



PRESS RELEASE

PR. No 424/2017

**AGRICULTURAL DEVELOPMENT BANK (ADB) -
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 2016**

ADB has released its audited Financial Statements for the year ended December 31, 2016 as per the attached.

Issued in Accra, this 10th
day of November, 2017

- E N D -

att'd.

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**JEB*

AGRICULTURAL DEVELOPMENT BANK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2016

AGRICULTURAL DEVELOPMENT BANK LIMITED
REPORTS AND FINANCIAL STATEMENTS

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AGRICULTURAL DEVELOPMENT BANK LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS	Nana Soglo Alloh IV Daniel Asiedu	- Chairman - Managing Director (<i>Appointed: 01/03/2016</i>)
	Mr. Stephen Kpordzih	- Managing Director (<i>Resigned: 31/01/2016</i>)
	Mr. James K. Agbedor	- Acting Managing Director (<i>Appointed: 01/02/2016 - 29/02/2016</i>)
	Ms. Nancy Ampofo	- Non-Executive Director
	Major M.S. Tara	- Non-Executive Director
	Mr. Maurice Abisa Seidu	- Non-Executive Director
	Mrs. Caroline Otoo	- Non-Executive Director
	Mr. Solomons Djaba-Mensah	- Non-Executive Director (<i>Appointed: 23/06/2016</i>)
	Mr. Joseph Chognuru	- Non-Executive Alternate Director (<i>Appointed: 22/02/2016</i>)
BOARD COMMITTEE AUDIT & COMPLIANCE	Ms. Nancy Ampofo Mr. Marice Abisa-Seidu Major M. S. Tara	- Chairperson - Member - Member
GOVERNANCE & RISK MANAGEMENT	Major M. S. Tara Mr. Maurice Abisa-Seidu Mrs. Caroline Otoo	- Chairperson - Member - Member
REMUNERATIONS	Mrs. Caroline Otoo Mr. Solomons Djaba-Mensah Major M.S. Tara	- Chairperson - Member - Member
COMPANY SECRETARY	Mr. James K. Agbedor Accra Financial Centre 3rd Ambassadorial Development Area P.O. Box 4191 Accra	
REGISTERED OFFICE	Accra Financial Centre 3rd Ambassadorial Development Area PO Box 4191 Accra	
AUDITORS	KPMG Chartered Accountants 13 Yiyiwa Drive, Abelenkpe P O Box GP 242 Accra	

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED**

Directors' responsibility statement

The directors are responsible for the preparation of financial statements that give a true and fair view of Agricultural Development Bank Limited (ADB), comprising the statement of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, 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). In addition, the directors are responsible for the preparation of the Report of the Directors.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Financial statements review

The financial results of the Bank for the year ended 31 December 2016 are set out in the attached financial results, highlights of which are as follows:

	2016 GH¢'000	2015 GH¢'000
Loss after tax (attributable to equity holders)	(70,026)	(78,975)
to which is added the balance brought forward on income surplus account	(35,386)	54,292
	-----	-----
	(105,412)	(24,683)
out of which is transferred to the statutory reserve fund in accordance with Section 29 of the Banking Act an amount of	-	-
transfers into credit risk reserve of	(68,181)	(10,703)
transactional costs related to issue of shares	(15,185)	-
	-----	-----
	(83,366)	(10,703)
	-----	-----
leaving a balance to be carried forward of	(188,778)	(35,386)
	=====	=====

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED - (CONT'D)**

Five year financial highlights

	2016	2015	2014	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Total assets	3,035,493	2,134,147	2,156,741	1,621,761	1,444,223
Loans and advances to customers (net)	1,005,302	1,088,071	1,124,139	914,350	773,694
Deposits from customers	2,147,450	1,513,509	1,462,139	1,061,102	965,018
Shareholders' equity	454,778	332,893	343,815	281,995	197,199
(Loss)/Profit before tax	(105,714)	(100,197)	34,669	83,928	26,696
(Loss)/Profit after tax	(70,026)	(78,975)	47,864	80,629	26,696
Dividend per share (Ghana pesewas)	-	-	-	-	
Earnings per share (Ghana pesewas):					
Basic	(166)	(316)	191	323	107
Diluted	(166)	(316)	191	323	107
Return on equity (%)	(17.78)	(23.34)	15.32	33.72	14.00
Return on assets (%)	(2.71)	(3.68)	2.53	5.26	2.01
Number of staff	1,197	1,235	1,196	1,244	1,345
Number of branches	78	78	78	77	76

The Bank recorded a loss after tax for the year under review and as a result there were no transfers to the Statutory Reserve from Income Surplus during the year (2015: Nil). The cumulative balance on the Statutory Reserve Fund at the year end was GH¢84,890,667 (2015: GH¢84,890,667).

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED - (CONT'D)**

The Directors do not recommend the payment of dividend.

The Directors consider the state of the Bank's affairs to be satisfactory.

Nature of business

The Bank is registered to carry on the business of Universal Banking. The Bank's principal activities comprise corporate banking, investment banking and retail banking. There was no change in the nature of business of the company during the year.

The objectives of the company is to provide unique Universal Banking products and services with emphasis on agriculture to both the local and international clients.

Shareholding

The Bank listed on the Ghana Stock Exchange in December 2016. The Bank's shareholding structure at the end of the year was as follows:

SHAREHOLDER	SHAREHOLDING
Government of Ghana	32.30%
Belstar Capital Limited	24.00%
Starmount Development Company Limited	11.00%
SIC Financial Services Limited	10.00%
Financial Investment Trust	9.50%
Ecobank Development Corporation	6.00%
Employee Share Ownership Plan	5.00%
Individuals	2.20%
Total	100%

Related party transactions

Information regarding directors' interests in ordinary shares of the Bank and remuneration is disclosed in Note 37 to the financial statements. Other than service contracts, no director had a material interest in any contract to which the company was a party during the year. Related party transactions and balances are also disclosed in Note 37 to the financial statements.

Auditor

The Audit Committee has responsibility delegated from the board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. KPMG has been the auditor of ADB for 6 years. Any non-audit services to the Bank by KPMG requires the prior approval of the board of directors. In the current year, KPMG did not provide non-audit services to the Bank.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED- (CONT'D)**

Board of Directors

Profile

Executive	Qualification	Outside board and management position
Daniel Asiedu	BSC (Mechanical Engineering) CA Ghana MBA (Finance)	Ghana International Bank Plc.
Non-executive		
Nana Soglo Alloh IV	LLB(Hons) Barrister at Law	Clydestone (Ghana) Limited Volta Region Development Agency
Nancy Ampofo	B.A (Law) B.L	Legal Service Board National Service Scheme
M.S. Tara	ACMA B.A (Accounting)	Central Tender Review Chief Director – Ministry of Finance
Maurice Abisa Seidu	EMBA B.A (Psychology)	N/A
Caroline Otoo	LLB Barrister at Law Advanced Diploma in Legislative Drafting	Board Secretary – Bank of Ghana
Solomon Djaba-Mensah	B.A (Modern History) Post Graduate Studies in Management	N/A
Joseph Chognuru	B.A (Social Science) Post Graduate Studies in Project Evaluation	Director at Public Sector- Ministry of Finance

Biographical information of directors

Age category	Number of directors
Up to – 40 years	-
41 – 60 years	5
Above 60 years	3

Commitment to Corporate Governance

The key guiding principles of the Bank's governance practices are:

- i. Good corporate governance enhances shareholder value
- ii. The respective roles of shareholders, Board of Directors and management in the governance architecture should be clearly defined
- iii. The Board of Directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Bank, or who are not affiliated with organizations with significant financial dealings with the Bank. These principles have been articulated in a number of corporate documents, including the Bank's regulations, rules of procedures for Boards and rules of business ethics for staff.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED - (CONT'D)**

The Board of Directors

The Board is responsible for setting the institution's strategic direction, leading and controlling the institution and monitoring activities of executive management.

As at 31 December 2016, the Board of Directors of Agricultural Development Bank Limited consisted of eight (8) members made up of an independent Non-executive Chairman, six (6) Non-executive Directors, and one (1) Executive Director.

These board members have wide experience and in-depth knowledge in management, industry and the financial and capital markets, which enable them make informed decisions and valuable contributions to the Bank's progress. The Board met fourteen times during the year.

The Board has delegated various aspects of its work to the Governance and Risk Management, Audit and Compliance and Remunerations Committees.

Governance and Risk Management Committee

The role of the committee includes:

- i. Assisting management in the recognition of risks and also to ensure that the Board is made aware of changes to review all risks to which the Bank is exposed, assess from time to time their relative importance and evaluate whether the resources and controls designed to manage each risk are proportionate to the quantum of risk involved.
- ii. To the extent that management accepts residual risk, because the resources required to reduce it further are considered to be disproportionate, the Committee determines whether it is within the parameters set by the Board. The risk parameters set by the Board is generally defined in terms of a proportion of the Bank's capital or profits that may be at risk of loss in the worst case if a risk crystallizes. The Committee takes into account the connectivity of risks.
- iii. The review of risks with a frequency that it judges to be proportionate to their materiality to the Bank paying particular attention to new risks arising from changes in the Bank's business strategy and those arising from the wider current commercial, economic and political environment. The Committee reviews the comprehensiveness of record of risks from time to time and updates it where appropriate.
- iv. The consideration prior to implementation of all new products, significant changes in the balance of the business of the Bank or scale of its operations in any area. The consideration of all proposed changes to key systems and operational controls, management structure and key responsibilities of the senior management team.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED - (CONT'D)**

- vi. Assisting management in the recognition of risks and also to ensure that the Board is made aware of changes in the risk profile arising from:
- Asset quality concentration
 - Counterparty limits
 - Currency, maturity and interest rate mismatches
 - The external environment, including country risk for any country where the Bank has a significant exposure
 - Business strategy and competition
 - Operational risk, including vulnerability to fraud, human resources and business continuity
 - Legal, compliance and reputational risk
- vii. The committee annually reviews its terms of reference and modus operandi and makes recommendations for changes that it considers appropriate to the Board.

Audit and Compliance Committee

The role of the committee includes:

- i. Annually recommending to the Board and Annual General Meeting (AGM), the appointment of the External Auditor, the audit fee and to advise the Board on any questions of resignation or dismissal of the External Auditors.
- ii. To keep under review the Bank's policy on non-audit services provided by the External Auditors and recommend this to the Board having due regard to ensuring that the provision of such services does not impair the External Auditor's independence or objectivity.
- iii. Discussing with the External Auditors before their audit commences, the nature and scope of the audit.
- iv. Discussing any issues arising from the interim or final audits, and any matters the External Auditors may wish to raise and to report on such matters to the Board.

Remunerations Committee

The role of the committee includes proposing and making recommendations on Human Resource issues and matters relating to terms and appointments of Senior Management.

Code of Conduct

Management has communicated principles in the Bank's Code of Conduct to its employees to provide guidance in the discharge of their duties. This code sets the standards of professionalism and integrity required for the Bank's operations, which covers compliance with applicable laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to laid down principles, so as to eliminate the potential for illegal practices.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED - (CONT'D)**

Anti-Money Laundering

The Bank also has an established anti-money laundering system in place in compliance with requirements of Ghana's Anti-Money Laundering Act 2008. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training and sensitisation of staff on money laundering, which assist in reducing regulatory and reputational risks to its business.

Internal control systems

The directors have overall responsibility for the company's internal control systems and annually reviews their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the executive directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The directors have reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the company as at the reporting date and no significant failings or weaknesses were identified during this review.

Directors' performance evaluation

A formal evaluation of the performance and effectiveness of the Board of Directors ("the Board), its committees and individual directors is yet to be conducted. The evaluation will be conducted by the completion of detailed and comprehensive written survey questionnaires administered by a consulting firm. The results of the evaluation will be shared with all members of the Board.

Professional development and training

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the company's business, the risks and strategic challenges it faces, and the economic, competitive, legal and regulatory environment in which the company operates. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the company's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

Conflicts of interest

The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED - (CONT'D)**

Board balance and independence

The composition of the board of directors and its Committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is independent on appointment and all non-Executive Directors are independent as it pertains to the management of the company. The continuing independent and objective judgement of the non-Executive Directors has been confirmed by the Board of Directors.

