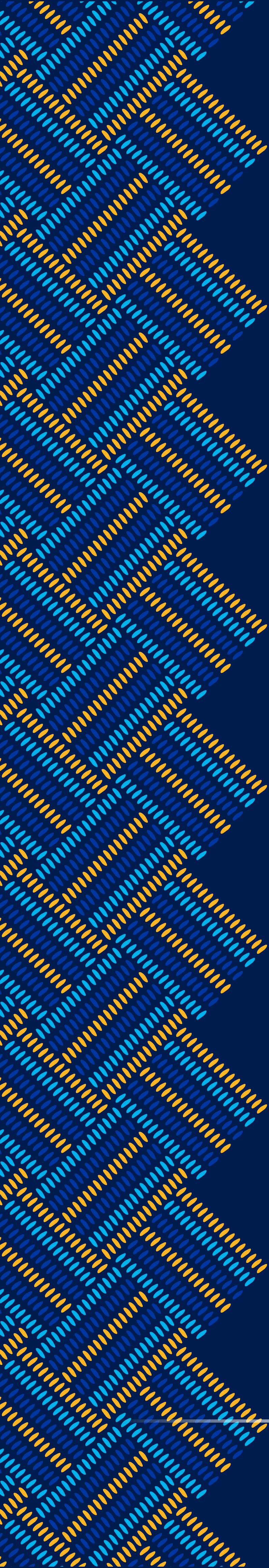


STANBIC BANK GHANA

Annual report 2018

Stanbic Bank Moving Forward™

Contents

OVERVIEW

Our values 02
Review of performance 04

BUSINESS REVIEW

Chairman's statement 06
Chief executive's report 08
Financial review 14

ENSURING OUR SUSTAINABILITY

Corporate Governance overview 17
Board of directors 18
Executive management 20
Corporate governance statement 21
Directors and advisors 25
Report of the directors 26
Independent auditor's report 27

ANNUAL FINANCIAL STATEMENTS

Statements of financial position 31
Income statements 32
Statements of comprehensive income 33
Statements of changes in equity 34
Statements of cash flows 38
Accounting policies 39
Notes to the financial statements 76
Value added statement 156

Our values

Our success and growth over the long term is built on making a difference in the communities in which we operate. We are committed to moving Ghana forward.

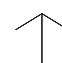
Review of performance

226.02m

PROFIT
AFTER TAX
2017: 215.6 million

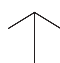
2.58b

LOANS AND
ADVANCESTO
CUSTOMERS
2017: 1.87 billion



2.27m

EXPENDITURE ON
CORPORATE SOCIAL
INVESTMENTS
2017:1.68 million



292,333

PERSONAL AND
BUSINESS
BANKING
CUSTOMERS
2017: 275,055

831

IN EMPLOYEES
2017: 811

22.7%

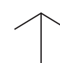
RETURN ON
EQUITY
2017: 26.7%

53.1%

COST-TO-INCOME
RATIO
2017:46.3%

1.3%

CREDIT LOSS RATIO
2017: 2.7%



115

ATMs
2017: 106

AWARDS

Ghana in the Global Finance Awards;
Best Investment Bank

Ghana Mining Industry Awards
Best Financial Deal of the Year

Ghana Industry Awards Best CEO – Financial Sector

Institute of Public Relations
- Best In a Cause Communications
- PR campaign of the year
- Best Promotional event
- Best Launch and relaunch
- PR organization of the year

Chairman's statement

"the Bank achieved the new minimum stated capital requirement of GHS 400 million before the deadline set by Bank of Ghana without needing new capital injection."

Professor Ernest Aryeetey
Chairman

Executive Summary

Stanbic Bank had another stellar year in 2018, and I am very pleased to report that. Among several other things, the Bank achieved the new minimum stated capital requirement of GHS 400 million before the deadline set by Bank of Ghana without needing new capital injection. In addition, the total client base of the Bank grew strongly by 7% during the year to 305,000 customers despite the turmoil in the financial sector.

The strong financial results achieved align well with progress recorded during the delivery of our core strategic focus areas of Client Centricity, Digitization and Universal Financial Services Organisation.

