

# Independent Auditor's Report to the members of GCB Bank Limited

## Report on the Financial Statements

We have audited the consolidated and separate financial statements of GCB Bank Limited, which comprise the statements of financial position at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 26 to 109.

### *Directors' Responsibility for the Financial Statements*

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738), 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of GCB Bank Limited at 31 December 2015 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

## Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 78 of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

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

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

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

*K P m G*

**SIGNED BY: NII AMANOR DODOO (ICAG/P/1055)**

FOR AND ON BEHALF OF:

**KPMG: (ICAG/F/2016/038)**

**CHARTERED ACCOUNTANTS**

13 YIYIWA DRIVE, ABELNKPE

P O BOX GP 242

ACCRA

FEBRUARY 29, 2016

# Statements of Comprehensive Income

## for the year ended 31 December 2015

	Note	The Group		The Bank	
		2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Interest income	9	839,115	690,708	839,007	690,708
Interest expense	10	(107,571)	(92,982)	(107,571)	(92,982)
<b>Net interest income</b>		<b>731,544</b>	<b>597,726</b>	<b>731,436</b>	<b>597,726</b>
Fee and commission income	11	132,374	114,392	132,374	114,392
Fee and commission expense	12	(24,183)	(22,422)	(24,183)	(22,422)
<b>Net fee and commission income</b>		<b>108,191</b>	<b>91,970</b>	<b>108,191</b>	<b>91,970</b>
Net trading income	13	16,561	37,758	16,561	37,758
Other revenue	14	6,995	3,739	11,097	7,792
<b>Revenue</b>		<b>863,291</b>	<b>731,193</b>	<b>867,285</b>	<b>735,246</b>
Other income	15	2,715	100,058	2,053	99,210
Impairment charge on loans and advances	16	(93,492)	(23,832)	(93,492)	(23,832)
Operating expenses	17	(425,752)	(428,230)	(425,570)	(428,188)
<b>Operating profit</b>		<b>346,762</b>	<b>379,189</b>	<b>350,276</b>	<b>382,436</b>
Share of profit of associates, net of tax	27	14,039	15,792	-	-
<b>Profit before tax</b>		<b>360,801</b>	<b>394,981</b>	<b>350,276</b>	<b>382,436</b>
Income tax expense	18	(106,159)	(112,833)	(105,541)	(112,379)
<b>Profit for the year</b>		<b>254,642</b>	<b>282,148</b>	<b>244,735</b>	<b>270,057</b>

The notes on pages 35 to 109 form an integral part of these financial statements.

# Statements of Comprehensive Income

## for the year ended 31 December 2015 (cont'd)

	Note	The Group		The Bank	
		2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
<b>Profit for the year</b>		254,642	282,148	244,735	270,057
<i>Other comprehensive income</i>					
<b>Items that may be reclassified to profit or loss</b>					
Available-for-sale financial assets – net changes in fair value	38	(972)	1,898	(676)	1,911
Related tax	38	243	(475)	169	(478)
Share of associate OCI	38	(1,845)	(1,515)	-	-
Prior year movement in fair value		40	-	-	-
<b>Items that will never be reclassified to profit or loss</b>					
Actuarial loss on defined benefit liability	41	(3,610)	(4,134)	(3,610)	(4,134)
Related tax	41	903	1,034	903	1,034
<b>Other comprehensive income, net of tax</b>		<b>(5,241)</b>	<b>(3,192)</b>	<b>(3,214)</b>	<b>(1,667)</b>
<b>Total comprehensive income</b>		<b>249,401</b>	<b>278,956</b>	<b>241,521</b>	<b>268,390</b>
Basic and diluted earnings per share (in GH¢)	20	0.96	1.06	0.92	1.02

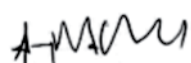
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# Statements of Financial Position