Approval of the financial statements

The financial statements of Agricultural Development Bank Limited, as identified in the first paragraph, were approved by the board of directors on and signed on their behalf by:

.....
DIRECTOR

.....
DIRECTOR

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agricultural Development Bank Limited (“the Bank”), which comprise the statements of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 92.

In our opinion, these financial statements give a true and fair view of the financial position of Agricultural Development Bank Limited at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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.

**INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED – CONT’D**

Impairment of loans and advances to customers (GH¢302 million) Refer to Note 19 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>Impairment of loans and advances to customers is a key audit matter because of the complexity and subjectivity involved in estimating the timing and amount of cash flow used in the computation. Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that an impairment exists on an individual basis, loans are assessed collectively for impairment.</p> <p>Assessing impairment allowances on loans and advances to customers requires management to make assumptions about financial conditions and the timing of expected future cash flows. Cash flows are determined from collateral values and/or promise to pay cash flows which are supported with appropriate documents. Management assumes that the force sale value of collaterals will be fully realised through sale in the event of default on loans and advances.</p> <p>The collective impairment loss allowance relates to losses incurred but not yet identified (IBNR loss allowances) on other loans and advances.</p> <p>The two key judgments in the collective impairment assessment are the likelihood of default and the emergence period. The impairment assessment requires the application of significant judgement by management including the application of industry knowledge, prevailing economic conditions and historical data to determine the level of impairment allowance required.</p>	<p>Our procedures to address this key audit matter included:</p> <ul style="list-style-type: none"> • Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers; • Assessing and testing the design and operating effectiveness of controls over the Bank’s loan impairment process regarding management review process over impairment calculations; • Substantively testing the year end impairment models for collective and individual provisioning by re-performing calculations and agreeing a sample of data inputs to source documentation. We also assessed whether the data used in the models included all the relevant information through testing a sample of relevant data fields and their aggregate amounts against data in the source systems; • Critically assessing and challenging the assumptions used by the Bank in their impairment models using our understanding of the Bank, the historical accuracy of its estimates, current and past performance of the Bank’s loans and our knowledge of the industry in respect of similar loan types; • Undertaking a detailed assessment of a sample of exposures for individual impairment on corporate portfolio, taking a risk based approach to focus on those with the greatest potential impact on the financial statements. Our assessment specifically challenged the Bank’s assumptions of expected future cash flows including the valuation of realisable collateral through inquiry and inspecting correspondence and independent valuation reports; • Critically assessing and analyzing the assumptions and data used by the Bank in determining the likelihood of default and emergence period for collective impairment assessment; • Examining a sample of performing loans to evaluate if any indicators of impairment existed and that individual impairment provisions have been recorded; and <p>Considering the adequacy of the Bank’s disclosures in relation to impairment about the changes in estimate occurring during the period and the sensitivity to the key assumptions.</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED – CONT'D**

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' Report as 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) but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED – CONT'D**

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 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.

**INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF
AGRICULTURAL DEVELOPMENT BANK LIMITED – CONT’D**

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). (cont’d)

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

Non-compliance with sections of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

The Bank’s transactions were within its powers and except as indicated in Note 48, 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).

The engagement partner on the audit resulting in this independent auditor’s report is **Nathaniel D. Harley (ICAG/P/1056)**.

.....
FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2017/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

....., 2017

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Note	2016 GH¢'000	2015 GH¢'000
Assets			
Cash and cash equivalents	17	610,563	483,967
Investment securities	18	1,085,752	286,018
Loans and advances to customers	19	1,005,302	1,088,071
Investment (other than securities)	20	94,299	88,478
Investment in associate companies	21	538	538
Deferred tax assets	22	44,519	11,532
Corporate tax assets	22	16,653	16,653
Intangible assets	24	29,858	5,524
Other assets	25	42,994	45,290
Property and equipment	23	105,015	108,076
		-----	-----
Total Assets		3,035,493	2,134,147
		=====	=====
Liabilities			
Borrowed funds	26	381,025	244,655
Deposits from customers	27	2,147,450	1,513,509
Other liabilities	28	52,240	43,090
		-----	-----
		2,580,715	1,801,254
		-----	-----
Equity			
Stated capital	29	275,100	75,000
Income surplus	34	(188,778)	(35,386)
Revaluation reserve	33	57,531	57,531
Statutory reserve	30	84,891	84,891
Credit risk reserve	31	171,417	103,236
Available for sale reserve	32	54,617	47,621
		-----	-----
Shareholders' funds		454,778	332,893
		-----	-----
Total liabilities and Shareholders' Funds		3,035,493	2,134,147
		=====	=====

These financial statements were approved by the Board of Directors on, 2017 and signed on its behalf by:

.....
CHAIRMAN

.....
DIRECTOR

The notes on pages 23 to 92 form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GH¢'000	2015 GH¢'000
Interest income	8	361,066	314,679
Interest expense	9	(166,752)	(134,105)
Net interest income		----- 194,314 -----	----- 180,574 -----
Fees and commission income	10	64,391	56,258
Fees and commission expense	10	(6,480)	(5,725)
Net fees and commission income		----- 57,911 -----	----- 50,533 -----
Net trading income	11	18,251	29,820
Other operating income	12	7,981	12,154
Net non-interest revenue		----- 84,143 -----	----- 92,507 -----
Revenue		278,457	273,081
Other (Expense)/ Income	23	(210)	174
Impairment loss on financial assets	19, 20	(104,022)	(110,624)
Personnel expenses	13	(136,038)	(142,859)
Depreciation and amortization	23, 24	(15,813)	(13,919)
Other operating expenses	14	(128,088)	(106,050)
Operating loss		----- (105,714) -----	----- (100,197) -----
Share of associate loss after tax	21	-	-
Loss before Tax		----- (105,714) -----	----- (100,197) -----
Income tax	22	35,688	21,222
Loss after Tax		----- (70,026) =====	----- (78,975) =====

The notes on pages 23 to 92 form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016 - (CONT'D)

	Note	2016 GH¢'000	2015 GH¢'000
Loss after tax		(70,026)	(78,975)
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Revaluation of property	23	-	55,783
Items that are or may be reclassified to profit or loss			
Net change in value of available for sale financial assets	32	6,996	12,270
		-----	-----
Other comprehensive income for the year		6,996	68,053
		-----	-----
Total comprehensive income for the year		(63,030)	(10,922)
		-----	-----
Loss attributable to:			
Equity holders of the Bank		(70,026)	(78,975)
		=====	=====
Total comprehensive income attributable to:			
Equity holders of the Bank		(63,030)	(10,922)
		=====	=====
Earnings per share			
Basic earnings per share (in Ghana pesewas)	16	(166)	(316)
Diluted earnings per share (in Ghana pesewas)	16	(166)	(316)
		====	====

The notes on pages 23 to 92 form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Stated Capital GH¢'000	Credit risk Reserve GH¢'000	Statutory Reserve GH¢'000	Revaluation Reserve GH¢'000	Available for Sale Reserve GH¢'000	Income Surplus GH¢'000	Total GH¢'000
Balance at 1 January 2015	75,000	92,533	84,891	1,748	35,351	54,292	343,815
Total Comprehensive income, net of income tax							
Loss	-	-	-	-	-	(78,975)	(78,975)
Other Comprehensive income, net of income tax							
Net change in fair value	-	-	-	-	12,270	-	12,270
Net change in revaluation				55,783	-	-	55,783
	---	---	---	-----	-----	-----	-----
Total Other Comprehensive income	-	-	-	55,783	12,270	-	68,053
	---	---	---	-----	-----	-----	-----
Transfers from income surplus to reserves and transactions with owners, recorded directly in equity							
Transfer to credit risk reserve	-	10,703	-	-	-	(10,703)	-
	-----	-----	-----	-----	-----	-----	-----
Total transfers and transactions with owners	-	10,703	-	-	-	(10,703)	-
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 December 2015	75,000	103,236	84,891	57,531	47,621	(35,386)	332,893
	=====	=====	=====	=====	=====	=====	=====

The notes on pages 23 to 92 form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 - (CONT'D)

	Stated Capital GH¢'000	Credit risk Reserve GH¢'000	Statutory Reserve GH¢'000	Revaluation Reserve GH¢'000	Available for Sale Reserve GH¢'000	Income Surplus GH¢'000	Total GH¢'000
Balance at 1 January 2016	75,000	103,236	84,891	57,531	47,621	(35,386)	332,893
Total Comprehensive income, net of income tax							
Loss	-	-	-	-	-	(70,026)	(70,026)
Other Comprehensive income, net of income tax							
Net change in fair value	-	-	-	-	6,996	-	6,996
Total Other Comprehensive income	-	-	-	-	6,996	-	6,996
Transfers from income surplus to reserves							
And transactions with owners, recorded directly							
in equity							
Issue of ordinary shares	200,100	-	-	-	-	-	200,100
Transactional costs related to issue of shares	-	-	-	-	-	(15,185)	(15,185)
Transfer to credit risk reserve	-	68,181	-	-	-	(68,181)	-
Total transfers and transactions with owners	200,100	68,181	-	-	-	(83,366)	184,915
Balance at 31 December 2016	275,100	171,417	84,891	57,531	54,617	(188,778)	454,778

The notes on pages 23 to 92 form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 GH¢'000	2015 GH¢'000
Cash flows from operating activities			
Loss after tax		(70,026)	(78,975)
Adjustments for:			
Depreciation and Amortization	23, 24	15,813	13,919
Unrealised foreign currency gain		(2,869)	(1,048)
Impairment on financial assets	19, 20	104,022	110,624
(Gain)/loss on disposal of property and equipment	23	210	(174)
Dividend received		(2,996)	(3,878)
Loss on disposal of associate companies		-	(38)
Net Interest income		(194,314)	(180,574)
Tax expense	22	(35,688)	(21,222)
		-----	-----
Loss before working capital changes		(185,848)	(161,366)
<i>Changes in:</i>			
Derivative assets held for risk management		-	2,220
Loans and advances	19	(37,149)	(68,063)
Other assets	25	2,296	12,593
Derivative liabilities held for risk management		-	(2,142)
Deposits from customers	27	637,974	55,247
Other liabilities	28	9,150	(4,214)
		-----	-----
Interest Income received		426,423	(165,725)
Interest expense paid		376,965	284,168
Dividend received		(169,167)	(100,048)
Taxes paid (NFSL)		2,996	3,878
Income Tax Paid		-	(554)
		-----	-----
Net cash generated from operating activities		637,217	5,747
		-----	-----
Cash flows from investing activities			
Purchase of property and equipment	23	(9,419)	(9,011)
Proceeds from the sale of property and equipment	23	176	182
Purchase of intangible assets	24	(28,055)	(2,041)
Purchase/Redemption of Medium and long term government securities	18	(22,766)	152,616
Proceeds from disposal of associated company		-	39
		-----	-----
Net cash used in/generated from investing activities		(60,064)	141,785
		-----	-----

AGRICULTURAL DEVELOPMENT BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016– (CONT'D)

	Note	2016 GH¢'000	2015 GH¢'000
Cash flows from financing activities			
Net receipts/ (payments) of borrowed funds		134,753	(56,686)
Proceeds from issue of ordinary shares		200,100	-
Transaction costs related to issue of ordinary shares		(15,185)	-
		-----	-----
Net cash generated from / (used in) financing activities		319,668	(56,686)
		-----	-----
Net increase in cash and cash equivalents		896,821	90,846
Cash and cash equivalent at 1 January		632,865	542,811
Effect of exchange rate fluctuations on cash held		2,869	(792)
		-----	-----
Cash and cash equivalents at 31 December	17	1,532,555	632,865
		=====	=====

The notes on pages 23 to 92 form an integral part of these financial statements.

AGRICULTURAL DEVELOPMENT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Agricultural Development Bank Limited (ADB) is a financial institution incorporated in Ghana. The registered office and address of the Bank is Accra Financial Centre, 3rd Ambassadorial Development Area, P. O. Box 4191, Accra. The Bank is primarily involved in corporate banking, investment banking and retail banking. These financial statements are for an individual entity.

