concern basis and as such prepared on a closing concern basis.

c. Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an closing concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in notes 3g (ix), 3g (xi), 3g (xii) and 15.

d. **Fiduciary activities**

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trustees and other institution. The assets and income arising thereon are excluded from this financial statement as they are not assets and income of the Bank.
All the investments made on behalf of third parties are done within the Bank's operating jurisdiction.

3. Significant accounting policies

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

a. **Revenue Recognition**

Interest income and expense on available-for-sale assets and financial assets and liabilities held at amortised cost, are recognized in the statement of profit or loss using the effective interest method.

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss is included in the statement of profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss. Dividends are recognised in the statement of comprehensive income when the Bank's right to receive payment is established.

b. **Interest Income and Expense**

Interest income and expense is recognised in statement of profit or loss using the effective interest method. The effective interest rate is the rate that discounts estimated future receipts or payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently when calculating the effective interest rate; the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transactions costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the statement of profit or loss in the period they arise.

Notes to the financial statements

For the year ended 31 December 2018

c. **Fees and Commissions**

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are performed.

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

d. **Other operating income**

Other operating income comprises other income including gains or losses arising on fair value changes in trading assets and liabilities, derecognised available for sale financial assets, and foreign exchange differences.

e. **Foreign currency – Reference rate**

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

f. **Leases**

(i) **Where the Bank is the lessee**

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.
When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Where the Bank is a lessee under finance leases, the leased assets are capitalized and included in property and equipment with a corresponding liability to the lessor recognized in other liabilities. Finance charges payable are recognized over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

(ii) **Where the Bank is the lessor**

When assets are leased to customers under finance leases, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return ignoring tax cash flows.

Assets leased to customers under operating leases are included within property and equipment and depreciated over their useful lives. Rental income on these leased assets is recognised in the profit or loss on a straight-line basis unless another systematic basis is more representative.

g. Financial instruments

Financial assets and financial liabilities are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

h. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

• debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;

• all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset on an asset by-asset basis:

• the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and

• the Bank may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL

if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option)."

a Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal).

Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis."

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. In the current and prior reporting period the Bank has applied the fair value option and so has designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL

b. Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and

- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or

- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss."

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

c. Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cashflows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms.

The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

• Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

• A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

• the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

• the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset,

where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

d. Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains."

e. Presentation of allowance for ECL in the statement of financial position

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

• for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

• for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;

• for loan commitments and financial guarantee contracts: as a provision; and

• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

i. Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

b) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

c) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is

(i) held for trading, or
(ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

• it has been incurred principally for the purpose of repurchasing it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or

• it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account. However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognised in profit or loss.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition."

d) Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

e) Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

f) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognized.

(j) Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position statement of financial position.

Day 1 profit or loss

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

Reclassification of financial assets

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

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

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

(xi) **Offsetting**

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

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

(xii) **Amortised cost measurement**

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

(xiii) **Identification and measurement of impairment**

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

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects cash flows from the realization of the collateral and other sources. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit

risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographical location, collateral type, past due status and other relevant factors).These characteristics are relevant to the estimation of future cash flows for group of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

Impairment losses on available-for-sale financial assets are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the statement of profit or loss .When a subsequent event causes the impairment loss on an available for sale financial asset to decrease, the impairment loss is reversed through the statement of profit or loss .However, any subsequent recovery in the fair value of an impaired available for sale financial asset is recognised directly in equity.

(xiv) **Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership.

The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within Cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

When the counterparty has the right to sell or re-pledge the securities; the Bank reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments available-for-sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within Cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in Net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in Net trading income.

h. **Derivative financial instruments**

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fair value changes in the derivative are recognised in the profit or loss.

i. **Cash and cash equivalents**

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash on hand, cash and balances with the Central Bank of Ghana and amounts due from banks and other financial institutions.

j. **Investment securities**

This comprises investments in short-term Government securities and medium term investments in Government and other securities such as treasury bills and bonds. Investment securities are categorized as fair value through other comprehensive income or trading financial assets and carried in the statement of financial position at fair value.

k. **Loans and advances**

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

l. **Property and equipment**

(i) **Recognition and measurement**

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

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Freehold land is not depreciated. Leasehold land is amortized over the term of the lease and is included as part of property and equipment. Depreciation on other assets is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

(iii) **Depreciation**

	%
Leasehold Properties	20
Furniture, fixtures and fittings	20
Office machine and equipment	33.3
Motor vehicles	30

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

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and that the cost of the item can be measured reliably. All other costs are charged to the income statement as repairs and maintenance costs during the financial period in which they are incurred. Increases in the carrying amount arising on the revaluation of land and building are credited to reserves shareholders' equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the income statement.

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

m. **Intangible Assets**

(i) **Software**

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

m. **Intangible Assets (cont'd)**
(i) **Software (cont'd)**

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

(ii) **Other intangible assets**

Other intangible assets that are acquired by the Bank and have finite useful lives are recognised at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses excluding expenses on internally generated goodwill and brands is recognised in profit and loss as incurred.

Amortisation is based on the cost of the asset less its residual value.

Amortisation is recognised in profit and loss on a straight line basis over the lifespan of the asset. The estimated remaining useful life is four (4) years.

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

o. **Deferred taxation**

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

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

Notes to the financial statements

For the year ended 31 December 2018

q. **Dividend**

Dividend payable is recognised as a liability in the period in which they are declared.

r. **Deposits, amounts due to banks and borrowings**

This is mainly made up of customer deposit accounts, overnight placements by Banks and other financial institutions and medium term borrowings. They are categorised as other financial liabilities and carried in the balance sheet at amortised costs.

s. Provisions

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

t. **Financial guarantees**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at their fair value, and the fair value is amortised over the life of the financial guarantee. The financial guarantees are subsequently carried at the higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

u. **Employee benefits**

(i) **Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due.