## at 31 December 2015

	Note	The Group		The Bank	
		2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
<b>Assets</b>					
Cash and cash equivalents	21	544,683	758,081	544,683	758,081
Government securities	22	2,042,542	1,862,336	2,037,543	1,857,337
Advances to banks	23	214,875	107,407	214,875	107,407
Loans and advances to customers	24	1,493,230	1,240,577	1,492,623	1,240,577
Investment securities: available- for-sale	25	7,639	8,611	6,135	6,811
Investment in subsidiary*	26	-	-	1,000	-
Investment in associates	27	53,135	49,468	30,126	30,126
Investment in other equity securities	28	524	247	390	113
Deferred tax asset	18	39,815	26,838	39,793	26,890
Property and equipment	29	139,889	123,936	139,889	123,936
Intangible assets	30	18,131	12,162	18,131	12,162
Other assets	31	98,264	64,021	97,774	63,601
Income tax asset	18	6,454	5,418	6,626	5,778
<b>Total assets</b>		<b>4,659,181</b>	<b>4,259,102</b>	<b>4,629,588</b>	<b>4,232,819</b>
<b>Liabilities</b>					
Deposits from customers	32	3,360,596	3,074,821	3,368,406	3,078,071
Other liabilities and provisions	33	171,766	263,805	171,718	263,747
Borrowings	34	196,990	163,028	196,990	163,028
Employee benefit obligations	35	75,857	68,077	75,857	68,077
<b>Total liabilities</b>		<b>3,805,209</b>	<b>3,569,731</b>	<b>3,812,971</b>	<b>3,572,923</b>
<b>Equity</b>					
Stated capital	36	100,000	100,000	100,000	100,000
Retained earnings	37	545,721	409,176	505,779	379,141
Fair value reserve	38	(544)	1,990	2,043	2,550
Statutory reserve	39	210,097	179,505	210,097	179,505
Credit risk reserve	40	23,878	21,173	23,878	21,173
Other reserves	41	(25,180)	(22,473)	(25,180)	(22,473)
<b>Total equity</b>		<b>853,972</b>	<b>689,371</b>	<b>816,617</b>	<b>659,896</b>
<b>Total liabilities and equity</b>		<b>4,659,181</b>	<b>4,259,102</b>	<b>4,629,588</b>	<b>4,232,819</b>

\*The balance for the prior year was GH¢20 which resulted in a nil balance when rounded to the nearest thousand.



Mr. Daniel Owiredu  
Chairman



Mr. Samuel Sarpong  
Acting Managing Director

The notes on pages 35 to 109 form an integral part of these financial statements.

# Statements of Changes in Equity

## for the year ended 31 December 2015

The Group	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
<b>Balance at 1 January 2014</b>	<b>100,000</b>	<b>215,224</b>	<b>2,082</b>	<b>145,748</b>	<b>22,384</b>	<b>(19,373)</b>	<b>466,065</b>
<b>Total comprehensive income</b>							
Profit for the year	-	282,148	-	-	-	-	282,148
<b>Other comprehensive income, net of tax</b>							
Available-for-sale - net change in fair value	-	-	1,423	-	-	-	1,423
Share of associate OCI	-	-	(1,515)	-	-	-	(1,515)
Actuarial loss on defined benefit liability	-	-	-	-	-	(3,100)	(3,100)
<b>Total comprehensive income</b>	<b>-</b>	<b>282,148</b>	<b>(92)</b>	<b>-</b>	<b>-</b>	<b>(3,100)</b>	<b>278,956</b>
<b>Transactions with equity holders</b>							
Dividends paid	-	(55,650)	-	-	-	-	(55,650)
<b>Total contributions to equity holders</b>	<b>-</b>	<b>(55,650)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,650)</b>
<b>Regulatory and other reserves</b>							
Transfer to statutory reserve	-	(33,757)	-	33,757	-	-	-
Transfer from credit risk reserve	-	1,211	-	-	(1,211)	-	-
<b>Net transfer to reserves</b>	<b>-</b>	<b>(32,546)</b>	<b>-</b>	<b>33,757</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2014</b>	<b>100,000</b>	<b>409,176</b>	<b>1,990</b>	<b>179,505</b>	<b>21,173</b>	<b>(22,473)</b>	<b>689,371</b>

The notes on pages 35 to 109 form an integral part of these financial statements.

