GHANA

FINANCIAL STATEMENTS 2018

BANK OF AFRICA
Groupe BMCE BANK

Contents

Opening date: December 2011

Created in 1999: AMALBANK.

Integrated into BOA network in 2011.

Capital as at 31/12/2018

Ghana Cedis (GHS) 100.96 billion

Board of Directors as at 31/12/2018

Stephan ATA, Chairman

Amine BOUABID

Kobby ANDAH

Patrick ATA

Abdelkabir BENNANI

Vincent de BROUWER

John KLINOGO

Nana OWUSU-AFARI

Ghali LAHLOU

Auditors

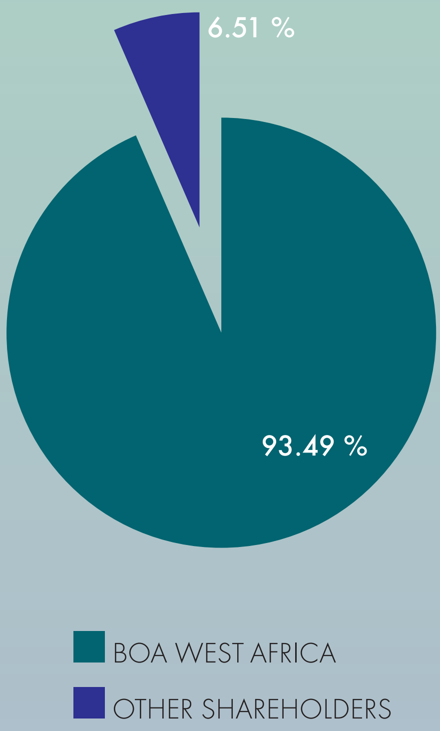
PriceWaterhouseCoopers

Registered office

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

enquiries@boaghana.com
www.boaghana.com

Principal Shareholders as at 31/12/2018



Financial analysis

Our Bank recorded a profit after tax of GHS 24.6 million in 2018, through prudent and efficient use of the balance sheet.

Net interest income for the year 2018 increased by 31%, from GHS 72.8 million in 2017 to GHS 95.2 million. We achieved this, through our strategic decision to focus on retail and SME loans.

Our Fees and Commissions dipped slightly from GHS 19.2 million in 2017 to GHS 18.1 million in 2018 representing a 5% change. Risk elevation within the major sectors of off-balance sheet activities made us tread cautiously in LC and Guarantee books.

We showed a strong performance on our foreign exchange income in addition to other trading income, increasing from GHS 26.9million in 2017 to GHS 29.3 million in 2018

Our Total Operating Cost increased from GHS 80.1 million in 2017 to GHS 93.1 million in 2018, representing a growth of 16%. The cost of digitization of the bank's processes, products and services as well as adverse economic variables impacted on our operating cost. .../...

GHANA

Key figures 2018

(in GHS million)

Activity	2017	2018	Variation
Deposits	885	790	-10.7 %
Loans	496	565	14.0 %
Number of branches	26	26	0.0 %
Structure			
Total Assets	1,341	1,258	-6.2 %
Shareholders' equity	188	208	10.6 %
Number of employees	356	342	-3.9 %
Income			
Net operating income	122	145	19.1 %
Operating expenses (includind depreciation and amortization)	80	93	16.2 %
Gross operating profit	42	52	24.6 %
Cost of risk in value	9	15	73.0 %
Net income	24	25	2.7 %
Operating ratio	65.6 %	64.0 %	
Cost of risk	1.8 %	2.8 %	
Return on Assets (ROA)	1.9 %	1.9 %	
Return on Equity (ROE)	18.2 %	16.4 %	
Capital Adequacy Ratio			
Tier 1	149	173	
Tier 2			
Risk Weighted Asset (RWA)	876	891	
Tier 1 + Tier 2 / RWA	17.0 %	19.4 %	

- 6.2 %
Total assets

Deposits
885 GHS million
2017
790 GHS million
2018

Loans
+14.0 %

Net operating income
+ 19.1 %

.../... Impairment loss on our financial assets increased by 73% from GHS 8.7 million in the 2017 to GHS 15.0 million in 2018. This was mainly due to further downgrade of some significant accounts, change in the computation of impairment charges due to the adoption of IFRS 9 model also accounted for the increase, relative to 2017.

We had a decline in our total assets of about GHS 82.7 million, falling markedly from GHS 1,341.0 million in 2017 to GHS 1,258.4 million in 2018. This was largely due to drop in customer deposits as a result of the uncertainties that befell the industry, especially in the last quarter of 2018.

The Bank's net loans grew by 14%, from GHS 495.7 million in 2017 to GHS 565.1 million in 2018. We recorded an NPL ratio of 12.6% in 2018, an improvement over 2017 position of 18.8%.

Our Customer Deposits dropped from last year's position of GHS 884.7 million to GHS 790.3 million in 2018.

Despite the uncertainties in the banking industry in 2018, our Bank returned 16.4% to its shareholders and recorded a return on assets of about 2%.

On capital adequacy, we continue to maintain a robustly appreciable capital level as evidenced by a ratio of 19.4% which is well above the prudential requirement of the 10% and an improvement over 2017 of 17.0%.

To comply with the new capital requirement of GHS 400 million, the majority shareholder injected an additional capital of GHS 282.8 million in January 2019, in addition to its previous deposits of GHS 38.56 million, to bring the post year end stated capital to GHS 422.3 million.

La Banque a également élargi sa clientèle : le nombre de comptes est passé de 268 931 en 2017 à 280 764 en 2018. L'effectif s'élevait à 342 personnes fin 2018.

La surveillance du Groupe et le soutien permanent que le Conseil d'Administration a apporté à la Direction Générale dans la poursuite de sa mission stratégique ont été extrêmement appréciés et permettront à la Banque de saisir les nombreuses opportunités d'affaires qui se présenteront ces prochaines années.

Significant performances (in GHS million)

Deposits

565.0 **+14.0 %**

2018

2017 496

Net operating income

52 **+24.6 %**

2018

2017 42

Stock information (in GHS)

	2016	2017	2018	AAGR*
Net Profit per share	0.24	0.24	0.25	-2.1 %
Equity per share*	1.23	1.42	1.59	13.7 %
Net dividend per share				

(*) Average annual growth rate

"Thanksgiving" celebration at BOA-GHANA

Highlights

May
• Participation in a digital seminar organised by the Group.

September
• Participation in the 2018 BANK OF AFRICA Director's Meetings, in Tangier, Morocco.

October
• Organisation of 'customer service month', an initiative to improve the quality of customer service.

December
• Capital increase of GHS 282.7 million, in accordance with the Central Bank's new regulations.


Meeting with business customers ''SME Clinic''

Corporate information

Board of Directors

Stephan Ata, Chairman
Nana Owusu-Afari, Member
Dr. Patrick Ata, Member
John Klinogo, Member
Kobby Andah, Member
Amine Bouabid, Member
Vincent De Brouwer, Member
Abdelkabir Bennani, Member
Ghali Lahlou, Member (Appointed in June 2018)

Risk and Compliance Committee

Dr. Patrick Ata, Chairman
Abdelkabir Bennani, Member
Vincent De Brouwer, Member
John Klinogo, Member
Kobby Andah, Member
Ghali Lahlou, Member
Festus Awuah Kwofie, Secretary

Audit Committee

John Klinogo, Chairman
Vincent De Brouwer, Member
Nana Owusu-Afari, Member
Abdekabir Bennani, Member
Arnold Dabi, Secretary

Recoveries Committee

Dr. Patrick Ata, Chairman
Stephan Ata, Member
Nana Owusu-Afari, Member
Abdelkabir Bennani, Member
Kobby Andah, Member
Ghali Lahlou, Member
Abel Allotey, Secretary

HR & Remuneration Committee

John Klinogo, Chairman
Dr Patrick Ata, Member
Abdekabir Bennani, Member
Kobby Andah, Member
Ghali Lahlou, Member
Abubakar Essuman, Secretary

Company Secretary

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

Registered Office

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

Independent Auditor

PricewaterhouseCoopers
Chartered Accountants
No. 12 Airport City
Una Home, 3rd Floor
PMB CT 42
Cantonments, Accra.

Bankers

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

Report of the directors

The directors submit their annual report together with the audited financial statements of BANK OF AFRICA -GHANA Limited (the 'Bank') for the year ended 31 December 2018.

Statement of directors' responsibilities

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss and cash flows for that period. In preparing these financial statements, the Directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), and complied with the requirements of the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

Principal activities

The principal activities carried out by the Bank during the year under review are within the limits permitted by its regulations and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), which continued to be business of universal banking. These represent no change from the activities carried out in the previous year.

Operational results

The results of operations for the year ended 31 December 2018 are set out in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with notes to the financial statements. The highlights of the financial results of the Bank are as follows.

	GHS
Profit before income tax	37,374,705
National fiscal stabilisation levy	(1,868,735)
Income tax expense	(10,932,612)
Profit after tax for the year	**24,573,358**
Other comprehensive income (loss)	(1,600,697)
Total comprehensive income	**22,972,661**

The Bank's total assets declined by 6% from GH¢1,341,046,795 in 2017 to GH¢1,258,376,114 in 2018.

Dividend

The directors do not recommend the payment of dividends for the year ended 31 December 2018 (2017: Nil).

Directors

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

Holding company

The Bank is a subsidiary of BOA WEST AFRICA S.A., a company incorporated in Cote d'Ivoire. The ultimate holding company is Banque Marocaine Du Commence Exterieur (BMCE), a company incorporated in Morocco.

Auditor

Messrs Ernst & Young resigned as auditor of the Bank during the year in accordance with Sections 81(4) and 81(5), having served as auditor of the Bank for the six (6) years. The Bank appointed Messrs PricewaterhouseCoopers in March 2018 as auditor of the Bank in accordance with Section 134(1) of the Companies Act, 1963 (Act 179) and Section 81(1) of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). PricewaterhouseCoopers has expressed willingness to continue in office in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179) and Section 81(4) of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on 28 March 2019 and were signed on their behalf by.

Signed on behalf of the board by:

Stephan Ata	**Kobby Andah**
Chairman	Managing Director

Corporate governance report

Introduction

The BOA Group, of which BANK OF AFRICA - GHANA Limited is a subsidiary, places a high premium on the value of sound corporate governance in recognition of sound governance as a critical factor for efficiency, competitiveness, sustainable business growth and performance. The Board of Directors therefore strives to implement the highest standards of corporate governance practices to achieve fairness, transparency and accountability for the benefit of all its stakeholders. The commitment of the Bank to sound corporate governance is reflected in the Bank's strict adherence to prudential guidelines for banks, applicable laws and regulations and adoption of sound management practices as it strives to serve its customers with efficiency and courtesy and contribute to the development of all its stakeholders including the growth and stability of Ghana.

Board of Directors

In pursuance of its avowed objective of sound, efficient and transparent governance, the Board of Directors, among others:

- effectively represent and promote the interest of shareholders and all other relevant stakeholders with a view to maintaining and adding long term value;
- supervise the Senior Management and activities and affairs of the Bank including ensuring that the Bank's overall business strategic goals are clearly established and approved, and initiating appropriate business strategies for implementation and monitoring taking into account the long-term financial interest of the Bank, its exposure to risk, and its ability to manage risk effectively;
- establish written operating policies/manuals and internal controls and principles of safety and soundness and taking reasonable steps to ensure compliance with the policies and manuals; and
- proactively seeking to build the Bank's operations through innovative customer-focused services, deployment of appropriate technological tools, and the enhancement of the Bank's capital.

The Board is guided in its activities through a Board Charter and with due regard to the provisions of relevant statutes, Directives and Regulations. Currently, the Bank has nine (9) Directors.

Profile of Directors

INDEPENDENT/ NON-EXECUTIVE DIRECTORS	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Mr. Stephan Ata	Board Chairman Ghanaian, Independent/ Non-Executive Director	Mr. Ata is an astute entrepreneur and the Chairman of the Atlantic Group of companies. He holds M.Sc. (Business Management) from Ludwig-Maximillian's University, Munich, Germany. He was first appointed as a director of the erstwhile Amalgamated Bank Limited in 2001. He was retained as the Board Chairman upon acquisition of Amalgamated Bank Limited by the BOA Group in February 2011 and the composition of the Board was reconstituted thereafter. Mr. Stephan Ata, together with Dr. Patrick Ata, represent the interest of a minority shareholder, the Estate of Dr. H. O.K Ata which as at 31 December 2018, held 4.44% of the shares of the Bank.	• CEO and Shareholder of Atlantic International Holding Co. • CEO Atlantic Computers & Electronics Ltd • CEO Atlantic International GmbH, Germany • Board Member Ghanaian German Economic Association
Mr. Amine Bouabid	Moroccan, Non-Executive Director	Mr. Bouabid is the Managing Director of the BOA Group, a pan-African bank with presence in 17 African countries. He holds a Master of Business Administration degree (Finance major) from Drexel University, Philadelphia, USA and Master Degree in Information Systems from National Institute of Statistics and Applied Economics, Rabat, Morocco. He was appointed as a Director in June 2014.	• Managing Director of BOA Group S.A. • Director, BOA West Africa S.A. • Director, BOA-BENIN • Director, BOA-BURKINA FASO • Director, BOA-COTE D'IVOIRE • Director, BOA-DJIBOUTI • Director, BOA-RDC • Director, BOA-KENYA • Director BOA-MADAGASCAR • Director, BOA-MALI • Director, BOA-NIGER • Director, BOA-RWANDA • Director, BOA-SENEGAL • Director, BOA-TANZANIA • Director, BOA-TOGO • Director, BOA-UGANDA
Dr. Nana Owusu-Afari	Ghanaian, Independent Director	Nana Owusu-Afari, an astute industrialist and a former President of Association of Ghana Industries, holds a BSc Economics degree from University of Ghana and a doctoral degree from the Atlantic International University. He was a founding director of the erstwhile Amalgamated Bank Limited. He was retained as a non-executive director upon acquisition of Amalgamated Bank Limited by the BOA Group in February 2011 and the composition of the board was reconstituted thereafter. Nana is a minority shareholder with 1.30% of shares held in the Bank as at 31 December 2018.	• Chairman of Afariwaa Group of Companies • Shareholder/Director of Afariwaa Estates & Construction Ltd • Shareholder/Director of Maridav Ghana Ltd • Shareholder/Director of Asubonten Rural Bank Ltd • Shareholder/Director of Worawora Rice Mill Ltd • Trustee of Tema Country Golf Club