(ii) **Termination benefits**

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

(iii) **Short-term benefits**

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

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

(v) Impairment on non-financial assets

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

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

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

w. **Share capital**

(i) **Ordinary share capital**

Ordinary shares are classified as equity.

(ii) **Preference share capital**

Preference share capital of the Bank is classified as equity. The preference shares are non-redeemable and redeemable only at the Bank's option, and any dividends are discretionary.

x. **Earnings per share**

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

New standards, amendments and interpretations adopted by the Bank

In the current year, the Bank has taken to apply IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Bank has taken steps to adopt consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Bank's financial statements are described below:

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 of all three aspects of IFRS 9.

This assessment was 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 no significant impact on its statement of financial position and equity except for 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 has implemented 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 on 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. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Bank expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

Standards issued but not yet effective continued Loans as well as trade receivables 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

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank will apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank has determined that, due to the secured nature of its loans and receivables, the loss allowance will decrease by GHS (2,939,535) with corresponding related decrease in the deferred tax liability of GHS 321,466.

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

Impact on equity (increase/(decrease)) as of 31 December 2018:

	Adjustments	**GHS**
Assets		
Loans and advances	(b)	(2,939,534)
Total assets		**(2,939,534)**
Liabilities		
Deferred tax liabilities	(b)	(321,466)
Total liabilities		**(321,466)**
Net impact on equity, Including	(a)	(3,261,000)
Retained earnings		**(3,261,000)**

Notes to the financial statements

For the year ended 31 December 2018

Below is the Loss Allowance schedule:

Segmental Classification	12- Months ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total 2018
	GHS	GHS	GHS	**GHS**
Retail Loans Loss Allowance	6,339	63,669	-	**70,008**
Corporate Loans Loss Allowance	317,216	3,260,936	-	**3,578,152**
Placement with other banks Loss Allowance	-	-	-	-
Loan commitments Loss Allowance	-	-	-	-
Financial guarantee contracts Loss Allowance	11,552	-	-	**11,552**
Government bonds and treasury bills Loss Allowance	-	-	-	-
Total IFRS 9 Loss Allowance	**335,107**	**3,324,605**	**-**	**3,659,712**
Impairment per IAS 39				**6,599,246**
Increase/-(Decrease)				**(2,939,534)**

New Standards and amendments to existing standards in issue has been adopted.
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 not be impacted by these amendments.

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.

New and amended standards yet to be adopted

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

In 2018, the 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 will not be impacted by these amendments

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 will apply amendments when they become effective. However, since Bank's current practice is in line with the clarifications issued, the Bank does not expect any effect on its financial statements.

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

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

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.

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

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

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

These amendments are not applicable to the 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 consolidated financial statements.

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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. Since the Bank operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements and the required disclosures. 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.

4. Regulatory Disclosures

(i) Capital Adequacy Ratio

The capital adequacy ratio was calculated at approximately 199.98% (2017: 75.95%)

(ii) Regulatory Breaches

There were no regulatory breaches during the year (2017:Nil).

5. Contingent liabilities and commitments

	2018 GHS	2017 GHS
i) Contingent Liabilities	**1,595,089**	9,713,314
ii) Pending Legal Suits	**74,000**	-

There is one case filed against the bank claiming GHS 74,000 against the Bank.

(iii)Commitments for capital expenditure

There was no commitment for capital expenditure at the statement of financial position date. (2018: Nil).

(iv) Unsecured contingent liabilities and commitments

	2018	2017
	GHS	GHS
This relates to commitments for trade letters of credit and guarantees.	-	-

6. Corporate Social responsibility cost

During the year under review, no amount was spent under the Bank's corporate social responsibility program.

7. Segmental reporting

The Bank is organised into three main business segments: Retail Clients, Commercial Banking, and Corporate Institutional Clients.

Retail Clients

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

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

Commercial Clients

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

Corporate and Institutional Clients

Corporate and Institutional Clients focuses on driving origination by building core banking relationships with clients across the full range of their product needs.

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

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

Corporate and Institutional Clients (cont'd)
No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2018.

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

2018

Class of Business	**Retail Clients GHS**	**Commercial Clients GHS**	**Corporate & Institutional Client GHS**	**Unallocated GHS**	**Total GHS**
Net interest income	**276,191**	**8,180,747**	**30,771,644**	**3,162,062**	**42,390,644**
Non-interest income	**332,941**	**2,469,756**	**1,804,687**	**10,600**	**4,617,984**
Operating income	**609,132**	**10,650,503**	**32,576,331**	**3,172,662**	**47,008,628**
Operating Expenses	**81,567**	**1,564,071**	**4,152,971**	**1,624,117**	**7,422,726**
Operating profit before impairment losses and taxation	**527,565**	**9,086,432**	**28,423,360**	**1,548,545**	**39,585,902**
Impairment loss	**13,660**	**1,600,811**	**-**	**-**	**1,614,470**
Profit before tax	**513,905**	**7,485,621**	**28,423,360**	**1,548,545**	**37,971,433**
Total assets	**1,170,487**	**54,020,664**	**200,451,881**	**1,029,765**	**256,672,797**
Total liabilities	**2,030,966**	**25,844,597**	**33,733,000**	**195,064,234**	**256,672,797**