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

The Bank was listed on the Ghana Stock Exchange in December 2016.

2. BASIS OF ACCOUNTING

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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).

Details of the Bank's accounting policies are included in Note 46.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2016 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 6 – determination of fair value of financial instruments with significant unobservable inputs;
- Note 22 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used; and
- Note 36 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(a) Assumptions and estimation uncertainties (cont'd)

i) *Impairment of financial instruments*

Assets accounted for at amortised cost are evaluated for impairment on the basis described in Note 5 (i).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that were not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss "incurred but not reported" or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as a formula approach based on historical loss rate experience. Management applies judgment to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and the industry at the reporting date. The loss rate is regularly benchmarked against actual loss experienced.

The allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Investments in equity securities are evaluated for impairment on the basis described in Notes 47.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Bank regards a decline in fair value in excess of 20% to be 'significant' and a decline in a quoted market price that persisted for nine months or longer to be 'prolonged'.

In making an assessment of whether an investment in sovereign debt is impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country as well as the intention, reflected in public statements, about governments' and agencies' willingness to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Maximum exposure to credit risk - (cont'd)

	Loans & advances to customers		Investment securities		Cash and cash equivalents		Lending, Commitments & financial guarantees	
	2016 GH¢'000	2015 GH¢'000	2016 GH¢'000	2015 GH¢'000	2016 GH¢'000	2015 GH¢'000	2016 GH¢'000	2015 GH¢'000
Off balance sheet maximum exposure								
Letters of credit								
Grade 1-3: low-fair risk	-	-	-	-	-	-	83,070	58,533
Guarantees and indemnities								
Grade 1-3: low-fair risk	-	-	-	-	-	-	192,285	54,860
	-----	-----	-----	-----	-----	-----	-----	-----
Total exposure	-	-	-	-	-	-	275,355	113,393
	=====	=====	=====	=====	=====	=====	=====	=====
Neither past due nor impaired								
Grade 1-3: Low-fair risk	707,544	719,369	-	-	-	-	-	-
Grade 4–5: Watch list	57,636	164,074	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
	765,180	883,443	-	-	-	-	-	-
Allowance for impairment	(5,113)	(13,643)	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
Carrying Amount	760,067	869,800	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
*Past due but not impaired								
Grade 6: Substandard	51,414	69,528	-	-	-	-	-	-
Grade 7: Doubtful	1,373	10,725	-	-	-	-	-	-
Grade 8: Loss	33,949	72,564	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
	86,736	152,817	-	-	-	-	-	-
Allowance for impairment	(377)	(7,499)	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
Carrying Amount	86,359	145,318	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----

*Past due but not impaired

These are loans and advances that are past due and have been assessed for impairment. However, these loans and advances are supported by significant collaterals and cash flows extracted from agreed repayment terms. The present values of these estimated cash flows exceed the carrying amounts of the loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Impaired loans

See accounting policy in Note 47(h)(vii).

The Bank regards a loan and an advance as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loans that are subject to a collective provision are not considered impaired.

Impaired loans and advances are graded C to E in the Bank's internal credit risk grading system See Note 5(a) (i).

Loans that are past due but not impaired

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Financial assets neither past due nor impaired

Loans and advances to customers

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired is assessed by reference to an internal rating system adopted by the Bank. Loans graded as current loans are considered as neither past due nor impaired.

Cash and cash equivalents

Included in the Bank's cash and cash equivalents are balances held with the Central Bank and other financial institutions. None of these balances were impaired at the year end and at 31 December 2015.

Investment securities

The Bank's investments comprise investment in government securities. None of these investments were impaired at the year end and at 31 December 2015.

Loans with renegotiated terms - See accounting policy in Notes 47 (h)

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Notes 47 (h).

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Loans with renegotiated terms - See accounting policy in Notes 47 (h) - cont'd

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Loans and advances to customers

	2016	2015
	GH¢'000	GH¢'000
Continuing to be impaired after restructuring (included in non-performing loans)	430,246	289,960
Impairment	(155,225)	(56,002)
	-----	-----
	275,021	233,958
	=====	=====
Non-impaired after restructuring – would otherwise have been impaired	-	121,936
	=====	=====

(ii). **Collateral held and other credit enhancements, and their financial effect**

The Bank holds collateral and other credit enhancements against most of its credit exposures. The Bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. 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. Collateral generally is not held over Interbank placements, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2016.

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

Loans and advances to customers

	2016	2015
	GH¢'000	GH¢'000
Against individually impaired		
Property	583,527	222,763
Others	412	-
Against neither past due nor impaired		
Property	1,259,652	669,475
	-----	-----
Total	1,843,591	892,238
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 5(i)). However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all assets and other liens and guarantees. The Bank does not routinely update the valuation of collateral held against all loans to customers because of the Bank's focus on customers' creditworthiness. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Bank obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

Other types of collateral and credit enhancements

In addition to the collateral obtained for loans, the Bank also holds other types of collateral and credit enhancements such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral.

Repossessed items are not recognized in the bank's books. Proceeds from their sale are used to reduce related outstanding indebtedness. The Bank has in its possession assets resulting from taking possession of collateral held as security against loans and advances at the reporting date GH¢1,618,000 (2015: GH¢3,594,300).

(iii) Offsetting financial assets and financial liabilities

The Bank did not hold any financial assets and financial liabilities that are off-set in the statement of financial position at the reporting date.

(iv) Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities is shown below.

Loans and Advances to customers

Gross amount	GH¢'000	2016		2015	
		%	GH¢'000	%	GH¢'000
Concentration by industry:					
Agriculture	419,072	32	448,903	35	
Manufacturing	43,764	3	39,139	3	
Commerce and Finance	163,355	12	146,577	12	
Transport and Communication	16,313	1	16,575	1	
Mining and Quarrying	8,223	1	7,429	0	
Building and Construction	211,922	16	193,072	15	
Services	437,770	34	421,204	33	
Others	6,583	1	12,850	1	
	-----	----	-----	----	
	1,307,002	100	1,285,749	100	
	=====	====	=====	====	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Concentration by product

	2016	2015
	GH¢'000	GH¢'000
a) Loans and advances to individual customers:		
Overdraft	54,350	106,218
Term loans	224,204	314,688
	-----	-----
	278,554	420,906
	-----	-----
b) Loans to corporate entities:		
Overdrafts	193,848	86,564
Terms loans	834,600	778,279
	-----	-----
	1,028,448	864,843
	-----	-----
Gross loans and advances	1,307,002	1,285,749
	=====	=====

(v) **Impaired loans and advances**

For details of impairment allowance for loans and advances to customer, See Note 19.

Set out below is an analysis of the gross and net (of allowance for impairment) amounts of individually impaired loans and advances by risk grade.

	2016			2015		
	Gross		Net	Gross		Net
	Amount	Impairment	Amount	Amount	Impairment	Amount
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Loans and Advances to Customers						
Neither past due nor impaired	765,180	(5,113)	760,067	883,443	(13,643)	869,800
Past due but not impaired	86,736	(377)	86,359	152,817	(7,499)	145,318
Impaired	455,086	(296,210)	158,876	249,489	(176,536)	72,953
	-----	-----	-----	-----	-----	-----
	1,307,002	(301,700)	1,005,302	1,285,749	(197,678)	1,088,071
	=====	=====	=====	=====	=====	=====

Repurchase agreement transactions

Securities purchased from the Central Bank of Ghana under agreements to resell (“ reverse repo ’s”), are disclosed as balances with the Central Bank of Ghana as they are held to maturity after which they are repurchased.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Regulatory Impairment

An account is considered to be in default when payment is not received on due date. Accounts that are overdue by more than 90 days are considered delinquent. These accounts are closely monitored and subjected to a collection process. The process used for impairment is based on Bank of Ghana guidelines which recognize cash as a credit mitigant. Individual impairments are made for outstanding amounts depending on the number of days past due with full impairment made after 360 days. In certain situations such as bankruptcy, fraud and death, the loss recognition process is accelerated. Loans and advances less than 90 days past due are generally not considered impaired unless other information is available to indicate otherwise.

The Bank of Ghana Guideline is as set out below:

Grade Description	Number of days	Impairment (%)
Current	Less than 30 days	1
Other Loans Exceptionally Mentioned (OLEM)	30 to less than 90 days	10
Substandard	90 to less than 180 days	25
Doubtful	180 to less than 360 days	50
Loss	360 days and above	100

(b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, See Note: 45.

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' includes cash and cash equivalents and government securities for which there is an active and liquid market less any deposits from Banks, other borrowings and commitments maturing within the next month. Details of the reported Bank's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2016 %	2015 %
At 31 December	51.06	19.04
Maximum for the period	51.06	23.36
Minimum for the period	21.67	14.13
Average for the period	30.39	18.73

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

(b) Liquidity risk (cont'd)

As at 31 December 2015

	Carrying Amount GH¢'000	Gross nominal inflow/outflow GH¢'000	Up to 1 month GH¢'000	1-3 months GH¢'000	3-6 months GH¢'000	6 months - 1 year GH¢'000	1-5 years GH¢'000	Over 5 years GH¢'000
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customer	1,513,508	(1,513,508)	(1,405,862)	(59,183)	(20,618)	(27,830)	(15)	-
Borrowed Funds	222,669	(244,656)	(71,563)	(4,223)	(3,000)	-	(55,110)	(110,760)
	-----	-----	-----	-----	-----	-----	-----	-----
Total financial liabilities	1,736,177	(1,758,164)	(1,477,425)	(63,406)	(23,618)	(27,830)	(55,125)	(110,760)
	-----	-----	-----	-----	-----	-----	-----	-----
Financial assets by type								
Non-derivative assets								
Cash and cash equivalent	483,967	483,967	483,967	-	-	-	-	-
Investment securities	286,018	293,111	126,819	30,930	-	26,000	109,362	-
Investments (other than securities)	88,478	88,478	-	-	-	-	88,478	-
Loans and advances to customers	1,088,071	1,285,749	332,957	19,551	56,052	83,142	556,519	237,528
	-----	-----	-----	-----	-----	-----	-----	-----
Assets held for managing liquidity risk	1,946,534	2,151,305	943,743	50,481	56,052	109,142	754,359	237,528
	-----	-----	-----	-----	-----	-----	-----	-----
Net Liquidity gap	210,357	393,141	(533,682)	(12,925)	32,434	81,312	699,234	126,768
	=====	=====	=====	=====	=====	=====	=====	=====

(c) Market risk

For the definition of market risk and information on the metrics (and their limitations) used by the Bank to manage the market risks of non-trading portfolios, See Note 45.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2016. The amounts stated in the table below are the Ghana Cedi equivalent of the foreign currencies.

Assets

	USD	GBP	EUR	Other	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and cash equivalent	167,510	9,497	12,548	-	189,555
Loans and advances to customers (net)	100,544	-	99,076	-	199,620
Other assets	1,159	-	-	-	1,159
	-----	-----	-----	-----	-----
Total financial assets	269,213	9,497	111,624	-	390,334
	-----	-----	-----	-----	-----

Liabilities

Deposits from customers	232,658	9,611	17,609	-	259,878
Borrowings	30,937	-	93,780	-	124,717
Other liabilities	3,765	18	88	-	3,871
	-----	-----	-----	-----	-----
Total financial liabilities	267,360	9,629	111,477	-	388,466
	-----	-----	-----	-----	-----

Net on balance sheet position	1,853	(132)	147	-	1,868
	=====	====	====	=====	=====

Contingent liabilities	76,311	624	3,710	-	80,645
	=====	====	=====	=====	=====

As at 31 December 2015

Total financial assets	250,670	10,223	105,562	1	366,456
Total financial liabilities	248,828	9,022	104,796	-	362,646
	-----	-----	-----	----	-----

Net on balance sheet position	1,842	1,201	766	1	3,810
	=====	=====	====	==	=====

Contingent liabilities	68,938	676	3,471	-	73,085
	=====	====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Foreign exchange risk (cont'd)

The following mid inter-bank exchange rates were applied during the year:

	Average rate		Reporting rate	
	2016	2015	2016	2015
Cedis to				
USD 1	3.9306	3.2001	4.2002	3.7944
GBP 1	5.2813	4.9092	5.1965	5.6265
EUR 1	4.3370	3.8813	4.4367	4.1514

Sensitivity Analysis on Currency Risks

The following table shows the effect of the strengthening or weakening of the GH¢ against all other currencies on the company's income statement. This sensitivity analysis indicates the potential impact on the income statements based upon the foreign currency exposures recorded at 31 December 2016. (See "currency risk" above) and it does not represent actual or future gains or losses.