# Statements of Changes in Equity

## for the year ended 31 December 2015 (cont'd)

The Group	Stated capital GHç'000	Retained earnings GHç'000	Fair value reserve GHç'000	Statutory reserve GHç'000	Credit risk reserve GHç'000	Other reserves GHç'000	Total GHç'000
<b>Balance at 1 January 2015</b>	100,000	409,176	1,990	179,505	21,173	(22,473)	689,371
<b>Total comprehensive income</b>							
Profit for the year	-	254,642	-	-	-	-	254,642
<b>Other comprehensive income, net of tax</b>							
Available-for-sale - net change in fair value	-	-	(689)	-	-	-	(689)
Share of associate OCI	-	-	(1,845)	-	-	-	(1,845)
Actuarial loss on defined benefit liability	-	-	-	-	-	(2,707)	(2,707)
<b>Total comprehensive income</b>	-	254,642	(2,534)	-	-	(2,707)	249,401
<b>Transactions with equity holders</b>							
Dividends paid	-	(84,800)	-	-	-	-	(84,800)
<b>Total contributions to equity holders</b>	-	(84,800)	-	-	-	-	(84,800)
<b>Regulatory and other reserves</b>							
Transfer to statutory reserve	-	(30,592)	-	30,592	-	-	-
Transfer to credit risk reserve	-	(2,705)	-	-	2,705	-	-
<b>Net transfer to reserves</b>	-	(33,297)	-	30,592	2,705	-	-
<b>Balance at 31 December 2015</b>	100,000	545,721	(544)	210,097	23,878	(25,180)	853,972

The notes on pages 35 to 109 form an integral part of these financial statements.

# Statements of Changes in Equity

## for the year ended 31 December 2015 (cont'd)

The Bank	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
<b>Balance at 1 January 2014</b>	100,000	197,280	1,117	145,748	22,384	(19,373)	447,156
<b>Total comprehensive income</b>							
Profit for the year	-	270,057	-	-	-	-	270,057
<b>Other comprehensive income, net of tax</b>							
Available-for-sale - net change in fair value	-	-	1,433	-	-	-	1,433
Actuarial loss on defined benefit liability	-	-	-	-	-	(3,100)	(3,100)
<b>Total comprehensive income</b>	-	<b>270,057</b>	<b>1,433</b>	-	-	<b>(3,100)</b>	<b>268,390</b>
<b>Transactions with equity holders</b>							
Dividends paid	-	(55,650)	-	-	-	-	(55,650)
<b>Total contributions to equity holders</b>	-	<b>(55,650)</b>	-	-	-	-	<b>(55,650)</b>
<b>Regulatory and other reserves</b>							
Transfer to statutory reserve	-	(33,757)	-	33,757	-	-	-
Transfer from credit risk reserve	-	1,211	-	-	(1,211)	-	-
<b>Net transfer to reserves</b>	-	<b>(32,546)</b>	-	<b>33,757</b>	<b>(1,211)</b>	-	-
<b>Balance at 31 December 2014</b>	<b>100,000</b>	<b>379,141</b>	<b>2,550</b>	<b>179,505</b>	<b>21,173</b>	<b>(22,473)</b>	<b>659,896</b>

The notes on pages 35 to 109 form an integral part of these financial statements.

# Statements of Changes in Equity

## for the year ended 31 December 2015 (cont'd)

The Bank	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
<b>Balance at 1 January 2015</b>	100,000	379,141	2,550	179,505	21,173	(22,473)	659,896
<b>Total comprehensive income</b>							
Profit for the year	-	244,735	-	-	-	-	244,735
<b>Other comprehensive income, net of tax</b>							
Available-for-sale - net change in fair value	-	-	(507)	-	-	-	(507)
Actuarial loss on defined benefit liability	-	-	-	-	-	(2,707)	(2,707)
<b>Total comprehensive income</b>	-	244,735	(507)	-	-	(2,707)	241,521
<b>Transactions with equity holders</b>							
Dividends paid	-	(84,800)	-	-	-	-	(84,800)
<b>Total contributions to equity holders</b>	-	(84,800)	-	-	-	-	(84,800)
<b>Regulatory and other reserves</b>							
Transfer to statutory reserve	-	(30,592)	-	30,592	-	-	-
Transfer to credit risk reserve	-	(2,705)	-	-	2,705	-	-
<b>Net transfer to reserves</b>	-	(33,297)	-	30,592	2,705	-	-
<b>Balance at 31 December 2015</b>	100,000	505,779	2,043	210,097	23,878	(25,180)	816,617

The notes on page 35 to 109 form an integral part of these financial statements.