INDEPENDENT/ NON-EXECUTIVE DIRECTORS	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Dr. Patrick Ata	Ghanaian, Independent Director	Dr. Ata, an astute entrepreneur holds Ph.D. (Mechanical Eng.) from University College of London. He was first appointed as a director of the erstwhile Amalgamated Bank Limited in 2004.He was retained as a non-executive director upon acquisition of Amalgamated Bank Limited by the BOA Group in February 2011 and the composition of the board was reconstituted thereafter.	• Director, Atlantic International Holding Co • Managing Director, Atlantic Climate Company Limited • Director, NEK Ghana Ltd • Director, North Volta Rural Bank • Director Volta Plantation
Mr. John Klinogo	Ghanaian, Independent Director	Mr. Klinogo, a chartered accountant is a former President of Institute of Chartered Accountants (Ghana) and a former Country Senior Partner of PricewaterhouseCoopers, Ghana. He holds BSc. Administration (Accounts major) from the University of Ghana. He was first appointed as a director of the erstwhile Amalgamated Bank Limited in 2009. He was retained as a non-executive director upon acquisition of Amalgamated Bank Limited by the BOA Group in February 2011 and the composition of the board was reconstituted thereafter. Mr. Klinogo is a minority shareholder with less than 1% shares in the Bank.	• Board Member, Ghana Broadcasting Corporation • Managing Partner, John Kay & Co • Board Chair, Management Strategies for Africa
Mr. Abdelkabir Bennani	Moroccan, Independent Director	Mr. Bennani is a retired Senior Bank Executive after a banking career spanning the period 1971 to 2011 with BMCE Bank of Morocco. He is also a former Regional Director of BOA Group's subsidiaries in Kenya, Tanzania, Uganda and Ghana. He holds a degree from American University of Beirut, Beirut (Lebanon). He was appointed as a Director in June 2011.	• Director, BANK OF AFRICA - KENYA Limited • Director, BANK OF AFRICA - UGANDA Limited • Director, BANK OF AFRICA - TANZANIA Limited

INDEPENDENT/ NON-EXECUTIVE DIRECTORS	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Mr. Vincent de Brouwer	Belgian, Independent Director	Mr. de Brouwer is a former Regional Director of the BOA Group's subsidiaries in Kenya, Tanzania, Uganda and Djibouti. He holds degrees in Economics and Civil Mining Engineering from Universite Catholoque de Louvain, Belgium. He was appointed as a Director in June 2011.	• Director, BANK OF AFRICA - TANZANIA Limited • Director, BANK OF AFRICA - RWANDA Limited • Director, Banque De Credit De • Bujumbura (BCB)
Mr. Ghali Lahlou	Moroccan, Non-Executive Director	Mr. Lahlou holds a master's degree in Management Sciences specialising in Finance and Entrepreneurship from University Paris IX-Dauphine. He is currently the Regional Director for the BOA Group's subsidiaries in Ghana, Kenya, Tanzania, Uganda and Rwanda. He was appointed as a Director in June 2018.	• Director, BANK OF AFRICA - KENYA Limited • Director, BANK OF AFRICA - UGANDA Limited • Director, BANK OF AFRICA - TANZANIA Limited
Mr. Kobby Andah	Managing Director	Mr. Andah is a Chartered Accountant and a member of Institute of Chartered Accounts (Ghana). He holds a Master of Business Administration degree from Manchester Business School, Manchester University, UK. He was appointed initially as a non-executive Director in June 2011 and subsequently as a Managing Director in September 2011. Prior to his appointment, Mr. Andah was the Managing Director of BANK OF AFRICA - TANZANIA.	

Board Meetings and Attendance

Meetings of the Board are held once a quarter. The Board of Directors are provided with comprehensive documentation at least 10 days prior to each of the scheduled meetings.

In 2018, attendance by Directors at the meetings of the Board was as follows:

	BOARD MEETING DATES AND ATTENDANCE			
NAME OF DIRECTOR	FEBRUARY 14, 2018	JUNE 4, 2018	SEPTEMBER 25, 2018	DECEMBER 12, 2018
STEPHAN ATA	✓	✓	✓	✓
AMINE BOUABID				
NANA OWUSU-AFARI	✓	✓	✓	✓
DR. PATRICK ATA	✓	✓	✓	✓
JOHN KLINOGO	✓	✓	✓	✓
ABDELKABIR BENNANI	✓	✓	✓	✓
VINCENT DE BROUWER	✓	✓	✓	✓
KOBBY ANDAH	✓	✓	✓	✓
GHALI LAHLOU (APPOINTED IN JUNE 2018)			✓	✓

Sub-Committees

To ensure effective governance and informed by the strategic objectives of the Bank, the Board has sub-committees each of which focuses on an aspect of the Board's defined responsibilities and strategic objectives. Currently, there are four (4) sub-committees, namely:

- Audit;
- Risk and Compliance;
- Recoveries; and
- Human Resources and Remuneration.

Their formation is in line with the requirements of Bank of Ghana's Corporate Governance Directive as well as international best practices as laid down in Basel II and III. Each of the above-mentioned sub-committees is governed and guided by its own specific charter.

Audit Sub-Committee

The Audit Sub-Committee, among others, assists the Board by reviewing the financial condition of the Bank, its internal controls, performance and findings of the internal and external auditors, findings of the regulatory authorities, and recommend appropriate remedial action to the Board and Management.

The Audit Sub-Committee is chaired by an experienced independent director. Its membership comprises four (4) directors all of whom are independent or non-executive. The Board Chairman is not a member of the Audit Sub-Committee.

Risk and Compliance Sub-Committee

The Sub-Committee assist the Board in the measurement and control of Enterprise Risks including credit, operational and market risk faced by the Bank.

The Risk and Compliance Sub-Committee is chaired by an experienced independent director. It is made up of six (6) directors majority of which are non-executive directors.

The Recoveries Sub-Committee

The Recoveries Sub-Committee assists the Board by reviewing the recoveries effort of the Bank, its internal mechanisms, regulatory requirements, and recommend appropriate remedial action for Non-Performing Asset Management. It is chaired by an independent director and majority of its members are non-executive directors.

Human Resources and Remuneration Sub-Committee

The Human Resources and Remuneration Sub-Committee considers and recommends to the Board an overall employment, compensation, retention and severance policy and philosophy aligned with the Bank's medium and long-term business strategy, its business objectives, interest and values recognising the interests of all relevant stakeholders.

It is chaired by an independent director. It is made up of four (4) members majority of which are non-executive directors.

Board Self-Assessment

Annually, the Board undertakes self-assessment evaluating peer review of individual director's performances, the performance of the Board as a whole, sub-committees and the Board Chairman.

Ethics Charter, Conflict of Interest and Related Party Policies

The Board has a formally adopted ethics charter and conflict of interest policy that guides and governs the ethical conduct of directors, key management and all staff.

Directors' Remuneration

The remuneration policy for Executive Directors of the Bank is covered by BOA Group's policies. Fees/remuneration for Non-Executive Directors are not per diem based but rather, intended to compensate for meetings attendance, reflection of directors' responsibility, commitment required and inherent challenges in a director's position. Proposed directors' fees are submitted annually to shareholders at Annual General Meetings for approval.

Key Management Personnel of the Bank

KEY MANAGEMENT PERSONNEL	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Youssef Benrhafiane	Deputy Managing Director (Business Development) (Moroccan)	Youssef holds Executive MBA from Ecole des Ponts et Chaussees Paris, a Master's degree in Economy and Foreign Trade (University of Lille, France) and a Master's degree in Banking and Finance (Conservatiore National des Arts et Metiers de Paris). Prior to his appointment in Ghana, he worked with BMCE Bank of Africa, Morocco and as the Deputy Managing Director of BANK OF AFRICA - TANZANIA.	
Dr. Festus Kwofie	General Manager, Risk (Ghanaian)	Festus holds a Doctor of Business Administration from SBS Swiss Business School. He had his first degree from the University of Ghana, Legon (B. A. Hons. Economics & Geography) and an MBA in Finance from University of Leicester, London, U.K. He is a fellow of the Association of Chartered Certified Accountants (ACCA-UK), a member of the Institute of Chartered Accountants (Ghana), Chartered Banker, (CIB- Ghana), a Chartered Economist (GhE) and a fellow of the Institute of Professional Financial Managers – UK. Prior to his appointment, Festus was the Head of Finance.	
William Boateng	Executive Head, (Sales Coordination) (Ghanaian)	William has over 15 working experience in corporate banking including previous years spent in Société General (Ghana) and Standard Chartered Bank Ghana Limited. He holds an MBA in Finance from the Exeter University, UK and an MPhil in Sociology from the Oslo University, Norway. He also holds a Bachelor of Arts degree (Sociology) from the University of Ghana, Legon.	
George Otchere	Executive Head, (Operations and Support)	George holds a BSc Administration (Accounting option) from the University of Ghana. He is also a Chartered Accountant. Prior to his appointment, George was the Head of Internal Audit. He has extensive experience in Internal & External Auditing, Banking, Internal Controls, Accounting and Finance. He previously worked as Audit Manager with Forbes Consult International, and Audit Assistant at Pannell Kerr Forster Chartered Accountants. He was also the Head of Internal Audit at Intercontinental Bank (now Access Bank Ghana plc).	

KEY MANAGEMENT PERSONNEL	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Godwyll Ansah	Company Secretary and Head of Legal Department (Ghanaian)	Godwyll was called to the Ghana Bar in October 2001 and is a member of the Ghana Bar Association. He holds Master of Law (LLM) and BA (Law and Economics) from the University of Ghana. Godwyll has over 15 years' experience in banking and had previously worked at Société General (Ghana) and Stanbic Bank Ghana Limited in different capacities including company secretariat, legal, compliance and anti-money laundering. He was appointed the Company Secretary of the Bank in December 2006.	• Council Member, Valley View University • Director/Shareholder, Three Rocks Farms Limited
Prosper Amewu	Head, Compliance and AMLO (Ghanaian)	Prosper holds a B.A. (Hons) Econs Dip Ed. degree from the University of Cape Coast and Executive MBA, (Finance) from the University of Ghana Business School, Legon. He is also, a Certified Compliance Professional (CCP). Prosper has over 26 years' banking experience. He joined Amalgamated Bank Limited (now BANK OF AFRICA - GHANA Limited) as Head of Operations. He also served as the Regional Manager for Accra and Tema Regions respectively where he supervised the performance of a cluster.	• Director, Produce Buying Company Limited • Director, Golden Bean Hotel (a subsidiary of Produce Buying Company Limited)
Kwame Darfoor	Head, Banking Operations (Ghanaian)	Kwame has over 15 years' banking experience. He has a rich background and experience in foreign and trade operations. He worked with Société General (Ghana) before joining BANK - OF AFRICA GHANA Limited as Head of Foreign and Trade Operations. Kwame holds MBA in Financial Management from the University of Hull, UK.	

KEY MANAGEMENT PERSONNEL	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Akofa Dakwa	Head, Treasury (Ghanaian)	Akofa has 13 years' experience in the banking industry, having worked in Treasury and Market risk management roles in two banks in Ghana. She held the positions of Chief Treasury Dealer and Market Risk Officer in Guaranty Trust Bank Ghana Ltd before joining the then Amalgamated Bank which became BANK OF AFRICA as Chief Treasury Dealer. She has held the position of Treasurer of BANK OF AFRICA for 6 years now; leading a transformation of the Treasury department into a key strategic business unit of the Bank. Akofa is a professional banker and a member of The Chartered Institute of Banker's Ghana and a certified financial markets trader, with a certification in financial markets trading and risk management from the ACI (Association Cambiste Internationale), France. She also holds an MBA in Finance and Risk Management from the Business School Netherlands, and a BSc. Degree in Biochemistry from the Kwame Nkrumah University of Science and Technology, Ghana.	• Director, Premier Jackad Co. Ltd • Enamelle Co. Ltd
Prince Aitee	Head of Finance Department (Ghanaian)	Prince has over 10 years' experience in the banking industry. He started his Banking career with Fidelity Bank as a Finance Officer in July 2008. He subsequently worked as a Finance Manager and later as Internal Auditor before his appointment as Unit Head, Financial Control for Bank of Africa in September 2014. He was reassigned as the Head of Finance in November 2017. He holds a first class degree in Banking and Finance and a Master in Business Administration (Finance) from University of Ghana. He is a Chartered Accountant and a member of the Association of Chartered Certified Accountants (ACCA).	

KEY MANAGEMENT PERSONNEL	POSITION	PROFILE AND TENURE	OTHER BOARD AND MANAGEMENT AFFILIATIONS
Nurudeen Adam	Acting Head, Permanent Control (Ghanaian)	Nurudeen has over 11 years' banking experience as an Internal Controller, Unit Head, Credit Risk and Unit Head, Operational Risk. Prior to joining BANK OF AFRICA - GHANA Limited, Nurudeen worked at Promasidor Ghana and KPMG as Assistant Internal Auditor and Audit Associate respectively. He holds a Commonwealth Executive Masters in Business Administration (CEMBA) from the Kwame Nkrumah University of Science and Technology (KNUST) and a Bachelor of Commerce (Bcom) degree from the University of Cape Coast. Nurudeen is a member of the Institute of Chartered Accountants (Ghana).	
Arnold Dabi	Head of Internal Audit (Ghanaian)	Arnold holds a BSc (Hons) degree in Applied Accounting and an MBA Finance Coventry University (UK). He also a Fellow of the Association of Chartered Certified Accountants (ACCA-UK), Member Institute of Chartered Accountants (Ghana), Member Chartered Institute of Securities and Investment (MCSI) and a Member Institute of Internal Auditors. He previously worked as Head of Internal Audit of the Evangelical Lutheran Church Schools, Ghana. He also worked with the Revenue Agencies Governing Board (now Ghana Revenue Authority) as a Senior Tax Auditor. He joined the Bank in 2008 as a Resident Internal Controller. He has worked in Domestic Operations Department, Branch Operations and Control, and Head the Service Excellence Department.	Director, Faith Empowerment Ministries

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BANK 0F AFRICA - GHANA Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

What we have audited ?

We have audited the financial statements of BANK OF AFRICA - GHANA Limited (the "Bank") for the year ended 31 December 2018.

The financial statements on pages 20 to 91 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Expected credit loss allowance on financial instruments

The Bank recognised allowance for impairment in respect of the following financial instruments at the reporting date:

	Gross amount GHS	ECL provision GHS
Due from other banks	44,940,158	198,447
Loans and advances to customers	570,642,369	5,584,414
Off balance sheet exposures	129,114,879	124,183

The Bank adopted IFRS 9 Financial Instruments on 1 January 2018. Prior to the adoption of IFRS 9, the Bank calculated impairment using the 'incurred loss model' under IAS 39 Financial Instruments: Recognition and Measurement.

However, the new standard requires impairment on financial instruments measured at amortised cost and financial assets measured at fair value through other comprehensive income be determined using the 'Expected Credit Loss (ECL) model'. The identification and the determination of expected credit loss allowances is highly judgemental since a number of additional assumptions and judgemental interpretations by management are involved.

Aside the key judgements, there is also the risk of data extracted from source systems to ECL model not being accurate thereby compromising data integrity and ECL calculations.

Key areas of judgement which could give rise to material misstatements in the financial statements include:

• Segmentation of the Bank's loans and advances to reflect shared risk.

