

**Stanbic Bank Ghana Limited**

**Annual Report and Financial Statements  
for the Year Ended 31 December 2016**

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## Chairman's Report

2016 was a challenging year. The bank faced unfavourable economic and market conditions and an uncertain political environment as the country held presidential and parliamentary elections. In recent years, the bank has made significant progress to predict these developments and proactively manage them. Thus, notwithstanding the difficult economic environment, our business delivered a robust performance, as we saw continued growth with our stakeholders and customers. Our performance in 2016 underlined the need to be resilient and remain relevant to our customers.

### Political review

At the global level, Britain's vote to exit the EU (European Union), along with the election of Donald Trump as US President sent geopolitical shockwaves around the world. Other major issues including the emergence of populist movements; on-going conflicts and terrorist attacks in parts of Europe and the Middle East; climate change and meltdown of China's economy, dominated the political environment for most of the year.

Democratic governance continues to grow in Africa, with fewer despotic regimes. Ghana's own democratic credentials were significantly enhanced with the successful general elections held in December 2016. The opposition New Patriotic Party's (NPP) candidate Nana Akufo-Addo as President over the incumbent President John Mahama. For the third time, an incumbent president has peacefully handed over power to an opposition party in Ghana. This electoral success has enhanced Ghana's attractiveness as an investment destination in the sub region.

### Economic review

Challenging global trade, subdued investment and heightened policy uncertainty characterised another difficult year for the economy. Global growth rate for 2016 was estimated at a low of 2.3% and is projected to rise to 2.7% in 2017. While most advanced economies benefitted from manufacturing outputs and recorded relatively stronger growth rates, emerging market economies experienced slower growth. Although China's economy grew by an estimated 6.6% compared with a 6.5% target growth in 2016, analysts project that the rebound may not continue in 2017. Growth was projected at 6.3% in 2017 on account of economic stagnation and potential strains to US-China trade ties unless countered by policy support to growth and stronger commodity prices.

Sub-Saharan African economies contracted from 3.1% in 2015 to 1.5% in 2016 on account of low commodity prices, the stagnant global economic environment and numerous political issues. The key commodity exporting economies struggled to adjust to lower commodity prices. The key economies of Nigeria and South Africa accounted for most of the decline. Growth is projected at a modest 2.9% for 2017 across the region and will be fuelled by gradual improvement in global demand, improving commodity prices and reforms to enhance macroeconomic and trade stability.

The Ghanaian economy, on the other hand, grew at an estimated 4.2%, up from 3.5% in 2015 and 4% in 2014. This modest growth was, in part, the product of monetary and fiscal policies adopted by the government, inhibited as it was, by weak commodity prices and disruptions in the production of oil and gas. This growth is expected to lay the foundation for renewed investor confidence in Ghana which, in tandem with higher oil and commodity prices and decreasing inflation, will lead to a higher growth in 2017 and beyond.

The Government re-engaged the International Monetary Fund (IMF) in April 2015 in a 3-year Extended Credit Facility programme to seek policy advice and technical assistance. The aim was to restore debt sustainability and macroeconomic stability, to foster economic growth and job creation, while preserving social spending. As part of the program, monetary and fiscal policy was tightened, with measures to contain rising inflation and the depreciation of the local currency. IMF adjudged the country's implementation of the Extended Credit Facility program at the third review in August 2016 to be broadly satisfactory, but the economic outlook remained challenging. Progress has been made in stabilizing the macroeconomic situation and reducing financial imbalances, but fiscal risks remain elevated. Notwithstanding the election of a new administration for the country, the fiscal consolidation is expected to continue. Further efforts are required to address revenue shortfalls while control measures are fully enforced to keep spending under control.

Inflation, which was at 19% at the start of the year and had some upswings in the course of the year because of the pass-through effects of the upward adjustments in petroleum, utility and transport prices, closed the year at 15.4%. The inflationary pressures eased towards the end of the year and the inflation rate inched closer to the medium term target band of 6% +/-2%.

Ghana's debt stock has stabilized between 68% and 70% of GDP over the last 3 years. Government floated a debut 2-year domestic US\$ bond at a coupon of 6% which generated US\$99.6m. The rationale was for Government to explore alternative sources of financing as well as developing and deepening the capital markets in Ghana. A 5-year Eurobond issue of US\$750m was also completed in the year at a coupon rate of 9.25%. The policy rate, which was 26% at the beginning of the year, closed the year at 25.5%, as the view of downside risks to growth outweighed the risks to inflation. With the exception of the overnight rate, which was flat at 25.26% year-on-year, the 91-day and 182-day bills reduced year-on-year by about 700 basis points ("bps") to 16.43% and 17.64%, respectively. The Government's medium term notes (3-year and 5-year) also dropped by 389 bps and 476 bps, respectively to 19.60% and 18.90%.

The Ghana cedi weakened to GHS4.2002/US\$1 as at the end of the year. The annual depreciation was therefore 9.6% against 15.7% and 31% for 2015 and 2014 respectively. The currency, which had been broadly stable for most of the year, experienced volatility in the run-up to the general elections in December, on account of high demand pressures. The pace of depreciation has since subsided.

Banking industry performance for the year was resilient, in spite of the pressures that came from the large debt overhang in the public energy sector – specifically, from the State-Owned Enterprises ("SOEs"), and the effects from the long-drawn out deregulation of the downstream petroleum sector. Measured in terms of key ratios such as earnings, portfolio quality and solvency, the top tier banks performed creditably; however, several of the lower tier banks face considerable challenges.

## **Corporate governance**

The bank seeks to uphold the best corporate governance practices and is committed to the principles of the Code of Corporate Practices and Conduct (King Code). By adopting such robust practices, the bank aims to strengthen confidence among shareholders, regulators, and other interested parties and that will help ensure maximum value creation over time in the best interest of all stakeholders. We have embedded greater efficiency, stronger partnerships, deeper customer loyalty and increased engagements, all of which will ultimately generate and enhance shareholder value.

In June 2016, Dr. Joyce R. Aryee, an independent non-executive director, retired on attaining the compulsory retirement age of 70 years. On behalf of the shareholders, other Board members and the entire staff of the bank, I express our deep gratitude for her dedication and support to the bank over the past ten years during a defining period in the history of the Bank. Stanbic Ghana is better placed to further develop leading positions across the banking industry and we wish Joyce continued success in all her endeavours.

## Outlook for 2017

Growth in the emerging markets and developing economies is expected to pick up in 2017, reflecting the improving fortunes in the global commodity sector. Weak investments and subdued productivity growth remain challenges to medium term prospects across many developing economies. The downside risks to global growth include, increasing policy uncertainties and financial market disruption. However, fiscal stimulus and other expansionary growth policies in major economies, particularly, United States (U.S), could lead to stronger than expected activity and thus present a substantial upside to the outlook. A moderate recovery is therefore expected for 2017.

Tightening of U.S financial conditions could reverberate across global financial markets with adverse effects on those emerging market and developing economies that rely heavily on external financing. Similarly, lingering uncertainty about the course of U.S economic policy could have a significantly negative effect on global growth prospects. The specific economic policies of the new U.S administration which are still being shaped will be relevant for analysis for their potential global implications. Still, after a challenging performance in 2016 culminating in an estimated growth of 2.3%, global economic activity is projected to accelerate in 2017 to 2.7%. Growth rates in emerging market and developing economies are also expected to pick up to 2.7% in 2017.

Ghana remains committed to continued the objectives laid out under the Extended Credit Facility agreement with the IMF, and, over the course of the year, met key deliverables that relate to debt reduction and reduction of inflation. However, the larger than expected deficit that was uncovered early in 2017, points to the urgent need for Government to harmonise its data collection in several critical areas.

Near-term challenges remain, and these include the continuous debt servicing cost, currently above 20% of government revenue, and this is only likely to ease with the free up of fiscal space. Additionally, there have been delays in comprehensively resolving energy related issues; managing the debts of the SOEs; technical problems in the oil sector; and weak commodity prices and capital flows. In spite of all this, real GDP growth prospects are favourable for 2017 and expected to come in at 6.1%, bolstered by new oil and gas production from the newly opened Tweneboa-Enyenra-Ntomme ("TEN") oil and gas fields. The new Government has promised an easing of corporate taxes, import taxes on raw materials as well as VAT on financial services to boost the production base. On the back of an expectant oil output increase and a boost in revenue flows, the current account deficit is forecast at 6.1% of GDP in 2017 compared to a projected 6.9% for 2016.

Inflation is expected to decline in 2017 as steep fuel and utility price increases and subsidy withdrawals in the immediate past years have already been passed through. The expected global commodity price increases might keep inflation in the double digit levels for much of 2017 and average out at 11.4%.

Further currency depreciation is projected in the early part of 2017, driven by persistent current and fiscal account deficits, but as the macroeconomic environment improves in the year, analysts expect less volatile movement in the currency. Interest rates for the short and

medium term instruments saw a rapid fall in the last quarter of 2016. It is expected that this trend will continue in the near term.

The bank is well poised to take advantage of the market opportunities and improve efficiency. Our imperative is clear: we must continue to adapt to best serve our clients and to further improve profitability and shareholder returns.

### **Acknowledgement**

We enter 2017 with a clear strategy and strong determination to win for our shareholders and all stakeholders. In 2016, our staff diligently met the demands of our customers, regulators and the community in which we work. I extend the Board's appreciation and gratitude to all our staff for this, and for making our bank strong and resilient for the years ahead.



Kweku Andoh Awotwi

Chairman

## Chief Executive's report

### The Socio-political Environment

The presidential and parliamentary elections of 7th December 2016 passed off peacefully as expected. This entrenched the democratic credentials of Ghana as one of the most stable democracies in Sub Saharan Africa. The incumbent National Democratic Congress lost the elections to the main opposition party New Patriotic Party, followed by a seamless transition to the new government.

The successful conduct of the elections partly emanates from electoral reforms following the landmark presidential elections petition in 2013. The Supreme Court of Ghana had been called upon to give clarity on landmark electoral cases which helped shape the political landscape.

In addition, there were intense stakeholder engagements especially the commitment by all political parties to ensure a peaceful election.

The country benefited from significant uplift in infrastructure in 2016 with roads, bridges, schools, markets, sports and health facilities, built across all regions. A vibrant media and pressure groups continue to increase awareness and enriched national discourse among the populace. Improvements in the economy, job creation and improvement in the living conditions of the citizenry were the most topical issues in the run up to the elections.

The erratic power supply due to years of under investment in the energy sector was stabilized as the sector saw significant investment to increase installed capacity and distribution capabilities. While the erratic power supply stabilized in the year under review, electricity tariffs increased in part to support the investments made in the sector. There is a strategic intent to diversify to cheaper sources of fuel that is from crude oil to gas to ease the pressure on consumers.

Ghana remains committed to regional peace and stability especially in the ECOWAS region and is an active participant in various regional integration initiatives and meetings. The country's role

in the resolution of The Gambian electoral crisis cannot be overemphasized. More concentrated efforts from members of ECOWAS are however, required to deal with the perceived and actual threats of terrorism in the sub-region.

### The Macroeconomic Environment

The 2016 macroeconomic environment was challenging, underpinned by limited fiscal space driven by a high debt stock and debt servicing costs. The macroeconomic environment was also impacted by lower domestic output as a result of disruptive power supply in prior years, the moderate pace of global economic recovery, weak commodity prices and the rebalancing of China's economy. Ghana recorded a moderate provisional GDP rate of 4.2% in 2016 which is marginally above 3.9% recorded in 2015.

The government of Ghana in April, 2015 entered into a 3-year Extended Credit Facility Programme (ECF) with the IMF to facilitate the return to high economic growth and job creation, restore debt sustainability and macro-economic stability, protect social spending and strengthen monetary policy and preserve fiscal stability. The third review of the programme was completed in September 2016 with all performance criteria met except for targets on the wage bill and net domestic assets. The positive feedback from the third review was well received leading to the country's sovereign rating outlook improving to stable from a previous negative outlook. Some structural changes completed by December 2016 for the next IMF review included:

1. Enhanced mobilization of non-tax revenue
2. The use of HRMIS and GIFMIS and Single Treasury Account to strengthen control on net hiring and borrowing costs;
3. Strengthen the resilience and stability of the banking system as Bank of Ghana improves supervisory role and
4. The government's key role in restructuring of energy sector debts.

Provisional estimate of Ghana's debt stock is above 70% of GDP but government is

committed to gradually improve its fiscal position. Targeted 2016 budget deficit of 5.3% was missed by circa 200bps due to shortfall in revenues as expenditures were broadly within target. Provisional balance of payments recorded a surplus as current account deficit narrowed at 6.2% of GDP as compared to 7.5% in 2015. While revenue from imports reduced by USD715m exports appreciated by USD705m. Import cover remained at 3.5 months.

The foreign exchange market was relatively stable as the local currency depreciated by 9.6% in 2016 compared to 15.7% in 2015. Elevated levels of inflation and lending rates however, negatively impacted performance. As interest rates trend downwards it is expected that lending rates will follow suit to improve credit to the private sector to drive growth.

Despite the uncertainties in the global environment mainly driven by implications of Brexit in the United Kingdom and the Trump Presidency in the United States, it is expected that the local economy will record a decent growth in 2017 because of improved oil and gas production especially from Tweneboa-Enyenra-Ntomme (TEN) and Sankofa-Gye Nyame oil fields, which should improve investor sentiments, private sector growth and fiscal discipline.

### Our vision and strategy

In line with Standard Bank Group's vision to be the leading financial services group in Africa, Stanbic Bank Ghana maintained a market leadership vision premised on five measurable objectives. These are

1. Superior return on equity,
2. Competitive cost to income ratio
3. Right sized market share in assets, deposits and industry profitability
4. Internationally comparative credit loss ratio and
5. Brand leadership attracting the right customers, staff and community endorsements.

Our strategy is customer-centric. We lead with exceptional customer service and relevant product offering delivered by a highly trained and motivated workforce to

attract the right customers in all our business segments.

We maintained a positive relationship with all regulatory institutions and ensured all our operations were in full compliance with all internal and external regulatory requirements.

Our branch presence increased to 38 with two additional branches opened at Kumasi Asokwa and the University of Ghana Legon campus. We had a tremendous presence in the digital space with the deployment of the Slydepay application and an additional 18 ATMs bringing our total to 106. We commenced relationships with 46,481 new clients of which 34 were for Corporate and Investment Banking.

### Summary of financial performance

Our business was conducted in a challenging macro-economic environment. Years of misaligned economic decisions translated into fiscal imbalances which put enormous pressure on the banking industry. Some signs of this pressure were high level of inflation and interest rates and elevated non-performing assets. Government backed by IMF has made structural and policy interventions to steer the economy back on track.

- Total income of GHS582m was up by GHS37m or 7% from the previous year. This was driven by strong income growth from financial investments, fees and commissions revenue and reduced funding cost as a result of an improved mix of cheaper deposits.
- Net interest income of GHS380m was 9% above 2015. Reduced customer lending restricted the growth of net interest income but strong financial investments income coupled with lower interest expense from reduced interbank borrowing moderated the impact on total income.
- Net fees and commissions outperformed prior year by 24% to end at GHS109m.
- Trading revenue of GHS91m was behind prior year by 17% due to margin squeeze from low volatility in the foreign exchange market.

- Credit losses of GHS55m, represented a dip of 11% against prior year but still at a high level due to the challenging business environment and high energy sector legacy debts.
- Operating expenses of GHS304m exceeded prior year by 7%.
- Profit after tax at GHS151m was 13% up against the previous year due to strong income and softer credit losses.

The balance sheet recorded 26% year on year growth;

- Over 100% growth in financial investments and interbank lending were due to improvement in liquidity and attrition in customer risk assets.
- Customer deposits were up by 17% to end the year at GHS3.6billion.
- Total assets ended the year at GHS5.4billion from GHS4.3billion in 2015, representing 26% growth.

Our key performance indicators remain fairly competitive in the industry in the context of the difficult macro-economic climate. The indicators were ROE of 25.4%, cost income ratio of 52.2% and credit loss ratio of 2.68%.

### Corporate and Investment Banking

Our CIB business is client centric and underpinned by service excellence. We lead the market with a strong reputation for delivering knowledge-driven solutions by targeting the appropriate clients, focusing on increasing wallet share of clients' business and driving efficiency in capital utilization and operations.

The macro-economic environment characterized by slow growth, fiscal imbalances, high inflation, high interest rates and high energy sector debts were headwinds to our business in 2016. Several positive structural reforms and policy initiatives backed by the IMF – including but not limited to, deregulation of utility and petroleum sectors, restructuring of energy sector legacy debts which is now serviced by the new fuel levies, removal of surrender requirements for gold and cocoa export receipts and new Public Financial Management Act - were implemented by the government to facilitate the rebound of the economy.

It is worth acknowledging our investment banking team's critical involvement in restructuring VRA legacy debts and the Ministry of Finance' successful issuance of bonds to term out short dated maturing instruments and the issuance of the first USD denominated local bond. This is not only a testament of the depth in competence and capacity of our team but an assurance of being client centric throughout the economic cycles and purposefully impacting the banking industry.

2016 presented our business an opportunity to refresh our strategy with special focus on customer assets and non-funded income sources. The results of this are an improvement in deposit base and mix, deepening of channel strategy, reduction in the NPL book and appropriately scaled risk appetite. There were also several mutually beneficial client engagements to ensure we continue to be relevant to our clients (our customer service index improved year on year from 8.0 to 8.1 on a scale of 1 – 10 from completely dissatisfied to completely satisfied). Additionally, our staff competencies were also improved through several training interventions.

While the year under review performance was plagued by an unstable business climate, the medium term outlook is positive as remnants of prior periods economic misaligned decisions wear off. The lessons learned from the downturn should improve the future. We will continue to focus on our clients by efficiently offering them risk appropriate products, customized solutions and also continue to partner them throughout the economic cycles.

### Personal and Business Banking

Historically, our business has been run along two key business units, Personal and Business Banking (PBB) and Corporate and Investment Banking (CIB). However, during Q2 of 2016, the Wealth and Investment (W&I) unit was carved out of the PBB unit to represent the third business unit with a mandate to focus on high net worth individuals with specific banking and advisory needs. Tailored solutions have been designed to meet these needs. Therefore the retail business

is served by two business units as at the close of the year.

Enhanced customer experience continued to be of paramount interest to PBB in 2016 and hence led to improvements to the business' digital application (Slydepay) during the year. Slydepay was adjudged the "**Product Innovation**" of the year at the "15<sup>th</sup> Ghana Banking Awards" ceremony organized in 2016. Furthermore, the internet banking platform was enhanced as well as the introduction of "the smartapp" for mobile electronic devices. The business further pursued its strategy of ensuring improved cashless transactions by undertaking integrated merchant acquiring solutions where the key merchants had their software for their tills integrated with Stanbic Bank's POS machines thereby minimizing machine down times and consequently, increasing the use of cards for customer transactions other than cash.

Additionally, PBB embarked on the ecosystem concept (targeted sales) where as part of the "One Bank" strategy, the bank provided business solutions to customers without recourse to the business units that they belong to.

PBB further formulated a five-edged strategic initiative to doing business in order to ensure efficiency, productivity and enhancing shareholder value thereby posting a strong performance notwithstanding the difficult economic conditions that the country faced in the year under review. This five-edged strategy involves five specific activities, these are:

- Re-energize assets;
- Redemption of non-performing loans;
- Enhanced deposit mobilization;
- Renewed focus on NIR
- Cost discipline.

### Enabler functions

The enabling functions of Finance, Legal, Human Capital, Risk Management, Marketing, Information Technology, Compliance, Internal Audit and Operations worked efficiently together to support CIB and PBB businesses in delivering superior services to our clients and value to our shareholders. They ensured regulatory requirements were complied with, our

license and capital were protected, resources were efficiently deployed and the brand image was protected and well projected.

### Conclusion

Our operating environment was very challenging which required us to do things differently to ensure we churned out descent returns. We continued to be close to our customers and provide innovative solutions to support them throughout the economic downturn.

We are concerned with improving the quality levels of the existing risk assets book while we look forward to underwriting new risk assets. Our diversified base of tailored product mix will continue to ensure we successfully aid our customers to achieve their banking objectives.

As income streams continue to be volatile and uncertain, operating at an optimal cost level will ensure we are efficient in products and services delivery to our clients and consistently increase shareholders worth.

I wish on behalf of the management, staff and on my own behalf to express our sincerest gratitude to our valued customers for the opportunity to offer banking services to them and to rehash that they go to the core of our bank's survival. Our pledge to them is to be more efficient in our operation and aim to deliver exceptional customer service that adds value to their businesses.