Political review

The Ghanaian political environment was mainly peaceful during the year. There is an increasingly assertive regulatory regime, and this is accompanied by growing confidence in the independence of the Judiciary to adjudicate fairly. A major political development was the increase in the number of administrative regions in the country, growing from 10 to 16 after successful referenda undertaken in line with the constitution.

Economic Review

The global economy outperformed expectations for most part of 2018 on the back of strong growth recovery, improvement in monetary policies and easing financial conditions in most advanced economies. The broad based recovery process was also driven by investments, a rise in business and consumer confidence, as well as increasing commodity prices, especially crude oil.

While growth strengthened and broadened; inflation remained subdued most of the period amidst easing global financial conditions. With persistent influence of globalisation and technological advancement, inflation is expected to be moderated further in 2019.

In Ghana, a mix of prudent fiscal and monetary policies continue to strengthen the macroeconomic fundamentals. The current account recorded significant improvement alongside strong fiscal consolidation and debt maturity re profiling during the year. The favourable external sector outturn, including external reserve build up, provided enough buffer against potential external vulnerability. These positive developments translated into relative exchange rate

stability, decreasing headline and core inflation, and a strong rebound in economic activity with a boost from increased crude oil production.

Bank of Ghana seeks to maintain the current economic upswing beyond the short term by rebuilding the monetary and fiscal policy space to react to future threats and encourage prompt implementation of regulatory reforms. As part of the reforms, the minimum paid up capital of commercial banks was adjusted upwards from GHS120million to GHS400million, effective December 2018. With the banking system now better capitalised and more resilient, the sector is better positioned to support the economy.

The Banking environment

The banking environment is becoming more and more competitive as a technology driven business. Bank of Ghana is progressively reforming the banking sector with new regulations to address asset quality of banks, supervisory oversight, corporate governance and capitalisation of banks. This comprehensive reform agenda has the key objective of cleaning up the banking sector and strengthening the regulatory and supervisory framework for a more resilient sector. As part of the ongoing reforms, 16 universal banks, including Stanbic Bank, successfully met the new capital requirement on their own, while 9 insolvent universal banks had their licenses withdrawn. Another 6 banks merged into 3, while 2 had their licenses revoked and 1 had its license downgraded to a Savings and Loans Company status. Consequently, from 34 universal banks, Ghana now has 23. The Government has injected a total of GHS8billion into the banks that Bank of Ghana has taken over in order to improve their liquidity.

Corporate governance

Stanbic Bank is committed to the principles of the King's Code of Corporate Practices and Conduct, and to uphold the best corporate governance practices. In doing so, the bank aims to strengthen the confidence of its shareholders, regulators, and other interested parties, and to ensure maximum value creation over time for all stakeholders. The Board of the Bank is currently reviewing the new Corporate Governance directives issued by Bank of Ghana to ensure that the bank complies fully with its requirements. It is expected that these initiatives will lead to a more stable banking industry.

Strategy and oversight

The Bank continued to deepen its focus on client centricity, commitment to digitising its processing and services, as well as organising the business as a universal financial services organisation. In 2018, the Bank won significant client deals and mandates on the strength of the collaborative efforts of its Corporate Banking and Personal Banking teams. Stanbic Bank is also modernising its IT capabilities and aggressively digitising the business. Through the digitisation program, the following products and services have been rolled out to make banking easier for clients: MobyCash, Instant Pay, Stop Card, Fixed Depos Management, EVA, Moby Banker, etc.

The Bank delivered a very strong performance in the year, exceeding expectations for such key performance metrics as return on equity, cost to income ratio and credit loss ratio.

Board Changes

Stanbic Bank has a strong Board with the appropriate mix of skills, expertise and experience to adequately and confidently address current and emerging opportunities and issues. Mr Dominic Bruynseels resigned from the Board, on his retirement from the Standard Bank Group in April 2018. Mr. Kweku Awotwi, who was the Chairman of the Board for 5 years, resigned in August 2018 to pursue other interests. His contributions to the Board and the bank's strategy were instrumental in steering the Bank through various challenging economic cycles. I would like to thank Kweku and Dominic for their wise counsel and for immense contributions to the business. In June 2018, Ms Estelle Akofio Sowah, a telecommunications and IT expert was appointed as an independent non executive Director. I was appointed to serve as the new Chairman of the Board in August 2018.