The sensitivity analysis is based on the percentage difference between the highest daily exchange rate and the average rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the GH¢, by the rates shown in the table, against the following currencies at 31 December would have increased/decreased equity and income statement by the amounts shown below:

This analysis assumes that all other variables, in particular interest rates, remain constant.

	% Change	2016	Income	% change	2015	Income
		Income Statement/ Equity Impact Strengthening	Statement/ Equity Impact Weakening		Income Statement/ Equity Impact Strengthening	Income Statement/ Equity Impact Weakening
In GH¢						
US\$	+5%	(389,167)	389,167	+5%	(83,089)	83,089
£	+5%	34,168	(34,168)	+5%	(26,266)	26,266
€	+5%	(32,682)	32,682	+5%	(38,227)	38,227

Market Risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market directions directly affect net trading income.

Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date will have increased/decreased profit or loss by amounts shown below. Each analysis assumes all other variables in particular foreign currency rates remain constant.

The analysis is performed on the same basis for 2016.

Effects in Cedis	100bp Increase GH¢'000	100bp Decrease GH¢'000
31 December 2016		
Average for the Period	1,945	(1,945)
Maximum for the Period	3,613	(3,613)
Minimum for the Period	1,668	(1,668)
31 December 2015		
Average for the Period	1,086	(1,086)
Maximum for the Period	3,147	(3,147)
Minimum for the Period	1,341	(1,341)

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference between re-pricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier to later than the contracted dates and variations in interest rate sensitivity within re-pricing periods and amongst currencies.

The rates above show the extent to which the Bank's interest rate exposures on assets and liabilities are matched. These are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and maturity.

(d) Capital management

Regulatory Capital

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

The Bank's objectives when managing capital are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders
- To maintain a strong capital base to support the current and future development needs of the business
- To comply with the capital requirements set by the Central Bank of Ghana

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Regulatory Capital (cont'd)

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the Central Bank of Ghana for supervisory purposes. The required information is filed with the Central Bank of Ghana on a monthly basis

The Central Bank requires each bank to:

- a) Hold the minimum level of regulatory capital of GH¢120 million.
- b) Maintain a ratio of total regulatory capital; to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%

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

- Tier 1 capital, which includes ordinary share capital, income surplus, after deductions for intangible assets (excluding computer software), investments in equity instruments of other institutions and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes capitalised revaluations reserves, latent revaluation reserves, undisclosed reserves, revaluation reserves, subordinated Loans and Hybrid Capital subject to a limit of 100% of Tier 1 Capital.

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

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

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

	2016 GH¢'000	2015 GH¢'000
Tier 1 Capital		
Ordinary share capital	275,100	75,000
Income surplus	(188,779)	(35,386)
Statutory reserve	84,891	84,891
Other regulatory adjustment	(97,482)	(94,734)
	-----	-----
Total	73,730	29,771
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW – (CONT'D)

Capital adequacy ratio (cont'd)

Tier 2 Capital

	2016	2015
	GH¢'000	GH¢'000
Available for sale reserve	54,617	47,621
Revaluation reserve	57,531	57,531
Subordinated debt	59,063	-
	-----	-----
Total	171,211	105,152
	=====	=====
Total regulatory capital	244,941	134,923
	=====	=====
Risk weighted assets		
On-balance sheet items	1,256,733	1,255,438
Off-balance sheet items	188,008	82,557
	-----	-----
Total risk weighted assets	1,444,741	1,337,995
	-----	-----
Capital charge for operational and market risks:		
100% of 3 years annual gross income	293,128	293,654
50% of Net Open Position	1,460	1,905
	-----	-----
Adjusted asset base	1,739,329	1,633,554
	-----	-----
Capital adequacy	14.08%	8.26%
	=====	=====

REVIEW OF CAPITAL ADEQUACY RATIO

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

See accounting policy in Notes 47 (vi).

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS – (CONT'D)

(b) Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

2016

	Level 1	Level 2	Level 3	Total	Total
	GH¢'000	GH¢'000	GH¢'000	fair value	carrying
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	amount
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Investment Securities					
- Available for sale	-	77,974	-	77,974	77,974
Investments (Other than Securities)	-	94,299	-	94,299	94,299
	-----	-----	-----	-----	-----
	-	172,273	-	172,273	172,273
	=====	=====	=====	=====	=====

2015

Investment Securities

- Available for sale	-	51,892	-	51,892	51,892
Investments (Other than Securities)	-	88,478	-	88,478	88,478
	-----	-----	-----	-----	-----
	-	140,370	-	140,370	140,370
	=====	=====	=====	=====	=====

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

2016

	Level 1	Level 2	Level 3	Total	Total
	GH¢'000	GH¢'000	GH¢'000	fair value	carrying
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	amount
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Financial Assets					
Cash and cash equivalents	-	604,635	-	604,635	610,563
Investment Securities- held to maturity	-	993,593	-	993,593	1,007,778
Loans and advances to customers (net)	-	965,155	-	965,155	1,005,302
	-----	-----	-----	-----	-----
	-	2,563,383	-	2,563,383	2,623,643
	-----	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS – (CONT'D)

(c) Financial instruments not measured at fair value (cont'd)

2016	Level 1 GH¢'000	Level 2 GH¢'000	Level 3 GH¢'000	Total fair value GH¢'000	Total carrying amount GH¢'000
Financial Liabilities					
Deposits from customers	-	-	2,208,533	2,208,533	2,147,450
Borrowed funds	-	-	382,522	382,522	381,025
	-----	-----	-----	-----	-----
	-	-	2,591,055	2,591,055	2,528,475
	=====	=====	=====	=====	=====
2015					
Financial Assets					
Cash and cash equivalents	-	483,967	-	483,967	483,967
Investment Securities- held to maturity	-	-	237,710	237,710	237,710
Loans and advances to customers (net)	-	1,088,071	-	1,088,071	1,088,071
	-----	-----	-----	-----	-----
	-	1,809,748	-	1,809,748	1,809,748
	-----	=====	=====	=====	=====
Financial Liabilities					
Deposits from customers	-	-	1,513,509	1,513,509	1,513,509
Borrowed funds	-	-	222,669	222,669	222,669
	-----	-----	-----	-----	-----
	-	-	1,736,178	1,736,178	1,736,178
	=====	=====	=====	=====	=====

7. OPERATING SEGMENTS

Operating segments

Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments pay and receive interest to and from the Central Treasury on an arm's length basis to reflect the borrowing from or placement into the pool of investments.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. OPERATING SEGMENTS – (CONT'D)

Business segments (cont'd)

2016	Corporate Banking GH¢'000	Retail Banking GH¢'000	Central Treasury GH¢'000	Shared Services GH¢'000	Unallocated GH¢'000	Consolidated GH¢'000
Impairment losses on financial assets	(50,138)	(53,884)	-	-	-	(104,022)
Depreciation and amortization	(12)	(5,800)	(51)	(9,950)	-	(15,813)
Capital expenditure	78	6,132	-	31,263	-	37,473
2015						
External Revenue						
Net interest income	116,641	19,479	46,842	-	(2,388)	180,574
Net fee and commission income	14,678	35,855	-	-	-	50,533
Net trading income	-	-	29,820	-	-	29,820
Net income from other financial instruments carried at fair value	-	-	-	-	-	-
Other operating income	1	63	-	12,090	-	12,154
Intersegment revenue	(71,075)	89,379	(18,304)	-	-	-
Total segment revenue	60,245	144,776	58,358	12,090	(2,388)	273,081
Segment result						
Income tax expense	-	-	-	21,222	-	21,222
Profit/ (Loss) for the period	12,451	6,260	31,557	(129,243)	-	(78,975)
Segment assets	823,282	264,789	769,985	162,491	113,600	2,134,147
Unallocated assets	-	-	-	-	-	-
Total assets	823,282	264,789	769,985	162,491	113,600	2,134,147
Segment liabilities	665,854	847,655	243,949	43,796	-	1,801,254
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	665,854	847,655	243,949	43,796	-	1,801,254
Impairment losses on financial assets	(87,508)	(23,116)	-	-	-	(110,624)
Depreciation and amortization	(25)	(5,306)	(48)	(8,540)	-	(13,919)
Restructuring costs	-	-	-	-	-	-
Capital expenditure	30	4,391	-	6,631	-	11,052

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. INTEREST INCOME

	2016 GH¢'000	2015 GH¢'000
Loans and advances	197,209	226,470
Investment in Government securities	129,803	68,731
Interbank placement	22,746	5,451
Leases (including agric inputs)	11,308	14,027
	-----	-----
	361,066	314,679
	=====	=====

9. INTEREST EXPENSE**(a) On deposits:**

Fixed/time deposits	47,853	44,721
Savings deposits	3,345	2,013
Demand & call deposits	91,773	56,183
	-----	-----
	142,971	102,917
	-----	-----

(b) On borrowed funds:

Inter-Bank borrowing	2,579	8,953
Long-Term borrowings	21,202	22,235
	-----	-----
	23,781	31,188
	-----	-----

Total	166,752	134,105
	=====	=====

10. NET FEE AND COMMISSION INCOME**Fee and commission Income**

Commission on Turnover	22,316	19,635
Fees and Charges	32,600	29,127
Sale of Cheque Book Charges	1,298	1,370
Loan Fee Incomes	6,449	4,885
Guarantees Charges and Commission	1,728	1,241
	-----	-----

Total Fee and Commission Income	64,391	56,258
	-----	-----

Fee and commission Expense

Cost of Services	(6,480)	(5,725)
	-----	-----
Total Fee and Commission Expense	(6,480)	(5,725)
	-----	-----

Net Fee and Commission Income	57,911	50,533
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. NET TRADING INCOME

	2016	2015
	GH¢'000	GH¢'000
Foreign Exchange		
Translation gains less losses	9,090	18,394
Transaction gains less losses	9,161	11,426
	-----	-----
	18,251	29,820
	=====	=====

12. OTHER OPERATING INCOME

Bad debts recovered	2,573	5,822
Dividends from investments	2,997	3,878
Other income	2,411	2,454
	-----	-----
	7,981	12,154
	=====	=====

13. PERSONNEL EXPENSES

Salaries and wages	68,078	68,408
Pension costs - (Defined contribution scheme to SSNIT)	7,820	7,852
Staff Provident Fund (Defined Contribution Scheme)	8,910	8,804
Staff fuel expenses	17,485	14,458
Medical expenses	4,270	3,346
Canteen expenses	3,723	3,862
Occupancy cost	12,578	12,249
Training expenses	1,176	535
Other staff related costs	11,998	23,345
	-----	-----
	136,038	142,859
	=====	=====

The number of persons employed by the Bank at the year-end was 1,197 (2015: 1,235).