I am also grateful to the chairman and members of the board of directors for their insightful contributions and stewardship.

I wish extend my appreciation to my colleagues on the executive committee and all staff of the bank for their dedicated services and commitment to build a bank admired and loved by our customers, respected by our regulators and competitors, rewarding to our shareholders and fulfilling to our staff.



**Alhassan Andani**  
Chief Executive

## **Corporate governance statement**

### **Standard Bank Group Limited - overview**

The Standard Bank Group complies with the principles of the Code of Corporate Practices and Conduct (King Code). The principles of the King Code determine the standards for the Group's governance framework and practices.

Stanbic Bank Ghana (the Bank) is guided by these principles in establishing our governance frameworks, which are aligned to Group standards in addition to meeting the legal and regulatory requirements in Ghana.

Standard Bank Africa is a division of The Standard Bank of South Africa Limited, which oversees the Group's operations in Africa outside of South Africa, including Ghana.

### **Codes and regulations**

Compliance with applicable legislation, regulations, standards and codes remains an essential characteristic of the Bank's culture. The Board of Directors monitors compliance with these by means of management reports. Information on the outcomes of any significant interaction with key stakeholders, such as the Bank's regulators, is also provided to the Board.

The Bank complies with all applicable legislation, regulations, standards and codes in Ghana.

### **Board and Directors**

Ultimate responsibility for governance rests with the Board of Directors (Board). The Bank has a unitary board structure and the roles of the chairman and managing director are separate and distinct. The chairman is an independent non-executive director. The number and stature of independent non-executive directors ensures that sufficient independence is brought to bear on decision making.

### **Board composition**

The Board is constituted in accordance with the Regulations of the Bank. Currently, it is composed of seven non-executive directors, six of whom are independent, and three executive directors.

It is the Board's responsibility to ensure that effective management is in place to implement the Bank strategies, and to consider issues relating to succession planning. The Board is satisfied that the current pool of talent available within the Bank and ongoing work to deepen the talent pool provides adequate succession depth in both the short and long term.

There is appropriate communication between the Board and executive management. Employees are invited as required to make presentations to the Board on material issues under consideration. At the close of each board meeting non-executive directors meet without the executive directors at a closed session led by the Chairman. The primary objective of these sessions is to provide non-executive directors with the opportunity to test thoughts among peers. The Chairman, as the primary link between the Board and executive management, provides feedback from the closed sessions to the Chief Executive.

Directors are provided with unrestricted access to management and company information, as well as resources required to carry out their responsibilities, including external legal advice, at the bank's expense.

The role played by Board Committees is key in facilitating the discharge of the Board's responsibilities. The Committees have Board approved mandates that are regularly reviewed.

### **Skills, knowledge, experience and attributes of directors**

The Board possess the skills, knowledge and experience necessary to fulfil their

obligations. The Directors bring a balanced mix of attributes to the board, including:

- international and domestic experience
- operational experience
- knowledge and understanding of both macroeconomic and microeconomic factors affecting the bank and
- financial, legal, entrepreneurial and banking skills.

### Board responsibilities

The key mandate of the Board, which forms the basis for its responsibilities, is to ensure that the Bank is a sustainable organisation capable of fulfilling its stated objectives.

### Strategy

Setting the Bank's strategy is the responsibility of the Board. This is considered and approved by the Board at a meeting dedicated for that purpose.

Once the financial and governance objectives for the following year have been agreed, the Board monitors performance on an ongoing basis. Performance against financial objectives is monitored by way of quarterly management reports and presentations at Board meetings.

### Board effectiveness and evaluation

The Board conducts an annual self evaluation to assess itself against its objectives. The aim of the evaluation is to assist the Board in improving its effectiveness. The outcome of the evaluation is discussed at a board meeting and any areas of concern are addressed. Relevant action points are also noted for implementation.

The performance of the Chairman and Chief Executive are assessed annually, and provide a basis in determining their remuneration.

### Board meetings and attendance

Meetings of the Board are held once a quarter with an additional full day meeting to consider the Bank's strategy and budget. The Board of Directors is provided with comprehensive board documentation at least four days prior to each of the scheduled meetings.

In 2016, attendance by Directors at the meetings of the Board was as follows:

Director	Mar.	June	Sept.	Sept.	Dec.
K.A. Awotwi (Chairman)	√	√	√	√	√
A. Andani	√	√	√	√	√
Dr. J. R. Aryee <sup>1</sup>	√	√	-	-	-
Prof. E. Aryeetey	A	√	√	√	√
Mrs. M. Botsio Benyah	A	√	√	A	√
N. D. Benneh	√	√	√	√	√
K.K. Asomaning	√	√	√	√	√
K.S.A. Mills	√	√	√	A	√
D. Bruynseels	√	√	√	√	√
A.R. Mohinani	√	A	√	√	A
C.B. Egan	√	√	√	√	√

√ Attendance  
 A Apology  
<sup>1</sup> Retired June 2, 2016

### Board Committees

Board Committees are established to assist the Board in discharging its responsibilities. They operate in accordance with Board approved mandates which are reviewed and approved by the Board on an annual basis. These mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board. Details of these committees are provided below:

### *Audit Committee*

The Board Audit Committee comprises only of non-executive directors. It has a mandate to assist the Board of Directors discharge its responsibilities to safeguard the Bank's assets; maintain adequate accounting records; and develop and maintain effective systems of internal control. The Committee provides a report to the Board at each meeting of the Board.

### *Credit, Risk & IT Committee*

The Credit, Risk and IT Committee is composed of non-executive directors, the Chief Executive and the Head of Risk. Its mandate is to ensure that effective credit governance is in place for the adequate management, measurement, monitoring and control of credit risk, to oversee management's activities in managing the other risk types encountered by the Bank and to provide guidance on IT strategy, policies and spend. At each Board meeting, the Committee provides a report.

## **Management Committees**

### *Executive Committee*

The Chief Executive chairs the Executive Committee ("Exco") of which Departmental Heads are members. Its main function is to assist the Chief Executive with the general executive control of the Bank within the limits laid down by the Board of Directors of the bank.

### *Assets and Liabilities Committee*

The Assets and Liabilities Committee is also chaired by the Chief Executive and comprises some members of executive management. Its purpose is to recommend policies and guidelines to the Board for the management of Balance Sheet growth; deposits, advances and investments; foreign exchange activities and positions; and risks associated with exchange rates and liquidity.

## **Company Secretary**

It is the duty of the Company Secretary to ensure that the Board remains cognisant of its duties and responsibilities. The Board is satisfied that an arm's length relationship exists between it and the Company Secretary, who is not a member of the Board. In addition to providing the Board with guidance on its responsibilities, the Company Secretary keeps the Board abreast with relevant changes in legislation and governance best practices. All Directors have access to the services of the Company Secretary.

## **Going concern**

On the recommendation of the Board Audit Committee, the Board annually considers and assesses the going concern basis for the preparation of financial statements at the year end. At the interim reporting period, a similar process is followed to enable the Board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

## **Sustainability**

The Group's annual sustainability report provides a comprehensive and detailed analysis of the issues material to the Group's sustainability and its stakeholders.

The Standard Bank Group sustainability report can be accessed on [www.standardbank.com/sustainability](http://www.standardbank.com/sustainability)

## **Ethics and organisational integrity**

Standard Bank Group's revised code of ethics is designed to empower employees and enable faster decision making at all levels of our business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice.

The code interprets and defines Standard Bank's values in greater detail and provides

values-based decision making principles to guide our conduct. It is aligned with other Standard Bank policies and procedures, and supports the relevant industry regulations and laws of the countries in which the group operates.

The code of ethics is supported by the appropriate organisational structure namely an ethics advice process and an ethics reporting process.

## Remuneration

### *Remuneration philosophy*

The Group's remuneration philosophy aligns with its core values, including growing our people and delivering value to our shareholders. The philosophy continues to emphasise the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce.

The Group's Board of Directors sets the principles for the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests.

A key success factor for the Bank is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives.

### *Remuneration governance*

The remuneration of Board members is reviewed by the Group Remuneration Committee ("remco") and approved by shareholders. The remuneration of executive management is reviewed and, in some instances, approved by remco.

The following key factors have informed the implementation of reward policies and procedures that support the achievement of business goals:

- the provision of rewards that enable the attraction, retention and motivation of employees and the development of a high performance culture
- maintaining competitive remuneration in line with our markets, trends and required statutory obligations
- rewarding people according to their contribution
- allowing a reasonable degree of flexibility in remuneration processes and choice of benefits by employees
- moving to a cost-to-company remuneration structure
- educating employees on the full employee value proposition.

## Remuneration structure

### *Non-executive directors*

#### Terms of service

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement.

In terms of the Bank's Regulations, non-executive directors are required to retire at age 70.

One third of the non-executive directors is required to retire at each AGM and may offer themselves for re-election. If recommended by the directors and supported by the board, the board then proposes their re-election to shareholders.

There is no limitation to the number of times a non-executive director may stand for re-election.

## Fees

Non-executive directors receive fixed fees for service on Boards and Board committees. This includes a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

The following amount represents the total remuneration paid to executive and non-executive directors for the year under review:

Total amount paid	GHS ('000)
Directors (executive and non-executive)	9,570

### *Chief Executive*

The Chief Executive receives a remuneration package and qualifies for long-term incentives on the same basis as other employees. The components of his package are as follows:

- guaranteed remuneration – based on his market value and the role that he plays;
- annual bonus and pension incentive – used to incentivise the achievement of group objectives; and
- pension – provides a competitive post-retirement benefit in line with group employees.
- 

### *Management*

#### Terms of service

The terms and conditions of employment of managers are guided by the legislation in Ghana and are aligned to Group practice.

## Fixed remuneration

Managerial remuneration is based on a total cost-to-company structure. Cost-to-company comprises a fixed cash portion, compulsory benefits (medical aid and retirement fund membership) and optional benefits. Market data is used to benchmark salary levels and benefits. Salaries are normally reviewed annually in March.

For all employees, performance-related payments have formed an increasing proportion of total remuneration over time to achieve business objectives and reward individual contribution.

All employees (executives, managers and general staff) are rated on the basis of performance and potential and this is used to influence actual performance-related remuneration.

Rating and the consequent pay decision is done on an individual basis. There is therefore a link between rating, measuring individual performance and reward.

### Short-term incentives

Executives and managers participate in a performance bonus scheme. Individual awards are based on a combination of business unit performance, job level and individual performance. In keeping with the remuneration philosophy, the bonus scheme seeks to attract and retain high-performing managers.

### Long-term incentives

It is essential for the Group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

### General staff

#### Terms of service

Most general staff are unionised. Their terms and conditions of employment are therefore guided by the respective collective agreement.

#### Fixed remuneration

Remuneration of all staff is based on a basic salary plus benefits, which generally includes medical aid, retirement fund membership, housing benefits and a travel allowance for select levels.

Generally, salary increases are negotiated on an annual basis, usually effective in March. Salary increases are based on similar factors as those considered when reviewing managerial staff increases.

### Bank snapshot

	2016	2015
Branches	38	36
ATMs	104	91
Headcount	781	799
CSI spend (GHS)	1,652K	824K

#### Highlights of awards and achievements in 2016:

1. Ghana Auto Awards: Auto Finance Company of the Year -2015
2. Ghana Banking Awards:
  - a. Best Bank – Product Innovation of the Year 2015 (Slydepay)
  - b. Best Bank for Savings and Deposits
  - c. Most Cashless Bank – 2nd Runner Up

3. Chartered Institute of Marketing Ghana: Marketing Oriented Company of the Year
4. Institute of Public Relations: PR Company of the Year- Financial Sector
5. Association of Ghana Industries (AGI):Best Financial Services Company of the Year
6. The Global Finance Magazine: Best Sub Custodian Bank in Ghana
7. Euromoney Awards;
  - a. Best Overall Bank in Ghana
  - b. Best Debt Capital Markets Bank in Ghana
  - c. Best Equity Finance Bank in Ghana
  - d. Best Investment Managers in Ghana
  - e. Best Loan Finance Bank in Ghana
  - f. Best M&A Advisory Bank in Ghana

### Connecting with our stakeholders

#### Our shareholders

As our existing and prospective shareholders are providers of capital to the bank, we are responsible for providing them with reliable, relevant and timely information to help them make informed investment decisions. Our shareholder base is diverse, including individual and institutional shareholders both locally and internationally. To ensure effective and meaningful shareholder engagement we have developed various communication channels to meet different shareholders' information needs, and to manage shareholder expectations positively and transparently.

## Our customers

Our customers range from individuals and small local businesses to large multinational corporates. Sustainable business performance depends on our ability to engage meaningfully with our customers, to be sensitive to their different needs and to provide relevant products and services. The Group's operations across Africa and the world create diverse challenges for the Group from cultural, regulatory and technological perspectives. Extensive research is conducted to better understand customer needs and market dynamics.

The Bank continues to use the mystery shopping in our branches to assess turnaround time and customer satisfaction with our services.

## Our employees

The Bank is committed to creating a compelling employee value proposition. We firmly believe that our long-term sustainability is dependent on meeting our employees' expectations around remuneration, challenging assignments, fair employment practices, career development as well as wellness and lifestyle support.

Our leaders will continue to play a central role in ensuring that our employees are prepared for future challenges, and that they remain inspired and motivated to make a real difference to our customers.

The Bank's recruitment philosophy is to hire locally and this is applied throughout our operations worldwide. We will only hire foreign employees when necessitated by an existing local skills shortage or for specialist positions. We are required to demonstrate that all reasonable steps are taken to source talent locally, before hiring from other countries.

## Our regulators

We view regulatory compliance not only as a requirement by law, but also as one of the key components of sustainable development. The Bank of Ghana is our primary regulator and supervisor, and the relationship is one of mutual trust built through regular and open communication. Securities and Exchange Commission and various other supervisory bodies also regulate and monitor our compliance with specific legislation.

Bank of Ghana conducts an annual onsite inspection of the Bank's activities. The draft report of the inspection is discussed with the Bank's Executive Committee. The final report is tabled before the Board together with management's responses to issues raised in the report. Any requisite remedial actions taken are also reported.

## Our community

It makes sense for us to invest in the communities in which we operate as healthy and economically active communities have a direct impact on our long-term business growth. As our stakeholders live and work in the communities in which we operate, it follows that by supporting and investing in the well-being of these communities, the Bank is investing in its own sustainability.

The Bank supports local communities through corporate social investment and encourages employee participation in community investment through structured opportunities as well as matching personal donations made by employees to social development. Sponsorships complement and enhance our brand and help to build positive relationships with all stakeholder groups. They also demonstrate our commitment to the development of sports and the arts in the communities in which we operate.

## **Our environment**

The Group has a responsibility and an opportunity to promote sustainable development in areas where it has an influence because of the services it provides.

In order to mitigate this, an annual review of the nature and scope of the environmental risks in each African country in which the Group operates is conducted. This is aimed at improving the management of the environmental risks faced in these countries.

## **Material issues facing the bank**

There are no material issues facing the Bank.

## Financial Review

### Economic environment

The country continued to face economic challenges in 2016, notwithstanding the technical assistance and policy advice obtained from the International Monetary Fund (IMF) in the Extended Credit Facility programme in 2015 to ensure macroeconomic stability for growth and employment within the economy.

In spite of the challenging outlook of the economy, the government remained committed and focused on ensuring a satisfactory implementation of the IMF programme. This ensured substantial progress in returning the macroeconomic conditions of the country back on a growth trajectory by reducing balance of payment deficits. Fiscal deficit conversely, remained a concern as government was keen on keeping up with its infrastructure development programmes for the country. The new administration of the country after the elections indicated the need to renegotiate the IMF programme in order to create fiscal space as well as ensuring fiscal priorities are focused on controlling spending and addressing revenue gaps.

With real GDP growth expected at 4.2% for 2016 compared to 3.9% in 2015, the marginal increase is partly due to responsible monetary and fiscal policy

positions, and further propelled by the launch of the TEN oilfields in August 2016. This is expected to be the bedrock of a renewed investor confidence in Ghana which together, will lead to a higher growth in the foreseeable future. Policy analysts contend that budget deficit for 2016 is expected to be 6.9% of GDP against government's projection of 5.3% due to high government expenditure such as election motivated expenditure in the face of lower revenue driven partly by plummeting commodity prices.

Inflation which had been at a high level of 19% at the start of the year was further fuelled during 2016 by the knock-on effects of upward adjustments in petroleum, utility and transport prices but later ended the year at 15.4%. The inflationary pressures eased towards the end of the year and the rate inched closer to the medium term target band of 8% +/-2%.

Ghana's debt stock has stabilized between 68% and 70% of GDP over the last three years. Government floated a debut 2 year domestic US\$ bond at a coupon of 6% which generated US\$99.6m. This was aimed at exploring additional avenues of financing as well as developing the capital markets in Ghana. A 5 year Eurobond issue of US\$750m was done in 2016 at a coupon rate of 9.25%. The policy rate which was 26% at the start of the year ended at 25.5%. Except for the overnight rate which remained flat at 25.26% y-o-y, the 91-day and 182-day

bills reduced y-o-y by about 7% to 16.43% and 17.64%. The medium term notes (3-year and 5-year) also dropped by 3.89% and 4.76% respectively to 19.60% and 18.90%.

### Overview of financial results

Notwithstanding the difficult economic conditions that plagued the country in 2016, profit after tax (PAT) posted for the year was GHS151m compared to prior year of GHS135m representing a y-o-y increase of 13%. The good y-o-y performance is due to lower credit impairment charges due to the business recovery strategy which saw a recovery from the sale of security for non-performing loans as well as restructure of the VRA facility which leading to modification gains and subsequent impairment releases in the last quarter. Substantial advisory fees from debt capital markets activities also contributed to the improved year-on-year performance.

**Total Income** for the year of GHS582m was 6.8% higher compared to prior year of GHS545m, reflecting a moderately strong net interest income. The increase over 2015 was mainly due to higher market rates that prevailed in the first half of the year and improvement in the investment book. Interest rate decent in the next half year impacted interest income growth but the upside was a reduction in interest expense on deposits.

In spite of the lower market volumes, net fees and commissions were higher y-o-y by 24% on the back of earnings from non-risk

related activities such as advisory services, account management and card services. Trading revenue however was 17% down against prior year at GHS91m mainly due to less volatility in the foreign exchange market until the last quarter of the year.

Our cost reduction measures are already impacting our cost base. Total operating expenses was only 7% higher y-o-y at GHS304m.

Credit impairment charges for the year were 11% lower y-o-y reflecting improved risk management systems and the effects of less aggressive risk weighted asset growth.

	2016	2015
Return on equity	25.41%	26.82%
Profit after tax (GHSm)	151.4	134.5
Profit after tax growth	13%	-10%
Earnings per share GHp	91.05	80.91
Earnings per share growth	13%	-10%
Net interest margin	19%	12%
Cost-to-income ratio	52.22%	51.97%
Credit-loss- ratio	2.68%	3.19%

### Business Unit Performance

Wealth business unit was introduced in 2016 to serve the affluent segment of the personal market. The new business unit is additional to the traditional Personal and Business Banking (PBB) and Corporate and Investment Banking (CIB). PBB introduced a five-fold strategic initiative to drive efficiency, productivity and improved performance. The initiatives were:

- Re-energize assets;
- Redemption of non-performing loans;
- Enhanced deposit mobilization;
- Renewed focus on noninterest revenue
- Cost discipline

These initiatives promoted significant resilience in the business to mitigate the effects of the economic headwinds experienced in the year. Business intends pursuing them into the medium term to ensure the delivery of sustainable superior performance.

Slydepay as an electronic payment platform which supports customers' cashless payments was enhanced in 2016. The ease of its operations and reliability was well received by clients and patrons. Consequently, the slydepay application at the 2016 Banking Awards was adjudged the most innovative product in the year.

In the context of the "One Bank" strategy, PBB embraced an ecosystem concept, where business solutions are offered to customers without recourse to the business units they originally belonged to.

Our Corporate and Investment Banking business continues to put the customer at the heart of its activities. Business remained closer to its clients in spite of its less aggressive risk asset growth posture in the year driven by the challenges in the economy. To this end, advisory services and support were efficiently delivered to appropriate clients and for which our expertise are highly appreciated. Our

involvement in the restructuring of the VRA legacy debts and the Ministry of Finance' local bonds issuance are excellent examples. We continue to remain resolute in our determination to identify and address the emerging risks in the corporate banking market as we are confronted with.

### **Capital management**

Capital adequacy ratio significantly improved to 18.6% in 2016 from 14.0% in 2015. The underlying reasons for the growth are:

- The capital base saw a 40% increase from the GHS151m PAT recorded for the financial year 2016 and the inflow of US\$15m tier-2 capital injection.
- The risk weighted assets expansion by 8% was driven by increase in on balance sheet risks and operational risks respectively.