• The identification of significant increases in credit risk (SICR) involves the assessment of both qualitative and quantitative factors in determining ECLs that may occur over either a 12 month period or the remaining life of financial assets.

• The definition of default and credit impaired assets taking into consideration the assessment of both qualitative and quantitative factors as aligned with Bank of Ghana Prudential Guidelines.

How our audit addressed in the key audit matter

We obtained an understanding and tested key controls within management's processes in place over credit origination process, monitoring and provisioning for credit impairment losses.

We assessed the completeness and integrity of data used in ECL model, checking the accuracy of data transferred from source systems to the ECL model.

We assessed the reasonableness of management's judgement on the segmentation of loans and advances of similar risk profile in the determination of expected credit loss.

We assessed the criteria for the identification of SICR and management's definition of default.

We examined and evaluated specific circumstances of borrowers for selected credit facilities to identify qualitative and quantitative factors resulting in significant increase in credit risk or default as defined by management.

We critically assessed the reasonableness of management's assumptions used in the determination of probability of default, exposure at default, loss given default and credit conversion factors (for off balance sheet exposures).

We tested the valuation of collateral held on sample basis and challenged management on subjective estimates and assumptions such as the hair cut applied in determining estimated future cash flows from collaterals and the time to realisation.

Key audit matters	How our audit addressed in the key audit matter
• Management use of inputs from historical data in the determination of the following: o Probability of default (PD), which estimates the likelihood that borrowers will be unable to honour their financial obligations, either over the next 12 months (12M PD) or over the remaining life time (Lifetime PD) of the obligation. o Exposure at default (EAD) which is based on the amounts the Bank expects to be owed at the time of default, either over the next 12 months (12 M EAD) or over the remaining lifetime (Lifetime EAD). o Loss given default (LGD) which represents the Bank's expectation of the extent of loss in an event of default. o Credit conversion factor (CCF). • The use of forward-looking economic variables, which in management's estimation, will impact credit risk and credit losses. Management considered a range of future economic conditions and assumed weights for each scenario. • The chance of an off balance sheet exposure becoming an on balance sheet exposure. Notes 2.1.5 and 2.8.1 set out the accounting policies, notes 3.1 and 4.2.3 set out the critical estimates and judgement used in calculating the expected credit losses while notes 4.2.5, 9 and 18 set out the impairment charged to profit or loss and the expected credit loss provision at the reporting date.	We assessed the reasonableness of the forward looking economic scenarios used by agreeing economic information to an independent external source, and challenged the weightings applied to capture non-linear losses. We re-performed the calculation of ECL to confirm consistency with adopted ECL model and compliance with IFRS 9 requirement. We agreed expected credit loss provision amount per ECL to amount recognised in the financial statements. We checked the appropriateness of relevant disclosures arising from the implementation of IFRS 9 for compliance with the requirements of the standard.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Corporate Governance Report, Value Added Statement and Shareholders' Information 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists 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; and

- 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.

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

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

Report on other legal and regulatory requirements

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

i)we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii)in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iii)the Bank's balance sheet (statement of financial position) and Bank's profit and loss account (part of the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

In accordance with section 85(2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) we hereby confirm that:

i)the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;

ii)we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor;

iii)the Bank's transactions were within its powers; and

iv)the Bank has, in all material respects, complied with the provisions of this Act.

With respect to the provisions of the Anti-Money Laundering Act, 2008 (Act 749) (as amended), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

The engagement partner on the audit resulting in this independent auditor's report is Oseini Amui (ICAG/P/1139).

PricewaterhouseCoopers (ICAG/F/2019/028)
Chartered Accountants
Accra, Ghana
28 March 2019

Financial Statements

For the year ended 31 december 2018

Statement of profit or loss and other comprehensive income

	NOTE	2018 GHS	2017 GHS
INTEREST INCOME	5	130,451,576	107,759,480
INTEREST EXPENSE	5	(35,234,206)	(34,996,566)
NET INTEREST INCOME		95,217,370	72,762,914
FEES AND COMMISSION INCOME	6	21,656,990	22,308,919
FEES AND COMMISSION EXPENSES	6	(3,540,000)	(3,142,965)
NET FEE AND COMMISSION INCOME		18,116,990	19,165,954
NET TRADING INCOME	7	29,349,332	26,907,950
OTHER OPERATING INCOME	8	2,766,474	3,264,583
		32,115,806	30,172,533
OPERATING INCOME		145,450,166	122,101,401
NET IMPAIRMENT LOSS ON FINANCIAL INSTRUMENTS	9	(14,982,841)	(8,658,470)
PERSONNEL EXPENSES	10	(41,598,842)	(37,563,143)
DEPRECIATION AND AMORTISATION	11	(6,174,075)	(5,793,143))
OTHER EXPENSES	12	(45,319,703)	(36,740,658)
PROFIT BEFORE INCOME TAX		37,374,705	33,345,987
NATIONAL FISCAL STABILISATION LEVY	21	(1,868,735)	(7,759,168)
INCOME TAX EXPENSE	13	(10,932,612)	(7,759,168)
PROFIT FOR THE YEAR		24,573,358	23,919,520
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
NET GAIN ON AVAILABLE FOR SALE INVESTMENTS (NET OF TAX)	14	-	328,605
CHANGES IN FAIR VALUE OF INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI (NET OF TAX)	14	(1,600,697)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22,972,661	24,248,125
EARNINGS PER SHARE			
BASIC AND DILUTED EARNINGS PER SHARE - GHS	15	0.247	0.240

THE NOTES ON PAGES 31 TO 97 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Statement of financial position

	NOTE	2018 GHS	2017 GHS
ASSETS			
CASH AND CASH EQUIVALENTS	16	420,631,062	394,339,089
NON-PLEDGED TRADING ASSETS	17	158,413,375	166,060,315
LOANS AND ADVANCES TO CUSTOMERS	18	565,057,955	495,750,311
INVESTMENT SECURITIES	19	8,884,361	135,410,947
DEFERRED TAX ASSETS	20	2,200,795	1,335,338
TAXATION	21	1,999,013	2,316,216
INTANGIBLE ASSETS	22	2,402,399	1,296,298
OTHER ASSETS	23	45,030,245	89,204,754
PROPERTY AND EQUIPMENT	24	53,756,909	55,333,527
TOTAL ASSETS		1,258,376,114	1,341,046,795
LIABILITIES			
DEPOSITS FROM CUSTOMERS	25	790,270,010	884,659,078
BORROWINGS	26	207,226,955	215,107,939
OTHER LIABILITIES	27	52,722,004	53,090,862
TOTAL LIABILITIES		1,050,218,969	1,152,857,879
EQUITY			
STATED CAPITAL	28	100,960,828	100,960,828
INCOME SURPLUS ACCOUNT	29	(15,827,175)	(22,288,535)
OTHER RESERVES	30	(3,009)	1,597,688
REGULATORY CREDIT RISK RESERVE	31	49,802,830	46,981,943
STATUTORY RESERVE	32	73,223,671	60,936,992
TOTAL EQUITY		208,157,145	188,188,916
TOTAL LIABILITIES AND EQUITY		1,258,376,114	1,341,046,795

THE NOTES ON PAGES 27 TO 97 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

The financial statements on pages 31 to 97 were approved by the board of directors on 28th March 2019 and were signed on its behalf by:

Stephan Ata
Chairman

Kobby Andah
Managing Director

Statement of changes in equity

	STATED CAPITAL GHS	INCOME SURPLUS ACCOUNT GHS	CREDIT RISK RESERVE GHS	STATUTORY RESERVE GHS	OTHER RESERVES GHS	TOTAL EQUITY GHS
YEAR ENDED 31 DECEMBER 2018						
BALANCE AT 1 JANUARY 2018	100,960,828	(22,288,535)	46,981,943	60,936,992	1,597,688	188,188,916
CHANGES ON INITIAL APPLICATION OF IFRS 9						
INCREASE IN IMPAIRMENT PROVISIONING, NET OF DEFERRED TAX	-	(3,004,432)	-	-	-	(3,004,432)
TRANSFER BETWEEN RESERVES	-	3,742,005	(3,742,005)	-	-	-
RESTATED BALANCE AT 1 JANUARY 2018	100,960,828	(21,550,962)	43,239,938	60,936,992	1,597,688	185,184,484
PROFIT FOR THE YEAR	-	24,573,358	-	-	-	24,573,358
OTHER COMPREHENSIVE INCOME	-	-	-	-	(1,600,697)	(1,600,697)
TOTAL COMPREHENSIVE INCOME	-	24,573,358	-	-	(1,600,697)	22,972,661
TRANSFER TO CREDIT RESERVE	-	(6,562,892)	6,562,892	-	-	-
TRANSFER TO STATUTORY RESERVE	-	(12,286,679)	-	12,286,679	-	-
BALANCE AT 31 DECEMBER 2018	100,960,828	(15,827,175)	49,802,830	73,223,671	(3,009)	208,157,145
YEAR ENDED 31 DECEMBER 2017						
BALANCE AT 1 JANUARY 2017	100,960,828	(28,924,879)	41,658,527	48,977,232	1,269,083	163,940,791
PROFIT FOR THE YEAR		23,919,520	-	-	-	23,919,520
OTHER COMPREHENSIVE INCOME	-	-	-	-	328,605	328,605
TOTAL COMPREHENSIVE INCOME	-	23,919,520	-	-	328,605	24,248,125
TRANSFER TO CREDIT RESERVE	-	(5,323,416)	5,323,416	-	-	-
TRANSFER TO STATUTORY RESERVE	-	(11,959,760)	-	11,959,760	-	-
BALANCE AT 31 DECEMBER 2017	100,960,828	(22,288,535)	46,981,943	60,936,992	1,597,688	188,188,916

THE NOTES ON PAGES 25 TO 91 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Statement of cash flows as at 31 December 2018

	NOTE	2018 GHS	2017 GHS
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT BEFORE INCOME TAX		37,374,705	33,345,987
ADJUSTMENTS FOR:			
DEPRECIATION AND AMORTISATION	11	6,174,075	5,793,143
NET IMPAIRMENT LOSS ON FINANCIAL INSTRUMENTS	9	14,982,841	8,658,470
EXCHANGE LOSSES ON SHORT-TERM BORROWINGS	26	21,255,850	29,098,063
INTEREST EXPENSE ON SHORT-TERM BORROWING	26	5,291,267	4,556,287
GAINS ON DISPOSAL OF PROPERTY AND EQUIPMENT	24	(343)	(102,678)
EXCHANGE GAINS ON CASH AND CASH EQUIVALENTS		(12,402,305)	(2,229,700)
OPERATING CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL		72,676,090	79,119,572
CHANGES IN NON-PLEDGED TRADING ASSETS		7,646,940	(166,060,315)
CHANGES IN LOANS AND ADVANCES TO CUSTOMERS		(87,973,764)	(57,322,200)
CHANGES IN OTHER ASSETS		44,174,509	(1,001,718)
CHANGES IN MANDATORY RESERVE CASH WITH BANK OF GHANA		11,774,559	(25,505,222)
CHANGES IN DEPOSITS FROM CUSTOMERS		(94,389,068)	204,678,907
CHANGES IN DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS		-	(30,235,217)
CHANGES IN OTHER LIABILITIES		(493,042)	2,522,462
CASH FLOWS (USED IN)/GENERATED FROM OPERATIONS		(46,583,776)	6,196,269
NATIONAL FISCAL STABILISATION LEVY PAID	21	(2,128,634)	(1,522,433)
INCOME TAX PAID	21	(9,685,924)	(7,201,674)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(58,398,334)	(2,527,838)
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF INVESTMENT SECURITIES		(718,756,656)	(1,641,675,690)
PROCEEDS FROM SALE OF INVESTMENT SECURITIES		843,148,979	1,703,368,834
PURCHASE OF PROPERTY AND EQUIPMENT	24	(3,598,127)	(13,238,624)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	24	6,749	168,647
PURCHASE OF INTANGIBLE ASSETS	22	(2,111,836)	(1,199,441)
NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES		118,689,109	47,423,726
CASH FLOWS FROM INVESTING ACTIVITIES			-
DRAW DOWNS ON SHORT-TERM BORROWINGS	26	780,544,190	771,868,544
REPAYMENT OF SHORT-TERM BORROWINGS	26	(814,972,291)	(810,172,245)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(34,428,101)	(38,303,701)
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,862,674	6,592,187
CASH AND CASH EQUIVALENTS AT 1 JANUARY	16	298,795,909	289,974,022
EXPECTED CREDIT LOSSES ON CASH AND CASH EQUIVALENTS		(198,447)	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD		12,402,305	2,229,700
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	336,862,441	298,795,909

THE NOTES ON PAGES 31 TO 97 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Reporting Entity

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

The Bank is a subsidiary of the BOA Group. Its majority shareholder is BOA WEST AFRICA S.A, a holding company incorporated in Cote d'Ivoire. The ultimate parent is Banque Moroccaine du Commerce Exterieur (BMCE), a company incorporated in Morocco.

2. Summary of significant accounting policies

The significant accounting policies adopted by the Bank in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 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 Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

2.1.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- financial instruments at fair value through profit or loss are measured at fair value;
- trading assets are measured at fair value;
- available-for-sale financial assets are measured at fair value (applicable before 1 January 2018); and
- financial assets measured at fair value through other comprehensive income are measured at fair value (applicable from 1 January 2018).

2.1.3 Use of estimates and judgement

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.1.4 Going concern

These financial statements have been prepared on the basis that the Bank will continue to operate as a going concern.

2.1.5 New and amended standards adopted by the Bank

IFRS 9: Financial Instruments

The Bank applied IFRS 9 Financial Instruments for the first time for reporting period commencing 1 January 2018. The adoption of IFRS 9 as issued by IASB in July 2014 with a date of transition of 1 January 2018, resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening income surplus and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2.8 below.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
FINANCIAL ASSETS	MEASUREMENT CATEGORY	CARRYING AMOUNT	MEASUREMENT CATEGORY	CARRYING AMOUNT
CASH AND CASH EQUIVALENTS	AMORTISED COST (LOANS AND RECEIVABLES)	394,339,089	AMORTISED COST (HOLD TO COLLECT)	394,139,206
NON-PLEDGED TRADING ASSETS	FVTL (HELD FOR TRADING)	166,060,315	FVPL (MANDATORY)	166,060,315
LOANS AND ADVANCES TO CUSTOMERS	AMORTISED COST (LOANS AND RECEIVABLES)	495,750,311	AMORTISED COS (HOLD TO COLLECT)	492,008,306
INVESTMENT SECURITIES	FVOCI (AVAILABLE FOR SALE)	135,410,947	FVOCI	135,410,947
OTHER ASSETS (FINANCIAL INSTRUMENTS)	AMORTISED COST (LOANS AND RECEIVABLES)	45,489,811	AMORTISED COST (HOLD TO COLLECT)	45,489,811

There were no changes to the classification or measurement of financial liabilities. They remained classified as financial liabilities 'Other' and measured at amortised cost.