14. OTHER OPERATING EXPENSES

Directors' fees	810	371
Occupancy Cost	47,093	33,297
Auditors Remuneration	400	344
Donations and Social Responsibility	883	1,736
Motor Vehicle Running Expenses	6,364	4,784
General and Administrative Expenses	21,931	21,940
Others	50,607	43,578
	-----	-----
	128,088	106,050
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. FINANCIAL ASSETS AND LIABILITIES

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

2016	Loans and Trading GH¢'000	Receivables GH¢'000	Other amortised Available for sale GH¢'000	Total carrying cost GH¢'000	amount GH¢'000
Cash and cash equivalents	-	-	-	610,563	610,563
Investment in Government securities	-	-	77,974	1,007,778	1,085,752
Investment in other Securities	-	-	94,299	-	94,299
Loans and advances to customers (net)	-	1,005,302	-	-	1,005,302
	-----	-----	-----	-----	-----
		1,005,302	172,273	1,618,341	2,795,916
	-----	-----	-----	-----	-----
Deposits from customers	-	-	-	2,147,450	2,147,450
Borrowings	-	-	-	381,025	381,025
Other liabilities	-	-	-	51,193	51,193
	-----	-----	-----	-----	-----
		-	-	2,579,668	2,579,668
	-----	-----	-----	-----	-----
2015					
Cash and cash equivalents	-	-	-	483,967	483,967
Investment in Government securities	-	-	48,308	237,710	286,018
Investment in other Securities	-	-	88,478	-	88,478
Loans and advances to customers (net)	-	1,088,071	-	-	1,088,071
	-----	-----	-----	-----	-----
		1,088,071	136,786	721,677	1,946,534
	-----	-----	-----	-----	-----
Deposits from customers	-	-	-	1,513,508	1,513,508
Borrowings	-	-	-	222,669	222,669
Other liabilities	-	-	-	65,077	65,077
	-----	-----	-----	-----	-----
		-	-	1,801,254	1,801,254
	-----	-----	-----	-----	-----

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2016 GH¢'000	2015 GH¢'000
Loss	(70,026)	(78,975)
	-----	-----
Loss attributable to equity holders	(70,026)	(78,975)
	=====	=====
Number of ordinary shares	230,923	25,000
Weighted average number of shares	42,160	25,000
Earnings per share:		
Basic (GH¢)	(1.661)	(3.159)
	=====	=====
Diluted (GH¢)	(1.661)	(3.159)
	=====	=====

There were no potentially dilutive instruments outstanding at the date of the statement of financial position.

17. CASH AND CASH EQUIVALENTS

	2016 GH¢'000	2015 GH¢'000
(i) Cash on hand	58,348	54,536
Balances with Bank of Ghana	245,107	202,396
Deposits and balances due from banking institution (Note 16 (ii))	307,108	227,035
	-----	-----
Cash and cash equivalent in statement of financial position	610,563	483,967
14-Day/ 91-Day Treasury Bill	921,992	148,899
	-----	-----
Cash and cash equivalent in statement of cash flows	1,532,555	632,866
	=====	=====

Included in balances with Bank of Ghana above is an amount of GH¢214,745,000 (2015: GH¢151,350,800) mandatory reserve deposits representing 10% of the Bank's total deposits.

(ii) Deposits and Balances Due from Banking Institutions

	2016 GH¢'000	2015 GH¢'000
Items in course of collection	15,630	13,989
Nostro account balances	102,754	43,519
Placements with other banks	188,724	169,527
	-----	-----
	307,108	227,035
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. INVESTMENT SECURITIES

	2016	2015
	GH¢'000	GH¢'000
Treasury bills		
14 Day Treasury Bills	921,992	-
91 Day Treasury Bills	-	148,899
182 Day Treasury Bills	22,440	53,961
Treasury Notes	63,346	34,850
	-----	-----
	1,007,778	237,710
	=====	=====
Government bonds		
2-5 year fixed rate note	74,098	42,556
Fair value movements	3,896	5,752
	-----	-----
	77,974	48,308
	=====	=====
Maturing within 90 days of date of acquisition	921,992	148,899
Maturing between 90 days – 1 year of date of acquisition	85,786	88,811
Maturing within 1-3 years of date of acquisition	77,974	48,308
	-----	-----
	1,085,752	286,018
	=====	=====

Long term government bonds are classified as available for-sale and carried at fair value with the fair value movements recognised directly in equity; whilst short-term treasury bills have been classified as held to maturity and held at amortised cost.

The average interest rate on treasury bills at 31 December 2016 was 21.68% (2015: 22.79%) and the rate for treasury bonds at 31 December 2016 was 22% (2015: 22.88%).

The 14-day treasury bills of GH¢921,992 (2015 (91- day treasury bills): GH¢148,898,000) has been classified as cash and cash equivalent under note 17 for statement of cash flows purposes.

19. LOANS AND ADVANCES TO CUSTOMERS

	2016	2015
	GH¢'000	GH¢'000
Overdrafts	249,392	195,156
Loans	1,001,081	1,029,650
Lease receivable	56,529	60,943
	-----	-----
Gross loans and advances	1,307,002	1,285,749
Provision for impaired loans and advances		
- Specific	(296,211)	(191,795)
- Collective	(5,489)	(5,883)
	-----	-----
	1,005,302	1,088,071
	=====	=====

The above constitute loans and advances to customers and staff. Staff loans amounted to GH¢55,821,730 (2015: GH¢45,062,795)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. LOANS AND ADVANCES TO CUSTOMERS – (CONT'D)

The investment in lease receivables is analysed as follows:

	2016	2015
	GH¢'000	GH¢'000
Less than 1 year	37,828	34,755
Between 1 year and 5 years	18,701	26,188
	-----	-----
	56,529	60,943
	=====	=====

Key ratios on loans and advances

The total impairment for the year represents 22.10% of gross loans at the year-end (2015: 15.37%).

Loan loss provision ratio is 33.83% of gross advances (2015: 19.5%).

Gross Non-performing loans ratio per Bank of Ghana requirement is 43.94% (2015: 33.89%).

Fifty (50) largest exposures (gross funded and non-funded) to total exposures is 59.70% (2015: 62.46%).

a) Analysis By maturity	2016	2015
	GH¢'000	GH¢'000
Maturing:		
Within one year	690,490	491,702
Between one to five years	461,976	556,519
More than five years	154,536	237,528
	-----	-----
	1,307,002	1,285,749
	=====	=====
b) Impairment of loans and advances		
At 1 January	197,678	93,547
Amount Written-off	-	(5,727)
Additional impairment charge during the year	104,022	109,858
	-----	-----
31 December	301,700	197,678
	=====	=====
c) Impairment of loans and advances		
Impairment charge	104,022	109,858
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. INVESTMENT (OTHER THAN SECURITIES): AVAILABLE FOR SALE

	2016	2015
	GH¢'000	GH¢'000
At 1 January	88,478	78,636
Fair value adjustments	5,821	10,608
Impairment	-	(766)
	-----	-----
At 31 December	94,299	88,478
	=====	=====

21. INVESTMENT IN ASSOCIATE COMPANIES

The Bank has one associate, Activity Venture Finance Company (AVF) that is immaterial to the Bank, which is equity accounted for.

	Activity Venture Finance Co
The relationship with the Bank	To help start-ups with high potential and risk
Principal place of business/country of incorporation	Accra, Ghana
Ownership interest/voting rights	20% (2015: 20%)
Fair value of ownership interest (if listed)	N/A

	2016	2015
	GH¢'000	GH¢'000
At 1 January	538	539
Share of associate profit / loss	-	-
Share of associate OCI	-	-
Dividend received	-	-
Disposal of investment	-	(1)
	-----	-----
At 31 December	538	538
	=====	=====

22. INCOME TAX

See accounting policy in Note 47(g)

Amounts recognized in profit or loss

Current year income tax – See Note 47(g) below

Deferred tax

-	-
35,688	21,222
-----	-----
35,688	21,222
=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. INCOME TAX (CONT'D)

See accounting policy in Note 47 (g)

	Balance at 1 January GH¢'000	Payments during the year GH¢'000	Charge for the year GH¢'000	Balance 31 December GH¢'000
Income tax				
2014	1,646	-	-	1,646
2015	(15,871)	-	-	(15,871)
2016	-	-	-	-
	-----	-----	-----	-----
	(14,225)	-	-	(14,225)
	-----	-----	-----	-----
National Stabilization Levy	(2,428)	-	-	(2,428)
	-----	-----	-----	-----
Total	(16,653)	-	-	(16,653)
	=====	=====	=====	=====

Reconciliation of effective tax rate

	2016 GH¢'000	2015 GH¢'000
Loss before tax	(105,714)	(100,197)
	=====	=====
Income tax using domestic tax rate (25%)	(26,428)	(25,049)
Non-deductible expenses	62,865	46,314
Tax on exempt income	(749)	(43)
	-----	-----
	35,688	21,222
	=====	=====

DEFERRED TAX ASSET

Balance at 1 January	(11,532)	(12,994)
Deferred tax due to property and equipment	(421)	(1,037)
Deferred tax on available for sale securities	2,700	4,090
Deferred tax on allowances for loan losses	(16,204)	(20,185)
Deferred tax on tax loss carry forward	(19,062)	-
Deferred tax on revaluation gains	-	18,594
	-----	-----
Balance 31 December	(44,519)	(11,532)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. PROPERTY AND EQUIPMENT

	Land & Building GH¢'000	Computers GH¢'000	Furniture & Equipment GH¢'000	Motor Vehicles GH¢'000	Capital WIP GH¢'000	Leasehold Improvement GH¢'000	Total GH¢'000
Cost/Valuation							
At 1 January 2016	87,530	23,227	11,296	2,912	1,893	20,479	147,337
Additions	101	1,195	3,231	1,094	3,324	474	9,419
Disposal	-	(55)	(639)	(693)	-	-	(1,387)
Transfers	174	277	499	856	(2,519)	713	-
Write-offs	-	(556)	(478)	(145)	-	-	(1,179)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2016	87,805	24,088	13,909	4,024	2,698	21,666	154,190
	-----	-----	-----	-----	-----	-----	-----
Depreciation							
At 1 January 2016	2,544	18,323	8,977	1,352	-	8,065	39,261
Charge for the year	4,368	2,174	1,266	507	-	3,778	12,093
Released on Disposal/Revaluation	-	(52)	(594)	(357)	-	-	(1,003)
Write-offs	-	(555)	(476)	(145)	-	-	(1,176)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2016	6,912	19,890	9,173	1,357	-	11,843	49,175
	-----	-----	-----	-----	-----	-----	-----
Net Book Value							
At 31 December 2016	80,893	4,198	4,736	2,667	2,698	9,823	105,015
	=====	=====	=====	=====	=====	=====	=====

Analysis of Property, Plant and Equipment (Cost) - Companies Act requirement:

	GH¢'000
Carrying amount under cost	13,428
Revaluation surplus	74,377

At 31 December 2016	87,805
	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. PROPERTY AND EQUIPMENT – (CONT'D)

	Land & Building GH¢'000	Computers GH¢'000	Furniture & Equipment GH¢'000	Motor Vehicles GH¢'000	Capital WIP GH¢'000	Leasehold Improvement GH¢'000	Total GH¢'000
Cost/Valuation							
At 1 January 2015	8,641	21,911	11,085	3,326	7,892	12,313	65,168
Additions	1,200	1,361	464	-	2,890	3,096	9,011
Disposal	-	(65)	(253)	(414)	-	-	(732)
Transfers	-	20	-	-	(8,889)	5,070	(3,799)
Transfers from asset held for sale	4,300	-	-	-	-	-	4,300
Write-offs	(12)	-	-	-	-	-	(12)
Revaluation Surplus	74,377	-	-	-	-	-	74,377
Revaluation Adjustment	(976)	-	-	-	-	-	(976)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2015	87,530	23,227	11,296	2,912	1,893	20,479	147,337
	-----	-----	-----	-----	-----	-----	-----
Depreciation							
At 1 January 2015	249	16,052	8,191	1,316	-	4,498	30,306
Charge for the year	2,814	2,336	1,031	450	-	3,567	10,198
Released on Disposal/Revaluation	-	(65)	(245)	(414)	-	-	(724)
Transfers	457	-	-	-	-	-	457
Revaluation Adjustment	(976)	-	-	-	-	-	(976)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2015	2,544	18,323	8,977	1,352	-	8,065	39,261
	-----	-----	-----	-----	-----	-----	-----
Net Book Value							
At 31 December 2015	84,986	4,904	2,319	1,560	1,893	12,414	108,076
	=====	=====	=====	=====	=====	=====	=====

Analysis of Property, Plant and Equipment (Cost) - Companies Act requirement:

	GH¢'000
Carrying amount under cost	13,153
Revaluation surplus	74,377

At 31 December 2015	87,530
	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. PROPERTY AND EQUIPMENT – (CONT'D)

Cost component of revalued property

If the land and buildings were stated on a historical cost basis, the amounts would have been as follows:

	2016	2015
	GH¢'000	GH¢'000
Cost	13,428	13,153
Accumulated depreciation	(1,578)	(907)
	-----	-----
	11,850	12,246
	=====	=====

Disposal Schedule

2016

	Computers	Furniture &	Motor	Total
	GH¢'000	Equipment	Vehicles	GH¢'000
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cost	611	1,117	838	2,566
Accumulated depreciation	(608)	(1,070)	(502)	(2,180)
	----	-----	----	-----
Net book value	3	47	336	386
Proceeds	1	115	60	176
	---	----	----	----
(Loss)/Profit on disposal	(2)	68	(276)	(210)
	==	==	==	==

Cost and Accumulated depreciation

The cost and accumulated depreciation of assets disposed is made up of cost of disposals and write-offs and their corresponding accumulated depreciation.