2017

Class of Business	Retail Clients GHS	Commercial Clients GHS	Corporate & Institutional Client GHS	Unallocated GHS	Total GHS
Net interest income	268,400	7,832,664	26,488,654	6,940,576	41,530,294
Non-interest income	142,662	3,227,264	-	-	3,369,926
Operating income	411,062	11,059,928	26,488,654	6,940,576	44,900,220
Operating Expenses	(70,235)	(1,340,854)	(3,575,612)	(1,398,320)	(6,385,021)
Operating profit before impairment losses and taxation	340,827	9,719,074	22,913,042	5,542,256	38,515,199
Impairment loss	(13,660)	(1,600,820)	-	-	(1,614,480)
Profit before tax	288,959	7,485,612	22,913,042	5,542,256	37,971,422
Total assets	3,105,763	89,290,684	232,932,220	62,891,699	388,220,366
Total liabilities	84,140,540	35,243,707	98,373,000	170,463,119	388,220,366

Corporate and Institutional Clients (cont'd)

Segment revenue above represents revenue generated from external customers. There were no inter – segments sales in the current year (2016: nil)
The accounting policies of the reportable segments are the same as the Bank's accounting policies.

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

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

The following table details entity-wide net operating income by product:

	2018	2017
	GHS	GHS
Personal Loans, Retail Clients	**609,132**	411,062
High Value Business Clients	**32,576,331**	26,527,138
Consumer Transactional Banking& Wealth Management	**10,650,503**	11,021,444
Transaction Banking	**3,172,662**	6,940,577
	47,008,628	44,900,220

8. Interest income

(i) Classification

	2018	2017
	GHS	GHS
Placements, Special deposits	**31,249,325**	26,934,714
Investment securities	**3,162,062**	6,940,577
Loans and advances	**12,053,865**	13,132,640
	46,465,252	47,007,931

(ii) Categorisation

	2018	2017
	GHS	GHS
Financial assets at amortised cost	**31,249,325**	26,934,714
Equity instrument	**3,162,062**	6,940,577
Loans and advances (Gross)	**12,053,865**	13,132,640
	46,465,252	47,007,931

Included in interest income on loans and advances is a total amount of GHS Nil (2017: GHS Nil) accrued on impaired financial assets.

Notes to the financial statements

For the year ended 31 December 2018

12. Net impairment charge

	2018 GHS	2017 GHS
Impairment charge	**1,614,480**	-
Individually assessed	-	609,696
Collectively assessed	-	439,536
	1,614,480	1,049,232

13. Personnel expenses

	2018 GHS	2017 GHS
Directors' remuneration	**6,386**	8,938
Wages & salaries	**1,675,491**	1,596,984
Contributions to Fund	**64,039**	54,800
Medical expense	**40,045**	46,522
Other staff benefits	**290,426**	278,455
	2,076,387	1,985,700

The average number of persons employed by the Bank during the year was 25 (2017:19).

14. Other expenses

	2018 GHS	2017 GHS
Management Fees	-	630,924
Advert and Publicity	**74,235**	91,718
Electricity	**213,069**	191,805
Rates and Taxes	**8,640**	7,552
Rent Expense	**1,511,365**	1,480,661
Printing, stationery and related cost	**31,094**	41,522
Travel, transport & accommodation	**171,544**	121,386
Telephone & Postage	**180,590**	234,222
Repairs and Maintenance	**181,669**	190,979
Insurance	**60,557**	49,103
Audit Fees	**380,497**	179,322
Other operational cost (Note 14a)	**2,303,125**	929,317
	5,116,385	4,149,142

14a. Other operational costs

	2018 GHS	2017 GHS
Sundry Charges (Note 14b)	**2,071,205**	585,746
Computer Charges	**127,874**	246,790
Other Expenses	**104,046**	96,781
	2,303,125	929,317

Notes to the financial statements

For the year ended 31 December 2018

14b. Sundry Charges

	2018 GHS	2017 GHS
Account maintenance charges	**84,857**	79,726
Renewal of RPs for IBOs	**27,185**	52,378
Annual fee to GAB	**58,912**	67,794
Annual fee to NBC	**75,466**	52,249
Renewal of License fee	**63,233**	45,000
Expenses on customer meetings	**22,487**	28,095
Repo fee	**56,363**	16,850
Expenses on Board meetings	**3,777**	11,122
Expenses for annual subscriptions, etc.	**1,678,925**	232,532
	2,071,205	585,746

Notes to the financial statement

For the year ended 31 December 2017

15. Financial instruments classification summary

Financial instruments are classified along three (3) recognition principles: held at fair value through OCI, fair value through profit or loss, and at amortised cost. These categories of financial instruments have been combined for presentation on the face of the statement of financial position.

15a). The Bank's classification of its principal financial assets and liabilities are summarised below

	Note	Financial assets at amortised cost	Equity investment	Carrying Amount	Fair Value
		GHS	GHS	GHS	GHS
Financial Assets					
Cash and cash equivalents	**17**	**37,680,910**	**165,126,648**	**202,807,558**	**202,807,558**
Loans and advances	**18**	**52,669,557**		**52,669,557**	**52,669,557**
Total at 31 December 2018		**90,350,467**	**165,126,648**	**255,477,115**	**255,477,115**
Financial Assets					
Cash and cash equivalents	17	25,349,329	187,585,090	212,934,419	212,934,419
Loans and advances	18	143,319,409	-	143,319,409	143,319,409
Investment securities	19	30,000,000	-	30,000,000	30,000,000
Total at 31 December 2017		198,668,738	187,585,090	386,253,828	386,253,828