(b) Reconciliation of statement of financial position balance from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	CARRYING AMOUNT 31 DECEMBER 2017	RECLASSIFICATIONS	REMEASUREMENTS	IFRS 9 CARRYING AMOUNT AT 1 JANUARY 2018
CASH AND CASH EQUIVALENTS – AMORTISED COST				
CLOSING BALANCE UNDER IAS 39	394,339,089	-	-	-
REMEASUREMENT: EXPECTED CREDIT ALLOWANCE (ECL)	-	-	(199,883)	-
OPENING BALANCE UNDER IFRS 9	-	-	-	394,139,206
NON-PLEDGED TRADING ASSETS - FVPL				
CLOSING BALANCE UNDER IAS 39 AND OPENING BALANCE UNDER IFRS 9	166,060,315	-	-	166,060,315
LOANS AND ADVANCES TO CUSTOMERS – AMORTISED COST				
CLOSING BALANCE UNDER IAS 39	495,750,311	-	-	-
REMEASUREMENT: ECL	-	-	(3,742,005)	-
OPENING BALANCE UNDER IFRS 9	-	-	-	492,008,306
INVESTMENT SECURITIES – AVAILABLE-FOR-SALE				
CLOSING BALANCE UNDER IAS 39	135,410,947	-	-	-
RECLASSIFICATION: TO FVOCI	-	(135,410,947)	-	-
OPENING BALANCE UNDER IFRS 9	-	-	-	-
INVESTMENT SECURITIES – FVOCI				
CLOSING BALANCE UNDER IAS 39	-	-	-	-
ADDITION: FROM AVAILABLE-FOR-SALE (IAS 39)	-	135,410,947	-	-
OPENING BALANCE UNDER IFRS 9	-	-	-	135,410,947
OTHER ASSETS (FINANCIAL INSTRUMENTS) – AMORTISED COST				
CLOSING BALANCE UNDER IAS 39 AND OPENING BALANCE UNDER IFRS 9	45,489,811	-	-	45,489,811
TOTAL	1,237,050,473	-	(3,941,888)	1,233,108,585

The expected credit loss recognised at 1 January 2018 for off balance sheet items (letters of credit and guarantees) was GH¢64,021. This was recognised in “Other liabilities”.

The total remeasurement loss of GH¢4,005,909 less deferred income tax credit of GH¢1,001,477 (net amount of GH¢3,004,432) was recognised in income surplus account (retained earnings) at 1 January 2018.

(c) Reclassification from retired categories with no change in measurement

The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

1)Those previously classified as available for sale and now classified as measured at fair value through other comprehensive income (FVOCI);

2)Those previously classified as held to maturity and now classified as measured at amortised cost.

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected credit loss model at 1 January 2018.

	ALLOWANCE FOR IMPAIRMENT UNDER IAS 39/PROVISION UNDER IAS 37	RECLASSIFICATIONS	REMEASUREMENTS	ALLOWANCE FOR IMPAIRMENT UNDER IFRS 9
CASH AND CASH EQUIVALENTS	-	-	199,883	199,883
LOANS AND ADVANCES TO CUSTOMERS	6,465,443	-	3,742,005	10,207,448
OTHER LIABILITIES (OFF BALANCE SHEET EXPOSURES)	-	-	64,021	64,021
TOTAL	6,465,443	-	4,005,909	10,471,352

IFRS 15: Revenue from contracts with customers

The Bank has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. No adjustments were passed on adoption on IFRS 15 since there were no material effect on revenue recognised by the Bank on the adoption of this standard.

2.1.6 New standards and interpretations issued but not yet effective

IFRS 16

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual reporting periods commencing 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

The Bank is in the process of reviewing all leasing arrangements in light of the new lease accounting rules in

IFRS 16. The standard will affect primarily the accounting for the Bank's operating leases.

Interpretation 23, Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation is effective for annual periods commencing on or after 1 January 2019.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017 and effectiive for reporting periods commencing on or after 1 January 2019:

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana cedi (GHS), which is Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. 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.

2.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as fair value through profit or loss are recognised within interest income and interest expense in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. 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 transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

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

Interest income includes interest on loans and advances and placements with other Banks, and is recognised in the period in which it is earned. Interest earned whilst holding available-for-sale and held to maturity financial investments are also reported as interest income.

2.4 Fees and commission income

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

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

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

2.5 Net trading income

Net trading income comprises gains/losses in respect of trading activities achieved through market-marking of trading assets and liabilities. It also includes realised and unrealised changes in fair value of trading financial instruments changes and gains/losses arising from trading in foreign currencies and other foreign exchange differences.

2.6 Leases

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

The Bank as a lessee

Leases of property, plant and equipment where the Bank, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Bank will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Bank as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.7 Income tax

Income tax expense for the period comprises current and deferred income tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax

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

Deferred income tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

The measurement of deferred income tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to taxes levied by the same tax authority.

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

2.8 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The accounting policy on the recognition of interest income is disclosed in 2.3. Interest income is recognised on loans and advances in stages 1 and 2 of IFRS 9 impairment methodology on gross amount using effective interest rate. Interest income on loans and advances in stage 3 is recognised on the carrying amount using effective interest rate.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

- In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.8.1 Financial assets

(i) Classification and subsequent measurement

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI); or

- amortised cost.

The classification requirements for debt and equity instruments are described below:

(a) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'net trading income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The above classifications are based on the following:

Business model: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(b) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

(i) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Further details on the impairment of financial assets are set out in note 4.2.2

(ii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (a) the Bank transfers substantially all the risks and rewards of ownership, or (b) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

(iv) Accounting policies applied up to 31 December 2017 (IAS 39)

The Bank has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Bank’s previous accounting policy.

(c) Classification and measurement

Until 31 December 2017, the Bank classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

- Financial assets and liabilities held for trading: Financial assets or financial liabilities held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in fair value are recognised in ‘Net trading income’ according to the terms of the contract or when the right to the payment has been established.

Included in this classification are debt securities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the future.

• Held to maturity financial instruments: Held to maturity financial instruments are those which carry fixed determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'interest income' in profit or loss. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income line 'Net impairment losses on financial instruments'.

• Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost is calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in 'Net impairment charge on financial instruments'.

• Available for sale financial investments: Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. It includes equity investments, investments in mutual funds and money market and other debt instruments. After initial measurement, available-for-sale financial instruments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'available-for-sale reserve or other reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss and other comprehensive income in 'Net trading income'.

Where the Bank holds more than one investment in the same security, it is deemed to be disposed off on a first-in first-out basis. Interest earned, whilst holding available-for-sale financial investments, is recognised in profit or loss as 'Interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the profit or loss in 'Net impairment losses on financial instruments' and removed from the available-for-sale reserve.

(d) Impairment of financial assets – IAS 39

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

Objective evidence that financial assets were impaired included:

- 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.

The Bank considered 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 were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not identified. Loans and advances and held to maturity investment securities that were not individually significant were 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 used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than was suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries were regularly benchmarked against actual outcomes to ensure that they remained appropriate.

Impairment losses on assets measured at amortised cost were 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 were renegotiated or modified or an existing financial asset was replaced with a new one due to financial difficulties of the borrower, then an assessment was made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In such case, the original financial asset was derecognised and the new financial asset was recognised at fair value.

The impairment loss before an expected restructuring was measured as follows:

• If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset were included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

• If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset was treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount was discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

The Bank writes off a loans, either partially or in full, and any related allowance for impairment losses, when the Bank Credit Committee determines that there is no realistic prospect of recovery and approval for write off has been granted by the Board of Directors and Bank of Ghana.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Bank could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Financial assets classified as available-for-sale

For available-for-sale financial instruments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. Reversals of impairment of equity shares are not recognised in profit or loss. Increases in the fair value of equity shares after impairment are recognised directly in equity.

(e) Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the fair value through profit or loss (FVPL)/held-for-trading or fair value through other comprehensive income (FVOCI)/available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

2.8.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior year, financial liabilities are classified as subsequently measured at amortised cost except for financial guarantee contracts and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished.

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.8.3 Financial guarantee contracts 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 banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance ; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.8.4 Repurchase and reverse repurchase agreements

Securities may be lent subject to a commitment to repurchase it at a specified date ('a repo'). Such securities are not derecognised but retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Bank. Any cash received, including accrued interest, is recognised on the statement of financial position reflecting its economic substance as a loan to the Bank.

Conversely, securities borrowed or purchased securities subject to a commitment to resell at a specified date (a 'reverse repo') is not recognised on the statement of financial position as the transactions are treated as collateralised loans. However, where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

2.8.5 Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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.

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve of government securities, foreign currency rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more other financial instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value unlisted debt securities and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.8.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances including unrestricted balances held with Bank of Ghana, 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.

2.9 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

2.10 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of five years. Computer software licenses are carried at cost less any amortisation and impairment losses, if any.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding seven years).

2.11 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset up until the asset is ready for use. 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.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The costs of the day to day servicing of property and equipment are recognised in profit or loss as incurred.

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

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

The estimated depreciation rates of the major asset categories are:

CLASS OF ASSETS	DEPRECIATION RATE
Building	over the remaining period of the lease
Leasehold land	over the remaining period of the lease
Computers hardware	25% - 33.3%
Motor vehicles	20% - 25%
Office equipment	1 5 - 20%
Furniture and fittings	15 - 20%

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

2.12 Impairment of non-financial assets

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

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

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.14 Provisions

Provisions are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

2.15 Employee benefit

The Bank operates defined contribution retirement benefit schemes for its employees.

Retirement benefit obligations

The Bank and its employees contribute to a defined contribution plan.

A defined contribution plan is a pension scheme under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank's contributions to tier one and tier two schemes are mandatory and are determined by law. The Bank currently contributes 13% of employee basic salary while employee contributes 5.5%. Out of a total contribution of 18.5%, the Bank remits 13.5% to Social Security and National Insurance Trust towards the first tier pension scheme. The Bank remits the remaining 5% to a privately managed scheme under the mandatory second tier. The Bank and its employees also make contributions towards employees' pension under a voluntary third tier pension scheme (provident fund) which is privately managed. Benefits are paid to retiring staff in accordance with the scheme rules.

The Bank's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Bank has no further payment obligations once the contributions have been paid.

Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Leave accrual

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

2.16 Stated capital and dividend

Ordinary shares issued are classified as stated capital in equity where the Bank has no obligation to deliver cash or other assets to shareholders. Stated 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. All shares are issued at no par value.

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

2.17 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.

2.18 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at a lower of their carrying amount and fair value less costs to sell.

3. Critical accounting estimates, judgement and assumptions

The preparation of financial statements requires the use of accounting estimates, judgement and assumptions, which, could materially affect the actual results and reported amounts of assets and liabilities within the next financial year. Management also needs to exercise judgement in applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. Unless otherwise stated, no material changes to assumptions occurred during the period.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year are discussed below.

3.1 Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance (ECL) for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios and the associated ECL; and
- establishing groups of similar financial assets for purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the measurement of expected credit loss allowance is set out in note 4.2.2.

3.2 Fair values of financial instruments

The fair value of a financial instrument is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible. However, where this is not feasible, a degree of judgement is required in establishing fair values.

Additional disclosures on fair value measurements of financial instruments are set out in note 4.7.3.

3.3 Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3.4 Hold to collect financial assets

The Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as hold to collect. This classification requires significant judgement. In making this judgement, the Bank uses the Business model and Solely for Payment of Principal and Interest (SPPI) model to assess that the purpose for holding these assets was to collect the contractual cash flows associated with the assets. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as hold to collect and sell. Accordingly, the investments would be measured at fair value instead of amortised cost.

3.5 Impairment losses on loans and advances (applicable before 1 January 2018)

Prior to 1 January 2018, the Bank reviewed its loan portfolios to assess whether an allowance for impairment was to be recorded in profit or loss. For individually significant loans and advances, management's judgement was required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates were based on assumptions about a number of factors and actual results could differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also made a collective impairment allowance against exposures, which, although not specifically identified as requiring a specific allowance, had a greater risk of default than when originally granted. This took into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

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

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

The period between a loss occurring and its identification (emergence period) is estimated by management for each identified portfolio. The emergence period varies across products and are based on actual exposure and reviewed on an annual basis.

3.6 Held-to-maturity instruments (applicable before 1 January 2018)

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Bank evaluates its positive intention and ability to hold such assets to maturity. If the Bank fails to keep these assets to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

4. Financial risk management

4.1 Introduction and overview

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

- Credit risk;
- Liquidity risk; and
- Market risk (i.e. risks related to mainly currency trading and interest rate risk).

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

4.1.1 Risk management framework

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

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

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

4.2 Credit risk

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

4.2.1 Management of credit risk

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

The Board Risk and Compliance Committee fundamentally:

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

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most common practice is the taking of security for funds advanced. The Bank reviews the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- mortgages over residential properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

4.2.2 Credit risk measurement

The estimation of credit exposure for risk management purposes is relatively complex and requires the use of models, as exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of a credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measured credit risk using the expected loss losses as per IFRS 9 effective 1 January 2018. Prior to that, allowance for credit impairment losses were measured using the guidance under IAS 39. For the year ended 31 December 2018, the Bank measured expected credit losses using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The guidance in IFRS 9 in measuring expected credit losses applies to all financial debt instruments (financial assets) held at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), undrawn loan commitments and off balance exposures (financial guarantees).

4.2.3 Expected credit loss (ECL) measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

4.2.3.1 Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime probability of default (PD) at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised.

Qualitative criteria:

For loan portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance;
- Direct debit cancellation;
- Extension to the terms granted;
- Previous arrears within the last 12 months;
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Bank has not used the low credit risk exemption for any financial instruments during the year ended 31 December 2018.

4.2.3.2 Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments. There is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

4.2.3.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

• The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

• EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

• Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary per product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed every six months. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4.2.3.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Economic Variable Assumptions

The most significant period end assumptions used for the ECL estimate as at 31 December 2018 are set out below:

SCENARIO	WEIGHT (%)	GDP GROWTH RATE (%)	UNEMPLOYMENT RATE (%)
BASE CASE	50	6.8	2.36
UPSIDE	20	8.4	2.26
DOWNSIDE	30	3.7	3.50

The most significant variables affecting the ECL model are as follows:

Personal and staff loans

- Unemployment rate – likelihood of staff and government sector employees becoming unemployed, given its impact on secured (mortgages) and unsecured (personal loans) borrowers' ability to meet their contractual repayments.

Corporate, small and medium sized entities (SMEs)

- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.