The bank's return on equity (ROE) was 25.4% (2015: 26.8%) notwithstanding the higher profitability. This is attributable to the increased capital base in 2016. The bank's capital management strategy is consistent with the overall capital management governance principles of the Standard Bank Group.

## Directors and Advisors

### Board of Directors

K. A. Awotwi  
A. Andani  
J. R. Aryee (Dr)  
E. Aryeetey (Prof)  
M. B. Benyah (Mrs)  
K. K. Asomaning  
K.S.A Mills  
D. Bruynseels  
A.R. Mohinani  
C. B. Egan  
N.D. Benneh

(Chairman)  
(Chief Executive)  
(Retired June 2, 2016)

### Secretary

Mrs Doreen Iliasu  
Stanbic Bank Ghana Limited  
Stanbic Heights  
215 South Liberation Link  
Accra

### Auditor

KPMG  
Chartered Accountants  
13 Yiyiwa Drive  
Abelenkpe  
P. O. Box GP 242  
Accra

### Solicitors

Bentsi-Enchill, Letsa & Ankomah  
# 4 Momotse Avenue  
Adabraka,  
P.O. Box GP1632  
Accra, Ghana

### Registered Office

Stanbic Heights  
215 South Liberation Link  
Airport City  
Accra

## Report of the Directors

The directors submit herewith their report and the audited annual financial statements for the year ended 31 December 2016.

### Statement of Directors' Responsibilities

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Group (Bank and its subsidiary) and of the profit or loss and cash flows for that year. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with relevant requirements of the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738).

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

### Principal Activities

The principal activities of the Group are Corporate and Investment Banking, Personal and Business Banking and Brokerage Services. There was no change in the principal activities of the Group during the year.

### Holding Company

The Bank is a subsidiary of Stanbic Africa Holdings Limited, a company incorporated in the United Kingdom, which holds 99.54% (2015: 99.54%) of the issued shares of the Bank. The ultimate holding company is Standard Bank Group Limited, a company registered in South Africa.

### Subsidiary

The Bank has a wholly owned subsidiary, SBG Securities Ghana Limited.

### Results for the Year

The income statement, statement of financial position, statement of other comprehensive income and statement of cash flows that are contained in this report reflect the results and the state of affairs of the Bank standing alone and the Group as at 31 December 2016.

### Dividend

The directors are not recommending the payment of dividend this year. Prior year dividend paid was nil.

### Auditor

The directors recommend that KPMG continue in office, in accordance with section 134 (5) of the Companies Act, 1963 (Act 179).

### Directors

The names of persons who were directors of the Bank at any time during the year are disclosed on page 20.

The 2016 annual financial statements and specified sections of the risk and capital management report were approved by the board of directors on 10 March 2017 and signed on its behalf by:



Kweku Andoh Awotwi  
Chairman  
10 March 2017



Alhassan Andani  
Chief Executive  
10 March 2017



## INDEPENDENT AUDITOR'S REPORT

To the Members of Stanbic Bank Ghana Limited

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the consolidated and separate financial statements of Stanbic Bank Ghana Limited ("the Group"), which comprises the statements of financial position at 31 December 2016, the income statement and the statements of other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 91.

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

#### Basis for Opinion

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

#### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' Report as required by the Companies Act, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) but does not include the consolidated and separate financial statements and our auditor's report thereon.

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



## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated and separate 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 Group to cease to continue as a going concern.



**INDEPENDENT AUDITOR’S REPORT (CONT’D)**

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**Report on Other Legal and Regulatory Requirements**

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is **Frederick Nyan Dennis (ICAG/P/1426)**.

*KPMG*

.....  
 For and on behalf of:  
**KPMG (ICAG/F/2017/038)**  
**CHARTERED ACCOUNTANTS**  
**13 YIYIWA DRIVE, ABELENKPE**  
**P O BOX GP 242**  
**ACCRA**

*10 March* ..... 2017

# Statement of financial position

at 31 December 2016

	Note	Group		Bank	
		2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>Assets</b>					
Cash and cash equivalents	2	2 069 778	1 521 544	2 068 069	1 519 552
Non-pledged Trading assets	4	549 881	503 573	549 881	503 573
Investments securities	5	678 804	280 417	678 083	280 045
Loans and advances to customers	6	1 677 234	1 680 218	1 677 234	1 680 218
Current tax assets	15.1	1 148	49	1 096	-
Deferred tax assets	15.2	14 618	26 126	14 618	26 126
Other assets	8	259 290	201 866	260 325	202 814
Investment (other than securities)	12.4	-	-	1 000	1 000
Intangible assets	9	87 271	34	87 271	-
Property, plant and equipment	10	72 444	62 325	72 441	62 325
<b>Total assets</b>		<b>5 410 468</b>	<b>4 276 152</b>	<b>5 410 018</b>	<b>4 275 653</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
		<b>697 702</b>	<b>538 428</b>	<b>697 328</b>	<b>538 018</b>
Ordinary share capital	11	108 241	108 241	108 241	108 241
Reserves		589 461	430 187	589 087	429 777
Income surplus	11	219 005	132 249	218 631	131 334
Statutory reserve	11	177 651	158 718	177 651	158 718
Statutory credit risk reserve	11	185 931	139 824	185 931	139 824
Available for sale reserve	11	6 792	( 896)	6 792	( 896)
Other reserve	11	82	292	82	797
<b>Liabilities</b>		<b>4 712 766</b>	<b>3 737 724</b>	<b>4 712 690</b>	<b>3 737 635</b>
Trading liabilities	13	246 589	342 050	246 589	342 050
Deposit and current accounts	14	4 091 536	3 154 562	4 091 536	3 154 562
Deposits from banks	14	495 718	86 397	495 718	86 397
Deposits from customers	14	3 595 818	3 068 165	3 595 818	3 068 165
Current tax liabilities	15.1	-	11	-	11
Deferred tax liabilities	15.2	-	9	-	-
Provisions and other liabilities	16	249 242	185 293	249 166	185 213
Borrowings	17	125 399	55 799	125 399	55 799
<b>Total equity and liabilities</b>		<b>5 410 468</b>	<b>4 276 152</b>	<b>5 410 018</b>	<b>4 275 653</b>

The accounting policies and notes on pages 25 to 91 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 10 March 2017 and signed on its behalf by:

Name of Director: Kweku Andoh Awotwi

Signature:



Name of Director: Alhassan Andani

Signature:



## Income statement

for the year ended 31 December 2016

	Note	Group		Bank	
		2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>Net interest income</b>		<b>352 491</b>	<b>347 457</b>	<b>351 928</b>	<b>346 927</b>
Interest income	22.1	462 345	473 272	461 782	472 742
Interest expense	22.2	109 854	125 815	109 854	125 815
<b>Non-interest revenue</b>		<b>201 545</b>	<b>197 168</b>	<b>201 343</b>	<b>197 004</b>
<b>Net fee and commission revenue</b>	22.3	<b>108 609</b>	<b>87 774</b>	<b>108 407</b>	<b>87 610</b>
Fee and commission revenue	22.3	128 082	103 469	127 880	103 305
Fee and commission expense	22.3	19 473	15 695	19 473	15 695
Trading revenue	22.4	91 240	109 658	91 240	109 658
Other (loss)/ revenue	22.6	1 696	(264)	1 696	(264)
Gain from derecognition of financial assets measured as amortised cost	22.5	41 426	-	41 426	-
<b>Total income</b>		<b>595 462</b>	<b>544 625</b>	<b>594 697</b>	<b>543 931</b>
Credit impairment charges	22.7	68 674	62 065	68 674	62 065
<b>Income after credit impairment charges</b>		<b>526 788</b>	<b>482 560</b>	<b>526 023</b>	<b>481 866</b>
<b>Operating expenses</b>		<b>303 822</b>	<b>283 066</b>	<b>303 012</b>	<b>282 404</b>
Staff costs	22.8	164 305	136 910	163 940	136 619
Depreciation and amortisation	22.9	22 624	15 454	22 589	15 408
Other operating expenses	22.10	116 893	130 702	116 483	130 377
<b>Net income before indirect taxation</b>		<b>222 966</b>	<b>199 494</b>	<b>223 011</b>	<b>199 462</b>
Indirect taxation	24.1	3 592	5 078	3 592	5 078
<b>Profit before direct taxation</b>		<b>219 374</b>	<b>194 416</b>	<b>219 419</b>	<b>194 384</b>
Direct taxation	24.2	67 947	59 867	67 955	59 858
<b>Profit for the year</b>		<b>151 427</b>	<b>134 549</b>	<b>151 464</b>	<b>134 526</b>
Basic/diluted earnings per ordinary share (Pesewas)	25	91.06	80.91	91.08	80.90

The accounting policies and notes on pages 25 to 91 form an integral part of the financial statements.

## Statement of comprehensive income

for the year ended 31 December 2016

	Group	Bank
Note	GHS '000	GHS '000
<b>2016</b>		
<b>Profit for the year</b>	151 427	151 464
Other comprehensive income after tax for the year <sup>1</sup>	7 688	7 688
<b>Items that may be reclassified subsequently to profit or loss</b>		
Net change in fair value of available-for-sale financial assets	7 688	7 688
<b>Total comprehensive income for the year</b>	159 115	159 152
<b>2015</b>		
<b>Profit for the year</b>	134 549	134 526
Other comprehensive income after tax for the year <sup>1</sup>	1 745	1 745
<b>Items that may be reclassified subsequently to profit or loss</b>		
Net change in fair value of available-for-sale financial assets	1 745	1 745
<b>Total comprehensive income for the year</b>	136 294	136 271

<sup>1</sup> Income tax relating to each component of other comprehensive income is disclosed in note 24.2

The accounting policies and notes on pages 25 to 91 form an integral part of the financial statements.

**Statement of changes in equity  
for the year ended 31 December 2016**

Group	Note	Ordinary share capital GHS'000	Statutory credit risk reserve GHS'000	Available-for- sale reserve GHS'000	Statutory reserve GHS'000	Retained earnings GHS'000	Share based payment reserve GHS'000	Ordinary shareholders' equity <sup>1</sup> GHS'000
<b>Balance at 1 January 2015</b>		108 241	74 574	(2 641)	141 902	129 648	773	452 497
<b>Total comprehensive income for the year</b>		-	-	1 745	-	134 549	-	136 294
Profit for the year		-	-	-	-	134 549	-	134 549
Other comprehensive income		-	-	1 745	-	-	-	1 745
Increase in statutory credit risk reserve		-	65 250	-	-	(65 250)	-	-
Increase in statutory reserve	12.1	-	-	-	16 816	(16 816)	-	-
Decrease in share based payment reserve		-	-	-	-	-	(481)	(481)
Transfer of vested equity rights		-	-	-	-	-	-	-
<b>Transactions with shareholders, recorded directly in equity</b>		-	-	-	-	(49 882)	-	(49 882)
Dividend paid during the year	12.3	-	-	-	-	(49 882)	-	(49 882)
<b>Balance at 31 December 2015</b>		108 241	139 824	(896)	158 718	132 249	292	538 428
<b>Balance at 1 January 2016</b>		108 241	139 824	(896)	158 718	132 249	292	538 428
<b>Total comprehensive income for the year</b>		-	-	7 688	-	151 427	-	159 115
Profit for the year		-	-	-	-	151 427	-	151 427
Other comprehensive income		-	-	7 688	-	-	-	7 688
Increase in statutory credit risk reserve		-	46 107	-	-	(46 107)	-	-
Increase in statutory reserve	12.1	-	-	-	18 933	(18 933)	-	-
Increase in share based payment reserve		-	-	-	-	-	159	159
Transfer of vested equity rights		-	-	-	-	-	(369)	-
<b>Transactions with shareholders, recorded directly in equity</b>		-	-	-	-	-	-	-
Dividend paid during the year	12.3	-	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>		108 241	185 931	6 792	177 651	219 005	82	697 702
<b>Bank</b>								
<b>Balance at 1 January 2015</b>		108 241	74 574	(2 641)	141 902	128 756	1 277	452 109
<b>Total comprehensive income for the year</b>		-	-	1 745	-	134 526	-	136 271
Profit for the year		-	-	-	-	134 526	-	134 526
Other comprehensive income		-	-	1 745	-	-	-	1 745
Increase in statutory credit risk reserve		-	65 250	-	-	(65 250)	-	-
Increase in statutory reserve	12.1	-	-	-	16 816	(16 816)	-	-
Decrease in share based payment reserve		-	-	-	-	-	(480)	(480)
Transfer of vested equity rights		-	-	-	-	-	-	-
<b>Transactions with shareholders, recorded directly in equity</b>		-	-	-	-	(49 882)	-	(49 882)
Dividend paid during the year	12.3	-	-	-	-	(49 882)	-	(49 882)
<b>Balance at 31 December 2015</b>		108 241	139 824	(896)	158 718	131 334	797	538 016
<b>Balance at 1 January 2016</b>		108 241	139 824	(896)	158 718	131 334	797	538 018
<b>Total comprehensive income for the year</b>		-	-	7 688	-	151 464	-	159 152
Profit for the year		-	-	-	-	151 464	-	151 464
Other comprehensive income		-	-	7 688	-	-	-	7 688
Increase in statutory credit risk reserve		-	46 107	-	-	(46 107)	-	-
Increase in statutory reserve	12.1	-	-	-	18 933	(18 933)	-	-
Increase in share based payment reserve		-	-	-	-	-	158	158
Transfer of vested equity rights		-	-	-	-	-	(873)	-
<b>Transactions with shareholders, recorded directly in equity</b>		-	-	-	-	-	-	-
Dividend paid during the year	12.3	-	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>		108 241	185 931	6 792	177 651	218 631	82	697 328

<sup>1</sup> Group has minority shareholding of 0.46%.

All balances are stated net of applicable tax.

The accounting policies and notes on pages 25 to 91 form an integral part of the financial statements.

# Statement of cash flows

for the year ended 31 December 2016

Stanbic Bank Ghana Limited annual report

	Note	Group		Bank	
		2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>Net cash from operating activities</b>		<b>607 998</b>	<b>733 417</b>	<b>608 277</b>	<b>733 023</b>
<b>Cash flows from operations</b>		<b>365 246</b>	<b>434 391</b>	<b>365 867</b>	<b>434 478</b>
Profit before indirect and direct taxation		222 966	199 494	223 011	199 462
Adjusted for:		(280 491)	(269 606)	(279 964)	(269 121)
Amortisation of intangible assets	22.9	4 103	46	4 072	-
Credit impairment charges on loans and advances	22.7	68 674	62 065	68 674	62 065
Depreciation of property and equipment	22.9	18 521	15 408	18 517	15 408
Equity-linked transactions	22.8	159	(481)	158	(480)
Interest expense	22.2	109 854	125 815	109 854	125 815
Interest income	22.1	(462 345)	(473 272)	(461 782)	(472 742)
Indirect tax - VAT		(3 592)	(5 078)	(3 592)	(5 078)
Provision on derecognition of financial asset		(13 610)	-	(13 610)	-
Fair value adjustment on third party fund interests		(2 450)	4 014	(2 450)	4 014
loss on sale of property, plant and equipment	10.3	195	982	195	982
loss on sale of other intangible asset	9.3	-	895	-	895
Increase in income-earning assets	26.1	(505 885)	(3 842)	(504 889)	(5 167)
Increase in deposits, provisions and other liabilities	26.2	928 656	508 345	927 709	509 304
<b>Interest paid</b>		<b>(118 985)</b>	<b>(121 610)</b>	<b>(118 985)</b>	<b>(121 610)</b>
<b>Interest received</b>		<b>421 856</b>	<b>502 882</b>	<b>421 512</b>	<b>502 352</b>
<b>Direct taxation paid</b>	24.2	<b>(60 119)</b>	<b>(82 246)</b>	<b>(60 117)</b>	<b>(82 197)</b>
<b>Net cash used in investing activities</b>		<b>(120 175)</b>	<b>(23 494)</b>	<b>(120 171)</b>	<b>(23 494)</b>
Capital expenditure on - property, equipment, furniture and vehicles	10.2	(28 976)	(23 636)	(28 972)	(23 636)
- intangible assets		(91 343)	-	(91 343)	-
Proceeds from sale of property, equipment, furniture and vehicles	10.3	144	142	144	142
<b>Net cash from financing activities</b>		<b>60 474</b>	<b>(21 726)</b>	<b>60 474</b>	<b>(21 726)</b>
Net increase in borrowings	26.3	60 474	28 156	60 474	28 156
Net dividends paid	12.3	-	(49 882)	-	(49 882)
<b>Net increase in cash and cash equivalents</b>		<b>548 297</b>	<b>688 197</b>	<b>548 580</b>	<b>687 803</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(63)</b>	<b>85</b>	<b>(63)</b>	<b>85</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1 521 544</b>	<b>833 262</b>	<b>1 519 552</b>	<b>831 664</b>
<b>Cash and cash equivalents at the end of the year</b>	2	<b>2 069 778</b>	<b>1 521 544</b>	<b>2 068 069</b>	<b>1 519 552</b>

The accounting policies and notes on pages 25 to 91 form an integral part of the financial statements.

## Accounting policy elections

The principal accounting policies applied in the presentation of the Group's annual financial statements are set out below.

### Reporting entity

Stanbic Bank Ghana Limited (the Bank) and its wholly owned subsidiary (together the Group) is a financial services provider engaged in Corporate and Investment Banking, Personal and Business Banking and Brokerage Services.

The Bank is a limited liability company incorporated and domiciled in Ghana. The address of its registered office is Stanbic Heights, Plot No 215, South Liberation Link, Airport City, Accra, Ghana.

### Basis of preparation

The consolidated and separate annual financial statements (annual financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), and in the manner required by the Companies Act, (Act 179), the Banking Act, 2004 (Act 673) and the Banking Amendment Act, 2007 (Act 738). The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are measured at fair value:

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, liabilities for cash-settled share-based payment arrangements and derivative financial instruments;

The following principle accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 4);
- intangible assets and property and equipment are accounted for using the cost model (accounting

policy 6 and 7);

- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 5).

### Functional and presentation currency

The annual financial statements are presented in Ghana Cedis, which is the functional and presentation currency of the Group. All amounts are stated in thousands of Ghana Cedis (GHS '000), unless indicated otherwise.

### Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year.

## 1. Basis of consolidation

### Subsidiaries

The group consolidates the annual financial statements of investees which it controls. The group controls an investee when:

- It is exposed to or has right to variable returns from its involvement with the investee; and
- It has the power and the ability to use its power to affect the returns from its involvement with the investee.

The annual financial statements of the investee are consolidated from the date on which the group acquires control up to the date that control is lost. Control is assessed on a continuous basis.

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other component of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is classified as a financial asset and accounted for in line with accounting policy 4, Financial instruments.

Intragroup transactions, balances and unrealised gains and losses are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

The proportion of comprehensive income and changes in equity allocated to the group and non-controlling interests are determined on the basis of the group's present ownership interest in the subsidiary.

The accounting policies of subsidiaries that are consolidated by the group conform to the group's accounting policies.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell and value in use.

## 2. Foreign currency translations

### Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of Group entities at exchange rates prevailing at the date 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 recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (profit or loss) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future.

## 3. Cash and cash equivalents

Cash and cash equivalents presented in the statement of

cash flows consist of cash and balances with banks and short-term negotiable securities.

Short-term negotiable securities are highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Cash and balances with banks comprise coins and bank notes, and balances with the Bank of Ghana and other banks.

## 4. Financial instruments

### Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

### Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

#### Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

**Held-for-trading assets and liabilities**

Held-for-trading assets and liabilities include those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are always categorised as held-for-trading.

Subsequent to initial recognition, the financial instruments' fair values are remeasured at each reporting date. All gains and losses, including interest and dividends arising from changes in fair value are recognised in profit or loss as trading revenue within non-interest revenue.

**Financial assets and liabilities designated at fair value through profit or loss**

The Group designates certain financial assets and liabilities, other than those classified as held-for-trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. The designation significantly reduces measurement inconsistencies that would have otherwise arisen. For example where the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost. This category also includes financial assets used to match investment contracts or insurance contract liabilities;
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the Group's key management personnel on a fair-value basis or,
- financial instruments contain one or more embedded derivatives that significantly modify the instruments' cash flows.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains and losses arising from changes in fair value are

recognised in interest income/(expense) for all debt financial assets/(financial liabilities) and in other revenue within non-interest revenue for all equity instruments.

**Available-for-sale**

Financial assets classified by the Group as available-for-sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not classified within another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When debt/(equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income/(other revenue).