Notes to the financial statements

	Note	Financial Liabilities Measured at Amortised Cost	Carrying Amount	Fair Value
		GHS	GHS	GHS
Financial liabilities				
Deposits from customers	**23**	**27,903,838**	**27,903,838**	**27,903,838**
Borrowings	**24**	**33,733,000**	**33,733,000**	**33,733,000**
Current Tax Liabilities	**16(b)**	**586,127**	**586,127**	**586,127**
Other liabilities	**25**	**1,067,845**	**1,067,845**	**1,067,845**
Total at 31 December 2018		**63,290,810**	**63,290,810**	**63,290,810**
Deposits from customers	23	181,477,707	181,477,707	181,477,707
Borrowings	24	35,325,600	35,325,600	35,325,600
Other liabilities	25	3,579,067	3,579,067	3,579,067
Current Tax liabilities	16(b)	632,474	632,474	632,474
Deferred Tax liabilities	16(a)	321,466	321,466	321,466
Total at 31 December 2017		221,336,313	221,336,313	221,336,313

15(b) Fair value of financial instrument

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments – fair value through OCI

Financial assets designated at fair value through OCI valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities. These assets are valued using models that use both observable and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Other trading assets

Other trading assets valued using a valuation technique consists of certain debt securities and asset-backed securities. The Bank values the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

Fair value hierarchy as defined under Note 3(g-(x)) analysis with respect to Financial Assets and Financial Liabilities measured on a recurring basis.

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

2018	**Note**	**Level 1 GHS**	**Level 2 GHS**	**Level 3 GHS**	**Total GHS**
Investment securities	**19**				
Total at 31 December 2018		**-**	**-**	**-**	**-**
2017					
Investment securities	19	-	30,000,000	-	30,000,000
Total at 31 December 2017		-	30,000,000	-	30,000,000

The level 2 financial assets securities have been valued using the discounted cash flow, discounted at the market rate of a similar instrument on the market.

The following table shows total gains and losses recognised in profit or loss during the year relating to assets and liabilities held at the yearend:

	2018 GHS	2017 GHS
Fair value amount recognised in profit and loss		
Financial assets:-		
Investment securities	-	30,000,000

There are no transfers between the fair value levels during the year.

There are no transfers between the fair value levels during the year.

Day 1 profit

When financial instruments were initially recognised, valuation techniques used for the fair valuing took into consideration all observable market data and hence there is no Day 1 profit or loss.

16. Current tax

16 (a) Income tax expense

	2018	2017
	GHS	GHS
Current income tax	9,913,408	9,653,134
National stabilization levy	1,899,467	1,873,298
Deferred income tax	(321,466)	335,723
	11,491,409	11,862,155

16 (b) Corporate Tax

	Balance at 1 January 2018	Payments During the year	Charge for the year	Adjustment of Previous year	Balance at 31/12/2018
	GHS	GHS	GHS	GHS	GHS
2017	-	(10,800,000)	11,526,433	(93,959)	632474
2018	632,474	(11,232,474)	11,812,875	(626,748)	586,127

The balance is subject to agreement with the Domestic Revenue Division of Ghana Revenue Authority at the end of the Current tax year.

16(c) Deferred Income Tax (Asset) Liability

	2018	2017
	GHS	GHS
At 1 January 2018	(321,466)	(14,257)
Charge to profit & loss	321,466	335,723
Balance at 31 December 2018	-	(321,466)

Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of 25% (2017: 25%).

The charge for the year relates to accelerated tax allowances on property, plant and equipment, provisions and impairment of Loans & Receivables. The bank is under winding up process and hence, the outstanding amount of deferred tax entries are reversed in order to make the deferred tax as NIL. The movement in deferred income tax is as follows:

Recognised Profit & Loss	Balance at 01/01/18	Movement during the year	Balance at 31/12/18
Accelerated Depreciation	(59,158)	59,158	-
Impairment Loan & Advances	(262,308)	262,308	-
	(321,466)	321,466	-

16. (d) National stabilization levy

In accordance with the National Stabilization Act, 2009, (Act 785) all companies in Banking, Non-Banking Financial Institutions, Insurance, Mining, Brewery and Communication are supposed to pay a levy of 5% of profit before tax towards national fiscal stability.

	2018 GHS	2017 GHS
National Stabilization levy	**1,899,467**	1,873,298

17. Cash and cash equivalent

	2018 GHS	2017 GHS
Cash and balances with banks	**4,283,955**	5,875,523
Unrestricted balances with Bank of Ghana	**30,149,292**	5,524,053
Rèstricted balances with Bank of Ghana	**3,234,509**	16,859,451
Money market placements (BOG)	**165,139,802**	184,675,392
	202,807,558	212,934,419

The balances with Bank of Ghana include non-interest bearing mandatory reserve deposits of GHS 3,234,509 (2017: GHS 16,859,451). These funds are not available to finance the Bank's day-to-day operations.