4.2.4 Settlement risk

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

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

4.2.5 Maximum exposure to credit risk

Financial instruments exposed to credit risk include:

	2018	2017
ON BALANCE SHEET EXPOSURES:		
CASH WITH BANK OF GHANA	97,114,979	80,376,556
CASH WITH OTHER BANKS	262,879,799	263,904,657
NON-PLEDGED TRADING ASSETS	158,413,375	166,060,315
LOANS AND ADVANCES TO CUSTOMERS	565,057,955	495,750,311
INVESTMENT SECURITIES	8,884,361	135,410,947
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	11,895,817	45,489,811
TOTAL	1,104,246,286	1,186,992,597
OFF BALANCE SHEET EXPOSURES:		
LETTERS OF CREDIT	60,352,355	53,538,771
FINANCIAL GUARANTEES	68,762,524	235,070,893
TOTAL	129,114,879	288,609,664
TOTAL MAXIMUM CREDIT EXPOSURES AT YEAR END	**1,233,361,165**	**1,475,602,261**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2018, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Bank, 46% (2017: 34%) of the total maximum exposure is derived from loans and advances, and non-pledged trading assets and investment securities represent 14% (2017: 20%).

The Bank's loans and advances were categorised in accordance with the Bank of Ghana prudential guidelines as follows:

- Exposures that are neither past due nor impaired;
- Exposures that are past due but not impaired; and
- Individually impaired facilities.

	2018	2017
EXPOSURE TO CREDIT RISK – LOANS AND ADVANCES:		
CARRYING AMOUNT	565,057,955	495,750,311
GRADE 1 - 7: CURRENT	392,829,910	343,675,230
GRADE 8: OLEM/WATCHLIST	105,826,583	64,105,970
GRADE 9: SUBSTANDARD	8,578,037	67,290,171
GRADE 10: DOUBTFUL	48,744,687	4,242,900
GRADE 11: LOSS	14,663,152	22,901,483
TOTAL GROSS AMOUNT	570,642,369	502,215,754
ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES	(5,584,414)	(6,465,443)
CARRYING AMOUNT	565,057,955	495,750,311

The Bank's loans and advances as categorised by Bank of Ghana prudential guidelines is as follows:

	2018	2017
NEITHER PAST DUE NOR IMPAIRED	392,829,910	343,675,230
PAST DUE BUT NOT IMPAIRED	105,826,583	64,105,970
INDIVIDUALLY IMPAIRED	71,985,876	94,434,554
TOTAL GROSS AMOUNT	570,642,369	502,215,754
ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES	(5,584,414)	(6,465,443)
CARRYING AMOUNT	565,057,955	495,750,311

Loans and advances neither past due nor impaired

The quality of credit exposure to customers and banks and other financial institutions that were neither past due nor impaired were assessed with reference to the Bank of Ghana prudential guidelines adopted by the Bank for its internal grading purposes.

Loans and advances graded current are not considered past due or impaired.

This category is made up as follows:

	2018	2017
GRADE 1 - 7: CURRENT		
TERM LOANS	292,877,295	257,573,083
OVERDRAFTS	87,807,620	76,820,280
STAFF LOANS	12,144,995	9,281,867
GROSS CARRYING AMOUNT	392,829,910	343,675,230

The Bank uses an internal rating system which contains 11 grades, representing the Bank's best estimate of credit risk for a counterparty based on the probability of default of a customer within the next 12 months in current economic environment or probability of default of a customer within the next 12 months but in a cycle neutral economic environment. The credit quality of neither past due nor impaired loans at the reporting date is as follows:

	2018	2017
INTERNAL RATING		
STRONG	307,889,372	282,451,828
GOOD	78,225,608	55,896,564
SATISFACTORY	6,714,930	5,326,839
GROSS CARRYING AMOUNT	392,829,910	343,675,231

Financial statement descriptions can be summarised as follows:

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

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

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

Loans and advances past due but not impaired

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

Loans and advances graded internally as current and OLEM per the Bank of Ghana guidelines may be past due but are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired are as follows:

	2018	2017
GRADE 8: OLEM		
TERM LOANS	77,564,655	50,002,657
OVERDRAFTS	28,261,928	14,103,313
STAFF LOANS	-	-
GROSS CARRYING AMOUNT	105,826,583	64,105,970

The following table provides the ageing analysis of loans and advances past due but not impaired:

	2018	2017
GRADE 8: OLEM		
PAST DUE UP TO 30 DAYS	58,406,260	36,540,403
PAST DUE 30 TO 60 DAYS	24,267,384	16,026,492
PAST DUE 60 TO 90 DAYS	23,152,939	11,539,075
GROSS CARRYING AMOUNT	105,826,583	64,105,970

Loans and advances individually impaired

Impaired loans and advances are facilities, which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded "Extreme" which is 9 -11 in the Bank's internal credit risk grading system.

The table below shows analysis of loans and advances individually impaired by class, along with the fair value of related collaterals held by the Bank as security, as follows:

	2018	2017
TERM LOANS	68,656,006	80,269,370
OVERDRAFTS	3,329,870	14,165,184
STAFF LOANS	-	-
GROSS CARRYING AMOUNT	71,985,876	94,434,554
ALLOWANCE FOR CREDIT LOSSES	(2,125,927)	(4,799,809)
NET CARRYING AMOUNT	**69,859,949**	**89,634,745**
FAIR VALUE OF COLLATERALS	**131,007,264**	**142,295,540**

At 31 December 2018, the Bank's credit exposures were categorised under IFRS 9 as follows:

- Stage 1 – At initial recognition - Performing
- Stage 2 – Significant increase in credit risk since initial recognition - Underperforming
- Stage 3 – Credit impaired – Non-performing

	2018				2017
FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	TOTAL	TOTAL
CASH AND CASH EQUIVALENTS	420,829,509	-	-	420,829,509	394,339,089
NON-PLEDGED TRADING ASSETS	158,413,375	-	-	158,413,375	166,060,315
LOANS AND ADVANCES TO CUSTOMERS	392,829,910	105,826,583	71,985,876	570,642,369	502,215,755
INVESTMENT SECURITIES	8,884,361			8,884,361	135,410,947
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	11,895,817	-	-	11,895,817	45,489,811
GROSS CARRYING AMOUNT	992,852,972	105,826,583	71,985,876	1,170,665,431	1,243,515,917
ECL ALLOWANCE - IFRS9/ LOSS ALLOWANCE – IAS 39	(2,934,143)	(722,791)	(2,125,927)	(5,782,861)	(6,465,447)
NET CARRYING AMOUNT	989,918,829	105,103,792	69,859,949	1,164,882,570	1,237,050,470
OFF BALANCE SHEET EXPOSURES	124,183	-	-	124,183	-

4.2.6 Concentration of credit risk arising from loans and advances to customers

The Bank monitors concentrations of credit risk by sector. The table below shows analysis of concentrations of credit risk from loans and advances.

Concentration by product:

	2018	2017
TERM LOANS	439,097,956	387,845,110
OVERDRAFTS	119,399,418	105,088,777
STAFF LOANS	12,144,995	9,281,867
GROSS CARRYING AMOUNT	570,642,369	502,215,754
ALLOWANCE FOR IMPAIRMENT LOSSES	(5,584,414)	(6,465,443)
NET CARRYING AMOUNT	565,057,955	495,750,311

Concentration by industry:

	2018	2017
ON BALANCE SHEET EXPOSURES:		
AGRICULTURE	280,106	940,118
MANUFACTURING	34,186,177	22,661,695
COMMERCE AND FINANCE	73,742,853	82,866,665
TRANSPORT AND COMMUNICATIONS	5,508,745	4,155,779
MINING AND QUARRYING	11,856,244	10,039,272
BUILDING AND CONSTRUCTION	103,513,271	95,056,958
SERVICES	71,517,290	47,682,045
ELECTRICITY, OIL, GAS, ENERGY AND WATER	86,788,813	89,097,780
OTHERS	183,248,870	149,715,442
GROSS CARRYING AMOUNT	570,642,369	502,215,754
ALLOWANCE FOR IMPAIRMENT LOSSES	(5,584,414)	(6,465,443)
NET CARRYING AMOUNT	565,057,955	495,750,311
OFF BALANCE SHEET EXPOSURES:		
SOCIAL COMMUNICATION AND PERSONAL SERVICES	241,335	548,796
BUSINESS SERVICES	16,674,597	45,689,566
WHOLESALE AND RETAIL	8,630,366	35,869,542
TRANSPORT AND COMMUNICATION	1,073,154	145,620
MANUFACTURING	66,369,820	154,507,500
OTHERS	36,125,607	51,848,641
TOTAL	129,114,879	288,609,665

4.2.7 Collaterals and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- mortgages over residential properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank tend to seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

The Bank’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior year.

The Bank closely monitors collateral held for financial assets considered credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Loans and advances that are credit impaired and the fair values of the related collaterals to mitigate potential losses are set out in note 4.2.5 above.

4.2.8 Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The table below shows analysis of loans with renegotiated terms:

	2018	2017
GROSS LOANS AND ADVANCES	58,382,237	116,933,900
IMPAIRMENT LOSS PROVISION	-	(2,001,832)
NET CARRYING AMOUNT	58,382,237	114,932,068

4.2.9 Repossessed assets

As at the reporting date, the Bank had taken repossession of 1 (2017: 2) commercial properties used by borrowers as security for amount borrowed. One of the repossessed assets was sold during the year. The repossessed assets are measured at the lower of their carrying amounts and fair values less costs to sell. The carrying amount of repossessed assets at the reporting date is disclosed in note 23.

4.2.10 Non-pledged trading assets and investment securities

Non-pledged trading assets and investment securities represent investment in Government of Ghana treasury bills and bonds. They are neither past due nor impaired.

4.2.11 Key ratios ratios on loans and advances

The table below sets key ratios applicable to loans and advances:

	2018	2017
RATIO OF 50 LARGEST EXPOSURES TO TOTAL EXPOSURES	63.08%	61.00%
GROSS NON-PERFORMING LOAN RATIO	12.61%	18.80%
LOAN LOSS PROVISION	9.71%	10.64%

4.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset when they fall due. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

4.3.1 Management of liquidity risk

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

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

4.3.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investments in government securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

The table below sets out the Bank’s ratio of net liquid assets to deposits from customers and balances due to banking institutions at the reporting date and during the reporting period.

	2018	2017
AT 31 DECEMBER	264.22%	356.11%
AVERAGE FOR THE PERIOD	246.08%	324.11%
MAXIMUM FOR THE PERIOD	277.91%	375.40%
MINIMUM FOR THE PERIOD	182.08%	259.46%

4.4 Market risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset when they fall due. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

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

4.4.1 Management of market risks

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

4.4.2 Exposure to interest rate risk

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

Interest rates on advances to customers and other risk assets are pegged to the Bank's base lending rate. The Assets and Liability Committee (ALCO) closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

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

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

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

AT 31 DECEMBER 2018	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING	TOTAL
FINANCIAL ASSETS							
CASH AND CASH EQUIVALENTS	121,057,847	96,881,794	-	-	-	202,691,421	420,631,062
NON-PLEDGED TRADING ASSETS	-	24,219,964	-	134,193,411	-	-	158,413,375
LOANS AND ADVANCES TO CUSTOMERS	224,940,961	31,598,908	67,113,547	236,810,352	4,594,187	-	565,057,955
INVESTMENT SECURITIES	385,918	602,644	505,152	7,390,647	-	-	8,884,361
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	-	-	-	-	-	11,895,817	11,895,817
TOTAL FINANCIAL ASSETS	346,384,726	153,303,310	67,618,699	378,394,410	4,594,187	214,587,238	1,164,882,570
FINANCIAL LIABILITIES							
CUSTOMER DEPOSITS	125,126,234	219,623,115	106,659,707	-	-	338,860,954	790,270,010
BORROWINGS	21,696,266	129,508,518	56,022,171	-	-	-	207,226,955
OTHER LIABILITIES (EXCLUDING NON-FINANCIAL LIABILITIES)	-	-	-	-	-	52,054,071	52,054,071
TOTAL FINANCIAL LIABILITIES	146,822,500	349,131,633	162,681,878	-	-	390,915,025	1,049,551,036
TOTAL INTEREST REPRICING GAP	199,562,226	(195,828,323)	(95,063,179)	378,394,410	4,594,187	(176,327,787)	115,331,534

AT 31 DECEMBER 2017	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	NON-INTEREST BEARING	TOTAL
FINANCIAL ASSETS							
CASH AND CASH EQUIVALENTS	120,631,865	77,312,934	-	-	-	196,394,290	394,339,089
NON-PLEDGED TRADING ASSETS	-	-	14,977,003	151,083,312	-	-	166,060,315
LOANS AND ADVANCES	180,414,727	54,719,704	45,272,276	212,697,625	2,645,979	-	495,750,311
INVESTMENT SECURITIES	419,317	74,080	133,706,032	1,211,518	-	-	135,410,947
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	-	-	-	-	-	45,489,811	45,489,811
TOTAL FINANCIAL ASSETS HELD TO MANAGE LIQUIDITY RISK	301,465,909	132,106,718	193,955,311	364,992,455	2,645,979	241,884,101	1,237,050,473
TOTAL FINANCIAL LIABILITIES	383,398,061	346,371,227	357,262,736	78,736,818	-	1,165,768,842	1,150,815,061
FINANCIAL LIABILITIES							
CUSTOMER DEPOSITS	33,465,944	253,747,969	232,272,403	42,487,952	-	322,684,810	884,659,078
BORROWINGS	22,227,530	80,162,785	112,717,624	-	-	-	215,107,939
OTHER LIABILITIES (EXCLUDING NON-FINANCIAL LIABILITIES)	-	-	-	-	-	51,048,044	51,048,044
TOTAL FINANCIAL LIABILITIES	55,693,474	333,910,754	344,990,027	42,487,952	-	373,732,854	1,150,815,061
TOTAL INTEREST REPRICING GAP	245,772,435	(201,804,036)	(151,034,716)	322,504,503	2,645,979	(131,848,753)	86,235,412

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 500 basis point (b.p.) parallel fall or rise in market interest rates.

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

An increase of a 500 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

	IMPACT ON PROFIT OR LOSS AND EQUITY INCREASE/(DECREASE)	
	2018	2017
INCREASE IN 500 BASIS POINT:		
RATE SENSITIVE ASSETS	47,514,767	49,758,319
RATE SENSITIVE LIABILITIES	(32,931,801)	(38,854,110)
	14,582,966	10,904,209
DECREASE IN 500 BASIS POINT:		
RATE SENSITIVE ASSETS	(47,514,767)	(49,758,319)
RATE SENSITIVE LIABILITIES	32,931,801	38,854,110
	(14,582,966)	(10,904,209)

4.4.3 Exposure to foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions.

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

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

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

	2018	2017
US DOLLAR	4.8200	4.4157
GB POUND	6.1113	5.9669
EURO	5.5150	5.2962
NGN	0.0084	0.0144

Foreign currency sensitivity analysis

The Bank's principal foreign currency exposures are to the US Dollar (USD), the Euro (EUR) and the British Pound Sterling (GBP). Foreign exchange risk represents appreciation/depreciation of the Ghana cedis gainst other currencies. The foreign exchange risk sensitivity analysis is based on the following assumptions:

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

The table below illustrates a hypothetical sensitivity of reported profit to a 10% depreciation of the Ghana cedi against the major foreign currencies at the reporting date, assuming all other variables remained constant.