Interest income, calculated using the effective interest rate method, is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised within other revenue when the Group's right to receive payment has been established.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

**Financial liabilities at amortised cost**

Financial liabilities that are neither held for trading nor designated at fair value are measured at amortised cost.

### Reclassification of financial assets

The Group may choose to reclassify non-derivative trading assets 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 that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Derivatives or any financial instrument designated at fair value through profit or loss shall not be reclassified out of their respective categories.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust the financial asset's effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

### Impairment of financial assets

#### Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the loan or group of loans that can be estimated reliably.

Criteria that are used by the Group in determining whether there is objective evidence of impairment include:

- known cash flow difficulties experienced by the

borrower;

- a breach of contract, such as default or delinquency in interest and/or principal payments;
- breaches of loan covenants or conditions;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

The Group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing financial loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group

of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss trigger events and the date on which the group identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss. Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss.

Subsequent to impairment, the effects of discounting unwind over time as interest income.

#### **Renegotiated loans**

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine

whether they are considered to be impaired or past due.

The effective interest rate of renegotiated loans that have not been derecognised (described under the heading “Derecognition of financial instruments”), is redetermined based on the loan’s renegotiated terms.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered to be impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

#### **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 set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

#### **Derivative financial instruments**

A derivative is a financial instrument whose value changes in response to an underlying variable, requires

no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the fair value policy above.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading "Offsetting financial instruments".

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

The method of recognising fair value gains and losses depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the hedge relationship, or if they are classified as held-for-trading.

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as trading revenue.

### **Borrowings**

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a

specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

### **Derecognition of financial instruments**

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of

its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

#### **Modification of financial instruments**

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability, with the difference in the respective carrying amounts being recognised in profit or loss.

In all other instances, the renegotiated asset or liability's effective interest rate is redetermined taking into account the renegotiated terms.

#### **Sale and repurchase agreements and lending of securities**

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans granted under resale agreements and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In

these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

#### **5. 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 in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

For financial instruments, where the fair value of the financial instrument differs to the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for the assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date. If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, pricing models and other valuation techniques commonly used by market participants.

Where discounted cash flow analysis are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the group:

- manages the group of financial assets and financial liabilities on the basis of the group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the group's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the group's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Where the fair value of investments in equity instruments or identical instruments do not have a quoted price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair

value measurements are observable and the significance of the inputs to the fair value measurement (refer to note 19).

## 6. Intangible assets

### Computer software

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the Group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to ten years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

### Other intangible assets

The Group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in profit or loss as incurred.

The Group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, not exceeding 20 years, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

### 7. Property and Equipment

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and losses on disposal of assets are included in profit or loss.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to

their residual values. Land is not depreciated. Leasehold buildings are depreciated over the period of the lease or over a lesser period, as is considered appropriate.

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

The estimated useful lives of tangible assets are typically as follows:

Computer equipment	– 3 to 5 years
Motor vehicles	– 4 to 5 years
Office equipment	– 5 to 10 years
Furniture and fittings	– 5 to 13 years
Capitalised leased assets	– over the shorter of the lease term or its useful life

There has been no change to the estimated useful lives and depreciation methods from those applied in the previous financial year.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the item.

### 8. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are tested annually for impairment and additionally when an indicator of impairment exists. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future

cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

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

## 9. Leases

### Group as lessee

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any

payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### Group as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances in the statement of financial position.

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return. The tax benefits arising from investment allowances on assets leased to clients are accounted for in the direct taxation line.

Leases of assets under which the Group retains a significant portion of the risks and rewards of ownership are classified as operating leases. Operating lease income from properties held as investment properties, net of any incentives given to lessees, is recognised on the straight-line basis or a more representative basis where applicable over the lease term. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of a penalty is recognised as income in the period in which termination takes place.

## 10. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the

Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit. Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

## 11. Employee benefits

### Post-employment benefits

#### Defined contribution plans

The Group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

### Termination benefits

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

### Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

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

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

## 12. Tax

### Direct tax

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and

liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and jointly controlled entities (excluding mutual funds) where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

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

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

#### **Dividends tax**

Tax on dividends declared by the Group are recognised as part of the dividends paid within equity.

Dividends tax withheld by the Group on dividends paid to its shareholders and payable at the reporting date to the Ghana Revenue Authority is included in trade and other payables in the statement of financial position.

#### **Indirect tax**

Indirect taxes, including non-recoverable value added tax (VAT) and other duties for banking activities, are recognised in profit or loss and disclosed separately in the income statement.

### **13. Equity**

#### **Share issue costs**

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

#### **Distributions on ordinary shares**

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note.

### **14. Equity-linked transactions**

#### **Equity compensation plans**

The Standard Bank Group operates both equity-settled and cash-settled share-based compensation plans. All share options issued after 7 November 2002 that had not vested by 31 December 2004 are accounted for as share-based payment transactions.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for

as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

## 15. Revenue and expenditure

### Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission revenue, trading revenue and other non-interest revenue.

### Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets (except those that have been reclassified – refer to accounting policy 4 – *Financial instruments*) or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Fair value gains and losses on realised debt financial instruments, including amounts removed from OCI in respect of available-for-sale debt financial assets, and excluding those classified as held-for-trading, are included in net interest income.

Dividends received on preference share investments form part of the Group's lending activities and are included in interest income.

### Non-interest revenue

#### *Net fee and commission revenue*

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

### **Trading revenue**

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

### **Other revenue**

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments.

Gains and losses on equity available-for-sale financial assets are reclassified from OCI to profit or loss on derecognition or impairment of the investments. Dividends on these instruments are recognised in profit or loss.

### **Management fees on assets under management**

Fee income includes management fees on assets under management and administration fees. Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.

Administration fees received for the administration of medical schemes are recognised when the services are rendered.

### **16. Fiduciary activities**

The Group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the Group. However, fee income earned and fee expenses incurred by the Group relating to the Group's responsibilities from fiduciary activities are recognised in profit or loss.

### **17. Comparative figures**

Where necessary, comparative figures within notes have been restated to either conform to changes in presentation in the current year or for the adoption of new IFRS requirements.

### New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2016 and have not been applied in preparing these annual financial statements.

Pronouncement	Title	Effective date
IFRS 9	<p><i>Financial Instruments</i></p> <p>This standard will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.</p> <p>The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.</p> <p>All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within OCI.</p> <p>The standard has introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss).</p> <p>With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses.</p> <p>A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.</p> <p>The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting.</p> <p>The standard will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.</p>	Annual periods beginning on or after 1 January 2018
Disclosure Initiative (Amendments to IAS 7)	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes	The amendments apply for annual periods beginning on or after 1 January 2017 and early

Pronouncement	Title	Effective date
	providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.	application are permitted.
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	<p>The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and are not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.</p> <p>The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.</p> <p>Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.</p> <p>Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.</p>	The amendments apply for annual periods beginning on or after 1 January 2017 and early application are permitted.
IFRS 10 and IAS 28 (amendments)	<p><i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p> <p>The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.</p>	To be determined
IFRS 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).</p> <p>The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.</p> <p>The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.</p>	Annual periods beginning on or after 1 January 2018

Pronouncement	Title	Effective date
	<p>The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. However is not expected to be significant.</p>	
IFRS 16	<p><i>Leases</i> This standard will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).</p> <p>The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.</p> <p>The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17.</p> <p>In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.</p> <p>The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.</p>	Annual periods beginning on or after 1 January 2019
IFRS 2 (amendment)	<p><i>Share-based Payment</i> The amendments are intended to eliminate diversity in practice in three main areas of the <i>classification and Measurement of share based payment transactions</i> are:</p> <ul style="list-style-type: none"> <li>• The effects of vesting conditions on the measurement of a cash-settled share based payment transaction</li> <li>• The classification of a share-based payment transaction with net settlement features for withholding tax obligations</li> <li>• The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.</li> </ul> <p>The amendments will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.</p>	Annual periods beginning on or after 1 January 2018
IFRS 4 (amendment)	<p><i>Insurance Contracts</i> The amendment to applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> introduce two approaches: an overlay approach and a deferral approach. The amended</p>	Annual periods beginning on or after 1 January 2018

Pronouncement	Title	Effective date
	<p>Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard IAS 39.</p> <p>The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility.</p> <p>The amendments will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.</p>	
IFRIC 22	<p><i>Foreign Currency Transactions and Advance Consideration</i></p> <p>The IFRIC provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.</p> <p>The IFRIC will be applied retrospectively or prospectively. The impact on the annual financial statements has not yet been fully determined but is not expected to have a significant impact on the group.</p>	Annual periods beginning on or after 1 January 2018

**Notes to the annual financial statements**

for the year ended 31 December 2016

**1. Key management assumptions**

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. 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. No material changes to assumptions have occurred during the year.

**1.1 Credit impairment losses on loans and advances***Portfolio loan impairments*

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and non-performing but not specifically impaired loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

*Specific loan impairments*

Non-performing loans include those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

**1.2 Credit impairment losses on loans and advances continued**

	Expected time to recovery <sup>1</sup>		Expected recoveries as a percentage of impaired loans		Impairment loss sensitivity <sup>2</sup>	
	2016 Months	2015 Months	2016 %	2015 %	2016 GHS '000	2015 GHS '000
<b>Personal &amp; Business Banking</b>	<b>0-15</b>	0-15	<b>54</b>	60	<b>694</b>	722
Mortgage lending	8	9	72	78	41	33
Instalment sale and finance leases	8	6	60	76	124	141
Other lending	9	7	74	56	529	548
<b>Corporate &amp; Investment Banking</b>	<b>11</b>	8	<b>41</b>	58	<b>1 285</b>	1 485
					<b>1 979</b>	2 207

<sup>1</sup> The expected time to recovery has been adjusted in 2016 due to changes in market conditions.

<sup>2</sup> Sensitivity is based on the effect of a change of one percentage point in the value of the estimated recovery on the value of the impairment.

**1.3 Fair value of financial instruments**

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that are not quoted in active markets is determined using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

Additional disclosures on fair value measurements of financial instruments are set out in note 18.

## 1. Key management assumptions continued

### 1.4 Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired and recognised as such in profit or loss when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates, among other factors, the normal volatility in the fair value. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry or sector, or operational and financing cash flows or significant changes in technology.

Had the declines of financial instruments with fair values below cost been considered significant or prolonged, the group would have suffered an additional loss attributable to ordinary shareholders of **GHS 0.677 million** (2015: GHS 1.02 million) in its financial statements, being the transfer of the negative revaluations within the available-for-sale reserve to profit or loss.

### 1.5 Intangible assets

Direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are capitalised and disclosed as computer software intangible assets.

Computer software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of the recoverable amount of each asset requires judgement. The recoverable amount is based on the value in use and calculated by estimating future cash benefits that will result from each asset and discounting these cash benefits at an appropriate pre-tax discount rate.

### 1.6 Income taxes

The group is subject to direct taxation in Ghana. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 15 and note 24 respectively, in the period in which such determination is made.

### 1.7 Financial risk management

The group's risk management policies and procedures are disclosed in the risk and capital management section of the annual report from notes 28 to 33. All IFRS 7 information included in the financial risk management section as set out on note 29 forms part of the audited annual financial statements as indicated in the risk report.

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>2 Cash and cash equivalents</b>				
<b>Cash and balances with Bank of Ghana</b>	<b>767 365</b>	593 374	<b>767 194</b>	593 278
Coins and bank notes	<b>135 785</b>	128 943	<b>135 614</b>	128 847
Balances with Bank of Ghana	<b>631 580</b>	464 431	<b>631 580</b>	464 431
Due from other banks and financial institutions	<b>1 302 413</b>	928 170	<b>1 300 875</b>	926 274
	<b>2 069 778</b>	1 521 544	<b>2 068 069</b>	1 519 552

Cash and balances with Bank of Ghana include GHS 465.4 million (2015: GHS 409.0 million) for the Group and Bank that is maintained as part of the cash reserve requirements of Bank of Ghana

## Notes to the annual financial statements continued

for the year ended 31 December 2016

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### 3 Derivative instruments

All derivatives are classified as derivatives held-for-trading.

#### 3.1 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading foreign exchange, interest rate, and credit risk purposes. Derivative instruments used by the group for trading activities include swaps, options, forwards and other similar types of instruments based on foreign exchange rates, interest rates, and credit risk.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis.

**Swaps** are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swap transactions undertaken by the group are as follows:

- interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate;
- credit default swaps are the most common form of credit derivative, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third-party reference asset; and
- total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is effected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

**Options** are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter (OTC) or on a regulated exchange.

**Forwards** are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor made agreements that are transacted between counterparties in an (over-the-counter) OTC market.

#### 3.2 Derivatives held-for-trading

The group transacts derivative contracts to address customer demand both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. Trading derivative products include the following derivative instruments:

##### 3.2.1 Foreign exchange derivatives

Foreign exchange derivatives are primarily used to hedge foreign currency risks on behalf of customers. Foreign exchange derivatives primarily consist of foreign exchange forwards, foreign exchange swaps and foreign exchange options.

##### 3.2.2 Interest rate derivatives

Interest rate derivatives are primarily used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers. Interest rate derivatives primarily consist of bond options, caps and floors, forwards, options, swaps and swaptions.

**Notes to the annual financial statements continued**  
for the year ended 31 December 2016

**3 Derivative instruments continued**

**3.3 Derivative assets and liabilities**

	Maturity analysis of net fair value						
	Within 1 year	After 1 year but within 5 years	After 5 years	Net fair value	Fair value of assets	Fair value of liabilities	Contract/ notional amount
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>Group and Bank</b>							
<b>2016</b>							
<b>Derivatives held-for-trading</b>							
<b>Foreign exchange derivatives</b>	<b>(3 338)</b>	<b>-</b>	<b>-</b>	<b>(3 338)</b>	<b>1 221</b>	<b>(4 559)</b>	<b>(238 358)</b>
Forwards	84	-	-	84	178	(94)	(1 808)
Swaps	(3 422)	-	-	(3 422)	1 043	(4 465)	(236 550)
<b>Interest rate derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>689</b>	<b>( 689)</b>	<b>97 320</b>
Forwards	-	-	-	-	-	-	97 320
Swaps	-	-	-	-	689	( 689)	-
<b>Total derivative (liabilities)/assets held-for-trading</b>	<b>(3 338)</b>	<b>-</b>	<b>-</b>	<b>(3 338)</b>	<b>1 910</b>	<b>(5 248)</b>	<b>(141 038)</b>
<b>2015</b>							
<b>Derivatives held-for-trading</b>							
<b>Foreign exchange derivatives</b>	<b>(49 251)</b>	<b>-</b>	<b>-</b>	<b>(49 251)</b>	<b>741</b>	<b>(49 992)</b>	<b>480 540</b>
Forwards	323	-	-	323	323	-	-
Swaps	(49 574)	-	-	(49 574)	418	(49 992)	480 540
<b>Interest rate derivatives</b>	<b>(1 266)</b>	<b>1 238</b>	<b>-</b>	<b>( 28)</b>	<b>1 238</b>	<b>(1 266)</b>	<b>87 917</b>
Forwards	-	-	-	-	-	-	87 917
Swaps	(1 266)	1 238	-	( 28)	1 238	(1 266)	-
<b>Total derivative (liabilities)/assets held-for-trading</b>	<b>(50 517)</b>	<b>1 238</b>	<b>-</b>	<b>(49 279)</b>	<b>1 979</b>	<b>(51 258)</b>	<b>568 457</b>

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>4 Non- pledged trading assets</b>				
<b>Comprising:</b>				
Government bills and bonds	547 971	501 594	547 971	501 594
Derivative assets (Note 3)	1 910	1 979	1 910	1 979
	<b>549 881</b>	<b>503 573</b>	<b>549 881</b>	<b>503 573</b>
<b>Maturity analysis</b>				
The maturities represent periods to contractual redemption of the trading assets recorded.				
Maturing within 1 month	219 322	136 680	219 322	136 680
Maturing after 1 month but within 6 months	181 224	272 612	181 224	272 612
Maturing after 6 months but within 12 months	43 939	741	43 939	741
Maturing after 12 months	105 396	93 540	105 396	93 540
	<b>549 881</b>	<b>503 573</b>	<b>549 881</b>	<b>503 573</b>
<b>5 Investment securities</b>				
Investment securities held in banking activities (note 5.1)	678 804	280 417	678 083	280 045
	<b>678 804</b>	<b>280 417</b>	<b>678 083</b>	<b>280 045</b>
<b>5.1 Investment securities</b>				
<b>Short - term negotiable securities</b>	430 404	254 904	430 404	254 904
Listed	430 404	254 904	430 404	254 904
<b>Other investment securities</b>	248 400	25 513	247 679	25 141
Listed	247 679	25 141	247 679	25 141
Unlisted	721	372	-	-
	<b>678 804</b>	<b>280 417</b>	<b>678 083</b>	<b>280 045</b>
<b>Comprising:</b>				
Government, municipality, utility bonds and treasury bills	678 083	280 045	678 083	280 045
Corporate bonds	721	372	-	-
	<b>678 804</b>	<b>280 417</b>	<b>678 083</b>	<b>280 045</b>
<b>Maturity analysis</b>				
The maturities represent periods to contractual redemption of the financial investments recorded.				
Maturing after 1 month but within 3 months	99 724	145 242	99 724	144 869
Maturing after 3 month but within 6 months	158 532	109 662	158 532	110 035
Maturing after 6 months but within 12 months	228 655	10 117	228 655	10 117
Maturing after 12 months	191 172	15 024	191 172	15 024
Undated	721	372	-	-
	<b>678 804</b>	<b>280 417</b>	<b>678 083</b>	<b>280 045</b>

**Directors' valuation**

The directors' valuation of unlisted investments is equal to the carrying value. Unlisted investments valued at 31 December 2016 was GHS 0.72 million (2015: GHS 0.37 million)

## Notes to the annual financial statements continued

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>6 Loans and advances to customers</b>	<b>1 677 234</b>	1 680 218	<b>1 677 234</b>	1 680 218
<b>Gross loans and advances to customers</b>	<b>1 800 369</b>	1 778 638	<b>1 800 369</b>	1 778 638
Mortgage loans	86 577	49 587	86 577	49 587
Instalment sale and finance leases (note 6.1)	190 762	171 350	190 762	171 350
Overdrafts and other demand loans	334 602	404 138	334 602	404 138
Other term loans	1 188 428	1 153 563	1 188 428	1 153 563
<b>Credit impairments for loans and advances (note 6.2)</b>	<b>(123 135)</b>	(98 420)	<b>(123 135)</b>	(98 420)
Specific credit impairments	(83 664)	(78 834)	(83 664)	(78 834)
Portfolio credit impairments	(39 471)	(19 586)	(39 471)	(19 586)
<b>Net loans and advances to customers</b>	<b>1 677 234</b>	1 680 218	<b>1 677 234</b>	1 680 218
<b>Comprising:</b>				
Gross loans and advances	1 800 369	1 778 638	1 800 369	1 778 638
Less: Credit impairments	(123 135)	(98 420)	(123 135)	(98 420)
<b>Net loans and advances to customers</b>	<b>1 677 234</b>	1 680 218	<b>1 677 234</b>	1 680 218
<b>Maturity analysis</b>				
The maturity analysis is based on the remaining periods to contractual maturity from year end				
Maturing within 1 month	1 302 413	928 170	1 300 875	926 274
<b>Due from Banks</b>	<b>1 302 413</b>	928 170	<b>1 300 875</b>	926 274
<b>Maturity analysis</b>				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
Redeemable on demand	302 491	186 897	302 491	186 897
Maturing within 1 month	330 776	305 545	330 776	305 545
Maturing after 1 month but within 6 months	141 998	254 577	141 998	254 577
Maturing after 6 months but within 12 months	170 457	139 825	170 457	139 825
Maturing after 12 months	854 647	891 794	854 647	891 794
<b>Gross loans and advances to customers</b>	<b>1 800 369</b>	1 778 638	<b>1 800 369</b>	1 778 638
<b>Segmental analysis - industry</b>				
Agriculture	75 657	66 570	75 657	66 570
Construction	280 236	323 084	280 236	323 084
Electricity	131 813	139 860	131 813	139 860
Finance, real estate and other business services	526 476	464 460	526 476	464 460
Individuals	157 446	174 623	157 446	174 623
Manufacturing	286 533	267 155	286 533	267 155
Mining	70 031	54 240	70 031	54 240
Other services	188 211	178 768	188 211	178 768
Transport	83 966	109 878	83 966	109 878
<b>Gross loans and advances to customers</b>	<b>1 800 369</b>	1 778 638	<b>1 800 369</b>	1 778 638
<b>Segmental analysis - geographic</b>				
Ghana	6 498	4 068	4 960	2 171
Outside Ghana	1 295 915	924 102	1 295 915	924 103
<b>Due from banks</b>	<b>1 302 413</b>	928 170	<b>1 300 875</b>	926 274
Ghana	1 677 234	1 680 218	1 677 234	1 680 218
Outside Ghana	-	-	-	-
<b>Loans and advances to customers</b>	<b>1 677 234</b>	1 680 218	<b>1 677 234</b>	1 680 218
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>6.1 Instalment sale and finance leases</b>				
<b>Gross investment in instalment sale and finance leases</b>	<b>258 384</b>	238 486	<b>258 384</b>	238 486
Receivable within 1 year	33 283	45 124	33 283	45 124
Receivable after 1 year but within 5 years	225 101	193 008	225 101	193 008
Receivable after 5 years	-	354	-	354
Unearned finance charges deducted	(67 622)	(67 136)	(67 622)	(67 136)
<b>Net investment in instalment sale and finance leases</b>	<b>190 762</b>	171 350	<b>190 762</b>	171 350
Receivable within 1 year	24 418	29 568	24 418	29 568
Receivable after 1 year but within 5 years	166 344	141 631	166 344	141 631
Receivable after 5 years	-	151	-	151