2015

	Computers	Furniture &	Motor	Total
	GH¢'000	Equipment	Vehicles	GH¢'000
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cost	65	253	414	732
Accumulated depreciation	(65)	(245)	(414)	(724)
	----	----	----	----
Net book value	-	8	-	8
Proceeds	9	32	141	182
	---	---	----	----
Profit on disposal	9	24	141	174
	==	==	==	==

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. PROPERTY AND EQUIPMENT – (CONT'D)

Cost and Accumulated depreciation (cont'd)

There was no indication of impairment of property and equipment held by the Bank at 31 December 2016 (2015: nil). None of the property and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date and at the end of the previous year. Capital commitments not provided for in the financial statements as at 31 December 2016 was GH¢6.8million (2015: Nil).

24. INTANGIBLE ASSETS

	Intangible Assets	Work-	
	GH¢'000	In-Progress	Total
	GH¢'000	GH¢'000	GH¢'000
Cost			
At 1 January 2016	23,314	-	23,314
Acquisitions	600	27,455	28,055
Transfers	197	(197)	-
Write-off	(210)	-	(210)
	-----	-----	-----
	23,901	27,258	51,159
	=====	=====	=====
Amortisation			
At 1 January 2016	17,791	-	17,791
Charge for the year	3,720	-	3,720
Write-off	(210)	-	(210)
	-----	-----	-----
At 31 December 2016	21,301	-	21,301
	=====	=====	=====
Net Book Value			
At 31 December 2016	2,600	27,258	29,858
	=====	=====	=====
2015			
Cost			
At 1 January 2015	21,273	-	21,273
Acquisitions	174	-	174
Transfers	1,867	-	1,867
	-----	-----	-----
	23,314	-	23,314
	=====	=====	=====
Amortisation			
At 1 January 2015	14,070	-	14,070
Charge for the year	3,720	-	3,720
	-----	-----	-----
At 31 December 2015	17,790	-	17,790
	=====	=====	=====
Net Book Value			
At 31 December 2015	5,524	-	5,524
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. INTANGIBLE ASSETS – (CONT'D)

Work-in-progress

Work-in-progress represents the Bank's data centre upgrade which was not completed as at year end.

- No impairment losses on intangible assets were recognized during the year (2015: Nil)
- There were no capitalized borrowing costs related to intangible assets during the year (2015: Nil)
- There were no restrictions on title and intangible assets pledged as security for liabilities during the year (2015: Nil).

25. OTHER ASSETS

	2016 GH¢'000	2015 GH¢'000
Advance payment	72	29
Prepayments	20,136	31,321
Sundry receivables	9,016	10,756
Others	13,770	3,184
	-----	-----
31 December	42,994	45,290
	=====	=====
Current	29,974	44,827
	=====	=====
Non-current	13,020	463
	=====	=====

26. BORROWED FUNDS

Central Bank	156,640	5,436
Government of Ghana	58,795	63,245
Financial Institutions	49,081	66,809
Others	93,171	87,179
Interest payable	23,338	21,986
	-----	-----
	381,025	244,655
	=====	=====

Central Bank

This consists of a subordinated term debt and multiple loan facilities granted to the Bank.

The subordinated term debt was obtained to serve as supplementary capital. It is a short term facility with a tenure of one year at an interest rate of 20% and also with an option of renewal at an interest rate of 24% per annum.

The other debt facilities were granted to the Bank to assist in financing the poor, rural entrepreneurs engaged in rural small scale enterprises. Interest rates on these facilities range from 20% to 30% with maturities ranging from 2017 to 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. BORROWED FUNDS – (CONT'D)

Details are shown below:

	2016	2015
	GH¢'000	GH¢'000
IFAD	641	493
IDA/BADEA	4,937	4,580
Small Scale IRR Development Projects	229	229
CFD Loan to GREL	24	29
BOG / PEED Loan to Kokoby Food Processing	809	105
Subordinated loan	150,000	-
	-----	-----
	156,640	5,436
	=====	=====

Government of Ghana

This consists of multiple facilities granted to the Bank to finance food crops, non-traditional exports, agro industry as well as institutional support. Interest rates range from 1.8% - 5% with maturities ranging from 2016 to 2051. Details of these borrowings are shown below:

	2016	2015
	GH¢'000	GH¢'000
ADF Projects	5,780	5,780
EDAIF	16,300	30,566
AFD/MOFA	12,902	4,065
AfDB/KP. IRR. Projects	471	471
GH Gov't ADF Line of Credit	13,933	13,933
Out Grower Value Chain Fund	9,409	8,430
	-----	-----
	58,795	63,245
	=====	=====

Financial institutions

Ghana International Bank - This facility was granted to the Bank to fund the Bank's corporate and individual customers' foreign exchange requirements for agricultural and other imports for the purpose of ultimately promoting agricultural and other exports from Ghana, and foreign exchange generating activities within the overall implementation of the National Agriculture and Export Programme. Interest is at a rate of Libor plus a margin of 3.25% maturing in 2016.

SSNIT - These borrowings are for liquidity management purposes. Interest rate ranges from 24% to 29% and maturity is usually within one year.

Details of the borrowings from financial institutions are shown below:

	2016	2015
	GH¢'000	GH¢'000
GHIB	22,681	47,809
SSNIT	26,400	19,000
	-----	-----
	49,081	66,809
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. BORROWED FUNDS – (CONT'D)

Others

AFD - The general purpose of the credit facility is to finance long term loans dedicated to the Rubber Outgrower Plantation Programme (ROPP). Average Interest is at a rate of 2.07% maturing in 2027.

Details of other borrowings are shown below:

	2016	2015
	GH¢'000	GH¢'000
AFD/Rubber Phase IV	93,171	87,179
	=====	=====

27. DEPOSITS FROM CUSTOMERS

Savings Deposits	311,691	264,076
Demand and Call Deposits	1,640,696	1,021,925
Fixed/Time Deposits	195,063	227,508
	-----	-----
	2,147,450	1,513,509
	=====	=====

Customer deposits

Maturity analysis of customer deposits

From Government and parastatals:

Payable within 90 days	484,827	127,349
Payable after 90 days and within one year	48,119	105,209
	-----	-----
	532,946	232,558
	-----	-----

From Private Sector and individuals:

Payable within 90 days	1,152,263	880,262
Payable after 90 days and within one year	462,241	400,689
	-----	-----
	1,614,504	1,280,951
	-----	-----
	2,147,450	1,513,509
	=====	=====

Twenty largest depositors to total deposit ratio is 30.1% (2015: 23.5%).

28. OTHER LIABILITIES

Interest payable	1,387	1,124
Payables	37,617	33,237
Accruals	11,737	7,218
Recognised liability for other long term employee benefit (i)	1,499	1,511
	-----	-----
	52,240	43,090
	=====	=====
Current	21,593	31,420
	=====	=====
Non-current	30,647	11,670

=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

=====

(i) Movement in the liability for other long term employee benefits

The Bank has other long term employee benefits scheme in the form a long service award for its employees. These are long service awards which accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Employees leaving the service of the Bank after 5 years through retirement (both voluntary and compulsory) or resignation become eligible for these awards based on their current entitlement at the time of retirement or resignation based on their length of service.

	2016	2015
	GH¢'000	GH¢'000
Liability for defined benefit obligation at 1 January	1,511	1,211
Benefits paid by the plan	(425)	(198)
Expenses recognised in profit or loss	413	498
	-----	-----
Liability for defined benefit obligation at 31 December	1,499	1,511
	=====	=====
Expenses recognised in profit and loss		
Current Service Cost	126	274
Net Interest Cost	287	224
	-----	-----
	413	498
	=====	=====
Actuarial assumptions		
The following are the principal assumptions at the reporting date.		
Discount rate	19%	21%
General inflation rate	17%	11%
	=====	=====

Assumptions regarding future mortality rates are based on published statistics and mortality tables.

29. STATED CAPITAL

	2016		2015	
Authorized:	No. of Shares	Proceeds	No. of Shares	Proceeds
		GH¢'000		GH¢'000
Ordinary shares of no par value	10,000,000,000		10,000,000,000	
	=====		=====	
Issued:				
Issued for cash	76,372,051	200,450	900,352	450
For Consideration other than cash	638,772	320	638,772	320
Transfer from Income Surplus	23,460,876	74,230	23,460,876	74,230
Bonus issue	130,451,524	100	-	-
	-----	-----	-----	-----
	230,923,223	275,100	25,000,000	75,000
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. STATED CAPITAL – (CONT'D)

There is no unpaid liability and no call or installment unpaid on any share. There is no share in treasury.

On 11 December, 2014 shareholders of ADB passed a resolution increasing the Bank's authorised shares from 100 million to 10 billion effective 11 December, 2014. On 11 November 2016, the Board of Directors passed a resolution to re-launch the Initial Public Offer (IPO).

The Bank had on offer a total of 144,797,734 ordinary shares of no par value at a price of GH¢2.65 per share. The offer period ran from 24 November, 2016 to 5 December, 2016. The proceeds raised from the offer was the sum of GH¢325,784,952 being the sale of 122,937,718 shares. Out of the proceeds raised, an amount of GH¢125,579,074, representing 47,388,330 shares was allocated to Financial Investment Trust (FIT), an existing shareholder who reduced its shareholding during the IPO. An amount of GH¢205,875 (representing 77,689 shares) was also refunded to customers who were not allotted the full number of shares bought.

In total, 405 applications were made for shares in the IPO with majority of the applications being made by Ghanaian retail investors.

30. STATUTORY RESERVE

Statutory reserve represents cumulative amounts set aside from annual profits after tax required under the Banking Act. The proportion of net profits transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the relationship that the balance on statutory reserves bears to paid up capital.

	2016	2015
	GH¢'000	GH¢'000
At 1 January	84,891	84,891
Transfer from income surplus	-	-
	-----	-----
At 31 December	84,891	84,891
	=====	=====

31. CREDIT RISK RESERVE

The credit risk reserve is a non-distributable reserve required by Bank of Ghana to account for difference between impairment loss on financial assets as per IFRS and the specific and the general impairment loss on loans and advances and contingent liabilities per the Central Bank's prudential guidelines.

	2016	2015
	GH¢'000	GH¢'000
At 1 January	103,236	92,533
Transfer from Income Surplus	68,181	10,703
	-----	-----
At 31 December	171,417	103,236
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. CREDIT RISK RESERVE (CONT'D)

Reconciliation between Bank of Ghana impairment allowance and IFRS impairment

	2016	2015
	GH¢'000	GH¢'000
Bank of Ghana impairment allowance for loans and advances	470,376	299,918
Bank of Ghana allowance on off-balance sheet items	2,741	996
IFRS Impairment for loans and advances at 31 December	(301,700)	(197,678)
	-----	-----
Credit risk reserve at 31 December	171,417	103,236
	=====	=====

32. AVAILABLE FOR SALE RESERVE

i. At 1 January	47,621	35,351
Fair value adjustment, net of tax (Note 33ii)	6,996	12,270
	-----	-----
At 31 December	54,617	47,621
	=====	=====

The available for sale reserves includes the cumulative change in the fair value of available for sale investments until the investment is derecognized or impaired.

ii. Fair value adjustment, net of tax is made up of:

	2016	2015
	GH¢'000	GH¢'000
Investment securities	2,631	4,314
Investment (other than securities)	4,365	7,956
	-----	-----
Total	6,996	12,270
	=====	=====

33. REVALUATION RESERVE

This reserve comprises the cumulative net change in the fair value of property and equipment.