	IMPACT ON PROFIT OR LOSS AND EQUITY INCREASE/(DECREASE)	
	2018	2017
10% DEPRECIATION OF THE GHANA CEDI AGAINST:		
USD	(664,017)	750,753
GBP	(90,109)	29,971
EUR	(1,807,116)	(1,900,079)
	(2,561,242)	(1,119,355)

The table below summarises the Bank's exposure to foreign currency exchange risk at the reporting date. The amounts stated in the table are the Ghana cedi equivalent of the foreign currency amounts.

AT 31 DECEMBER 2018	USD	GBP	EUR	TOTAL
FINANCIAL ASSETS				
CASH AND CASH EQUIVALENTS	187,470,327	6,238,150	6,434,759	200,143,236
LOANS AND ADVANCES TO CUSTOMERS	158,343,969	-	28,361,700	186,705,669
INVESTMENT SECURITIES	96,400,000	-	-	96,400,000
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	2,268,945	-	171,970	2,440,915
TOTAL FINANCIAL ASSETS	444,483,241	6,238,150	34,968,429	485,689,820
FINANCIAL LIABILITIES				
CUSTOMER DEPOSITS	202,385,789	7,121,235	51,706,881	261,213,905
BORROWINGS	207,226,955	-	-	207,226,955
OTHER LIABILITIES (EXCLUDING NON-FINANCIAL LIABILITIES)	41,510,663	18,006	1,332,705	42,861,374
TOTAL FINANCIAL LIABILITIES	451,123,407	7,139,241	53,039,586	511,302,234
NET ON BALANCE SHEET POSITION	**(6,640,166)**	**(901,091)**	**(18,071,157)**	**(25,612,414)**
NET OFF BALANCE SHEET POSITION	**88,550,076**	**-**	**23,174,549**	**111,724,625**

AT 31 DECEMBER 2017	USD	GBP	EUR	TOTAL
FINANCIAL ASSETS				
CASH AND CASH EQUIVALENTS	131,921,918	5,965,684	4,338,524	142,226,126
LOANS AND ADVANCES TO CUSTOMERS	135,152,862	2,096	46,660,139	181,815,097
INVESTMENT SECURITIES	176,628,000	-	-	176,628,000
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	2,812,761	-	359,521	3,172,282
TOTAL FINANCIAL ASSETS	446,515,541	5,967,780	51,358,184	503,841,505
FINANCIAL LIABILITIES				
CUSTOMER DEPOSITS	214,422,369	5,666,631	41,103,469	261,192,469
BORROWINGS	185,927,768	-	29,180,171	215,107,939
OTHER LIABILITIES (EXCLUDING NON-FINANCIAL LIABILITIES)	38,657,870	1,441	75,334	38,734,645
TOTAL FINANCIAL LIABILITIES	439,008,007	5,668,072	70,358,974	515,035,053
NET ON BALANCE SHEET POSITION	**7,507,534**	**299,708**	**(19,000,790)**	**(11,193,548)**
NET OFF BALANCE SHEET POSITION	**251,577,404**	**-**	**3,972,143**	**255,549,546**

4.5 Capital management

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

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

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

4.5.1 Regulatory capital

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

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

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

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

The Bank complied with the statutory capital requirements throughout the year. There have been no material changes in the Bank’s management of capital during the year.

4.5.2 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 Bank of Ghana guidelines, a minimum ratio of 10% is to be maintained.

The table below summarises the composition of regulatory capital and ratios of the Bank.

	2018	2017
PAID-UP CAPITAL	100,960,828	100,960,828
DEPOSIT FOR SHARES	38,560,000	35,325,600
DISCLOSED RESERVES	107,196,404	87,228,089
TIER 1 CAPITAL	246,717,232	223,514,517
LESS		
GOODWILL/INTANGIBLES	(73,543,636)	(74,485,680)
ADJUSTED CAPITAL BASE	**173,173,596**	**149,028,837**
TOTAL ASSETS (LESS CONTRA ITEMS)	1,258,376,114	1,341,046,795
LESS		
CASH AT BANK OF GHANA	(157,751,263)	(130,434,432)
CLAIMS OF FINANCIAL & GUARANTEED LOANS	(447,122,458)	(622,053,881)
ADJUSTED TOTAL ASSETS	**653,502,393**	**588,558,482**
ADD		
NET CONTINGENT LIABILITIES	111,250,881	139,837,188
50% OF NET OPEN POSITION	4,617,482	3,369,164
100% OF 3YEARS AVERAGE ANNUAL GROSS INCOME	121,912,921	141,983,877
ADJUSTED ASSET BASE	**891,283,677**	**873,748,711**
CAPITAL ADEQUACY RATIO (%)	19.43%	17.06%

4.5.3Capital allocation

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

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

4.5.4 New capital requirement

To comply with the new minimum capital requirement of GH¢ 400 million, the majority shareholder lodged additional capital of GH¢ 282,767,707 on 4 January 2019 towards the issuance of ordinary shares as capital contribution. The Bank has since issued shares for the additional capital received on 4 January 2019 and the previous deposits of GH¢ 38,560,000 received towards acquisition of shares. The post year end stated capital of the Bank is GH¢ 422,288,535.

4.6 Fair value of financial instruments

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 judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

4.6.1 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. This level includes available for sale financial assets which are Bank of Ghana's securities which are valued by reference to Bank of Ghana market rates and financial assets held for trading which are valued based on forward rates from Reuters and spot rates from Bank of Ghana.

- Level 3 - Inputs that are not based on observable market data (unobservable inputs). 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.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

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.

4.6.2 Financial instruments measured at fair value

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.

	LEVEL 2	
	2018	2017
NON-PLEDGED TRADING ASSETS	158,413,375	166,060,315
INVESTMENT SECURITIES		
AVAILABLE-FOR-SALE INVESTMENTS (IAS 39)	-	135,410,947
MEASURED AT FAIR VALUE THROUGH OCI (IFRS 9)	1,001,210	-

4.6.3 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair values in the statement of financial position and their respective level in the fair value hierarchy:

	2018 LEVEL 2		2017 LEVEL 2	
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT
FINANCIAL ASSETS				
CASH AND CASH EQUIVALENTS	420,631,062	420,631,062	394,339,088	394,339,088
LOANS AND ADVANCES TO CUSTOMERS	573,108,971	565,057,955	503,475,710	495,750,311
INVESTMENT SECURITIES	7,883,151	7,883,151	-	-
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	11,895,817	11,895,817	45,489,811	45,489,811
TOTAL FINANCIAL ASSETS	1,013,519,001	1,005,467,985	943,304,609	935,579,210
FINANCIAL LIABILITIES				
DEPOSITS FROM CUSTOMERS	793,591,732	790,270,010	896,156,096	884,659,078
BORROWINGS	208,254,576	207,226,955	216,752,426	215,107,939
OTHER LIABILITIES (EXCLUDING NON-FINANCIAL LIABILITIES)	52,054,071	52,054,071	51,048,044	51,048,044
TOTAL FINANCIAL LIABILITIES	1,053,900,379	1,049,551,036	1,163,956,566	1,150,815,061

The determination of fair values of the above named financial instruments is set out below:

Deposits and balances due from banking institutions included in cash and cash equivalents

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

Hold to collect (Held to maturity investments up to 1 January 2018)

Expected cash flows are discounted at current market rates to determine fair value using the effective interest method.

Loans and advances to customers

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

Borrowings

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

Other assets (excluding prepayments and stationery stocks)

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

Cash and bank balances with Bank of Ghana

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

Other liabilities

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

4.7 Geographical concentration of assets and liabilities

The table below sets out analysis of financial assets and liabilities of the Bank held inside and outside Ghana:

	2018		2017	
	IN GHANA	OUTSIDE GHANA	IN GHANA	OUTSIDE GHANA
FINANCIAL ASSETS				
CASH AND CASH EQUIVALENTS	379,215,545	41,415,517	263,621,523	130,717,566
NON-PLEDGED TRADING ASSETS	158,413,375	-	166,060,315	-
LOANS AND ADVANCES TO CUSTOMERS	565,057,955	-	495,750,311	-
INVESTMENT SECURITIES	8,884,361	-	135,410,947	-
OTHER ASSETS (EXCLUDING NON-FINANCIAL ASSETS)	11,895,817	-	45,489,811	-
TOTAL FINANCIAL ASSETS	**1,123,467,053**	**41,415,517**	**1,106,332,907**	**130,717,566**
FINANCIAL LIABILITIES				
CUSTOMER DEPOSITS	790,270,010	-	884,659,078	-
BORROWINGS	-	207,226,955	-	215,107,939
OTHER LIABILITIES (EXCLUDING NON-FINANCIAL LIABILITIES)	52,054,071	-	51,048,044	-
TOTAL FINANCIAL LIABILITIES	**842,324,081**	**207,226,955**	**935,707,122**	**215,107,939**
OFF BALANCE SHEET EXPOSURES				
LETTERS OF CREDIT	60,352,355	-	53,538,772	-
FINANCIAL GUARANTEES	68,762,524	-	235,070,893	-
TOTAL OFF BALANCE SHEET EXPOSURES	**129,114,879**	**-**	**288,609,665**	**-**

5. Net interest income

	2018	2017
INTEREST INCOME		
PLACEMENTS AND SHORT TERM FUNDS	10,469,084	5,757,829
INVESTMENT SECURITIES	17,197,249	17,009,897
LOANS AND ADVANCES TO CUSTOMERS	102,785,243	84,991,754
TOTAL INTEREST INCOME	130,451,576	107,759,480
INTEREST EXPENSE		
FIXED/TIME DEPOSITS	19,834,576	20,335,826
SAVINGS DEPOSITS	3,801,529	3,390,437
DEMAND AND CALL DEPOSITS	2,666,225	3,272,781
INTER-BANK BORROWINGS	3,640,609	1,133,366
OTHER BORROWINGS	5,291,267	6,864,156
TOTAL INTEREST EXPENSE	35,234,206	34,996,566
NET INTEREST INCOME	95,217,370	72,762,914

6. Net fees and commission income

	2018	2017
FEES AND COMMISSION INCOME		
COMMISSION ON TURNOVER	4,240,901	3,797,913
FEES AND CHARGES	4,137,852	3,118,399
FOREIGN TRADE INCOME	5,936,007	6,348,819
FEES ON LOANS AND ADVANCES	6,392,259	4,939,808
GUARANTEES CHARGES AND COMMISSION	949,971	4,103,980
TOTAL FESS AND COMMISSION INCOME	21,656,990	22,308,919
FEES AND COMMISSION EXPENSE		
INTER-BANK TRANSACTION FEES	3,221,954	2,820,759
OTHER COMMISSION EXPENSE	-	7,387
VISA CHARGES	318,046	314,819
TOTAL FEES AND COMMISSIONS EXPENSE	3,540,000	3,142,965
NET FEES AND COMMISSION INCOME	18,116,990	19,165,954

7. Net trading income

	2018	2017
GAINS ON FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE	1,440,417	4,557,662
FOREIGN EXCHANGE GAINS	27,908,915	22,350,288
TOTAL	29,349,332	26,907,950

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

8. Other operating income

	2018	2017
BAD DEBTS RECOVERED	3,923,130	3,161,905
GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	344	102,678
LOSS ON DISPOSAL OF REPOSSESSED COLLATERAL	(1,157,000)	-
TOTAL	2,766,474	3,264,583

9. Net impairment loss on financial instruments

	2018	2017
LOANS AND ADVANCES TO CUSTOMERS (NOTE 18)	14,924,115	8,658,470
DUE FROM OTHER BANKS	(1,436)	-
OFF BALANCE SHEET EXPOSURES	60,162	-
TOTAL	14,982,841	8,658,470

10. Personnel expenses

	2018	2017
SALARIES, BONUSES AND STAFF ALLOWANCES	31,523,151	31,161,095
SOCIAL SECURITY FUND CONTRIBUTION	1,597,631	1,391,927
OTHER STAFF PENSION CONTRIBUTION – PROVIDENT FUND	1,219,279	1,071,095
OTHER STAFF COSTS	7,258,781	3,939,026
TOTAL	41,598,842	37,563,143

THE NUMBER OF PERSONS EMPLOYED BY THE BANK AT THE END OF THE YEAR WAS 342 (2017: 356).

11. Depreciation and amortisation

	2018	2017
DEPRECIATION ON PROPERTY AND EQUIPMENT	5,156,787	4,944,394
AMORTISATION OF LEASEHOLD LAND	11,552	11,552
AMORTISATION OF INTANGIBLE ASSETS (NOTE 22)	1,005,736	837,197
TOTAL	6,174,075	5,793,143

12. Other expenses

	2018	2017
DIRECTORS' FEES	807,181	747,340
OCCUPANCY COSTS	12,375,147	11,478,577
AUDITORS REMUNERATION	452,000	530,584
DONATIONS AND SOCIAL RESPONSIBILITY	3,898	3,388
MOTOR VEHICLE RUNNING COSTS	827,715	759,213
ADMINISTRATIVE COSTS	20,334,417	15,156,487
REPAIRS AND MAINTENANCE	1,117,861	985,009
INSURANCE	484,928	458,520
LEGAL AND OTHER PROFESSIONAL FEES	381,946	5,120
SOFTWARE FEES AND MAINTENANCE	5,363,419	3,648,685
TRAINING AND RESEARCH	649,983	409,942
SECURITY	1,762,216	1,779,223
TELEPHONE AND POSTAGE	758,992	778,570
TOTAL	45,319,703	36,740,658

13. Income tax expense

	2018	2017
CURRENT INCOME TAX CHARGE (NOTE 21(B))	10,263,026	6,703,140
DEFERRED INCOME TAX CHARGE (NOTE 20)	669,586	1,056,028
TOTAL	10,932,612	7,759,168

The tax on the profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits as follows:

	2018	2017
PROFIT BEFORE INCOME TAX	37,374,705	33,345,987
TAX CHARGED AT ENACTED INCOME TAX RATE OF 25%	9,343,676	8,336,497
EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	860,272	411,958
PRIOR YEAR TAX CHARGE	2,228,391	-
UTILISATION OF PREVIOUSLY UNRECOGNISED DEFERRED TAX ASSET	(1,499,727)	(989,287)
	10,932,612	7,759,168

14. Net (loss)/gain on investments measured at fvoci/available for sale

	2018	2017
GAIN ON AVAILABLE FOR SALE INVESTMENTS		2,130,250
AVAILABLE FOR SALE RECLASSIFIED TO PROFIT OR LOSS	(1,692,110)	
LOSS ON INVESTMENTS MEASURED AT FVOCI	(4,012)	-
INVESTMENTS AT FVOCI RECLASSIFIED TO PROFIT OR LOSS	(2,130,251)	-
	(2,134,263)	438,140
DEFERRED INCOME TAX CREDIT/(CHARGE)	533,566	(109,535)
	(1,600,697)	328,605

15. Earnings per share

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

	2018	2017
EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	24,573,358	23,919,520
WEIGHTED AVERAGE NUMBER OF SHARES		
NUMBER OF ORDINARY SHARES ISSUED	99,683,823	99,683,823
EARNINGS PER SHARE - BASIC (GH¢)	0.247	0.240

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

16. Cash and cash equivalents

	2018	2017
CASH ON HAND	60,636,284	50,057,876
BALANCES WITH BANK OF GHANA	97,114,979	80,376,556
BALANCES WITH LOCAL BANKS	3,524,641	12,555,226
BALANCES WITH FOREIGN BANKS	41,415,517	53,404,632
INTERBANK PLACEMENTS	217,939,641	197,944,799
	420,631,062	394,339,089

The balances with Bank of Ghana includes an amount of GH¢83,768,621 (2017: GH¢95,543,180) representing mandatory reserve as per the weekly Banking Supervision Department (BSD1) returns for the week ended 26 December 2018 (2017: 27 December 2017). This reserve represents and complies with the mandatory minimum of 10% (2017: 10%) of the Bank's total deposits and is not available for use in the Bank's day to day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non interest bearing.