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

**6 Loans and advances to customers continued****6.2 Credit impairments for loans and advances continued**

A reconciliation of the allowance for impairment losses for loans and advances, by class:

Group and Bank	Instalment sale and finance leases GHS '000	Other loans and advances GHS '000	Total GHS '000
<b>2016</b>			
<b>Specific impairments</b>			
Balance at beginning of the year	10 938	67 896	78 834
Net impairments raised	5 048	47 813	52 861
Impairment release on modified financial asset	-	(13 610)	(13 610)
Impaired accounts written off	( 702)	(11 191)	(11 893)
Discount element recognised in interest income	( 669)	(21 859)	(22 528)
<b>Balance at end of the year</b>	<b>14 615</b>	<b>69 049</b>	<b>83 664</b>
<b>Portfolio impairments</b>			
Balance at beginning of the year	1 299	18 287	19 586
Net impairments raised	350	19 535	19 885
<b>Balance at end of the year</b>	<b>1 649</b>	<b>37 822</b>	<b>39 471</b>
<b>Total</b>	<b>16 264</b>	<b>106 871</b>	<b>123 135</b>
<b>2015</b>			
<b>Specific impairments</b>			
Balance at beginning of the year	11 260	22 842	34 102
Net impairments raised	925	59 392	60 317
Impaired accounts written off	( 818)	(9 887)	(10 705)
Discount element recognised in interest income	( 429)	(4 451)	(4 880)
<b>Balance at end of the year</b>	<b>10 938</b>	<b>67 896</b>	<b>78 834</b>
<b>Portfolio impairments</b>			
Balance at beginning of the year	1 181	16 657	17 838
Net impairments raised	118	1 630	1 748
<b>Balance at end of the year</b>	<b>1 299</b>	<b>18 287</b>	<b>19 586</b>
<b>Total</b>	<b>12 237</b>	<b>86 183</b>	<b>98 420</b>
<b>Group and Bank</b>			
	<b>2016</b>	2015	
	<b>GHS '000</b>	GHS '000	
<b>Credit impairments for loans and advances</b>			
<b>Segmental analysis of specific impairments - industry</b>			
Agriculture	<b>5 955</b>	-	
Construction	<b>400</b>	2 527	
Finance, real estate and other business services	<b>34 550</b>	32 400	
Individuals	<b>15 589</b>	12 682	
Manufacturing	<b>16 121</b>	15 996	
Mining	<b>5 024</b>	4 540	
Other services	<b>4 781</b>	10 027	
Transport	<b>1 244</b>	662	
	<b>83 664</b>	78 834	

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>7</b>	<b>Current and deferred tax assets</b>			
Current tax asset (Note 15.1)	1 148	49	1 096	-
Deferred tax assets (note 15.2)	14 618	26 126	14 618	26 126
	<b>15 766</b>	26 175	<b>15 714</b>	26 126
<b>8</b>	<b>Other assets</b>			
Items in the course of collection	44 881	28 798	44 881	28 798
Accounts receivable	9 308	1 232	9 308	1 232
Prepayments	107 984	50 764	107 977	50 758
Other debtors	97 117	121 072	98 159	122 026
	<b>259 290</b>	201 866	<b>260 325</b>	202 814

**Notes to the annual financial statements continued**

for the year ended 31 December 2015

9	Other intangible assets					
	9.1					
Group						
	Cost	2016 Accumulated amortisation and impairment	Net book value	Cost	2015 Accumulated amortisation and impairment	Net book value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer software	91 486	(4 215)	87 271	184	( 150)	34
	91 486	(4 215)	87 271	184	( 150)	34

**Movement**

	2015 Net book value	Additions	Disposals	Impairments	Amortisation	Transfers	2016 Net book value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer software	34	91 343	-	-	(4 103)	(3)	87 271
	34	91 343	-	-	(4 103)	(3)	87 271
	2014 Net book value	Additions	Disposals	Impairments	Amortisation	Transfers	2015 Net book value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer software	895	-	(815)	-	(46)	-	34
	895	-	(815)	-	(46)	-	34

There are no intangible assets pledged as security for liabilities.

## 9.2

**Bank**

	Cost	2016	Net book value	Cost	2015	Net book value
		Accumulated amortisation and impairment			Accumulated amortisation and impairment	
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer software	91 343	(4 072)	87 271	-	-	-
	91 343	(4 072)	87 271	-	-	-

**Movement**

	2015 Net book value	Additions	Disposals	Impairments	Amortisation	Transfers	2016 Net book value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer software	-	91 343	-	-	(4 072)	-	87 271
	-	91 343	-	-	(4 072)	-	87 271
	2014 Net book value	Additions	Disposals	Impairments	Amortisation	Transfers	2015 Net book value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer software	815	-	(815)	-	-	-	-
	815	-	(815)	-	-	-	-

There are no intangible assets pledged as security for liabilities.

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000

**9.3 Loss on disposal of other intangible asset**

Net book value	-	895	-	895
Sale proceeds	-	-	-	-
<b>Loss on disposal</b>	-	895	-	895

## Notes to the annual financial statements continued

for the year ended 31 December 2016

Group	2016			2015		
	Cost GHS '000	Accumulated depreciation and impairment GHS '000	Net book value GHS '000	Cost GHS '000	Accumulated depreciation and impairment GHS '000	Net book value GHS '000
<b>10 Property, plant and equipment</b>						
<b>10.1 Summary</b>						
Computer equipment	52 071	(22 244)	29 827	40 211	(15 339)	24 872
Motor vehicles	3 718	(1 561)	2 157	2 898	(1 266)	1 632
Office equipment	14 013	(7 195)	6 818	11 993	(6 231)	5 762
Leasehold Improvement	26 593	(12 514)	14 079	23 373	(9 200)	14 173
Furniture and fittings	38 490	(18 927)	19 563	31 584	(15 698)	15 886
<b>Total</b>	<b>134 885</b>	<b>(62 441)</b>	<b>72 444</b>	<b>110 059</b>	<b>(47 734)</b>	<b>62 325</b>

Movement	2015						2016
	Net book		Disposals	Depreciation	Depreciation released	Transfers	Net book
	value	Additions					value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer equipment	24 872	12 027	(946)	(7 830)	938	766	29 827
Motor vehicles	1 632	1 191	(372)	(549)	255	-	2 157
Office equipment	5 762	2 912	(846)	(1 808)	844	(46)	6 818
Leasehold Improvement	14 173	4 168	(309)	(3 511)	209	(651)	14 079
Furniture and fittings	15 886	8 678	(1 695)	(4 823)	1 583	(66)	19 563
<b>Total</b>	<b>62 325</b>	<b>28 976</b>	<b>(4 168)</b>	<b>(18 521)</b>	<b>3 829</b>	<b>3</b>	<b>72 444</b>

Movement	2014						2015
	Net book		Disposals	Depreciation	Depreciation released	Transfers	Net book
	value	Additions					value
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Computer equipment	20 042	12 611	(2 624)	(6 187)	1 326	(296)	24 872
Motor vehicles	1 736	483	(233)	(486)	132	-	1 632
Office equipment	6 834	2 649	(423)	(1 618)	427	(2 107)	5 762
Leasehold Improvement	4 974	4 366	(277)	(2 183)	(2 296)	9 589	14 173
Furniture and fittings	21 639	3 527	(630)	(4 934)	3 470	(7 186)	15 886
<b>Total</b>	<b>55 225</b>	<b>23 636</b>	<b>(4 187)</b>	<b>(15 408)</b>	<b>3 059</b>	<b>-</b>	<b>62 325</b>

There is no property or equipment for which title has been restricted or pledged as security for liabilities.

## Notes to the annual financial statements continued

for the year ended 31 December 2016

Bank	2016			2015		
	Cost GHS '000	Accumulated depreciation and impairment GHS '000	Net book value GHS '000	Cost GHS '000	Accumulated depreciation and impairment GHS '000	Net book value GHS '000
<b>10 Property, plant and equipment continued</b>						
<b>10.2 Summary</b>						
Computer equipment	52 051	(22 227)	29 824	40 211	(15 339)	24 872
Motor vehicles	3 718	(1 561)	2 157	2 898	(1 266)	1 632
Office equipment	14 013	(7 195)	6 818	11 993	(6 231)	5 762
Leasehold Improvement	26 593	(12 514)	14 079	23 373	(9 200)	14 173
Furniture and fittings	38 490	(18 927)	19 563	31 584	(15 698)	15 886
<b>Total</b>	<b>134 865</b>	<b>(62 424)</b>	<b>72 441</b>	<b>110 059</b>	<b>(47 734)</b>	<b>62 325</b>

Movement	2015		Disposals GHS '000	Depreciation GHS '000	Depreciation released GHS '000	Transfers GHS '000	2016
	Net book value GHS '000	Additions GHS '000					Net book value GHS '000
Computer equipment	24 872	12 023	(946)	(7 826)	938	763	29 824
Motor vehicles	1 632	1 191	(372)	(549)	255	-	2 157
Office equipment	5 762	2 912	(846)	(1 808)	844	(46)	6 818
Leasehold Improvement	14 173	4 168	(309)	(3 511)	209	(651)	14 079
Furniture and fittings	15 886	8 678	(1 695)	(4 823)	1 583	(66)	19 563
<b>Total</b>	<b>62 325</b>	<b>28 972</b>	<b>(4 168)</b>	<b>(18 517)</b>	<b>3 829</b>	<b>-</b>	<b>72 441</b>

Movement	2014		Disposals GHS '000	Depreciation GHS '000	Depreciation released GHS '000	Transfers GHS '000	2015
	Net book value GHS '000	Additions GHS '000					Net book value GHS '000
Computer equipment	20 042	12 611	(2 624)	(6 187)	1 326	(296)	24 872
Motor vehicles	1 736	483	(233)	(486)	132	-	1 632
Office equipment	6 834	2 649	(423)	(1 618)	427	(2 107)	5 762
Leasehold Improvement	4 974	4 366	(277)	(2 183)	(2 296)	9 589	14 173
Furniture and fittings	21 639	3 527	(630)	(4 934)	3 470	(7 186)	15 886
<b>Total</b>	<b>55 225</b>	<b>23 636</b>	<b>(4 187)</b>	<b>(15 408)</b>	<b>3 059</b>	<b>-</b>	<b>62 325</b>

There is no property or equipment for which title has been restricted or pledged as security for liabilities.

10.3 Loss on disposal of property, plant and equipment	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
Gross book value	4 168	4 183	4 168	4 183
Accumulated Depreciation	(3 829)	(3 059)	(3 829)	(3 059)
Net book value	339	1 124	339	1 124
Sale proceeds	(144)	(142)	(144)	(142)
Loss on disposal	195	982	195	982

**Notes to the annual financial statements continued**  
for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>11 Share capital</b>				
<b>11.1 Authorised</b>				
500 000 000 (2015: 500 000 000) ordinary shares of no par value				
<b>11.2 Issued</b>				
Number of ordinary shares issued and fully paid 166 289 430 (2015: 166 289 430)				
Number of ordinary shares issued for cash consideration 165 845 830 (2015: 165 845 830)	108 197	108 197	108 197	108 197
Number of ordinary shares issued for non-cash consideration 443 600 (2015: 443 600)	44	44	44	44
	<b>108 241</b>	<b>108 241</b>	<b>108 241</b>	<b>108 241</b>

	2016		
	Number of shareholders	Number of shares held	Percentage holding
<b>11.3 Analysis of shareholding</b>			
<b>By number of shares</b>			
Category			
1 - 1000	-	-	-
1 001 - 5 000	-	-	-
5 001 - 50 000	4	65 296	0.04%
Over 50 001	3	166 224 134	99.96%
	<b>7</b>	<b>166 289 430</b>	<b>100.00%</b>

	2015		
	Number of shareholders	Number of shares held	Percentage holding
<b>Analysis of shareholding</b>			
<b>By number of shares</b>			
Category			
1 - 1000	-	-	-
1 001 - 5 000	-	-	-
5 001 - 50 000	4	65 296	0.04%
Over 50 001	3	166 224 134	99.96%
	<b>7</b>	<b>166 289 430</b>	<b>100.00%</b>

	2016		2015	
	No of shares held	Percentage holding	No of shares held	Percentage holding
<b>Analysis of shareholding continued</b>				
<b>By name</b>				
Shareholder				
Stanbic Africa Holdings Limited - UK	165 526 486	99.54%	165 526 486	99.54%
Estate of Edward Henaku Boohene	416 432	0.25%	416 432	0.25%
Starwin Product Ltd	281 216	0.17%	281 216	0.17%
Bigfat Service Ltd	25 366	0.02%	25 366	0.02%
Joseph Ofori	24 237	0.01%	24 237	0.01%
Kwame C. Serbeh-Yiadom	10 000	0.01%	10 000	0.01%
Kwaku Gyesei Twum	5 693	0.00%	5 693	0.00%
	<b>166 289 430</b>	<b>100.00%</b>	<b>166 289 430</b>	<b>100.00%</b>

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>12 Reserves</b>				
<b>12.1 Statutory Reserves</b>				
At 1 January	158 718	141 902	158 718	141 902
Transferred from income surplus account	18 933	16 816	18 933	16 816
<b>At 31 December</b>	<b>177 651</b>	<b>158 718</b>	<b>177 651</b>	<b>158 718</b>

Statutory reserve fund represents the cumulative amounts set aside from the annual profit after tax required by section 29 of the Banking Act, (Act 673) as amended. The proportion of profits after tax transferred to this reserve ranges between 12.5% and 50% depending on the ratio of existing statutory fund to paid-up capital of the Bank.

#### 12.2 Retained earnings (Income Surplus Account)

At 1 January	132 249	129 648	131 334	128 756
Profit for the year	151 427	134 549	151 464	134 526
Statutory credit risk reserve	(46 107)	(65 250)	(46 107)	(65 250)
Statutory reserve	(18 933)	(16 816)	(18 933)	(16 816)
Dividend paid	-	(49 882)	-	(49 882)
Transfer of vested equity shares	369	-	873	-
<b>At 31 December</b>	<b>219 005</b>	<b>132 249</b>	<b>218 631</b>	<b>131 334</b>

The Statutory Credit Risk Reserve represents amounts set aside from the retained earnings account to meet the minimum requirements of statutory impairment allowance for loans and advances, contingent liabilities and commitments.

#### 12.3 Dividends

The directors at their meeting on 10 March 2017 did not recommend payment of dividends (2015:Nil )

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	<b>Group</b>		<b>Bank</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>GHS '000</b>	GHS '000	<b>GHS '000</b>	GHS '000
<b>12.4 Investment (other than securities)</b>				
SBG Securities Ghana Limited (Note 27.2)	-	-	<b>2 045</b>	1 955
Book value of shares	-	-	<b>1 000</b>	1 000
Net indebtedness	-	-	<b>1 045</b>	955
<b>Interest in subsidiary company</b>	-	-	<b>2 045</b>	1 955

**Subsidiary**

	Nature of operation	No of issued shares	Effective holding		Book value of shares	
			<b>2016</b>	2015	<b>2016</b>	2015
			%	%	<b>GHS '000</b>	GHS '000
SBG Securities Ghana Limited	Brokerage services	1 000	<b>100</b>	100	<b>1 000</b>	1 000
					<b>1 000</b>	1 000

Total book value of shares in subsidiary at the end of the year was GHS 1 million (2015: GHS 1 million)

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>13 Trading liabilities</b>				
<b>Comprising:</b>				
Other instruments	241 341	290 792	241 341	290 792
Derivative liabilities (Note 3)	5 248	51 258	5 248	51 258
	<b>246 589</b>	<b>342 050</b>	<b>246 589</b>	<b>342 050</b>

**Maturity analysis**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

Redemable on demand	-	-	-	-
Maturing after 1 month but within 3 months	8 818	-	8 818	-
Maturing after 3 month but within 6 months	93 895	290 792	93 895	290 792
Maturing after 6 month but within 12 months	123 888	49 992	123 888	49 992
Maturing after 12 month but within 5 years	15 552	-	15 552	-
Maturing after 5 years	4 436	1 266	4 436	1 266
	<b>246 589</b>	<b>342 050</b>	<b>246 589</b>	<b>342 050</b>

**14 Deposit and current accounts**

<b>Deposits from banks</b>	<b>495 718</b>	<b>86 397</b>	<b>495 718</b>	<b>86 397</b>
Deposits from banks	495 718	86 397	495 718	86 397
<b>Deposits from customers</b>	<b>3 595 818</b>	<b>3 068 165</b>	<b>3 595 818</b>	<b>3 068 165</b>
Current accounts	2 456 813	1 429 721	2 456 813	1 429 721
Call deposits	595 444	893 071	595 444	893 071
Savings accounts	321 812	231 522	321 812	231 522
Term deposits	221 749	513 851	221 749	513 851
<b>Total deposit and current accounts</b>	<b>4 091 536</b>	<b>3 154 562</b>	<b>4 091 536</b>	<b>3 154 562</b>

**Maturity analysis**

The maturity analysis is based on the remaining periods to contractual maturity

Repayable on demand	3 720 578	2 530 888	3 720 578	2 530 888
Maturing within 1 month	192 287	314 272	192 287	314 272
Maturing after 1 month but within 6 months	56 659	125 152	56 659	125 152
Maturing after 6 months but within 12 months	121 569	166 077	121 569	166 077
Maturing after 12 months	443	18 173	443	18 173
	<b>4 091 536</b>	<b>3 154 562</b>	<b>4 091 536</b>	<b>3 154 562</b>

## Notes to the annual financial statements continued

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>15 Current and deferred tax</b>				
<b>15.1 Current tax liabilities/(assets)</b>				
Current tax liabilities	-	11	-	11
Current tax assets	(1 148)	(49)	(1 096)	-
	(1 148)	(38)	(1 096)	11
<b>15.2 Deferred tax analysis</b>				
Credit impairment charges	(26 535)	(24 605)	(26 535)	(24 605)
Depreciation on Property and equipment	9 653	(1 819)	9 653	(1 819)
Fair value adjustments on financial instruments	2 264	298	2 264	298
<b>Deferred tax closing balance</b>	<b>(14 618)</b>	<b>(26 126)</b>	<b>(14 618)</b>	<b>(26 126)</b>
Deferred tax liabilities	-	9	-	-
Deferred tax assets	(14 618)	(26 126)	(14 618)	(26 126)
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>15.3 Deferred tax reconciliation</b>				
Deferred tax at the beginning of the year	(26 126)	(14 298)	(26 126)	(14 304)
<b>Originating/(reversing) temporary differences for the year:</b>	<b>11 508</b>	<b>(11 828)</b>	<b>11 508</b>	<b>(11 822)</b>
Credit impairment charges	(1 930)	(11 620)	(1 930)	(11 620)
Depreciation on Property and equipment	10 875	(789)	10 875	(783)
Fair value adjustments on financial instruments	2 563	581	2 563	581
<b>Deferred tax at the end of the year</b>	<b>(14 618)</b>	<b>(26 126)</b>	<b>(14 618)</b>	<b>(26 126)</b>
<b>16 Provisions and other liabilities</b>				
<b>Provisions</b>	<b>48 725</b>	<b>54 365</b>	<b>48 725</b>	<b>54 365</b>
Provision for franchise and technical services	48 503	53 931	48 503	53 931
Provision for legal charges	222	434	222	434
<b>Other liabilities</b>	<b>200 517</b>	<b>130 928</b>	<b>200 441</b>	<b>130 848</b>
Items in the course of transmission	61 366	35 271	61 366	35 271
Staff-related accruals	23 650	22 306	23 584	22 234
Deferred revenue liability	5 190	1 168	5 190	1 168
Accounts payable	32 218	25 475	32 218	24 520
Others	78 093	46 708	78 083	47 655
	249 242	185 293	249 166	185 213
<b>16.1 Provision for franchise and technical services</b>				
Balance at the beginning of the year	53 931	40 492	53 931	40 492
Net provisions raised	(5 428)	13 439	(5 428)	13 439
<b>Balance at the end of the year</b>	<b>48 503</b>	<b>53 931</b>	<b>48 503</b>	<b>53 931</b>
<b>16.2 Provision for legal charges</b>				
Balance at the beginning of the year	434	890	434	890
Net provisions (utilised)/ raised	(212)	(456)	(212)	(456)
<b>Balance at the end of the year (Note 21.4)</b>	<b>222</b>	<b>434</b>	<b>222</b>	<b>434</b>

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Date issued	Rate %	Callable date	Rate after call date %	Carrying value <sup>1</sup> 2016 GHS '000	Notional value 2016 GHS '000	Carrying value <sup>1</sup> 2015 GHS '000	Notional value 2015 GHS '000	
<b>17</b>	<b>Borrowings</b>								
	<b>Unsecured, subordinated, redeemable bonds<sup>2</sup></b>								
<b>Group and Bank</b>									
	Subordinated Unsecured Callable Tier II Notes	23 January 2012	Treasury Bill rate plus 3.5%	23 January 2017 <sup>4</sup>	Treasury Bill rate plus 4.5%	<b>8 630</b>	<b>7 280</b>	8 099	7 280
	Redeemable in 2025 - Standard Bank of South Africa Limited	16 November 2015	Libor <sup>3</sup> + 4.3%	15 November 2025 <sup>5</sup>	Libor <sup>3</sup> + 5.3%	<b>53 400</b>	<b>52 503</b>	47 700	47 430
	Redeemable in 2025 - Standard Bank of South Africa Limited	29 November 2016	Libor <sup>3</sup> + 5.32%	27 November 2026 <sup>5</sup>	Libor <sup>3</sup> + 6.32%	<b>63 369</b>	<b>63 003</b>	-	-
	<b>Total subordinated debt</b>					<b>125 399</b>	<b>122 786</b>	55 799	54 710
<b>Comprising</b>									
	Current					<b>9 893</b>	<b>7 280</b>	1 089	-
	Non-current					<b>115 506</b>	<b>115 506</b>	54 710	54 710
	<b>Total subordinated debts</b>					<b>125 399</b>	<b>122 786</b>	55 799	54 710

<sup>1</sup> The difference between the carrying and notional value represents, foreign exchange movements and accrued interest

<sup>2</sup> Tier II, unless otherwise stated.