18. Loans and Advances

(a) Analysis by type of facility

	2018 GHS	2017 GHS
Overdrafts	**53,933,422**	133,241,656
Term loan	**2,313,983**	12,019,111
Staff	**81,864**	121,796
Gross loans and advances	**56,329,269**	145,382,563
Less: Allowances for impairment	**(3,659,712)**	(2,063,154)
Interest in Suspense	**-**	-
	52,669,557	143,319,409

(b) Movement in impairment

	2018 GHS	2017 GHS
Balance at 1 January	**2,063,154**	1,013,920
IFRS 9 transitional adjustments	**(17,921)**	-
Charge for the year	**1,614,480**	1,049,234
Balance at 31 December	**3,659,712**	2,063,154

Notes to the financial statements

For the year ended 31 December 2018

(c) Analysis by business segments

	2018	2017
	GHS	GHS
Construction	6,803,691	8,903,755
Commerce and finance	8,426,393	75,106,485
Manufacturing	32,112,780	48,500,902
Agriculture Forestry/Fishing	6,698,038	7,147,932
Miscellaneous	2,288,367	5,723,489
Gross loans and advances	56,329,269	145,382,563
Less: Allowances for impairment	(3,659,712)	(2,063,154)
Interest in Suspense	-	-
	52,669,557	143,319,409

(d) Analysis by type of customer

	2018	2017
	GHS	GHS
Individuals	42,190	3,905,114
Private enterprise	56,188,578	141,420,093
Staff	98,501	57,356
Gross loans and advances	56,329,269	145,382,563
	(3,659,712)	(2,063,154)
Less: Allowances for impairment	-	
Interest in Suspense		-
	52,669,557	143,319,409

(e) Analysis of maturity

Due after 3 months but within 12 months	54,023,945	133,982,542
Due after 12 months but within 5 years	2,305,324	11,400,021
Less: Allowances for impairment	(3,659,712)	(2,063,154)
Interest Suspense	-	-
	52,669,557	143,319,409

(f) Analysis by security

Secured	56,307,719	144,119,185
Unsecured	21,550	1,263,378
Less: Allowances for impairment	(3,659,712)	(2,063,154)
Interest Suspense	-	-
	52,669,557	143,319,409

(g) Key ratios

	2018	2017
Loan loss provision	**6.50%**	1.42%
Gross non-performing loans ratio	**20.68%**	0.04%
50 largest exposures to total exposures	**100.00%**	99.80%
Loan deposit ratio	**201.87%**	80.11%
Liquidity ratio	**3.26**	1.72

(h) Renegotiated loans

Renegotiated loans that have been reclassified	-	-

(i) Non-performing loans

Non-performing loans	**11,649,912**	2,503,944

(j) Collateral held against impaired exposures

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

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

Loans and receivables

	2018 GHS	2017 GHS
Against impaired assets	**17,859,103**	4,178,665
Against past due but not impaired assets	**-**	-
	17,859,665	4,178,665

(k) Repossessed Assets

The bank did not possessed any assets held as collateral during the year.

Notes to the financial statements

For the year ended 31 December 2018

19. Investment Securities

The movement in government securities is summarized as follows:

	2018 GHS	2017 GHS
At 1 January 2018	30,000,000	74,288,000
Additions	-	-
Disposals (sale and matured)	(30,000,000)	(44,288,000)
At 31 December 2018	-	30,000,000

20. Other assets

	2018 GHS	2017 GHS
Prepayments	482,154	923,990
Accrued Interest	313,099	545,370
Suspense General	15,323	38,469
Other	141,765	170
	952,341	1,508,000

21. Intangible assets

Computer Software	2018 GHS	2017 GHS
Cost		
Balance 01/01/18	146,795	146,795
Additions	-	-
Balance 31/12/18	146,795	146,795
Amortisation		
Balance 01/01/18	146,795	146,795
Charge for the period	-	-
Balance 31/12/18	146,795	146,795
NBV as at 31/12/18	-	-

Notes to the financial statements

For the year ended 31 December 2018

22. Property, plant and equipment

2018

	Leased Properties	Office Equipment	Furniture & Fixtures	Motor Vehicle	Total
Cost	GHS	GHS	GHS	GHS	GHS
Balance 01/01/18	539,163	278,949	448,782	293,638	1,560,532
Additions	-	4,150	3,900	-	8,050
Disposal/adjustments	-	-	-	(39,900)	(39,900)
Balance 31/12/2018	539,163	283,099	452,682	253,738	1,528,682
Accumulated depreciation					
Balance 01/01/18	406,213	190,078	269,232	236,471	1,101,994
Charge for the year	66,475	47,754	53,321	55,698	223,247
Disposal/adjustments	-	-	-	(39,900)	(39,900)
Balance 31/12/18	472,688	237,832	322,553	252,269	1,285,342
Net Book Value as at 31 December 2018	66,475	45,268	130,129	1,469	243,340

23. Deposits from customers

	2018	2017
	GHS	GHS
Current accounts	10,614,713	46,319,540
Savings	1,299,734	8,024,901
Short Term Deposits	15,989,391	10,693,181
Fixed Deposits	-	116,440,085
	27,903,838	181,477,707

Analysis by type of depositors

	2018	2017
	GHS	GHS
Individual and other private enterprise	11,669,781	100,611,759
Private enterprise	16,234,057	80,865,948
	27,903,838	181,477,707

	2018	2017
	GHS	GHS
Current	10,614,713	46,319,541
Non-current	17,289,125	135,158,166
	27,903,838	181,477,707

Notes to the financial statements

For the year ended 31 December 2018

28. Amount held towards capital

This represents amount paid by shareholders to the Bank which has not yet been registered as stated capital of the Bank. The process for capitalization of the amount is under process with Registrar General's Departments.

The amount was part of fund originally transferred from the stated capital to meet some expenses. The balance GHS 9,771 is the residual amount which is under the process of capitalization.

29. Statutory reserve fund

	2018	2017
	GHS	GHS
At 1 January	**47,008,857**	40,607,904
Transfer from income surplus account	**6,620,003**	6,400,953
At 31 December	**53,628,860**	47,008,857

Section 34 (1) (b) states that, a bank or specialised deposit -taking institution shall establish and maintain a Reserve Fund into which shall be transferred out of net profits for each year, where the amount of the Reserve Fund is fifty percent or more but less than one hundred percent of the paid up capital of the bank or specialised deposit-taking institutions, an amount of which is not less than twenty-five per cent of the net profit for the year.