Balances with foreign banks are net of expected credit allowance of GH¢198,477 (2017: Nil) assessed in accordance with IFRS 9.

Cash and cash equivalents for the purposes of statement of cash flows comprise:

	2018	2017
CASH ON HAND AND BANK BALANCES WITH BANK OF GHANA	157,751,263	130,434,432
BALANCES WITH LOCAL AND FOREIGN BANKS	44,940,158	65,959,858
INTERBANK PLACEMENTS	217,939,641	197,944,799
	420,631,062	394,339,089
LESS MANDATORY RESERVE WITH BANK OF GHANA	(83,768,621)	(95,543,180)
	336,862,441	298,795,909

17. Non-pledged trading assets

	2018	2017
1 YEAR TREASURY NOTE	-	21,614,709
2 YEAR FIXED RATE NOTE	24,219,964	42,205,192
3 YEAR NOTES	123,435,335	91,114,417
5 YEAR TREASURY BONDS	10,758,076	11,125,997
	158,413,375	166,060,315
CURRENT	24,219,964	14,977,003
NON-CURRENT	134,193,411	151,083,312
	158,413,375	166,060,315

18. Loans and advances to customers

	2018	2017
TERM LOANS	439,097,956	387,845,110
OVERDRAFTS	119,399,418	105,088,777
STAFF LOANS/MORTGAGES	12,144,995	9,281,867
GROSS LOANS AND ADVANCES	**570,642,369**	**502,215,754**
ALLOWANCE FOR IMPAIRMENT LOSSES	(5,584,414)	(6,465,443)
NET LOANS AND ADVANCES AT AMORTISED COST	565,057,955	495,750,311
ANALYSIS BY TYPE OF CUSTOMER		
INDIVIDUALS	167,902,072	141,345,439
PRIVATE ENTERPRISES	334,901,182	316,153,595
STATE ENTERPRISE AND PUBLIC INSTITUTIONS	55,694,120	35,434,853
STAFF	12,144,995	9,281,867
GROSS LOANS AND ADVANCES	**570,642,369**	**502,215,754**
ALLOWANCE FOR IMPAIRMENT LOSSES	(5,584,414)	(6,465,443)
NET LOANS AND ADVANCES AT AMORTISED COST	565,057,955	495,750,311
CURRENT	323,653,416	280,406,707
NON-CURRENT	241,404,539	215,343,604
TOTAL	565,057,955	495,750,311

AT 1 JANUARY	**6,465,443**	**7,334,191**
IFRS 9 TRANSITION ADJUSTMENT	3,742,005	-
IMPAIRMENT CHARGE FOR THE YEAR	14,924,115	8,658,470
AMOUNTS WRITTEN OFF AS UNCOLLECTIBLE	(19,547,149)	(9,527,218)
AT 31 DECEMBER	**5,584,414**	**6,465,443**
ANALYSIS OF IMPAIRMENT LOSS PROVISION AT REPORTING DATE		
COLLECTIVE IMPAIRMENT	-	1,665,635
INDIVIDUAL IMPAIRMENT	-	4,799,808
12-MONTH EXPECTED CREDIT LOSS PROVISION	2,735,696	-
LIFE TIME EXPECTED CREDIT LOSS PROVISION NOT CREDIT IMPAIRED	722,791	-
LIFE TIME EXPECTED CREDIT LOSS PROVISION CREDIT IMPAIRED	2,125,927	-
TOTAL	5,584,414	6,465,443

19. Investment securities

	2018	2017
AVAILABLE-FOR-SALE INVESTMENT SECURITIES		44,856,547
INVESTMENTS MEASURED AT FVOCI	1,001,210	-
INVESTMENTS MEASURED AT AMORTISED COST (HOLD TO COLLECT)	7,883,151	-
AVAILABLE-FOR-SALE INVESTMENT SECURITIES PLEDGED AS COLLATERAL	-	90,554,400
	8,884,361	135,410,947
CURRENT	1,493,714	134,199,429
NON-CURRENT	7,390,647	1,211,518
	8,884,361	135,410,947

As at the reporting date, the Bank had pledged GH¢ Nil (2017: GH¢90,554,400) of its investments in government securities as security for liabilities from other financial institutions. These assets cannot be sold or pledged as security whilst there is no default on the liability.

	2018	2017
INVESTMENT SECURITIES COMPRISE:		
TREASURY BILLS – 182 DAYS	1,001,210	22,298,702
1 YEAR TREASUY NOTE	152,769	76,226
2 YEAR TREASURY NOTE	7,730,382	113,036,019
	8,884,361	135,410,947

20. Deferred income tax asset/(liability)

	2018	2017
AT 1 JANUARY	**1,335,338**	**2,500,901**
IFRS 9 OPENING ADJUSTMENT IN INCOME SURPLUS ACCOUNT	1,001,477	-
AT 1 JANUARY AS RESTATED	**2,336,815**	**2,500,901**
CHARGED TO PROFIT OR LOSS	(669,586)	(1,056,028)
CREDIT/(CHARGE) TO OTHER COMPREHENSIVE INCOME	533,566	(109,535)
AT 31 DECEMBER	**2,200,795**	**1,335,338**

Deferred income tax asset/liability is attributable to the following:

	2018	2017
DEFERRED TAX LIABILITIES		
PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	(563,255)	(296,717)
FAIR VALUE GAINS ON INVESTMENTS	(313,714)	(532,563)
DEFERRED TAX ASSETS		
FAIR VALUE LOSSES ON INVESTMENTS MEASURED AT FAIR VALUE THROUGH OCI	1,003	
IMPAIRMENT LOSS PROVISION ON FINANCIAL INSTRUMENTS	3,076,761	2,164,618
NET DEFERRED TAX ASSET	2,200,795	1,335,338

21. Taxation

(a) National fiscal stabilisation levy

YEAR ENDED 31 DECEMBER 2018	AT 1 JANUARY	CHARGE FOR THE YEAR	PAYMENT DURING THE YEAR	AT 31 DECEMBER
YEAR OF ASSESSMENT:				
UP TO 2017	753,738	-	-	753,738
2018	**-**	**1,868,735**	**(2,128,634)**	**(259,899)**
	753,738	1,868,735	(2,128,634)	493,839
YEAR ENDED 31 DECEMBER 2017				
YEAR OF ASSESSMENT:				
UP TO 2016	608,872	-		608,872
2017	**-**	**1,667,299**	**(1,522,433)**	**144,866**
	608,872	1,667,299	(1,522,433)	753,738

(b) Current income tax

YEAR ENDED 31 DECEMBER 2018	AT 1 JANUARY	CHARGE FOR THE YEAR	PAYMENT DURING THE YEAR	AT 31 DECEMBER
YEAR OF ASSESSMENT:				
UP TO 2017	(3,069,954)	2,228,391	-	(841,563)
2018	**-**	**8,034,635**	**(9,685,924)**	**(1,651,289)**
	(3,069,954)	10,263,026	(9,685,924)	(2,492,852)
YEAR ENDED 31 DECEMBER 2017				
YEAR OF ASSESSMENT:				
UP TO 2016	(2,571,420)	-	-	(2,571,420)
2017	**-**	**6,703,140**	**(7,201,674)**	**(498,534)**
	(2,571,420)	6,703,140	(7,201,674)	(3,069,954)

Taxation as presented in the statement of financial position comprise:

	2018	2017
CURRENT INCOME TAX ASSET (NOTE 21(B))	2,492,852	3,069,954
NATIONAL FISCAL STABILISATION LEVY (NOTE 21 (A))	(493,839)	(753,738)
	1,999,013	2,316,216

All tax liabilities are subject to the agreement of the Ghana Revenue Authority.

22. Intangible assets - software

	2018	2017
COST		
AT 1 JANUARY	7,963,509	6,764,067
ADDITIONS	2,111,836	1,199,441
AT 31 DECEMBER	10,075,345	7,963,508
ACCUMULATED AMORTISATION		
AT 1 JANUARY	6,667,210	5,830,013
CHARGE FOR THE YEAR	1,005,736	837,197
AT 31 DECEMBER	7,672,946	6,667,210
NET BOOK AMOUNT	2,402,399	1,296,298

23. Other assets

	2018	2017
PREPAYMENTS	23,740,806	27,503,736
STATIONERY STOCKS	1,193,622	1,311,208
LOCAL CHEQUES ON COLLECTION	5,621,832	39,743,519
FOREIGN BILLS ON COLLECTION	48,200	-
REPOSSESSED COLLATERALS	8,200,000	14,900,000
PREPAID STAFF BENEFIT	4,799,573	3,463,652
SETTLEMENT ON MONEY TRANSFER	732,015	508,615
OTHERS	694,197	1,774,024
	45,030,245	89,204,754
CURRENT	36,071,450	69,011,971
NON-CURRENT	8,958,795	20,192,783
	45,030,245	89,204,754

Repossessed collaterals held for sale represent commercial properties the Bank has taken possession from defaulting customers who used the said properties as securities for credit facilities. One of the properties was sold during the year ended 31 December 2018 with the other expected to be sold in 2019.

MOVEMENT IN REPOSSESSED COLLATERALS HELD FOR SALE	2018	2017
AT 1 JANUARY	14,900,000	14,900,000
DISPOSALS	(6,700,000)	-
AT 31 DECEMBER	**8,200,000**	**14,900,000**

24 Property and equipment

	LEASEHOLD LANDS	BUILDINGS	OFFICE EQUIPMENT	FURNITURE AND FITTINGS	MOTOR VEHICLES	COMPUTERS HARDWARE	WORK-IN-PROGRESS	TOTAL
YEAR ENDED 31 DECEMBER 2018								
COST								
AT 1 JANUARY 2018	524,991	40,453,200	16,881,645	3,366,598	4,207,980	5,345,575	5,095,922	75,875,911
ADDITIONS	-	11,978	372,090	47,353	417,153	764,312	1,985,241	3,598,127
DISPOSALS	-	-	-	-	-	(7,500)	-	(7,500)
AT 31 DECEMBER 2018	524,991	40,465,178	17,253,735	3,413,951	4,625,133	6,102,387	7,081,163	79,466,538
ACCUMULATED DEPRECIATION/AMORTISATION								
AT 1 JANUARY 2018	137,893	1,783,422	10,001,851	1,280,708	3,434,811	3,903,699	-	20,542,384
CHARGE FOR THE YEAR	11,552	1,193,290	2,194,966	532,994	626,716	608,821	-	5,168,339
RELEASED ON DISPOSAL	-	-	-	-	-	(1,094)	-	(1,094)
AT 31 DECEMBER 2018	149,445	2,976,712	12,196,817	1,813,702	4,061,527	4,511,426	-	25,709,629
NET BOOK AMOUNT								
AT 31 DECEMBER 2018	375,546	37,488,466	5,056,918	1,600,249	563,606	1,590,961	7,081,163	53,756,909
YEAR ENDED 31 DECEMBER 2017								
COST								
AT 1 JANUARY 2017	524,991	2,058,260	13,639,504	2,043,131	4,210,400	4,341,944	36,770,952	63,589,182
ADDITIONS	-	70,500	1,730,822	7,867	292,183	347,723	10,789,529	13,238,624
TRANSFERS	-	38,324,440	1,514,904	1,969,307	-	655,908	(42,464,559)	-
DISPOSALS	-	-	(3,585)	(653,707)	(294,603)	-	-	(951,895)
AT 31 DECEMBER 2017	524,991	40,453,200	16,881,645	3,366,598	4,207,980	5,345,575	5,095,922	75,875,911
ACCUMULATED DEPRECIATION/AMORTISATION								
AT 1 JANUARY 2017	126,341	594,825	7,843,458	1,438,522	2,979,593	3,489,625	-	16,472,364
CHARGE FOR THE YEAR	11,552	1,188,597	2,161,683	447,250	732,790	414,074	-	4,955,946
RELEASED ON DISPOSAL	-	-	(3,290)	(605,064)	(277,572)	-	-	(885,926)
AT 31 DECEMBER 2017	137,893	1,783,422	10,001,851	1,280,708	3,434,811	3,903,699	-	20,542,384
NET BOOK AMOUNT								
AT 31 DECEMBER 2017	387,098	38,669,778	6,879,794	2,085,890	773,169	1,441,876	5,095,922	55,333,527

24. Property and equipment (continued)

GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	2018	2017
COST	7,500	951,895
ACCUMULATED DEPRECIATION	(1,094)	(885,926)
NET BOOK AMOUNT	6,406	65,969
PROCEEDS FROM DISPOSAL	(6,749)	(168,647)
GAINS ON DISPOSAL	(343)	(102,678)

25. Deposits from customers

	2018	2017
SAVINGS DEPOSITS	197,222,707	190,639,382
DEMAND AND CALL DEPOSITS	389,653,005	357,909,410
FIXED/TIME DEPOSITS	203,394,298	336,110,286
	790,270,010	884,659,078
ANALYSIS BY TYPE OF CUSTOMERS		
FINANCIAL INSTITUTIONS	12,568,268	9,788,129
INDIVIDUALS AND OTHER PRIVATE ENTERPRISES	716,777,484	803,783,805
PUBLIC ENTERPRISES	60,924,258	71,087,144
	790,270,010	884,659,078
CURRENT	790,270,010	842,171,126
NON-CURRENT	-	42,487,952
	790,270,010	884,659,078
RATION OF 20 LARGEST DEPOSITS TO TOTAL DEPOSITS	**36.18%**	**41.69%**