# Statements of Cash Flows

## for the year ended 31 December 2015

	Note	The Group		The Bank	
		2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
<b>Cash flows from operating activities</b>					
Profit for the year		254,642	282,148	244,735	270,057
<b>Adjustments for:</b>					
Depreciation and amortization	29, 30	36,765	24,091	36,765	24,091
Impairment charge on loans and advances	16	93,492	23,832	93,492	23,832
Gain on derecognition of renegotiated loans	15	-	(93,346)	-	(93,346)
Allowance for employee benefit obligations	35	14,178	11,027	14,178	11,027
Share of profit of associates	27	(14,039)	(15,792)	-	-
Net interest income	9, 10	(731,544)	(597,726)	(731,436)	(597,726)
Dividend income	14	(5,583)	(1,834)	(9,685)	(5,887)
Profit on sale of property and equipment	29	(42)	(42)	(42)	(42)
Unrealised exchange differences		14,146	(49,435)	14,146	(49,435)
Tax expense	18	106,159	112,833	105,541	112,379
		(231,826)	(304,244)	(232,306)	(305,050)
<b>Change in:</b>					
Loans and advances to customers	24	(346,315)	(210,356)	(345,815)	(210,356)
Advances to banks	23	(107,468)	73,555	(107,468)	73,555
Other assets	31	(34,201)	9,232	(34,167)	9,739
Deposits from customers	32	287,565	448,308	292,125	446,250
Other liabilities and provisions	33	(92,040)	131,103	(92,030)	131,073
Employee benefits paid	35	(10,008)	(8,761)	(10,008)	(8,761)
Government securities	22	(194,824)	(129,509)	(194,824)	(124,519)
		(729,117)	9,328	(724,493)	11,931
Interest received		853,625	669,838	853,625	669,838
Dividend received	14, 27	14,110	8,686	8,680	5,887
Interest paid		(105,145)	(88,422)	(105,145)	(88,422)
Income tax paid	18	(119,026)	(140,348)	(118,220)	(140,157)
<b>Net cash flow from operating activities</b>		<b>(85,553)</b>	459,082	<b>(85,553)</b>	459,077
<b>Cash flows from investing activities</b>					
Acquisition of property and equipment	29	(46,641)	(63,672)	(46,641)	(63,672)
Proceeds from sale of property and equipment	29	42	42	42	42
Acquisition of intangible assets	30	(12,046)	(11,164)	(12,046)	(11,164)
<b>Net cash used in investing activities</b>		<b>(58,645)</b>	(74,794)	<b>(58,645)</b>	(74,794)

# Statements of Cash Flows

## for the year ended 31 December 2015 (cont'd)

	Note	The Group		The Bank	
		2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
<b>Cash flow from financing activities</b>					
Dividend paid	37	(84,800)	(55,650)	(84,800)	(55,650)
Stamp duty on additional capital		-	(5)	-	-
<b>Net cash used in financing activities</b>		<b>(84,800)</b>	<b>(55,655)</b>	<b>(84,800)</b>	<b>(55,650)</b>
Net increase in cash and cash equivalents		<b>(228,998)</b>	328,633	<b>(228,998)</b>	328,633
Cash and cash equivalents at 1 January	21	758,081	338,797	758,081	338,797
Effect of exchange rate fluctuations on cash held		15,600	90,651	15,600	90,651
<b>Cash and cash equivalents at 31 December</b>	21	<b>544,683</b>	758,081	<b>544,683</b>	758,081

The notes on pages 35 to 109 form an integral part of these financial statements.