<sup>3</sup> LIBOR is the London interbank offer rate for three month US dollar deposits.

<sup>4</sup> The issuer may redeem on this date, or any subsequent interest payment date.

<sup>5</sup> The debt matures in January 2022, November 2025 and November 2026 respectively

The Group did not default on principal or interest and no other breaches with respect to its liabilities occurred during the year (2015: nil).

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

**18 Classification of assets and liabilities****Accounting classifications and fair values**

The table below sets out the group's classification of assets and liabilities, and their fair values.

Group	Note	Held-for-trading <sup>1</sup>	Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets/liabilities	Total carrying amount	Fair value <sup>2</sup>
		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>2016</b>								
<b>Assets</b>								
Cash and cash equivalents	2	-	2 069 778	-	-	-	2 069 778	2 069 778
Trading assets	4	549 881	-	-	-	-	549 881	549 881
Investment securities	5	-	-	678 804	-	-	678 804	678 083
Loans and advances to customers	6.2	-	1 677 234	-	-	-	1 677 234	1 677 234
Other financial assets		-	54 189	-	-	-	54 189 <sup>3</sup>	-
Other non-financial assets		-	-	-	-	434 771	434 771	-
		<b>549 881</b>	<b>3 801 201</b>	<b>678 804</b>	<b>-</b>	<b>434 771</b>	<b>5 464 657</b>	<b>4 974 976</b>
<b>Liabilities</b>								
Trading liabilities	13	246 589	-	-	-	-	246 589	246 589
Deposits from banks	14	-	-	-	495 718	-	495 718	495 718
Deposits from customers	14	-	-	-	3 595 818	-	3 595 818	3 595 818
Subordinated debt	17	-	-	-	125 399	-	125 399	125 399
Other financial liabilities		-	-	-	35 271	-	35 271 <sup>3</sup>	-
Other non-financial liabilities		-	-	-	-	213 971	213 971	-
		<b>246 589</b>	<b>-</b>	<b>-</b>	<b>4 252 206</b>	<b>213 971</b>	<b>4 712 766</b>	<b>4 463 524</b>
<b>2015</b>								
<b>Assets</b>								
Cash and cash equivalents	2	-	1 521 544	-	-	-	1 521 544	1 521 544
Trading assets	4	503 573	-	-	-	-	503 573	503 573
Investment securities	5	-	-	280 417	-	-	280 417	280 045
Loans and advances to customers	6	-	1 680 218	-	-	-	1 680 218	1 680 218
Other financial assets		-	30 030	-	-	-	30 030 <sup>3</sup>	-
Other non-financial assets		-	-	-	-	290 400	290 400	-
		<b>503 573</b>	<b>3 231 792</b>	<b>280 417</b>	<b>-</b>	<b>290 400</b>	<b>4 306 182</b>	<b>3 985 380</b>
<b>Liabilities</b>								
Trading liabilities	13	342 050	-	-	-	-	342 050	342 050
Deposits from banks	14	-	-	-	86 397	-	86 397	86 397
Deposits from customers	14	-	-	-	3 068 165	-	3 068 165	3 068 165
Subordinated debt	17	-	-	-	55 799	-	55 799	55 799
Other financial liabilities		-	-	-	35 271	-	35 271 <sup>3</sup>	-
Other non-financial liabilities		-	-	-	-	150 042	150 042	-
		<b>342 050</b>	<b>-</b>	<b>-</b>	<b>3 245 632</b>	<b>150 042</b>	<b>3 737 724</b>	<b>3 552 411</b>

<sup>1</sup> Includes derivative assets<sup>2</sup> Carrying value has been used where it closely approximates fair values. Refer to the fair value section in accounting policy 5 - Fair value for a description on how fair values are determined.<sup>3</sup> The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

**18 Classification of assets and liabilities****Accounting classifications and fair values continued**

The table below sets out the group's classification of assets and liabilities, and their fair values.

	Note	Held-for-trading 1	Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets/liabilities	Total carrying amount	Fair value <sup>2</sup>
Bank		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>2016</b>								
<b>Assets</b>								
Cash and cash equivalents	2	-	2 068 069	-	-	-	2 068 069	2 068 069
Trading assets	4	549 881	-	-	-	-	549 881	549 881
Investment securities	5	-	-	678 083	-	-	678 083	678 083
Loans and advances to customers	6.2	-	1 677 234	-	-	-	1 677 234	1 677 234
Investment (other than securities)	12.4	-	1 000	-	-	-	1 000	1 000
Other financial assets		-	55 144	-	-	-	55 144 <sup>3</sup>	-
Other non-financial assets		-	-	-	-	435 751	435 751	-
		549 881	3 801 447	678 083	-	435 751	5 465 162	4 974 267
<b>Liabilities</b>								
Trading liabilities	13	246 589	-	-	-	-	246 589	-
Deposits from banks	14	-	-	-	495 718	-	495 718	495 718
Deposits from customers	14	-	-	-	3 595 818	-	3 595 818	3 595 818
Subordinated debt	17	-	-	-	125 399	-	125 399	125 399
Other financial liabilities		-	-	-	35 271	-	35 271 <sup>3</sup>	-
Other non-financial liabilities		-	-	-	-	213 895	213 895	-
		246 589	-	-	4 252 206	213 895	4 712 690	4 216 935
<b>2015</b>								
<b>Assets</b>								
Cash and cash equivalents	2	-	1 519 552	-	-	-	1 519 552	1 519 552
Trading assets	4	503 573	-	-	-	-	503 573	503 573
Investment securities	5	-	-	280 045	-	-	280 045	280 045
Loans and advances to customers	6.2	-	1 680 218	-	-	-	1 680 218	1 680 218
Investment (other than securities)	12.4	-	1 000	-	-	-	1 000	1 000
Other financial assets		-	30 985	-	-	-	30 985 <sup>3</sup>	-
Other non-financial assets		-	-	-	-	291 265	291 265	-
		503 573	3 231 755	280 045	-	291 265	4 306 638	3 984 388
<b>Liabilities</b>								
Trading liabilities	13	342 050	-	-	-	-	342 050	51 258
Deposits from banks	14	-	-	-	86 397	-	86 397	86 397
Deposits from customers	14	-	-	-	3 068 165	-	3 068 165	3 068 165
Subordinated debt	17	-	-	-	55 799	-	55 799	55 799
Other financial liabilities		-	-	-	35 271	-	35 271 <sup>3</sup>	-
Other non-financial liabilities		-	-	-	-	149 942	149 942	-
		342 050	-	-	3 245 632	149 942	3 737 624	3 261 619

<sup>1</sup> Includes derivative assets<sup>2</sup> Carrying value has been used where it closely approximates fair values. Refer to the fair value section in accounting policy 5 - Fair value for a description on how fair values are determined.<sup>3</sup> The fair value of other financial assets and liabilities approximates the carrying value due to their short-term nature

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

**19 Financial instruments measured and disclosed at fair value**

The tables below analyze financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS 7. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

Level 1 - fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2 - fair values are calculated using valuation techniques based on observable inputs, either directly (that is as quoted prices) or indirectly (that is derived from quoted prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>
<b>2016</b>				
<b>Assets</b>				
Trading assets	-	549 881	-	549 881
Loans and advances to customers	-	40 846	-	40 846
Investment securities	-	678 804	-	678 804
		<b>1 270 531</b>	-	<b>1 270 531</b>
<b>Comprising:</b>				
Held-for-trading	-	549 881	-	549 881
Designated at fair value	-	41 846	-	41 846
Available-for-sale	-	678 804	-	678 804
	-	<b>1 270 531</b>	-	<b>1 270 531</b>
<b>Liabilities</b>				
Trading liabilities	-	246 589	-	246 589
	-	<b>246 589</b>	-	<b>246 589</b>
<b>Comprising:</b>				
Held-for-trading	-	246 589	-	246 589
	-	<b>246 589</b>	-	<b>246 589</b>
<b>2015</b>				
<b>Assets</b>				
Trading assets	-	503 573	-	503 573
Loans and advances to customers	-	16 909	-	16 909
Investment securities	-	280 417	-	280 417
Investment (other than securities)	-	1 000	-	1 000
	-	<b>801 899</b>	-	<b>801 899</b>
<b>Comprising:</b>				
Held-for-trading	-	503 573	-	503 573
Designated at fair value	-	17 909	-	17 909
Available-for-sale	-	280 417	-	280 417
	-	<b>801 899</b>	-	<b>801 899</b>
<b>Liabilities</b>				
Trading liabilities	-	342 050	-	342 050
	-	<b>342 050</b>	-	<b>342 050</b>
<b>Comprising:</b>				
Held-for-trading	-	342 050	-	342 050
	-	<b>342 050</b>	-	<b>342 050</b>

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

**19 Financial instruments measured and disclosed at fair value continued**

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>
<b>2016</b>				
<b>Assets</b>				
Trading assets	-	549 881	-	549 881
Loans and advances to customers	-	40 846	-	40 846
Investment securities	-	678 083	-	678 083
	-	<b>1 268 810</b>	-	<b>1 268 810</b>
<b>Comprising:</b>				
Held-for-trading	-	590 727	-	590 727
Available-for-sale	-	678 083	-	678 083
	-	<b>1 268 810</b>	-	<b>1 268 810</b>
<b>Liabilities</b>				
Trading liabilities	-	246 589	-	246 589
	-	<b>246 589</b>	-	<b>246 589</b>
<b>Comprising:</b>				
Held-for-trading	-	-	-	-
	-	-	-	-
<b>2015</b>				
<b>Assets</b>				
Trading assets	-	503 573	-	503 573
Loans and advances to customers	-	16 909	-	16 909
Investment securities	-	280 045	-	280 045
Investment (other than securities)	-	1 000	-	1 000
	-	<b>801 527</b>	-	<b>783 618</b>
<b>Comprising:</b>				
Held-for-trading	-	520 482	-	520 482
Available-for-sale	-	280 045	-	280 045
	-	<b>800 527</b>	-	<b>800 527</b>
<b>Liabilities</b>				
Trading liabilities	-	342 050	-	342 050
	-	<b>342 050</b>	-	<b>342 050</b>
<b>Comprising:</b>				
Held-for-trading	-	51 258	-	51 258
	-	<b>51 258</b>	-	<b>342 050</b>

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**20 Concentration of assets, liabilities and off balance sheet items**

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cashflows. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2016. Included in the table are the Group's assets, liabilities and off balance sheet items at carrying amounts categorised by currency. The amounts stated in the table are the Ghana cedi equivalents of the foreign currencies.

Group	Note	USD	GBP	ZAR	GHS	OTHER	Total
		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	carrying amount GHS '000
<b>2016</b>							
<b>Financial assets</b>							
Cash and cash equivalents		1 214 125	15 906	35 683	733 112	70 952	2 069 778
Trading assets		26 812	-	-	523 069	-	549 881
Investment securities		94 882	-	-	583 922	-	678 804
Loans and advances to customers		737 719	6 965	-	926 626	5 924	1 677 234
Other non-financial assets		122 628	70	598	315 987	(4 512)	434 771
		<b>2 196 166</b>	<b>22 941</b>	<b>36 281</b>	<b>3 082 716</b>	<b>72 364</b>	<b>5 410 468</b>
<b>Financial liabilities</b>							
Trading liabilities		205 317	-	-	41 272	-	246 589
Deposits from banks		12 798	-	-	478 971	3 949	495 718
Deposits from customers		1 834 189	22 150	469	1 677 597	61 413	3 595 818
Borrowings		118 823	-	-	6 576	-	125 399
Other non-financial liabilities		21 509	793	35 055	180 970	10 915	249 242
		<b>2 192 636</b>	<b>22 943</b>	<b>35 524</b>	<b>2 385 386</b>	<b>76 277</b>	<b>4 712 766</b>
<b>Net on balance sheet position</b>		<b>3 530</b>	<b>( 2)</b>	<b>757</b>	<b>697 330</b>	<b>(3 913)</b>	<b>697 702</b>
Letters of Credit Commitments		130 536	-	-	-	8 052	138 588
Guarantee Commitments		309 447	-	-	248 212	11 822	569 481
<b>31 December 2015</b>							
Total assets		1 606 637	21 818	17 467	2 594 722	62 887	4 303 531
Total liabilities		1 978 739	21 521	20 276	1 681 419	63 137	3 765 092
<b>Net on balance sheet position</b>		<b>(372 102)</b>	<b>297</b>	<b>(2 809)</b>	<b>913 303</b>	<b>( 250)</b>	<b>538 439</b>
Letters of Credit Commitments		116 076	453	338	-	8 892	125 759
Guarantee Commitments		239 459	-	-	315 319	34 916	589 694

The following significant exchange rates applied during the year:  
GHS1 to:

	Closing Rate	
	2016	2015
USD	4.2002	3.7944
ZAR	0.3064	0.2446
EUR	4.4367	4.1514
GBP	5.1965	5.6265

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**20 Concentration of assets, liabilities and off balance sheet items continued**

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cashflows. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2016. Included in the table are the Group's assets, liabilities and off balance sheet items at carrying amounts categorised by currency. The amounts stated in the table are the Ghana cedi equivalents of the foreign currencies.

Bank	Note	USD	GBP	ZAR	GHS	OTHER	Total
		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	carrying amount GHS '000
<b>2016</b>							
<b>Financial assets</b>							
Cash and cash equivalents		1 214 125	15 906	35 683	731 403	70 952	2 068 069
Trading assets		26 812	-	-	523 069	-	549 881
Investment securities		94 882	-	-	583 201	-	678 083
Loans and advances to customers		737 720	6 965	-	926 625	5 924	1 677 234
Investment (other than securities)		-	-	-	1 000	-	1 000
Other non-financial assets		122 628	70	598	316 967	(4 512)	435 751
		<b>2 196 167</b>	<b>22 941</b>	<b>36 281</b>	<b>3 082 265</b>	<b>72 364</b>	<b>5 410 018</b>
<b>Financial liabilities</b>							
Trading liabilities		205 317	-	-	41 272	-	246 589
Deposits from banks		12 798	-	-	482 886	34	495 718
Deposits from customers		1 834 189	22 150	469	1 677 597	61 413	3 595 818
Borrowings		118 823	-	-	6 576	-	125 399
Other non-financial liabilities		21 509	793	35 055	180 894	10 915	249 166
		<b>2 192 636</b>	<b>22 943</b>	<b>35 524</b>	<b>2 389 225</b>	<b>72 362</b>	<b>4 712 690</b>
<b>Net on balance sheet position</b>		<b>3 531</b>	<b>( 2)</b>	<b>757</b>	<b>693 040</b>	<b>2</b>	<b>697 328</b>
Letters of Credit Commitments		130 536	-	-	-	8 052	138 588
Guarantee Commitments		309 447	-	-	248 212	11 822	569 481
<b>31 December 2015</b>							
Total assets		1 606 638	21 818	17 467	2 594 222	62 887	4 303 032
Total liabilities		1 978 739	21 521	20 276	1 685 256	59 222	3 765 014
<b>Net on balance sheet position</b>		<b>(372 101)</b>	<b>297</b>	<b>(2 809)</b>	<b>908 966</b>	<b>3 665</b>	<b>538 018</b>
Letters of Credit Commitments		116 076	453	338	-	8 892	125 759
Guarantee Commitments		239 459	-	-	315 319	34 916	589 694

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>21</b>	<b>Contingent liabilities and commitments</b>			
<b>21.1</b>	<b>Contingent liabilities</b>			
Letters of credit and bankers' acceptances	138 588	125 759	138 588	125 759
With cash collateral	2 979	62 835	2 979	62 835
Without cash collateral	135 609	62 924	135 609	62 924
Guarantees	569 481	589 694	569 481	589 694
With cash collateral	150 515	62 726	150 515	62 726
Without cash collateral	418 966	526 968	418 966	526 968
	<b>708 069</b>	<b>715 453</b>	<b>708 069</b>	<b>715 453</b>

Loan commitments of GHS356.3million (2015: GHS342.4million) that are irrevocable over the life of the facility or revocable only in response to material adverse changes are included in the risk and capital management section on page 75.

**21.2 Capital commitments**

Contracted capital expenditure	-	-	-	-
Capital expenditure authorised but not yet contracted	-	-	-	-
	-	-	-	-

**21.3 Operating lease commitments**

The future minimum payments under non-cancellable operating leases are as follows:

**Properties**

Within 1 year	19 986	35 663	19 986	35 663
After 1 year but within 5 years	19 632	47 871	19 632	47 871
After 5 years	10 321	19 756	10 321	19 756
	<b>49 939</b>	<b>103 290</b>	<b>49 939</b>	<b>103 290</b>

**Equipment**

Within 1 year	2 640 714	571 729	2 640 714	571 729
After 1 year but within 5 years	5 987 661	2 620 444	5 987 661	2 620 444
	<b>8 628 375</b>	<b>3 192 173</b>	<b>8 628 375</b>	<b>3 192 173</b>

The operating lease commitments comprise a number of separate operating leases in relation to properties and equipment, none of which is individually significant to the group.