26. Borrowings

	2018	2017
FOREIGN BANKS	207,226,955	215,107,939
CURRENT	207,226,955	215,107,939
NON-CURRENT	-	-
	207,226,955	215,107,939

Borrowings represent short-term loans. The balance at the reporting date comprise amounts due from the following related entities:

	2018	2017
BANK OF AFRICA – MER ROUGE	163,264,685	137,795,005
BANK OF AFRICA – KENYA	22,266,004	77,312,934
BANK OF AFRICA - UGANDA	21,696,266	-
	207,226,955	215,107,939

The Bank secured short-term loans from the following under listed entities

LENDER	CURRENCY	AMOUNT	DURATION (DAYS)	INTEREST RATE PER ANNUM (%)
BANK OF AFRICA - MER ROUGE	USD	5,000,000	37	2.50%
BANK OF AFRICA - MER ROUGE	USD	6,500,000	40	2.75%
BANK OF AFRICA - MER ROUGE	USD	8,000,000	340	3.10%
BANK OF AFRICA - MER ROUGE	EUR	2,000,000	67	2.75%
BANK OF AFRICA - MER ROUGE	EUR	3,500,000	72	3.00%
BANK OF AFRICA - KENYA	USD	6,900,000	164	1.00%
BANK OF AFRICA - KENYA	USD	10,600,000	166	1.00%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	329	3.00%
BANK OF AFRICA - MER ROUGE	USD	6,500,000	326	3.00%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	91	3.10%
BANK OF AFRICA - MER ROUGE	EUR	2,000,000	91	3.00%
BANK OF AFRICA - MER ROUGE	USD	7,000,000	70	3.25%
BANK OF AFRICA - UGANDA	USD	2,000,000	30	2.70%
BANK OF AFRICA - UGANDA	USD	2,000,000	7	2.50%
BANK OF AFRICA - KENYA	USD	1,700,000	249	1.00%
BANK OF AFRICA - UGANDA	USD	2,000,000	30	2.80%
BANK OF AFRICA - UGANDA	USD	2,000,000	32	2.80%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	92	3.10%
BANK OF AFRICA - KENYA	USD	1,700,000	183	1.00%
BANK OF AFRICA - MER ROUGE	USD	7,000,000	185	3.25%
BANK OF AFRICA - UGANDA	USD	2,000,000	7	2.00%
BANK OF AFRICA - MER ROUGE	USD	10,000,000	32	2.30%
BANK OF AFRICA - MER ROUGE	USD	10,000,000	64	2.45%
BANK OF AFRICA - UGANDA	USD	1,000,000	14	2.20%
BANK OF AFRICA - UGANDA	USD	2,000,000	14	2.20%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	27	2.00%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	31	2.75%
BANK OF AFRICA - MER ROUGE	USD	10,000,000	57	2.75%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	29	2.75%
BANK OF AFRICA - KENYA	USD	1,700,000	32	1.00%
BANK OF AFRICA - MER ROUGE	USD	5,000,000	29	2.85%
BANK OF AFRICA - MER ROUGE	USD	10,000,000	29	2.85%
BANK OF AFRICA - MER ROUGE	USD	7,000,000	5	3.45%
BANK OF AFRICA - UGANDA	USD	4,500,000	4	2.60%

The movement in borrowing during the year is as follows:

YEAR ENDED 31 DECEMBER 2018						
LENDER	AT 1 JANUARY	DRAWDOWNS	INTEREST CHARGED	REPAYMENTS	EXCHANGE LOSSES	AT 31 DECEMBER
BOA-DJIBOUTI	137,795,005	599,977,100	4,751,035	(598,118,455)	18,860,000	163,264,685
BOA-KENYA	77,312,934	100,395,890	451,658	(157973,028)	2,078,550	22,266,004
BOA-UGANDA	-	80,171,200	88,574	(58,880,808)	317,300	21,696,266
	215,107,939	780,544,190	5,291,267	(814,972,291)	21,255,850	207,226,955
YEAR ENDED 31 DECEMBER 2017						
BOA-DJIBOUTI	142,019,404	495,637,134	3,075,880	(524,622,837)	21,685,424	137,795,005
BOA-KENYA	73,536,168	224,978,410	753,692	(228,073,776)	6,118,440	77,312,934
BOA-UGANDA	4,201,717	17,227,000	46,587	(21,815,504)	340,200	-
BMCE TANGIER	-	34,026,000	680,128	(35,660,128)	954,000	-
	219,757,289	771,868,544	4,556,287	(810,172,245)	29,098,064	215,107,939

27. Other liabilities

	2018	2017
ACCRUALS	968,520	2,009,247
SUNDRY CREDITORS	5,652,182	5,919,565
BRIDGE CAPITAL	38,560,000	35,325,600
OTHER LIABILITIES	7,541,302	9,836,450
	52,722,004	53,090,862
CURRENT	14,162,004	17,765,262
NON-CURRENT	38,560,000	35,325,600
	52,722,004	53,090,862

The bridge capital represents a funding of USD 8.0 million from BOA WEST AFRICA. It is a temporary bridge finance which can only be repaid after the investment of similar amount in equity.

Other liabilities include expected credit loss impairment provision of GH¢ 124,183 (2017: Nil) on off balance sheet exposures.

28. Stated capital

	NO. OF SHARES		PROCEEDS	
	2018	2017	2018	2017
AUTHORISED:				
ORDINARY SHARES OF NO PAR VALUE	100,000,000	100,000,000		
ISSUED AND FULLY PAID UP CAPITAL:				
ORDINARY SHARES OF NO PAR VALUE	99,683,823	99,683,823	100,960,828	100,960,828

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid at the reporting date. There were no shares held in treasury at year end.

29. Income surplus account

Income surplus account represents the profit/loss retained after appropriation. The movement in the income surplus account is shown as part of the statement of changes in equity.

30. Other reserves

Other reserves represents unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets, which were recognised in the available-for-sale reserve until the financial asset was derecognised or impaired, for those classified as available for sale under IAS 39. For the year ended 31 December 2018, other reserves represent cumulative unrealised gains/losses on investments measured at fair value through other comprehensive income.

31. Regulatory credit risk reserve

Regulatory credit risk reserve represents cumulative amounts required to meet the Bank of Ghana guidelines for loan impairment allowance provision. The Bank's regulator (Bank of Ghana) requires a transfer from retained earnings (income surplus account) to regulatory credit risk reserve account when the impairment allowance per IFRS is lesser than the impairment allowance per Bank of Ghana's guideless and in accordance with Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

	2018	2017
IMPAIRMENT LOSS PROVISION PER BANK OF GHANA GUIDELINES	55,387,244	53,447,386
IMPAIRMENT LOSS PROVISION PER IFRS	(5,584,414)	(6,465,443)
TRANSFER TO REGULATORY CREDIT RISK RESERVE	49,802,830	46,981,943
MOVEMENT IN REGULATORY CREDIT RISK RESERVE IS SET OUT BELOW:		
AT 1 JANUARY	46,981,943	41,658,527
TRANSFERRED TO INCOME SURPLUS ON ADOPTION OF IFRS 9	(3,742,005)	-
TRANSFERRED FROM INCOME SURPLUS ACCOUNT	6,562,892	5,323,416
AT 31 DECEMBER	49,802,830	46,981,943

32. Statutory reserve

Statutory reserve represents amount set aside from annual profit after tax in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The movement in statutory reserve is shown in the statement of changes in equity.

33. Contingent liabilities

(i) Letters of credits and guarantees

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.

(ii)Pending legal claims

As at the year end, there were some cases pending against the bank. Should judgement go in favour of the plaintiffs, the likely claims against the Bank have been estimated at GH¢507,000 (2017: GH¢2,350,000). No provisions have been made in the financial statements in respect of these amounts as the possibility of the liability is remote.

34. Capital expenditure

There were no capital commitments at 31 December 2018 (2017: Nil).

35. Related party transactions

(a) Parent and ultimate controlling party

The Bank is a subsidiary of BOA WEST AFRICA S.A, which is incorporated in Cote d'Ivoire. The ultimate parent and controlling party is Banque Marocaine du Commence Exterieur (BMCE), incorporated in Morocco.

BANK OF AFRICA - GHANA Limited is related other companies that are fellow subsidiaries of BOA WEST AFRICA and BMCE.

Parties are considered to be related through common directorship or subsidiaries of the BOA Group.

Advances to customers at 31 December 2018 included advances and loans to companies associated to directors and banking transactions with BOA-GHANA.

(b) Transactions with related parties

(i) Loans and advances to entities with common directorship:

	2018	2017
ADVANCES TO CUSTOMERS:		
ATLANTIC CLIMATE CONTROL LIMITED	4,580,162	4,841,506
ATLANTIC INTERNATIONAL HOLDINGS	8,153,420	174,677
ATLANTIC COMPUTERS & ELECTRONICS	180,767	4,160,864
THE OFFICE FURNITURE	66,112	30,987
TOTAL	12,980,461	9,208,034
INTEREST INCOME AND COMMISSION CHARGED:		
ATLANTIC CLIMATE CONTROL LIMITED	95,175	68,319
ATLANTIC INTERNATIONAL HOLDINGS	332,842	379,828
ATLANTIC COMPUTERS & ELECTRONICS	68,126	76,070
THE OFFICE FURNITURE	22,204	50,934
TOTAL	518,347	575,151

(ii) Placements with related entities

	2018	2017
BANK OF AFRICA - KENYA	-	77,312,934
INTEREST EARNED	-	764,950

(iii) Borrowings and placements from related entities

	2018	2017
BANK OF AFRICA – MER ROUGE	163,264,685	137,795,005
BANK OF AFRICA - KENYA	22,266,004	77,312,934
BANK OF AFRICA - UGANDA	21,696,266	-
TOTAL	207,226,955	215,107,939
INTEREST EXPENSE	5,291,267	6,864,156

(iv) Outstanding balances arising from related party transactions

	2018	2017
BOA-TANZANIA	254,901	238,395
BOA-KENYA	152,262	144,105
BOA-FRANCE	699,801	200,644
BOA- MALI	6,370	6,392
BOA-BENIN	39,046	64,140
BOA-COTE D'IVOIRE	29,085	613,585
BOA-NIGER	8,257	7,738
BOA-BURKINA FASO	2,094	356
BMCE BANK INTL, SPAIN	319,121	355,018
TOTAL	1,510,937	1,630,373

Loans and advances to entities with common directorships, placements with related entities and borrowings and placements from related entities were entered into in the normal course of business.

(c) Key management compensation

Key management personnel are members of BANK OF AFRICA - GHANA Limited board of directors. The definition also includes management personnel from Assistant Manager grade.

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

	2018	2017
SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS	3,782,360	3,898,041
DEFINED CONTRIBUTION	451,001	459,685
	4,233,361	4,357,726
DIRECTORS' REMUNERATION		
FEES FOR SERVICES AS A DIRECTOR	807,181	747,340
LOANS AND ADVANCES TO KEY MANAGEMENT PERSONNEL		
AT 1 JANUARY	1,467,751	1,258,958
NET MOVEMENT DURING THE YEAR	485,660	208,793
AT 31 DECEMBER	1,953,411	1,467,751
INTEREST EARNED	97,411	112,958

Loans comprise mortgage and personal loans. Loans granted to employees are granted at concessionary rates of 1% - 10%. No specific impairment losses have been recognised in respect of loans and advances to key management personnel at the reporting date. Mortgage loans are secured by the underlying assets.

Loans and advances due from key management personnel at the reporting date comprise:

	2018	2017
EXECUTIVE DIRECTORS	-	-
NON-EXECUTIVE DIRECTORS	-	-
OFFICERS AND OTHER EMPLOYEES	1,953,411	1,467,751
TOTAL	1,953,411	1,467,751
DEPOSITS FROM KEY MANAGEMENT PERSONNEL		
AT 1 JANUARY	407,681	217,977
NET MOVEMENT DURING THE YEAR	102,334	189,704
AT 31 DECEMBER	510,015	407,681
INTEREST EXPENSE	12,586	9,598

36. Regulatory disclosures

(i) Regulatory ratios

The table below sets out key regulatory ratios for the year ended 31 December 2018 compared to year ended 31 December 2017:

	2018	2017
CAPITAL ADEQUACY RATIO	19.14%	14.25%
GROSS NON-PERFORMING LOAN RATIO	12.61%	18.80%
LIQUIDITY RATIO:		
AT 31 DECEMBER	264.72%	356.11%
AVERAGE FOR THE YEAR	246.08%	324.11%
MAXIMUM FOR THE YEAR	277.91%	375.40%
MINIMUM FOR YEAR	182.08%	259.46%

(ii) Amount of loans written off

The Bank wrote off a total amount of GH¢19,547,149 during the year (2017: GH¢9,527,218) in principal and unpaid interest on loans and advances assessed and found to be uncollectible.

(iii) Breaches in statutory liquidity

The Bank complied with all requirements with respect to statutory liquidity during the year.

37. Operating lease commitements

There were no non-cancellable operating lease rentals commitments at the reporting date (2017: Nil).

38. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

39. Events after reporting date

The majority shareholder, BOA WEST AFRICA, lodged additional capital of GH¢282,767,707 on 4 January 2019 towards the issuance of ordinary shares. The process of meeting the minimum capital requirement for all universal banks in Ghana was concluded in December 2018 with the Bank receiving the cash in January 2019. The Bank has since issued shares for the additional capital received on 4 January 2019 and the previous deposits of GH¢38,560,000 received towards acquisition of shares. The post year end stated capital of the Bank is GH¢422,288,535.

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2018	2017
INTEREST EARNED AND OTHER OPERATING INCOME	184,224,028	160,138,254
DIRECT COST OF SERVICES AND OTHER COSTS	(83,286,728)	(74,132,849)
VALUE ADDED BY BANKING SERVICES	100,937,300	86,005,405
NON-BANKING INCOME	344	102,678
IMPAIRMENTS	(14,982,841)	(8,658,470)
VALUE ADDED	**85,954,803**	**77,449,613**
DISTRIBUTED AS FOLLOWS:		
TO EMPLOYEES:		
DIRECTORS (WITHOUT EXECUTIVES)	(807,181)	(747,340)
EXECUTIVE DIRECTORS	(4,233,361)	(4,357,726)
OTHER EMPLOYEES	(37,365,481)	(33,205,417)
	(42,406,023)	(38,310,483)
TO GOVERNMENT:		
INCOME TAX	(12,801,347)	(9,426,467)
TO PROVIDERS OF CAPITAL		
DIVIDENDS TO SHAREHOLDERS	-	-
TO EXPANSION AND GROWTH		
DEPRECIATION AND AMORTISATION	(6,174,075)	(5,793,143)
RETAINED EARNINGS	24,573,358	23,919,520

1. List of shareholders

Below are details of shareholders and their percentage holding in the BANK OF AFRICA - GHANA Limited as at 31 December 2018:

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

2. Directors shareholdings

Below are details of directors and their shareholdings in the BANK OF AFRICA - GHANA Limited as at 31 December 2018:

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