	2016	2015
	GH¢'000	GH¢'000
At 1 January	57,531	1,748
Additions, net of tax	-	74,377
Deferred tax	-	(18,594)
	-----	-----
At 31 December	57,531	57,531
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. INCOME SURPLUS	2016	2015
	GH¢'000	GH¢'000
At 1 January	(35,386)	54,292
Transfer to credit risk reserve	(68,181)	(10,703)
Transfer to statutory reserve	-	-
Loss for the year	(70,026)	(78,975)
Transaction costs related to issue of shares	(15,185)	-
	-----	-----
	<u>(188,778)</u>	<u>(35,386)</u>

35. CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

In common with other banks, the Bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The Bank also holds certain securities in its own name on behalf of customers. The values of these securities are not recognised in the statement of financial position.

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 customer's default.

Contingencies and commitments not provided for in the financial statements as at 31 December 2016 in respect of the above amounted to GH¢275.36 million (2015: GH¢113.39 million), as detailed below:

	2016	2015
	GH¢'000	GH¢'00
Letters of Credit	83,070	58,533
Guarantees and Indemnities	192,285	54,860
	-----	-----
	<u>275,355</u>	<u>113,393</u>

Pending Legal Claims

At the year end there were 42 legal cases pending against the Bank. Should judgment go in favour of the plaintiffs, likely claims against the Bank have been estimated at GH¢ 2,100,000 (2015: GH¢ 3,910,000). No provisions have been made in the financial statements in respect of these amounts because the Bank's solicitors believe that the bank has good chance of success.

Funds under Management

Investments and funds being managed by the Bank on behalf of clients amounts to GH¢22,666,103 (2015: GH¢19,060,000)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both.

Shareholders

Name of shareholder	No. of shareholding	Percentage holding (%)
Government of Ghana	74,579,327	32
Belstar Capital	55,421,573	24
Starmont Development Company Limited	25,401,554	11
SIC Financial Services Limited	23,092,322	10
Financial Investment Trust	21,937,706	10
Ecobank Development Corporation	13,855,393	6
Employee Share Offer Plan	11,546,161	5
Others	5,089,187	2
	-----	----
	230,923,223	100
	=====	====

At 31 December 2016, the following amounts related to transactions with the Government of Ghana

	2016 GH¢'000	2015 GH¢'000
Government Securities	1,085,752	286,018
	=====	=====
Loans and Advances	33,990	44,803
	=====	=====
Borrowings	58,795	63,245
	=====	=====

Associated Company

The Bank provides general banking services to its associated company. These transactions are conducted on similar terms to third-party transactions.

Details of investments in associated company are provided in Note 21.

Transactions with executive directors and key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank (directly or indirectly) and comprise the Directors and Senior Management the Bank.

No provisions have been made in respect of loans to Directors or other members of key management personnel (or any connected person).

Remuneration of Executive Directors and other key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. RELATED PARTY TRANSACTIONS – (CONT'D)

Short term employee benefits

	2016	2015
	GH¢'000	GH¢'000
Salaries and other short- term benefits	11,303	12,253
Social security contributions	695	833
	-----	-----
	11,998	13,086
	=====	=====

Remuneration of executive directors during the year amounted to GH¢1,472,847 (2015:1,352,839).

Details of transactions and balances between the Bank and Executive Directors and other key management personnel are as follows:

	2016	2015
	GH¢'000	GH¢'000
Loans		
Loans outstanding at 31 December	988	935
	====	====
Interest income	40	37
	==	==

Interest rates charged on loans to staff are below market rates. These loans are secured over the assets financed of the respective borrowers. These loans are fair valued at the year end.

	2016	2015
	GH¢'000	GH¢'000
Deposits	6,550	3,460
	=====	=====

Key Management's shareholding

	No. of shares	% Holding
Key management	16,000	0.00689
	=====	=====

Transactions with companies in which a Director or other members of key management personnel is related

The executive director is a non-executive board member of Ghana International Bank Plc (GIB).

Details of transactions and balances between the Bank and GIB are as follows:

	GH¢'000
Borrowings	22,681
	=====
Bank Balance	30,464
	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**36. RELATED PARTY TRANSACTIONS – (CONT'D)****Transactions with non- executive directors**

	2016	2015
	GH¢'000	GH¢'00
Directors' remuneration		
Fees and allowances for services as directors	810	371
	===	===

Details of transactions and balances between the Bank and non-executive directors are as follows:

	2016	2015
	GH¢'000	GH¢'000
Loans		
Outstanding at 1 January	478	78
Net movement	(58)	400
	-----	-----
Outstanding at 31 December	420	478
	===	===
Interest income	120	136
	===	===
Sale of motor vehicles	-	82
	===	==

Term loans amounting to GH¢605,203 were granted to two directors. The loans were granted at the Bank's base rate plus 5%. The facilities will expire in 2020. The outstanding amount on the facility at 31 December 2016 is GH¢420,049.

No loan or advance was granted to companies in which Directors have an interest in 2016. (2015: nil)
No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

	2016	2015
	GH¢'000	GH¢'000
Deposits	263	1,430
	===	=====

Directors' Shareholding

The Directors named below held the following number of shares in the Bank at 31 December 2016:

Directors	No. of shares	% Holding
Nana Soglo Alloh IV	100,000	0.00081
Daniel Asiedu	2,000	0.00002
	-----	-----
	102,000	0.00083
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. DEFINED CONTRIBUTION PLAN

Contributions to the statutory defined contribution

	2016	2015
	GH¢'000	GH¢'000
Pension scheme, the National Social Security Fund	7,820	7,852
Provident Fund	8,910	8,804
	-----	-----
	16,730	16,656
	=====	=====

39. ASSETS PLEDGED AS SECURITY

At 31 December 2016 the value of government securities pledged as collateral was GH¢26,400,000 (2015: GH¢19,000,000).

40. COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

At 31 December 2016 the value of government securities accepted as collateral that the Bank is permitted to sell or re-pledge in the event of default was GH¢131,852,500 (2015: GH¢12,057,700).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowings and lending activities.

41. SOCIAL RESPONSIBILITY

Amounts spent on social responsibility amounted to GH¢ 883,269 (2015: GH¢1,737,428).

42. NATIONAL FISCAL STABILISATION LEVY

The National Fiscal Stabilisation Levy Act 862, became effective from 12 July 2014. Under the Act, a 5% levy will be charged on profit before tax and is payable quarterly.

43. REGULATORY DISCLOSURES

(i) **Non-Performing Loans Ratio**

Percentage of gross non-performing loans (“substandard to loss”) to total credit/advances portfolio (gross): 43.94% (2015: 33.89%).

(ii) **Capital Adequacy Ratio**

The capital adequacy ratio at the end of December 2016 was calculated at approximately 14.08% (2015: 8.26%). The Bank did not meet the minimum capital requirement of 10% from January to August 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

43. REGULATORY DISCLOSURES – (CONT'D)

(iii) **Liquid Ratio**

Percentage of liquid assets to volatile liabilities: 146.73% (2015: 96.46%).

The Bank breached the weekly liquidity ratio for the week ending 10 February 2016.

44. SUBSEQUENT EVENTS

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. The Bank had no material subsequent events that required adjustments to or disclosure in the financial statements.

45. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

The most important types of risk include:

- Credit risk
- Liquidity risk
- Market risk -includes currency, interest rate and other price risk
- Operational risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board has established Board Audit and Risk Committees and a risk department to assist in the discharge of this responsibility. The board has also established the Credit Committee which is responsible for developing and monitoring risk management in their respective areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

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's Audit and Risk Management Committees are 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 Audit and Risk Management Committees are assisted in these functions by Internal Audit and the risk management departments. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

45. FINANCIAL RISK MANAGEMENT –(CONT'D)

Risk management framework (cont'd)

The Bank has a risk management department organised into credit control, recoveries and operational control. Under the credit control department, it has credit administration, credit risk appraisal and credit monitoring. The department is responsible for managing all risks to which the Bank is exposed (operational risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.) The risk management department is developing a risk management framework for the Bank.

The Bank treats all branches as independent business units which generate their own income, run their own profit or loss statement and statement of financial position. The head office consolidates these and exercises oversight responsibility over all the branches. Credit is generated at the branch level and is then channeled through the credit control unit of the risk management department where a credit risk appraisal is performed to assess whether to engage the client or not.

The client's file is then moved to the head of risk management and to the other appropriate levels (credit committee, board and so on) for final approval before credit is granted. There is also the monitoring aspect where the head office credit monitoring team monitors the loans and their performance in addition to the monitoring performed at the branch level. Where a loan goes beyond current, it is classified as either OLEM, substandard, doubtful or loss, as recommended by the Central Bank of Ghana. Where a loan goes beyond current, there is the recoveries team which moves in to recover loan losses.

After initial recognition, the Bank measures all financial liabilities including customer deposits and borrowings other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values. Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

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.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit-Committee and Sub-Board Risk Management Committee. A separate Credit department, reporting to the Executive Committee, is responsible for oversight of the Bank's 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 authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Executive Committee members and the Board (Sub Committee) on risk management.
- Reviewing and assessing credit risk. The Credit department 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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

45. FINANCIAL RISK MANAGEMENT –(CONT'D)

Management of credit risk (cont'd)

- Developing and maintaining the Bank's risk grading in order to categorise 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 5 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 Board of Directors. Risk grades are subject to regular reviews by the Risk Management Department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided by the credit department on the credit quality of portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Settlement Risk

- Settlement Risk is the risk that counterparty will fail to deliver cash (or securities) due to be delivered at a particular moment in time, following the release of the corresponding cash (or Securities) by the bank in settlement of a transaction. Further details in respect of this category of credit risk are contained in the Wholesale Credit Risk below.
- Intraday Exposure
- Intraday Exposure is a revolving exposure, which arises whenever funds are irrevocably paid away by the Bank in the expectation of the receipt of cleared covering funds (or the deposit of collateral) at some time during the same business day. The Bank may be acting either in its own right, or on behalf of a customer, when it pays away the funds. The products, which give rise to Intraday Exposure, include forex settlements.
- The intraday credit, which the Bank allows its customers, is always in expectation of incoming funds, and as such the exposure is real in that it manifests itself as a borrowing/overdraft when things go wrong.
- The true extent of Intraday Exposure to a customer will be calculated as a single running balance taken at any one point in the day. This running balance will be adjusted by each single transfer of funds into and out of any account in that customer's name, where such transfers represent cleared funds. The same principles apply when accounts are grouped (and where set-off is available) to produce an aggregate net exposure.

Credit Risk Transfers

- This risk arises when certain eligible collateral types (including risk participations, standby letters of credit and bank guarantees) are held to mitigate obligor risk. Whilst these instruments can significantly mitigate obligor credit risk, an alternative risk arises, being reimbursement risk - the risk that the participant/guarantor fails to honour their commitment in the event that the underlying obligor defaults (this is also referred to as double default risk).

Credit risk has increased over the past three years as indicated by the NPL ratios (see Note 43). However management has reviewed the current credit policy to enhance effective credit management.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

45. FINANCIAL RISK MANAGEMENT – (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and be able to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Management of liquidity risk

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

The treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and 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.

As indicated by the liquid ratios (see Note 43), liquidity risks have been effectively managed by the Bank.

Market risks

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

Management of market risks

The Bank recognizes 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's exposure to market risk arises principally from customer driven transactions.

Overall authority for market risk is vested in the ALCO. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

Exposure to other market risks – Non-trading portfolios

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 instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities.

In the last three years, the Bank has taken steps to provide the necessary safeguards to ensure that market risk is kept within reasonable limits.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

45. FINANCIAL RISK MANAGEMENT – (CONT'D)

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

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

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

- Requirement of appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational losses faced and adequacy of controls and procedures to address risks identified;
- Requirement for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation including insurance where this is effective.

Compliance with bank's standards is supported by a program of periodic reviews undertaken by internal audit, risk and compliance departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to executive committee, audit and compliance committee, governance and risk committee and the board.

Over the past three years, operational risks have reduced due to constant training, automation of many processes and enhancement in controls.

Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items.

Item	Measurement basis
Available-for-sale financial assets	Fair value
Buildings	Fair value

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

46. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorization of the financial statements of the Bank for the year ended 31 December 2016, the following Standards and Interpretations were in issue but not yet effective and may have an impact on future financial statements.