Outlook for 2019

Coming off a vintage year for global growth, prospects look favourable, but with some risks ahead. The global economy is expected to continue growing strongly despite the risks of protectionism currently evident.

For Ghana, we expect another strong year of GDP growth driven by an increase in crude oil production, an accommodative monetary policy, increased capital expenditures and reducing inflationary rates. With the resolution of the capital challenges in the banking sector, it is expected that support for private sector lending will increase during the year.

Stanbic Bank will continue to drive risk asset generation within our chosen segments to improve revenue generation. We will further improve our client relationships to grow the deposit base while improving advisory revenues. Cost will remain an important issue for us as we continue to improve our cost culture.

We will also continue to invest in our people and deliver sustainable value for our shareholders.

Acknowledgement

On behalf of the Board, I would like to express our appreciation to the Management and the staff for their commitment and dedication throughout the year. I have been hugely impressed by the evidence of how true we have been to the bank's core values. We thank the team for going the extra mile in 2018 in the service of our customers, shareholders, communities and all other stakeholders.

Professor Ernest Aryeetey

Chairman

Chief Executive's report

"Total income of GHS 797.64 million was 17% above prior year with profit after tax for the year of GHS 226.02 million being 5% higher than 2017.

Alhassan Andani
Chief Executive

The banking sector in Ghana faced significant challenges in 2018 largely due to over lent balance sheets, bad debts, liquidity crisis and in some cases inverted capital underpinned by poor internal governance, risk and control. The Bank of Ghana took the bold step of putting in measures to right the wrongs of the past in the industry and increased the minimum capital requirement for deposit taking banks to GHS400million from the previous level of GHS120million to enable banks that will emerge from the banking crisis to be better capitalized to play a bigger role in the expanded economy. The bank of Ghana also introduced far reaching corporate governance and capital management directives to improve the management of banks. As a result of these difficulties a number of banks and non-bank financial institutions could not pay customer deposits which undermined customer and investor confidence. The consequence of all these developments, culminated in the revocation of the licenses of 2 banks, the consolidation of 7 indigenous banks with a significant bail out under a Ministry of Finance financial arrangement. Three merged bank groups emerged, with Bank of Baroda voluntarily surrounding their license in line with the Bank of Baroda Group strategy to rationalize their banking operations in Africa. The number of universal banks reduced from 34 to 23.

Despite the difficult operating environment outlined above, our financial performance for 2018 was strong and robust. Our balance sheet was strong and resilient and was able to accommodate the transfer of GHS305.97million from income surplus reserves to meet the GHS400million minimum capital requirement without the need for additional shareholder capital injection.

Total income of GHS 797.64 million was 17% above prior year with profit after tax for the year of GHS 226.02 million being 5% higher than 2017. Total customer deposits grew by 27% from GHS 3,361 million to GHS 4,282 million. Loans and advances to customers increased by 38% from GHS 1,875 million to GHS 2,585 million. Improvement in credit quality drove credit loss ratio to 1.3% from 2.7% in 2017. The strong financial performance was underpinned by growth in our customer numbers across all our business segments and increased uptake in products and services.

Cost was contained over the period recording a cost to income ratio of 53% while our return on equity

remained healthy at 23% given the expanded capital base as against 27% in the year before.

Our strategy was driven by the Standard Bank Group's strategic focus areas of client centricity, digitization and building a universal financial services organization. This involved adopting several initiatives to improve our understanding of client needs, providing matching financial solutions whiles increasingly deploying various digital platforms and applications to put the bank's products and services in the hands of customers.

We maintained governance, risk and control structures in total conformity with Bank of Ghana regulatory requirements and aligned with that of Standard Bank Group. The regulatory and legislative focus of the Bank of Ghana is broadening given recent developments in the industry, so we will remain resolute in upholding the highest governance and risk and control policies and procedures.

Our operating environment

The political and socio-economic development of Ghana continues to show steady progress drawing from the acceptance of democratic governance principles, independent judiciary, vibrant media, politically energized and aware public and active civil society organisations. Development issues and the underlying fiscal and monetary policy options are vigorously debated.