**21.4 Legal proceedings**

In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the Group has adequate insurance programmes and provisions in place to meet such claims. Total provisions made for possible claims if cases went against the Group at 31 December 2016 is **GHS0.22 million** (2015: GHS 0.43 million) - Note 16.3

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>22</b>	<b>Income statement information</b>			
<b>22.1</b>	<b>Interest income</b>			
Interest on loans and advances	310 898	359 069	310 898	359 068
Interest on investments	128 919	109 323	128 356	108 794
Unwinding of discount element of credit impairments for loans and advances (note 6.2)	22 528	4 880	22 528	4 880
	<b>462 345</b>	<b>473 272</b>	<b>461 782</b>	<b>472 742</b>
All interest income reported above relates to financial assets not carried at fair value through profit or loss.				
<b>22.2</b>	<b>Interest expense</b>			
Current accounts	4 563	-	4 563	-
Savings and deposit accounts	32 578	67 957	32 578	67 957
Subordinated debt	4 749	2 306	4 749	2 306
Other interest-bearing liabilities	67 964	55 552	67 964	55 552
	<b>109 854</b>	<b>125 815</b>	<b>109 854</b>	<b>125 815</b>
All interest expense reported above relates to financial liabilities not carried at fair value through profit or loss.				
<b>22.3</b>	<b>Net fee and commission revenue</b>			
Fee and commission revenue	128 082	103 469	127 880	103 305
Account transaction fees	42 167	32 347	41 965	32 183
Card based commission	14 580	10 921	14 580	10 921
Knowledge based fees and commission	146	1 003	146	1 003
Electronic banking	1 724	762	1 724	762
Insurance - fees and commission	2 321	1 494	2 321	1 494
Foreign currency service fees	32 505	29 916	32 505	29 916
Documentation and administration fees	13 025	9 494	13 025	9 494
Other	21 614	17 532	21 614	17 532
Fee and commission expense	(19 473)	(15 695)	(19 473)	(15 695)
	<b>108 609</b>	<b>87 774</b>	<b>108 407</b>	<b>87 610</b>
All net fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.				
<b>22.4</b>	<b>Trading revenue</b>			
Foreign exchange	68 441	97 299	68 441	97 299
Debt securities	22 799	12 359	22 799	12 359
	<b>91 240</b>	<b>109 658</b>	<b>91 240</b>	<b>109 658</b>
<b>22.5</b>	<b>Modification gain on financial assets measured at amortised cost</b>			
Restructured facility held at amortised cost	128 015	-	128 015	-
Carrying value of asset held at amortised cost	(86 589)	-	(86 589)	-
	<b>41 426</b>	<b>-</b>	<b>41 426</b>	<b>-</b>

The modification gain on the financial asset represented interest suspended release of GHS27.816M and impairment release of GHS13.610M

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>22</b>	<b>Income statement information continued</b>			
<b>22.6</b>	<b>Other (expense)/revenue</b>			
Banking and other	1 696	(264)	1 696	(264)
	<b>1 696</b>	<b>(264)</b>	<b>1 696</b>	<b>(264)</b>
<b>22.7</b>	<b>Credit impairment charges</b>			
Net credit impairments raised and released for loans and advances	72 318	65 462	72 318	65 462
Recoveries on loans and advances previously written off	(3 644)	(3 397)	(3 644)	(3 397)
	<b>68 674</b>	<b>62 065</b>	<b>68 674</b>	<b>62 065</b>
<b>Comprising:</b>				
Net specific credit impairment charges	48 789	60 317	48 789	60 317
Portfolio credit impairment charges/(reversal) (note 6.2)	19 885	1 748	19 885	1 748
	<b>68 674</b>	<b>62 065</b>	<b>68 674</b>	<b>62 065</b>
<b>22.8</b>	<b>Staff costs</b>			
Salaries and allowances	164 146	137 391	163 782	137 099
Equity-linked transactions	159	(481)	158	(480)
Group compensation plans	159	(481)	158	(480)
	<b>164 305</b>	<b>136 910</b>	<b>163 940</b>	<b>136 619</b>
<b>22.9</b>	<b>Depreciation and amortisation</b>			
Amortisation - intangible assets (note 9)	4 103	46	4 072	-
Depreciation (Note 10)	18 521	15 408	18 517	15 408
Property				
- Leasehold	3 511	2 183	3 511	2 183
Equipment				
- Computer equipment	7 830	6 187	7 826	6 187
- Motor vehicles	549	486	549	486
- Office equipment	1 808	1 618	1 808	1 618
- Furniture and fittings	4 823	4 934	4 823	4 934
	<b>22 624</b>	<b>15 454</b>	<b>22 589</b>	<b>15 408</b>
<b>22.10</b>				
Information technology	9 925	22 670	9 894	22 557
Communication	5 122	4 749	5 008	4 743
Premises	52 832	40 959	52 613	40 823
Auditors' remuneration	350	358	403	411
Directors' fees	536	536	602	602
Professional fees	1 564	17 733	1 564	17 733
Marketing and advertising	7 406	2 629	7 406	2 626
Insurance	2 611	1 851	2 611	1 848
Training	2 947	2 763	2 947	2 761
Donation and sponsorship	1 797	1 355	1 797	1 355
Loss on sale of property and equipment (Note 10.3)	982	982	195	195
Loss on sale of other intangible asset (Note 9.3)	895	895	-	-
<sup>1</sup> Other Administrative expenses	29 926	33 222	31 443	34 723
	<b>116 893</b>	<b>130 702</b>	<b>116 483</b>	<b>130 377</b>

<sup>1</sup> The key administrative expenses include office security, travel, stationery and printing, motor vehicle overheads, and subscription fees

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
<b>23 Emoluments of Stanbic Bank Ghana Limited directors and prescribed officers</b>				
<b>Executive directors</b>				
Emoluments of directors in respect of services rendered <sup>1</sup> : (Note 27.3)	<b>9 181</b>	8 054	<b>8 968</b>	7 939
<b>Non-executive directors</b>				
Emoluments of directors in respect of services rendered: (Note 27.3)	<b>602</b>	536	<b>602</b>	536
	<b>9 783</b>	8 590	<b>9 570</b>	8 475

<sup>1</sup> In order to align emoluments with the performance to which they relate, emoluments reflect the amounts accrued in respect of each year and not the amounts paid.

Notes to the annual financial statements continued  
for the year ended 31 December 2016

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>24 Taxation</b>				
Indirect taxation (note 24.1)	3 592	5 078	3 592	5 078
Direct taxation (note 24.2)	67 947	59 867	67 955	59 858
	<b>71 539</b>	<b>64 945</b>	<b>71 547</b>	<b>64 936</b>
<b>24.1 Indirect taxation</b>				
Value added tax on franchise and technical services	94	2 856	94	2 856
Value added tax on other purchases and services	3 498	2 222	3 498	2 222
	<b>3 592</b>	<b>5 078</b>	<b>3 592</b>	<b>5 078</b>
<b>24.2 Direct taxation</b>				
Current year	67 947	59 867	67 955	59 858
Corporate income tax	59 010	72 267	59 010	72 261
Deferred income tax	8 937	(12 400)	8 945	(12 403)
Income tax recognised in other comprehensive income	236	581	236	581
Deferred tax recognised directly in equity	236	581	236	581
<b>Direct taxation per the income statement</b>	<b>67 947</b>	<b>59 867</b>	<b>67 955</b>	<b>59 858</b>
<b>Income tax recognised in other comprehensive income from continuing operations</b>				
The table below sets out the amount of income tax relating to each component within other comprehensive income:				
<b>Group and Bank</b>	<b>Net of tax</b>	<b>Before tax</b>	<b>Tax (expense)/ benefit</b>	<b>Net of tax</b>
	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>
<b>2016</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Net change in fair value of available-for-sale financial assets	(7 688)	(10 251)	2 563	(7 688)
	<b>(7 688)</b>	<b>(10 251)</b>	<b>2 563</b>	<b>(7 688)</b>
<b>2015</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Net change in fair value of available-for-sale financial assets	(1 746)	(2 327)	581	(1 746)
	<b>(1 746)</b>	<b>(2 327)</b>	<b>581</b>	<b>(1 746)</b>
	<b>Group</b>	<b>Bank</b>		
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Rate reconciliation including indirect and direct tax</b>				
The total tax charge for the year as a percentage of net income before indirect tax	32	33	32	33
Value added tax	(2)	(3)	(2)	(3)
<b>The corporate tax charge for the year as a percentage of profit before indirect tax</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Net tax charge</b>				
The charge for the year has been reduced/(increased) as a consequence of:				
Other permanent differences	-	-	-	-
Other tax levy (National Stabilisation Levy)	(5)	(5)	(5)	(5)
<b>Standard rate of Ghana income tax</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Current Tax</b>	<b>At 1 January</b>	<b>Adjustments / charge to income statement</b>	<b>Payments during the year</b>	<b>At 31 December</b>
	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>	<b>GHS '000</b>
<b>Group Corporate</b>				
up to 2015	11	-	-	11
2016	-	49 981	(49 052)	929
	<b>11</b>	<b>49 981</b>	<b>(49 052)</b>	<b>940</b>
<b>National Stabilisation Levy</b>				
up to 2015	-	-	-	-
2016	-	10 971	(11 067)	(96)
	<b>-</b>	<b>10 971</b>	<b>(11 067)</b>	<b>(96)</b>
<b>Total</b>	<b>11</b>	<b>60 952</b>	<b>(60 119)</b>	<b>844</b>
<b>Bank Corporate</b>				
up to 2015	11	-	-	11
2016	-	49 929	(49 051)	878
	<b>11</b>	<b>49 929</b>	<b>(49 051)</b>	<b>889</b>
<b>National Stabilisation Levy</b>				
up to 2015	-	-	-	-
2016	-	10 971	(11 066)	(95)
	<b>-</b>	<b>10 971</b>	<b>(11 066)</b>	<b>(95)</b>
<b>Total</b>	<b>11</b>	<b>60 900</b>	<b>(60 117)</b>	<b>794</b>

**Notes to the annual financial statements continued**

for the year ended 31 December 2015

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>25 Earnings per ordinary share</b>				
The calculations of basic earnings and headline earnings per ordinary share are as follows:				
<b>Earnings based on weighted average shares in issue (GHS '000)</b>				
Basic earnings	151 427	134 549	151 464	134 526
<b>Weighted average number of ordinary shares in issue (thousands of shares)</b>	166 289	166 289	166 289	166 289
Weighted average number of ordinary shares in issue				
Shares in issue at the beginning of the year	166 289	166 289	166 289	166 289
<b>Basic earnings per ordinary share (pesewas)</b>	<b>91.06</b>	80.91	<b>91.08</b>	80.90

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>26</b>	<b>Statement of cash flows notes</b>			
<b>26.1</b>	<b>Decrease/(increase) in income-earning assets</b>			
Net derivative assets	69	43 909	69	43 909
Non-pledged trading assets	(43 927)	27 825	(43 927)	27 825
Investment securities	(372 987)	(18 052)	(372 789)	(18 391)
Loans and advances	(30 662)	(89 731)	(30 730)	(89 731)
Other assets	(58 378)	116 711	(57 512)	115 353
	<b>(505 885)</b>	80 662	<b>(504 889)</b>	78 965
<b>26.2</b>	<b>Increase in deposits and other liabilities</b>			
Deposit and current accounts	949 749	146 234	949 749	146 234
Trading liabilities	(49 451)	290 792	(49 451)	290 792
Other liabilities and provisions	28 358	71 319	27 411	72 278
	<b>928 656</b>	508 345	<b>927 709</b>	509 304
<b>26.3</b>	<b>Net increase in borrowings</b>			
Subordinated debt issued	60 474	47 415	60 474	47 415
Subordinated debt redeemed	-	(19 259)	-	(19 259)
	<b>60 474</b>	28 156	<b>60 474</b>	28 156

**Notes to the annual financial statements continued**

for the year ended 31 December 2016

**27 Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and The Group's pension schemes, as well as other persons.

**27.1 Parent Company**

Stanbic Africa Holdings Limited, a company incorporated in the United Kingdom, holds **99.54%** (2015: 99.54%) of the issued shares of the Bank. The ultimate holding company is Standard Bank Group Limited, a company registered in South Africa.

**27.2 Subsidiary**

Details of effective interests, investments in and loans to subsidiary are disclosed in note 12.4

**27.3 Key management personnel**

Key management personnel includes: The members of the Stanbic Bank Ghana Limited board of directors and its executive committee. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercise control, joint control or significant influence. Close members of family are those family members who may be expected to influence, or be influenced by that person in their dealings with Stanbic Bank Ghana Limited. They include the person's domestic partner and children, the children of the person's domestic partner, and dependents of the person or the person's domestic partner.

	2016	2015
	GHS '000	GHS '000
<b>Key management compensation</b>		
Remuneration and benefits (Executive and non - executive)	9 783	8 654
Salaries and other short-term benefits for senior management staff	16 507	5 056
IFRS 2 value of share options and rights expensed	1 282	972
	<b>27 572</b>	<b>14 682</b>

The transactions below are entered into in the normal course of business.

**Loans and advances**

Loans outstanding at the beginning of the year	3 948	2 265
Loans granted during the year	2 989	2 037
Loan repayments during the year	287	( 354)
<b>Loans outstanding at the end of the year</b>	<b>7 224</b>	<b>3 948</b>
<b>Net interest earned</b>	<b>305</b>	<b>180</b>

Loans include mortgage loans, instalment sale and finance leases and credit cards. No specific impairments have been recognised in respect of loans granted to key management (2015: GHS nil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets. All other loans are unsecured.

**Deposit and current accounts**

Deposits outstanding at the beginning of the year	2 087	921
Net deposits/(withdrawals) received during the year	( 557)	1 166
<b>Deposits outstanding at the end of the year</b>	<b>1 530</b>	<b>2 087</b>

<b>Net interest expense</b>	<b>1</b>	<b>12</b>
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Deposits include cheque, current and savings accounts. The above transactions are entered into in the normal course of the business, under terms that are no more favourable than those arranged with customers. Interest rates charged on balances outstanding from staff are lower than the bank's market rate for similar products. This is due to the lower risk inherent in these products.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

<b>Staff loan and advances</b>	<b>93 530</b>	<b>68 224</b>
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The maximum amount of all sums due to the bank and its subsidiary at any time during the year from officers was GHS 93.5million (2015: GHS 68.2 million).

**Loans and advances to related companies**

Call loans	1 126 310	18 116
Deposits and balances	34 063	18 116
	<b>1 092 247</b>	<b>-</b>

<b>Net interest earned</b>	<b>2 127</b>	<b>348</b>
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**Deposits from related companies**

Deposits from banks	6 221	17 967
Other deposits	-	-

<b>Net interest expense</b>	<b>4 551</b>	<b>1 411</b>
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Included within the Bank's Other Assets is an amount of **GHS1.05m** (2015: GHS0.95m) owed by SBG Securities Ghana Ltd.

**Franchise and Technical Services Fees**

The bank has entered into a franchise agreement and a technical services agreement with its parent company. Approvals for these agreements are currently pending at the Ghana Investment Promotion Council. Provisions made in the financials in respect of these agreements amounted to **GHS 48.50 million** (2015: GHS 53.93 million ) Note 16.1. These provisions are not authorised for settlement until approval has been received from the Ghana Investment Promotion Council for the agreements established.

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**28 Financial Risk management**

Effective risk management is fundamental to the business activities of the Group. While we remain committed to increasing shareholder value by developing and growing our business within our broad-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment. Risk management is at the core of the operating structure of the group. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimising undue concentrations of exposure, limiting potential losses from stress events and prudent management of liquidity.

Responsibility and accountability for risk management resides at all levels within the Group, from Board down through the organisation to each business manager and risk specialist. Risks are controlled at the level of individual exposures and at portfolio level, as well as in aggregate across all businesses and risk types.

The bank recognizes that embedded in its core business activities are diverse elements of financial risk which impact earnings and balance sheet growth. A risk management framework approved by the Board of Directors has therefore been designed to ensure effective identification, measurement and control of risks within limits commensurate with the Bank's risk appetite. This policy framework sets appropriate risk limits and controls which are continually evaluated to ensure alignment with the Bank's growth strategies, market dynamics, the regulatory environment and emerging best practices. Various Committees have oversight responsibilities for ensuring adherence to these limits by means of reliable management information systems and rigorous appraisals.

The Internal Audit function regularly conducts independent review of the adequacy of the risk management and control environment and reports directly to the Board Audit Committee. The evaluation covers such key areas as credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and re-pricing risk. Compliance and reputational risks are covered under operational risk. In managing these risks, a holistic approach is adopted by Management, recognising that a combination of these risks occurring concurrently could cause significant loss. A Risk Management department exists to coordinate all aspects of risk and assist line managers in the management of risks within their individual business units. For all levels throughout the bank, tailored risk reports are prepared and distributed regularly in order to ensure that management and staff have access to comprehensive risk information important to their areas of responsibilities.

Daily information is collated on the utilisation of market limits, proprietary instruments plus any other risk developments.

**29 Credit Risk**

The bank takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the bank by failing to discharge an obligation in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

## 29.1 Credit risk measurement

### Exposure to credit risk

For the tables that follow, the definitions below have been used for the different categories of exposures:

#### Performing loans

- *Neither past due nor specifically impaired loans* are exposures that are current and fully compliant with all contractual terms and conditions. Normal and close monitoring exposures within this category are exposures rated 1 to 21 and 22 to 25 respectively using the Group master rating scale

- *Early arrears but not specifically impaired loans* include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows including collaterals. Ultimate loss is unlikely but could occur if the adverse conditions persist.

#### Non-performing loans

Non-performing loans are those loans for which:

- . the group has identified objective evidence of default, such as a breach of a material loan covenant or condition; or
- . instalments are due and unpaid for 90 days or more.

*Non-performing but not specifically impaired loans* are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of the future cash flows, including collateral.

*Non-performing specifically impaired loans* are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows.

Specifically impaired loans are further analysed into the following categories:

- . *Sub-standard* items are items that show underlying well defined weakness that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the Group relies to a large extent on the available security.
- . *Doubtful* items are items that are considered to be impaired, but are not yet considered final losses because of some pending factors that may strengthen the quality of the items.
- . *Loss* items are items that are considered to be uncollectible. The Group provides fully for its anticipated loss, after taking securities into account.

#### Bank's internal ratings scale

Bank's rating	Credit quality
1 - 21	Normal monitoring
22 - 25	Close monitoring
Default	Default

## 29.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

## Notes to the financial statements (continued)

for the year ended 31 December 2016

### 29 Credit Risk (continued)

#### (a) Collateral

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the acceptance 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.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for loans and advances is determined by the nature of the loan among other factors. Debt securities, treasury and other eligible bills are generally unsecured.

#### (b) Derivatives

Derivatives mainly used by the Bank are foreign exchange contracts and foreign currency swaps. The bank maintains strict control limits on net open derivative positions (i.e, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

#### (c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the bank on behalf of a customer authorising a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

### 29.3 Impairment and provisioning policy

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment (see Note 29.7). The bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The majority of the impairment provision comes from the bottom two grading.

#### Indicators of objective evidence includes:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

**Notes to the financial statements (continued)**  
for the year ended 31 December 2016

**29 Credit Risk (continued)**

**Individually assessed allowances**

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include projected receipts, the realisable value of collateral and timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

**Collectively assessed allowances**

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans where there is not yet objective evidence of individual impairment. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipt and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year.

**The Bank of Ghana Guideline on loan provisioning**

An account is considered to be in default when payment is not received on due date. Accounts that are overdue by more than 90 days are considered delinquent. These accounts are closely monitored and subjected to a collection process. The process used for provisioning is based on Bank of Ghana guidelines which recognise cash as a credit mitigant. Individual provisions are made for outstanding amounts depending on the number of days past due with full provisions made after 365 days. In certain situations such as bankruptcy, fraud and death, the loss recognition process is accelerated. Loans and advances less than 90 days past due are generally not considered impaired unless other information is available to indicate otherwise.

**The guideline is set out below**

Grade Description	Number of days	Provision (%)
Current	Less than 30 days	1
OLEM	30 to less than 90 days	10
Substandard	90 to less than 180 days	25
Doubtful	180 to less than 365 days	50
Loss	365 days and above	100

**Key Ratios for loans and advances are as follows**

- Gross non-performing loans ratio was 24.66% at year end (2015 : 22.06%)
- The ratio of top 50 exposures to our gross exposure for the year was 64.92% (2015 : 67.35%)
- The total impairment charge for the year represents **2.70%** of gross loans at the year end (2015 : 3.27%)
- The total amount of allowance for impairment represents **6.03%** of gross loans at the year end (2015 : 12.29%)
- Loans and advances written off during the year as required by BOG notices was **GHS20.90million** (2015: GHS18.98million)

**29.4 Maximum exposure to credit risk without taking into account any collateral or other credit enhancements**

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS 39 as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
<b>Gross maximum exposure</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	1 933 993	1 392 601	1 932 455	1 390 705
Loans and advances to customers	1 677 234	1 680 218	1 677 234	1 680 218
<b>Held for trading</b>				
Derivative assets				
Non-pledged trading assets	549 881	503 573	549 881	503 573
<b>Available for sale</b>				
Investment securities	678 804	280 417	678 083	280 045
<b>Total recognised financial instruments</b>	<b>4 839 912</b>	<b>3 856 809</b>	<b>4 837 653</b>	<b>3 854 541</b>
Letters of credit commitments	138 588	125 759	138 588	125 759
Guarantee commitments	569 481	589 694	569 481	589 694
Irrevocable unutilised facilities	45 486	342 476	45 486	342 476
<b>Total unrecognised financial instruments</b>	<b>753 555</b>	<b>1 057 929</b>	<b>753 555</b>	<b>1 057 929</b>
<b>Total credit risk exposure</b>	<b>5 593 467</b>	<b>4 914 738</b>	<b>5 591 208</b>	<b>4 912 470</b>

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**29 Credit Risk (continued)****29.5 Description of collateral held as security and other credit enhancements, in respect of the exposures**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral held by the bank include cash or securities, mortgages over residential properties, inventory and trade receivables. The bank also obtains guarantees from parent company for loans to their subsidiaries, but the benefits are not included in the above table. Management during its review of the adequacy of the allowance for impairment losses uses its experienced judgement among other factors in the determination of the collateral values that is incorporated in the credit impairment calculations. The nominal value of collateral held as at 31 December 2016 was **GHS5,676 million** (2015: GHS 2,657 million).