29a. Credit risk reserve

The difference of Loss allowance calculated between the IFRS 9 and IAS 39 is added to credit Risk reserve.

	2018	2017
	GHS	GHS
At 1 January	-	33,225
Reversals	-	(33,225)
Addition	**2,939,534**	-
Transfer to income surplus account	-	33,225
At 31 December	**2,939,534**	-

30. Cash and cash equivalent

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91days maturity from the date of acquisition including: cash and balances with Bank of Ghana, treasury bills, other eligible bills and amounts due from and to banks. Cash and cash equivalents exclude the mandatory reserve requirement held with Bank of Ghana.

	2018	2017
	GHS	GHS
Cash and cash equivalent	**202,807,558**	212,934,419
	202,807,558	212,934,419

Notes to the financial statements

For the year ended 31 December 2018

31. Contingencies and commitments

Contingencies

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

	2018	2017
	GHS	GHS
Letters of Credit	1,348,356	-
Guarantees and other commitments	246,733	9,713,314
	1,595,089	9,713,314

Nature of Contingent liabilities

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers' default

There were no commitments as at the end of the year.

32. Related Parties transaction

This relates to inter-Bank dealings and transactions with key management personnel. In the normal course of business, current accounts were operated and other transactions carried out with related parties, were conducted as per the arms' length principle. The balances outstanding as at year-end were as follows:

a) Loans to officers

	2018	2017
	GHS	GHS
Officers and employees	98,501	57,356
Interest expense on the above	8,090	2,363
	106,591	59,719

Terms and conditions of related party transaction

List of related parties	2018 GHS	2017 GHS
Bank of Baroda, New York	**1,360,153,467**	1,298,300,000
Bank of Baroda, London	**100,000**	1,250,000
Bank of Baroda, Brussels	**6,251,150**	5,350,000
Bank of Baroda, Mumbai	**29,548,000**	31,410,000
	1,396,052,617	1,336,310,000

These transactions include borrowings or placements with related parties at arm's length.

(b) Transactions with Directors and Key management personnel

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

Director or any connected person is also a director or key management members of the Bank. The bank did not make provision in respect of loans to Directors or any key management member during the period under review.

(i) Advances to related parties

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

	2018 GHS	2017 GHS
At 1 January	**57,356**	-
Loans advanced during the year	-	57,356
Loans repayments received	-	-
Transfer to other loan category(Staff Loans)	**57,356**	-
At 31 December	-	57,356

ii) Deposits from directors	2018 GHS	2017 GHS
At 1 January	**404,043**	154,701
Net movement during the year	**183,503**	249,342
At 31 December	**587,546**	404,043

Notes to the financial statements

For the year ended 31 December 2018

(iii) Remuneration of key management staff

	2018 GHS	2017 GHS
Fees	-	-
Directors Expenses	6,386	8,938
Salaries & other Benefits	327,117	304,206
	333,503	313,144

Shareholders

The bank is wholly (100%) owned by Bank of Baroda, India.

Bank of Baroda India, is related by virtue of its ultimate (100%) controlling interest in Bank of Baroda (Ghana LTD).

33. Corporate social responsibility

In furtherance of our corporate social responsibility, the Bank has supported initiatives totalling GHS NIL (2017: GHS 3,500) to cover activities in the Bank's key areas of concern, namely health, education and the environment. These included donations and support for tertiary institutions, programmes for trainee professionals, health and charitable institutions and cultural and other social events.

34. Breaches on Loan classification, waiver of unpaid interest on a facility and Sanctions

There was no penalty imposed on the Bank in 2018 (2017: Nil)

35. Events after reporting period

No significant event occurred after the end of the reporting date which is likely to affect these financial statements.

36. Voluntary Liquidation

The Bank of Baroda, India (the parent company of Bank of Baroda (Ghana) Limited) has decided to divest/sell its entire 100% equity in the Bank due to the Government of India's decision to rationalize the overseas operations of the branches/subsidiaries of Indian public sector banks. In line with Section 139 (1) of the Banks and Specialized and Deposit- Taking Institutions Act, 2016 (Act 930), the Bank has obtained an approval for a voluntary winding up of its operations from Bank of Ghana effective December 31, 2018.

To ensure an orderly exit, and to safeguard the interest of depositors and customers, the Bank of Ghana has approved an Assumption Agreement between Bank of Baroda (Ghana) Limited and Stanbic Bank Ghana Limited under which the latter will assume all deposits and selected loan assets of the bank, hence, the financial statements have not been prepared on a going concern basis.

The Bank has decided to realize all its assets and to settle all its obligations within the next six (6) months.

Pursuant to the winding up of the subsidiary, all the deposit accounts (Savings Bank Accounts, Current Accounts, Term Deposits Accounts) have been transferred to Stanbic Bank and seamless service is being provided to the customers. There are two overdraft facilities taken over by Stanbic Bank as on 31 December 2018. Meanwhile, UMB bank and Fidelity Bank have taken over one and two loan clients respectively.

37. Financial risk management

a. Introduction and overview

The bank has exposure to the following risks arising from the use of financial instruments. Typical of such risks are as follows:

- credit risk
- liquidity risk
- market risk
- operational risk.

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

Risk management framework

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

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the bank if a customer or counterparty 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 and investment securities.