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
IAS 7	Disclosure initiative amendments	January 2014	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	May 2014	1 January 2017
IFRS 15	Revenue from contracts with customers	May 2015	1 January 2018
IFRS 9	Financial Instruments	July 2014	1 January 2018
IFRS 2	Share-based payment amendments	June 2016	1 January 2018
IFRS 16	Leases	January 2016	1 January 2019

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

46. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE –(CONT'D)

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Bank, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Bank is currently in the process of performing a more detailed assessment of the impact of this standard on the Bank.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Bank is yet to assess the potential impact on the financial statements resulting from the application of IFRS 15.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the financial statements.

The standard is effective for annual reporting periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted. The Bank is yet to assess the potential impact on the financial statements resulting from the application of IFRS 9.

IFRS 16 Leases

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

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. No significant impact is expected for the Bank's finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 46, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

- (a) Foreign currency transaction
- (b) Interest income and expense
- (c) Fee and commission
- (d) Net trading income
- (e) Dividend income
- (f) Leases
- (g) Income tax
- (h) Financial assets and financial liabilities
- (i) Cash and cash equivalents
- (j) Loans and advances
- (k) Investment securities
- (l) Property and equipment
- (m) Intangible assets
- (n) Impairment of non-financial assets
- (o) Deposits and due to other banks
- (p) Provisions
- (q) Financial guarantees and loan commitments
- (r) Fiduciary activities
- (s) Employee benefits
- (t) Stated capital and reserves
- (u) Earnings per share
- (v) Investment in associates
- (w) Operating segments

(a) Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at closing inter-bank mid rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition. Non-monetary items denominated in a foreign currency that are measured at fair value are translated at exchange rates ruling at the date when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognized in profit or loss, except for differences on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value and differences arising on translation of available-for-sale equity investments in other comprehensive income.

All foreign exchange gains and losses recognized in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(c) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with related direct costs and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants.

(d) Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realised and unrealised fair value changes, interest and foreign exchange differences.

(e) Dividend income

Dividend income is recognized in profit or loss when the Bank's right to payment income is established.

(f) Leases

Lease payments – lessee

Payments made under operating leases are recognized in profit or loss on a straight – line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

Lease assets - lessee

Assets held by the Bank under leases that transfer to the Bank substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Bank's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Lease assets – lessor

If the Bank is a lessor in a lease arrangement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within loans and advances.

(g) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity or OCI.

Current tax is the expected tax on tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when reversed, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

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

(h) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held to maturity, available-for-sale. Management determines the classification of its financial assets at initial recognition See Notes (i) and (j).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. See Notes (o), (q) and (r).

(iii) De-recognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the amounts and it intends either to settle them 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 under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial 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.

(vi) 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(vi) *Fair value measurement*

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

(vii) *Identification and measurement of impairment of financial assets*

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(vii) *Identification and measurement of impairment of financial assets (cont'd)*

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

- **Assets carried at amortised costs**

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised.

If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

- **Available for sale assets**

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

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

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

(i) **Cash and cash equivalents**

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(j) Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances to banks are classified as loans and receivables.

Loans and advances to customers include:

- those classified as loans and receivables; and
- those designated as at fair value through profit or loss; and
- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss as described in (h)(i), they are measured at fair value with fair value changes recognised immediately in profit or loss.

Loans and advances also include finance lease receivables in which the Bank is the lessor (See Note: (f)).

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

(k) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as held to maturity and available-for-sale.

(i) *Held to maturity*

'Held to maturity' investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive interest and ability to hold to maturity and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(ii) *Available-for-sale*

‘Available-for-sale investments’ are non-derivative investments that are designated as available for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss (See Note: (a)). Impairment losses are recognised in profit or loss (See Note (h) (vii)).

Other fair value changes, other than impairment losses (See Note (h) (vii)), are recognised in OCI and presented in the available for sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

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

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers, other liabilities and borrowings. These liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(l) **Property and equipment**

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses or as professionally revalued from time to time less accumulated depreciation. Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(i) *Recognition and measurement (cont'd)*

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) *Subsequent costs*

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

(iv) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over its expected useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset. Land is not depreciated

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

Buildings	20 years
Motor vehicles	4 years
Furniture and equipment	5 years
Computers	5 years
Leasehold Improvement	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(m) Intangible assets

Computer software

Intangible assets comprise computer software. Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses.

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

Software is amortized on a straight line basis and recognized in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)****(n) Impairment of non-financial assets**

The carrying amounts 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 or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, 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 the 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.

(o) Deposits and borrowed funds

Deposits and borrowings from other banks are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and borrowings from other banks are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(p) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events that can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations which are likely to result in an outflow to settle related classes of obligations as a whole, a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of expenditures expected to be required to settle obligations using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the obligation. An increase in the provision due to passage of time is recognised as an interest expense.

(q) Financial guarantee and loan commitments

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans and overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(q) Financial guarantee and loan commitments

Financial guarantees are initially recognised at the fair value and amortised over the life of financial guarantee. The financial guarantee is subsequently carried at the higher of the amortised amount and the present value of any expected payments, when payment becomes probable.

(r) Fiduciary activities

The Bank acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

(s) Employee benefits

Retirement benefit cost

The Bank contributes to the statutory Social Security & National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Social Security Act. The Bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. The Bank also operates a defined contribution benefit scheme for its employees.

The assets of this scheme are held by the treasury department of the Bank. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules. The Bank's obligations to staff retirement benefit schemes are charged to the profit or loss in the year to which they relate.

Provision for employee entitlement

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

Short-term Employment benefits

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

Long service awards

The bank has other long term employee benefits scheme in the form a long service award for its employees. These are long service awards which accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Employees leaving the service of the bank after 5 years through retirement (both voluntary and compulsory) or resignation become eligible for these awards based on their current entitlement at the time of retirement or resignation based on their length of service.

(t) Stated capital and reserves

(i) Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(ii) *Share issue costs*

Incremental costs directly attributable to the issue of an equity instrument are deducted from equity.

(iii) *Dividend on ordinary shares*

Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

(iv) *Statutory reserves*

Statutory reserves are based on the requirements of section 29(i) of the Banking Act. Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and its paid up capital, which determines the proportion of profits for the period that should be transferred.

(v) *Credit risk reserves*

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRS and the Central Bank's prudential guidelines.

(u) **Earnings per share**

The Bank presents basic 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 by the weighted average number of ordinary shares outstanding during the year.

(v) **Investment in Associates (equity –accounted investees)**

Associates are those entities in which the Group has significant influence but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method.

They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Bank's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

(w) **Derivatives held for risk management purpose and hedge accounting**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement or financial position.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within acceptable profitable range.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)

(w) Derivatives held for risk management purpose and hedge accounting (cont'd)

The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations on cash flows that could ultimately affect profit or loss.

These hedging relationships are discussed below.

(i) *Cash flow hedges*

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The amount recognized in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affected profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its term except for those that are necessary for the novation, then derivative is not considered as expired or terminated.

(ii) *Other non-trading derivatives*

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognized immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

(x) **Operating Segments**

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank's primary format for segment reporting is based on business segments.

The Bank has the following main business segments:

- **Corporate Banking:** includes loans, deposits and other transactions and balances with corporate customers including the Agricultural sector.
- **Retail Banking:** includes loans, deposits and other transactions and balances with retail customers.
- **Central Treasury:** undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

48. NON-COMPLAINEE WITH SECTIONS OF THE BANKING ACT (ACT 673) AS AMENDED BY THE BANKING AMENDMENT (ACT 738)

Review of Exposure Limits

Section 42 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non-secured facilities should not exceed 25% and 10% of the company's net worth respectively. The Bank had facilities which breached the secured prescribed exposure limits from January 2016 to December 2016.

Review of Investment in Respect of Other Institutions

Section 48 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires a bank not to invest or hold investments in the share capital of a corporate or an institution other than its subsidiaries, the aggregate amount of which exceeds 10% of the net own funds of the Bank. The Bank's investment in other institutions exceeded 10% of the net own funds of the Bank from January 2016 to December 2016.

Review of Liquidity Reserve Requirement

Section 31(1) of the Banking Act, 2004, (Act 673) and the Bank of Ghana Correspondence on Revised Monetary Policy Measure requires banks to maintain a cash reserve ratio of 10% of total deposit liabilities with the Bank of Ghana.

The bank defaulted in the week ending February 10, 2016.

Review of Capital Adequacy Ratio

Section 23(1) of the Banking Act, 2004 (Act 673) requires that banks maintain at all times a minimum capital adequacy ratio of 10%. The Bank however failed to meet this requirement in January through to August 2016. The Capital Adequacy Ratio reported for these months were 8.45%, 8.83%, 6.81%, 7.57%, 7.68%, 7.42%, 7.53% and 7.72% respectively.

Appendix I

Value Added Statement

	2016	2015
	GH¢'000	GH¢'000
Interest earned and other operating income	443,707	400,757
Direct cost of services	(300,508)	(245,510)
	-----	-----
Value added by banking services	143,199	155,247
Non-banking income	7,772	12,328
Impairment	(104,022)	(109,858)
	-----	-----
Value Added	46,949	57,717
	=====	=====
Distributed as follows:		
<i>To employees:</i>		
Directors (without executives)	(811)	(371)
Executive Directors	(1,473)	(1,353)
Other employees	(134,565)	(141,505)
	-----	-----
	(136,849)	(143,229)
	=====	=====
<i>To Government:</i>		
Income tax	-	-
<i>To providers of capital</i>		
Dividends to shareholders	-	-
<i>To expansion and growth:</i>		
Depreciation	(12,093)	(10,198)
Amortization	(3,720)	(3,721)
	-----	-----
	(15,813)	(13,919)
	=====	=====
Income surplus	(70,026)	(78,975)
	=====	=====

Shareholders' Information - Unaudited**Number of shareholders**

The Bank had 446 ordinary shareholders at 31 December 2016 distributed as follows:

Category	No. of shareholders	No of shares	% of shares held
1-1,000	410	116,371	0.05
1,001-5,000	20	43,758	0.02
5,001-10,000	2	17,500	0.01
Above 10,000	14	230,745,594	99.92
	-----	-----	-----
Total	446	230,923,223	100
	====	=====	====

20 Largest Shareholders

	Share Holding	Percentage Holding
Government of Ghana	74,579,327.00	32.30
Belstar Capital Limited	55,421,573.00	24.00
Starmount Development Company Limited	25,401,554.00	11.00
Sicf, Sic-Financial Services Limited	23,092,322.00	10.00
Bank of Ghana	21,937,706.00	9.50
Edc Investments Limited	13,855,393.00	6.00
Esop	11,546,162.00	5.00
Doe Oscar Yao	2,595,181.00	1.12
Cofie Mark Blewunyo Kodjo	2,100,629.00	0.91
Nana Soglo Alloh Iv	100,000.00	0.04
Paracelsus Pharmacy & Marketing Consultancy Ltd	50,000.00	0.02
Mr John Bekuin-Wurapa	20,000.00	0.01
Bondzi-Simpson Leslie	16,700.00	0.01
Gogo Benjamin Akuete	12,000.00	0.01
Laing Archibald Ferguson	11,048.00	0.00
Armah-Mensah Edward Ian Nii Ayitey	10,000.00	0.00
Fiadjoe Abla Grace	7,500.00	0.00
Cofie Mark Blewunyo Kodjo	6,000.00	0.00
Mr Isaiah Offei-Darko	5,000.00	0.00
Saah, Mary E. M. E. S	5,000.00	0.00
	-----	-----
	230,773,095.00	99.93
Others	150,128.00	0.07
	-----	-----
	230,923,223.00	100.00
	=====	=====

Control rights: Each share is entitled to the same voting rights.

Appendix I1 (cont'd)

Directors' Shareholding

The Directors named below held the following number of shares in the Bank at 31 December 2016:

	No. of shares	% Holding
Nana Soglo Alloh IV	100,000	0.04
Daniel Asiedu	2,000	0.00
	-----	----
	102,000	0.04
	=====	====