**29.6 Collateral repossessed**

It is the bank's policy to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. Generally, the bank does not use repossessed assets for business purposes. The collateral held by the bank for 2016 was **GHS0.63 million** (2015: GHS 2.24 million). These related to motor vehicles repossessed prior to disposal.

**29.7 Credit quality per class of financial assets**

The credit quality of financial assets is managed by the bank using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Group's credit rating system.

	Performing Loans			Non - Performing Loans			Security and expected recoveries against impaired loans	Net impaired loans
	Neither past due nor specifically impaired	Early arrears but not specifically impaired	Sub - Standard	Doubtful	Loss	Gross Maximum exposure		
	2016	2016	2016	2016	2016	2016	2016	2016
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>Credit quality</b>								
<b>Due from banks</b>	1 302 413	-	-	-	-	1 302 413	-	-
<b>Loans and advances to customers</b>								
- Mortgage Lending	107 596	30 805	2 899	-	3 312	144 612	4 112	5 074
- Instalment sales and finance leases	138 112	44 087	8 715	700	14 302	205 917	12 438	22 271
- Other loans and advances	997 796	223 259	9 732	2 727	456 529	1 449 840	184 275	257 145
<b>Total recognised financial instruments</b>	<b>2 545 917</b>	<b>298 151</b>	<b>21 347</b>	<b>3 428</b>	<b>474 144</b>	<b>3 102 782</b>	<b>200 825</b>	<b>284 490</b>

	Performing Loans			Non - Performing Loans			Security against impairment loans	Net impaired loans
	Neither past due nor specifically impaired	Early arrears but not specifically impaired	Sub - Standard	Doubtful	Loss	Gross Maximum exposure		
	2015	2015	2015	2015	2015	2015	2015	2015
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>Credit quality</b>								
<b>Due from banks</b>	926 274	-	-	-	-	926 274	-	-
<b>Loans and advances to customers</b>								
- Mortgage Lending	94 020	3 373	2 543	74	2 129	102 139	3 724	4 336
- Instalment sales and finance leases	117 442	43 389	1 718	3 405	15 314	181 268	15 537	20 157
- Other loans and advances	994 934	225 953	37 006	163 560	192 878	1,495,231	225 337	275 021
<b>Total recognised financial instruments</b>	<b>2 132 670</b>	<b>272 715</b>	<b>41 267</b>	<b>167 039</b>	<b>210 321</b>	<b>2 704 912</b>	<b>244 598</b>	<b>299 514</b>

The fair value of collateral that the Group and Bank holds relating to loans individually determined to be impaired at 31 December 2016 amount to **GHS 200.8million** (2015: GHS 244.6 million).

The Early arrears but not specifically impaired category above incorporates all the past due but not impaired financial assets. The assets within this category fall within the 30 to 90 days overdue period.

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**30 Liquidity risk**

Liquidity risk is the risk that the bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Asset and Liability Committee (ALCO) sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

**The Bank's liquidity management processes include:**

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met in the Global Market (Treasury) space. This includes replenishment of funds as they mature or are borrowed by customers. Stress testing using scenario analysis is employed to assess the impact of unlikely but plausible events on liquidity positions;
- Maintaining a portfolio of highly marketable assets above clearly defined thresholds which can be liquidated promptly with minimal loss;
- Closely monitoring actual and potential movements within the Top 20 Depositors and Lenders brackets;
- Daily monitoring of balance sheet liquidity ratios against internal and regulatory requirements by the Assets and Liability Management unit to ensure that any identified gaps are catered for;
- Managing the concentration and profile of debt maturities;
- Assessing future liquidity needs through the ALCO process;
- Regular monitoring of the impact of off-balance sheet contingent liabilities like standby letters of credit and guarantees;
- Accessing credit lines available within the Standard Bank Group; and
- Invoking the measures outlined in the Liquidity Contingency Plan approved by the Board of Directors.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The table below summarises the remaining contractual maturities of the financial assets and liabilities based on undiscounted cash flows:

Group	Redeemable	Maturing	Maturing	Maturing	Maturing	Total
	on demand	within 1	month but	months but	months but	
	2016	month	within 6	within 12	within 5	
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>Financial assets</b>	<b>1 160 555</b>	<b>1 697 101</b>	<b>481 754</b>	<b>485 761</b>	<b>993 543</b>	<b>4 975 697</b>
Cash and cash equivalents	981 199	1 046 558	-	42 021	-	2 069 778
Non-pledged trading assets	-	219 322	181 224	44 628	103 634	549 881
Investment securities	-	100 445	158 532	228 655	191 172	678 804
Loans and advances to customers	179 356	330 776	141 998	170 457	698 737	1 677 234
<b>Financial liabilities</b>	<b>3 720 578</b>	<b>210 999</b>	<b>150 554</b>	<b>246 146</b>	<b>131 501</b>	<b>4 463 524</b>
<i>Contractual amounts payable</i>	-	-	-	5 248	-	5 248
Trading liabilities	-	8 819	93 895	119 329	15 552	241 341
Deposits from banks	495 718	-	-	-	-	495 718
Deposits from customers	3 224 860	192 287	56 659	121 569	443	3 595 818
Borrowings	-	9 893	-	-	115 506	125 399
<b>Total recognised financial instruments</b>	<b>(2560 023)</b>	<b>1 486 102</b>	<b>331 200</b>	<b>239 615</b>	<b>862 042</b>	<b>512 173</b>
Letters of credit commitments	2 574	35 772	98 644	21 853	2 450	161 293
Guarantee commitments	2 521	47 328	254 238	263 665	1 714	569 466
Irrevocable unutilised facilities	-	-	-	-	45 486	45 486
<b>Total unrecognised financial instruments</b>	<b>5 095</b>	<b>83 100</b>	<b>352 882</b>	<b>285 518</b>	<b>49 650</b>	<b>776 245</b>

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**30 Liquidity risk (continued)****30.1 Analysis of financial assets and liabilities by remaining contractual maturities (continued)**

Group	Redeemable on	Maturing	Maturing	Maturing	Maturing	Total
	demand	within 1	after 1	after 6	after 12	
	2015	month	month but	months but	12 months but	2015
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>Financial assets</b>	797 618	1 419 437	733 051	150 683	890 417	4 083 800
Cash and cash equivalents	593 374	928 170	-	-	-	1 521 544
Non-pledged trading assets	-	136 680	272 612	741	93 502	503 573
Investment securities	-	49 042	205 862	10 117	10 734	280 045
Loans and advances to customers	204 244	305 545	254 577	139 825	786 181	1 778 638
<b>Financial liabilities</b>	2 530 888	314 272	415 944	217 335	25 614	3 552 411
Trading liabilities	-	-	290 792	51 258	-	342 050
Deposits from banks	86 397	-	-	-	-	86 397
Deposits from customers	2 444 491	314 272	125 152	166 077	18 173	3 068 165
Borrowings	-	-	-	-	7 441	55 799
<b>Total recognised financial instruments</b>	(1733 270)	1 105 165	317 107	(66 652)	864 803	531 389
Letters of credit commitments	5 630	10 269	50 971	58 889	-	125 759
Guarantee commitments	2 213	77 301	463 764	25 337	21 079	589 694
Irrevocable unutilised facilities	-	-	-	323 109	19 367	342 476
<b>Total unrecognised financial instruments</b>	7 843	87 570	514 735	407 335	40 446	1 057 929

Bank	Redeemable	Maturing	Maturing	Maturing	Maturing	Total
	on demand	within 1	after 1	after 6	after 12	
	2016	month	month but	months but	months but	2016
	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
<b>Financial assets</b>	1 159 017	1 697 101	481 754	485 761	993 543	4 974 159
Cash and cash equivalents	979 661	1 046 558	-	42 021	-	2 068 240
Non-pledged trading assets	-	219 322	181 224	44 628	103 634	549 881
Investment securities	-	100 445	158 532	228 655	191 172	678 804
Loans and advances to customers	179 356	330 776	141 998	170 457	698 737	1 677 234
<b>Financial liabilities</b>	3 720 578	210 999	150 554	246 146	131 501	4 463 524
Trading liabilities	-	8 819	93 895	124 577	15 552	246 589
Deposits from banks	495 718	-	-	-	-	495 718
Deposits from customers	3 224 860	192 287	56 659	121 569	443	3 595 818
Borrowings	-	9 893	-	-	115 506	125 399
<b>Total recognised financial instruments</b>	(2561 561)	1 486 102	331 200	239 615	862 042	510 635
Letters of credit commitments	2 574	35 772	98 644	21 853	2 450	161 293
Guarantee commitments	2 521	47 328	254 238	263 665	1 714	569 466
Irrevocable unutilised facilities	-	-	-	-	45 486	45 486
<b>Total unrecognised financial instruments</b>	5 095	83 100	352 882	285 518	49 650	776 245

**Notes to the financial statements (continued)**

for the year ended 31 December 2015

**30 Liquidity risk (continued)****30.1 Analysis of financial assets and liabilities by remaining contractual maturities (continued)****Bank**

	Redeemable on demand 2015 GHS '000	Maturing within 1 month 2015 GHS '000	Maturing after 1 month but within 6 months 2015 GHS '000	Maturing after 6 months but within 12 months 2015 GHS '000	Maturing after 12 months but within 5 years 2015 GHS '000	Maturing after 5 years 2015 GHS '000	Total 2015 GHS '000	
<b>Financial assets</b>	797 522	1 417 541	733 051	150 683	890 417	92 594	4 081 808	
Cash and cash equivalents	593 278	926 274	-	-	-	-	1 519 552	
Non-pledged trading assets	-	136 680	272 612	741	93 502	38	503 573	
Investment securities	-	49 042	205 862	10 117	10 734	4 290	280 045	
Loans and advances to customers	204 244	305 545	254 577	139 825	786 181	88 266	1 778 638	
<b>Financial liabilities</b>								
		2 530 888	314 272	415 944	217 335	25 614	48 358	3 552 411
Trading liabilities	-	-	290 792	51 258	-	-	342 050	
Deposits from banks	86 397	-	-	-	-	-	86 397	
Deposits from customers	2 444 491	314 272	125 152	166 077	18 173	-	3 068 165	
Borrowings	-	-	-	-	7 441	48 358	55 799	
<b>Total recognised financial instruments</b>	(1733 366)	1 103 269	317 107	(66 652)	864 803	44 236	529 397	
Letters of credit commitments	5 630	10 269	50 971	58 889	-	-	125 759	
Guarantee commitments	2 213	77 301	463 764	25 337	21 079	-	589 694	
Irrevocable unutilised facilities	-	-	-	323 109	19 367	-	342 476	
<b>Total unrecognised financial instruments</b>	7 843	87 570	514 735	407 335	40 446	-	1 057 929	

**30.2 Liquidity ratio**

The percentages below indicate the Bank's liquidity ratio. In measuring this, recognition is made to highly liquid assets (cash and near cash and government notes with maturities up to 1 year). The volatile liabilities is constituted by demand deposits and government instruments which could be called at short notice.

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
Cash and cash equivalents	2 069 778	1 521 544	2 068 069	1 519 552
Investments securities maturing within one year	486 911	265 021	486 911	265 021
Non-pledged Trading assets	549 192	503 573	549 881	503 573
<b>Liquid assets</b>	<b>3 105 881</b>	<b>2 290 138</b>	<b>3 104 861</b>	<b>2 288 146</b>
Demand deposits	3 869 787	2 640 711	3 869 787	2 640 711
Trading liabilities maturing within one year	226 601	340 784	226 601	340 784
<b>Volatile liabilities</b>	<b>4 096 388</b>	<b>2 981 495</b>	<b>4 096 388</b>	<b>2 981 495</b>
<b>Liquidity ratio</b>	<b>75.8%</b>	<b>76.8%</b>	<b>75.8%</b>	<b>76.7%</b>

**31 Market risk**

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. This risk arises from open positions in interest rate, currency and equity products. These may be liable to general and specific market movements and volatility of market rates or prices, credit spreads, foreign exchange rates and equity prices. To manage the exposure due to interest rate volatility on loans and advances and other marketable instruments, the bank uses a variety of measures including:

- variable rates quotations on loans and advances;
- swap arrangements;
- value at risk measurement based on historical simulations; and
- stress testing tailored to the asset or liability class and typically using scenario analysis.

The permissible instruments, concentration of exposures, gap limits and maximum tenor of instruments are detailed in policy guidelines approved by the Board of Directors and under the supervision of the Assets and Liabilities Committee.

**31.1 Sensitivity analysis for each type of market risk**

**31.2 Interest rate risk**

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement:

Group and Bank	Sensitivity of equity					
	Increase in basis points	Sensitivity of net interest income	0 to 6	6 months	1 year to 5	More than
			months	to 1 year	years	5 years
			2016	2016	2016	2016
Currency	2016	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
Rand	-	-	-	-	-	-
USD	100	7 334	-	-	-	-
GBP	-	-	-	-	-	-
EUR	-	-	-	-	-	-
Others	300	1 892	-	-	-	-

**Notes to the financial statements (continued)**  
for the year ended 31 December 2016

31 Market risk (continued)

31.2 Interest rate risk (continued)

Currency	Decrease in basis points	Sensitivity of equity					
		Sensitivity of net interest income		0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
		2016	2016	2016	2016	2016	2016
		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	
Rand	-	-	-	-	-	-	
USD	( 100)	( 5 151)	-	-	-	-	
GBP	-	-	-	-	-	-	
EUR	-	-	-	-	-	-	
Others	( 400)	( 2 768)	-	-	-	-	

**Group and Bank**

Currency	Increase in basis points	Sensitivity of equity					
		Sensitivity of net interest income		0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
		2015	2015	2015	2015	2015	2015
		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	
Rand	-	-	-	-	-	-	
USD	100	( 1 298)	-	-	-	-	
GBP	-	-	-	-	-	-	
EUR	-	-	-	-	-	-	
Others	300	17 496	-	-	-	-	

Currency	Decrease in basis points	Sensitivity of equity					
		Sensitivity of net interest income		0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
		2015	2015	2015	2015	2015	2015
		GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	
Rand	-	-	-	-	-	-	
USD	( 100)	( 3 119)	-	-	-	-	
GBP	-	-	-	-	-	-	
EUR	-	-	-	-	-	-	
Others	( 400)	( 24 132)	-	-	-	-	

31.3 Currency risk

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2016 on its non-monetary assets and liabilities, and forecast cash flows. In respect of currency risk, the Group uses VaR methodology in estimating its exposures

Currency	Normal VaR as at 31 December 2016	Normal VaR as at 31 December 2015
	AUD	3 685
CAD	1 018	1 766
CHF	1 331	954
CNY	34	481
EUR	15 768	56 660
GBP	6 452	12 715
JPY	424	15
SEK	163	265
USD	29 895	8 415
XOF	-	-
ZAR	25	4 448

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**32 Operational risk**

Operational risk is the loss arising as a result of the inadequacy of, or a failure in the internal processes, people, systems or external events.

The Group and Bank recognises the significance of operational risk in all facets of its business. Accordingly, a comprehensive framework detailing the identification, assessment, measurement, monitoring and reporting of operational risks have been formulated to guide all line managers in the collective effort to minimise exposures.

The tools for achieving the objective of minimal losses resulting from operational risk include:

- operational loss reports which enable management to identify improvements to processes and controls arising from loss trends;
- risk and control self assessments through which existing and potential future risks and their related controls are identified and assessed; and
- key risk indicators which measure specific factors to provide an early warning to proactively address potential exposures.

In addition to these, a comprehensive insurance programme covering losses from fraud, theft and professional liability claims and damage to physical assets is held.

The primary objectives of the bank's capital management are to ensure that the bank complies with minimum capital requirements of bank of Ghana and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

**33 Regulatory capital**

The Group's capital management framework is designed to ensure the Group and its principal subsidiaries are capitalised in line with the risk profile, regulatory requirements, economic capital standards and target ratios approved by the board, both at group level and at each subsidiary. The group manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders.

The capital management process ensures that sufficient capital levels for legal and regulatory compliance purposes are maintained. The group ensures that its actions do not compromise sound governance and appropriate business practices. During the period under review, the Group complied with all externally imposed capital requirements to which its banking activities are subject.

	Group		Bank	
	2016	2015	2016	2015
	GHS'000	GHS'000	GHS'000	GHS'000
<b>Tier 1 capital</b>				
Capital and unimpaired reserve funds	698 147	538 428	697 327	538 018
Issued ordinary share capital	108 241	108 241	108 241	108 241
Ordinary shareholders' reserves	589 906	430 187	589 086	429 777
Less:				
Statutory credit risk reserve	185 931	139 824	185 931	139 824
Investment (other than securities)	-	-	1 000	1 000
Prepayment	55 430	50 764	55 430	50 758
<b>Total Tier 1 capital</b>	<b>456 786</b>	<b>347 840</b>	<b>454 966</b>	<b>346 436</b>
<b>Tier 2 capital</b>				
Borrowings	122 786	54 710	122 786	54 710
<b>Total eligible capital</b>	<b>579 572</b>	<b>402 550</b>	<b>577 752</b>	<b>401 146</b>
<b>Risk-weighted assets(RWA)</b>				
<b>Credit risk</b>				
On-balance sheet	2 673 193	2 543 914	2 673 829	2 544 447
Off-balance sheet	1 965 138	1 828 461	1 965 774	1 828 994
	708 055	715 453	708 055	715 453
<b>Market risk</b>	<b>2 969</b>	<b>8 810</b>	<b>2 969</b>	<b>8 810</b>
<b>Operational risk</b>	<b>426 440</b>	<b>308 349</b>	<b>425 034</b>	<b>307 874</b>
<b>Total risk-weighted assets</b>	<b>3 102 602</b>	<b>2 861 073</b>	<b>3 101 832</b>	<b>2 861 131</b>

**Notes to the financial statements (continued)**

for the year ended 31 December 2016

**33 Regulatory capital continued**

	Group		Bank	
	2016	2015	2016	2015
	GHS '000	GHS '000	GHS '000	GHS '000
Tier 1 capital	456 786	347 840	454 966	346 435
Tier 2 capital	122 786	54 710	122 786	54 710
<b>Total capital</b>	<b>579 572</b>	<b>402 550</b>	<b>577 752</b>	<b>401 145</b>
<b>Risk adjusted assets</b>	<b>3 102 602</b>	<b>2 861 073</b>	<b>3 101 832</b>	<b>2 861 131</b>
Tier 1 capital ratio	14.7%	12.2%	14.7%	12.1%
Total capital ratio	18.7%	14.1%	18.6%	14.0%

**Supplementary information****Value added statement for the year ended 31 December 2016**

	Group		Bank	
	2016 GHS '000	2015 GHS '000	2016 GHS '000	2015 GHS '000
Interest income and other operating income	593 766	544 625	593 001	543 931
Direct cost of services	(116 291)	(130 166)	(115 881)	(129 841)
Value added by banking services	477 475	414 459	477 120	414 090
Non-banking income	1 696	-	1 696	-
Impairments	(68 674)	(62 065)	(68 674)	(62 065)
<b>Value Added</b>	<b>410 497</b>	<b>352 394</b>	<b>410 142</b>	<b>352 025</b>
Distributed as follows:				
<b>To Employees:</b>				
Directors (without executives)	602	536	602	536
Executive directors	9 181	7 705	8 968	7 526
Other employees	155 124	129 205	154 972	129 093
<b>To Government</b>				
Income tax	71 539	64 945	71 547	64 936
<b>To providers of capital</b>				
Dividend to shareholders	-	-	-	-
<b>To expansion and growth</b>				
Depreciation	18 521	15 408	18 517	15 408
Amortisation	4 103	46	4 072	-
Retained earnings	151 427	134 549	151 464	134 526