For risk management reporting purposes, the bank considers and consolidates all elements of credit risk exposure. For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization and structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. The bank Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the bank's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with
- the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the bank Risk Function.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to bank Credit committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance, specialist skills and training to business units to promote best practice throughout the bank in the management of credit risk. Each business unit is required to implement bank credit policies and procedures, with credit approval authorities delegated from the bank Credit Committee.

Each business unit has a Chief Credit Risk officer who reports on all credit related matters to local management and the bank Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.
Regular audits of business units and bank Credit processes are undertaken by Internal Audit.

Exposure to credit risk

	2018	2017
	GHS	GHS
Impaired loans		
Individually impaired	**11,649,912**	2,503,944
Allowance for impairment	**(3,324,605)**	(635,773)
Impaired loans, net of individual provisions	**8,325,307**	1,868,171
Loans past due but not impaired	-	-
Past due up to 30 days	-	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-120 days	-	-
Past due 121-150 days	-	-
Past due more than 150 days	-	-
Loans neither past due nor impaired	**44,679,357**	142,878,619
Credit grading 1-12 or equivalent		
Less: Portfolio impairment provision	**(335,107)**	(1,427,381)
Total net loans	**44,344,250**	141,451,238

Maximum credit exposure

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

	2018	2017
	GHS	GHS
Placements with other banks	**165,197,732**	209,968,594
Loans and advances	**52,669,557**	143,319,409
Unsecured Contingent liabilities and commitments	-	-

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

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

Loans and receivables

	2018	2017
	GHS	GHS
Against impaired assets	**17,859,103**	4,178,665
Against past due but not impaired assets	**-**	-
	17,859,665	4,178,665

(c) 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.

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.
The Bank defines liquidity risk as the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

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

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

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For the year ended 31 December 2018

	Less than 12 months GHS	GHS	GHS	Over 1year GHS	2018 Total GHS	2017 Total GHS
Assets	0-3 Months	3-6 Months	6-12 Months			
Cash and balances with BOG	34,439,875	-	-	-	34,439,875	25,349,329
Short-term government securities	-	-	-	-	-	30,000,000
Due from other banks and financial institutions	168,367,683	-	-	-	168,367,683	187,585,090
Loans and advances	46,704,349	2,393,979	4,925,616	2,305,324	56,329,269	145,382,563
Other assets	-	-	-	952,341	952,341	1,508,000
Total Assets	249,511,907	2,393,979	4,925,616	3,257,665	260,089,168	389,824,982
Liabilities					-	-
Customer deposits	22,742,744	810,477	4,350,618	-	27,903,839	168,230,605
Deposit from local banks	-	-	-	-	-	-
Interest payables	-	-	105,357	-	105,357	639,402
Other liabilities	962,487	-	-	-	962,487	2,939,665
Borrowings	33,733,000	-	-	-	33,733,000	35,325,600
Total liabilities	57,438,231	810,477	4,455,975	-	62,704,683	220,382,372
Net liquidity gap						
Total liquid assets (Balance with BOG)					256,831,503	377,383,958
Total liabilities					(62,704,683)	(219,184,161)
Net liquidity gap (Surplus)					194,126,820	137,301,398

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For the year ended 31 December 2018

Maturities of assets and liabilities

(d) Market Risks

Management of Market Risk

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

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

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

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

A consistent stress testing methodology is applied to trading and non-trading books.

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For the year ended 31 December 2018

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

	USD GHS	GBP GHS	EUR GHS	Others GHS	2018 GHS	2017 GHS
Assets						
Cash and Balances with Bank of Ghana	30,811,252	9,254	4,197	-	**30,824,703**	**6,684,463**
Due from other Banks and Financial Institutions	829,392	82,086	6,247	-	**917,725**	**69,145,198**
Loans and Advances	23,358,858	-	-	-	**23,358,858**	**102,887,354**
Other Assets	66,380	-	-	-	**66,380**	**-**
Total Assets	55,065,882	91,340	10,444	-	**55,167,666**	**178,717,015**
Liabilities						
Customer Deposits	20,593,732	5	1,003	-	**20,594,740**	**130,753,310**
Due to other Banks and Financial Institutions	33,733,000	-	-	163,538	**33,896,538**	**13,247,100**
Interest Payable and other Liabilities	-	-	-	-	**-**	**38,627**
Total Liabilities	54,326,732	5	1003	163,538	**54,446,278**	**144,039,037**
Net-on Statement of financial position	**739,150**	**91,335**	**9,441**	**(163,538)**	**676,388**	**34,677,978**

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For the year ended 31 December 2018

Contingency plans are in place and can be relied on in place of any liquidity crisis. The Bank also has a liquidity crisis management committee which also monitors the application of its policies.

The Bank has not identified any limitations of the VaR methodology.

Foreign Exchange Exposure

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

Sensitivity Analysis

A 5% strengthening of the cedi against the following currencies at 31 December 2016 would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

Sensitivity analysis

Effect in cedis

31 December 2018

	Profit/(loss)
	GHS
USD	**36,294**
GBP	**4,566**
EUR	**472**
Others	**(8,885)**

31 December 2017

	Profit/(loss)
	GHS
USD	(29,499)
GBP	7,442
EUR	881
Others	8,764

Sensitivity Analysis (cont'd)

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

Interest Rate Exposure

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

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

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

	100 b p Increase	**100 b p Decrease**
31-Dec-18		
Interest income impact	**2,965,968**	**(2,965,968)**
Interest expense impact	**(1,354,573)**	**1,354,573**
Net impact	**1,611,395**	**(1,611395)**
31-Dec-17		
Interest income impact	3,173,675	(3,173,675)
Interest expense impact	(1,795,464)	1,795,464
Net impact	1,378,211	(1,378,211)

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

The Bank's Country Operational Risk Committee (CORC) has been established to supervise and direct the management of operational risks across the Bank.

Interest Rate Exposure (cont'd)

CORC is also responsible for ensuring adequate and appropriate policies, and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

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

Capital Management

The Central Bank sets and monitors capital requirements for the Bank. Under the guidelines of the Central Bank, the Bank is required to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's capital is analysed into two tiers:

Tier 1 capital, which includes ordinary paid up share capital, permanent preference shares and disclosed reserves, after deducting certain assets such as investments in capital of other Banks and financial institutions.

Tier 2 capital, which includes some reserves such as the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base, and other assets are given various classifications such as claims on government, claims on the Central Bank and contingent liabilities and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

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

The Bank has complied with all externally imposed capital requirements throughout the year.

There has been no material change in the Bank's management of capital during the year.

38. Capital Adequacy Ratio

Below is the capital adequacy ratio as at 31 December 2018:

No	Item	Amount (GH¢)
1	Paid-up Ordinary Share Capital	60,000,000
2	**Disclosed Reserves**	133,372,217
3	Minority Interests	-
4	Paid-up Permanent Non-Cumulative Preference Shares	-
5	Tier 1 Capital (1+2+3+4)	193,372,217
	Less:	
6	Goodwill/Intangibles	-
7	Losses not Provided For	-
8	**Investments in Subsidiaries**	-
9	Investment in the Capital of Other Banks & Fin. Institutions	-
10	Capitalised Revaluation Reserves/ Credit risk reserve	2,939,534
11	Connected Lending of Long Term Nature	-
12	Net Tier 1 Capital (5-6-7-8-9-10-11)	190,432,683
13	Capitalised Revaluation Reserves	-
14	Revaluation Reserves	-
15	Latent Revaluation Reserves	-
16	Undisclosed Reserves	-
17	Cumulative Preference Shares	-
18	Minority Interests in Tier 2 Preferred Shares	-
19	Hybrid Capital	-
20	Subordinated Term Debt (Limited to 50% of 5)	-
21	Tier 2 Capital (13+14+15+16+17+18+19)(Limited to 100% of 5)	-
22	ADJUSTED CAPITAL BASE (12+20)	**190,432,683**

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23	TOTAL ASSETS (less Contra Items)	256,672,797
	Less:	-
24	Cash on Hand (Cedis)	354,354
25	Cash on Hand (Forex)	675,412
26	Claims on Bank of Ghana:	198,523,603
	i. Cedi Clearing Account Balance	3,234,506
	ii. Forex Account Balance	30,149,292
	iii. Funds under SWAPS	-
	iv. Bills and Bonds	165,139,802
	v. Special Deposits	-
27	Claims on Government:	-
	i) Treasury Securities (Bills and Bonds)	-
	ii) Stocks	-
28	80% of Cheques drawn on other banks	-
29	Goodwill / Intangibles	-
30	Investments in Subsidiaries	-
31	Invest in the Capital of Other Banks & Fin. Institutions	-
32	Connected Lending of Long Term Nature	-
33	80% of claims on Discount Houses (Cedis / Forex)	-
34	80% of claims on Other Banks (Cedis / Forex)	-
35	50% of Residential Mortgage Loans	-
36	50% of Export Financing Loans	-
37	80% of loans guaranteed by multilateral banks	-
38	ADJUSTED TOTAL ASSETS (23-24-25-,........,-36)	57,119,428
	Add:	1,595,089
	Off-Bal. Sheet Items (Net of cash margins & provision)	-
39	Commercial Letters of Credit Outstanding	1,348,356
40	Guarantees / Indemnities	246,733

Notes to the financial statements

For the year ended 31 December 2018

41	Acceptances	-
42	Endorsements	-
43	Revolving Underwriting Facilities	-
44	Note Issuance Facilities	-
45	Standby Letters of Credit to Other Banks	-
46	TOTAL OFF-BAL SHEET ITEMS (39+39+40+....+45)	1,595,089
	Less:	
47	50% of class 1 risk weighted off-balance sheet items	-
48	80% of class 2 risk weighted off-balance sheet items	-
49	Net Contingent Liabs. ()	1,595,089
	Add:	
50	50% of NOP	397,302
51	100% of 3yrs Average Annual Gross Income	36,113,875
52	ADJUSTED ASSET BASE (38+46+50+51)	95,225,694
53	Adjusted Capital Base as percentage of Adjusted Asset Base: (22/52 X 100)	199.98
54	CAPITAL SURPLUS/DEFICIT {22 - (10% of 52)}	180,910,114

Notes to the financial statements

For the year ended 31 December 2018

39. Value Added Statement

Value Added statement for the year ended 31 December 2018

	2018	2017
	GHS	GHS
Interest earned and operating income	**51,083,236**	50,377,857
Direct cost of services	**(4,074,608)**	(5,477,637)
Value added by banking services	**47,008,628**	44,900,220
Non-banking services	-	-
Add back Impairment	**1,614,480**	1,049,232
Value added	**48,623,108**	45,949,452
Distributed as follows:		
To Employees;		
Directors (without executives)	**6,386**	8,938
Executive directors	**332,117**	304,206
Other employees	**1,758,355**	1,681,494
To the government:		
Income tax	**11,491,409**	11,862,155
To providers of capital:	-	
Dividend to shareholders		-
		-
To expansion and growth:		
Depreciation	**223,247**	250,179
Amortisation	-	-
Retained earnings	**34,811,594**	31,842,480