The focus of the government is to strengthen the macro economy consolidating gains made in 2017, reduce the fiscal deficit and achieve a stable environment to attract foreign direct investment and spur on domestic growth. This will be achieved by:

- Managing debt and reducing debt service costs
- Investing in critical infrastructure and agriculture
- Empowering the private sector to create jobs
- Improving public finance

In 2018, government made significant gains in restoring macro-economic stability. The GDP growth rate is projected to be 5.6% against 8.1% in 2017. The decline in the growth rate was largely due to base effect as the oil sector grew slower in 2018. The non-oil GDP was strong in 2018 with provisional growth rate of 8.5% as at September compared to same period in 2017 of 4.9%. The fiscal deficit on cash basis is projected at 3.7 percent of GDP broadly in line with the revised annual Budget target, which is also 3.7 percent of GDP. The primary balance continues to be a surplus and is expected to impact positively in slowing down the rate of debt accumulation in 2018.

The external sector performance of the economy has remained healthy. Export receipts for both cocoa and gold declined year on year whereas receipts for oil and exports of nontraditional products were higher against 2017. The overall balance of payments for 2018 recorded a deficit of US$672million (1.0% of GDP) compared to a surplus of US$1,091million (1.9% of GDP) in 2017. As a result, the Gross International Reserves was drawn to US$6.756billion (3.6 months of import cover) from the December 2017 position of US$7.842billion (4.5 months of import cover).

The local currency held well against the major international currencies until April 2018 when external pressures occasioned by the strengthening of the US dollar following expectations on US dollar interest rate increases forced a rapid depreciation of the cedi. As at 31st Dec the cedi depreciation was 7.6% against the US Dollar ending the period at GHS4.88:US$1. The rapid depreciation of currencies against the US dollar was felt across the emerging market. Interest rates in the market increased to attract offshore investors. The 91day Treasury Bill rate ended the year at 14.56%, an increase from 13.35% in 2017 and 16.4% in 2016.

The Central Bank progressively reduced the policy rate to 17% by year end which is a cumulative reduction of 300bps. Headline inflation also declined to 9.4% by Dec 2018 from 11.7% at the same time in 2017 on the back of moderating prices of non-food and nonalcoholic beverages sub group.

As part of the government's social inclusion agenda, significant programs were rolled out. This includes; increasing assess to senior high school by making it free, creating 100,000 thousand jobs for unemployed graduates through the Nations Builders Corp, Planting for food and jobs with free inputs like fertilisers and extension services.

Key Banking Industry Developments

The Ghanaian banking industry has over the last twenty months gone through a comprehensive reform agenda, with the key objective of cleaning up the sector, strengthening the regulatory and supervisory framework for a more resilient sector. As part of the reform exercise, seven technically insolvent banks lost their licenses to operate. Additionally, the Central Bank issued a directive raising the minimum stated capital to GHS400million effective 31st December 2018. The capitalization process was permitted to be achieved through the injection of fresh capital, capitalization on retained earnings or from a combination of both sources. The additional capital requirement was to help reposition the banking industry to support the growing needs of the economy.

Following the banking reform, sixteen (16) universal banks successfully achieved the new stated capital requirement on their own, six (6) universal banks merged into three (3) and one (1) had its license replaced with a Savings and Loans license. Five (5) banks, mainly state owned and local banks are being capitalized under the Ghana Amalgamated Trust Fund. Seven (7) insolvent banks with funding from government were consolidated to

form Consolidated Bank of Ghana (CBG). Two (2) had their licenses revoked and under a purchases and assumption agreement were taken over by GCB Bank. Consequently, the number of universal banks has reduced from thirty-four (34) universal banks to twenty-three (23). The Bank of Baroda voluntarily surrendered their banking license in line with Bank of Baroda Group strategy to rationalize their banking operation is Africa. Stanbic Bank assumed all the customer deposits of the bank as a result.

Our vision and strategy

Stanbic Bank Ghana aspires to harness all our resources in a customer centric manner to deliver sustainable and superior shareholder value in alignment with the Group's vision to be the leading financial services organisation in, for and across Africa.

Our strategy is buttressed by 3 focus areas:

1. Being client centric by understanding our clients, delivering excellent experiences and solutions they need quickly, reliably and respectfully thereby earning and keeping their trust.

2. Being a Universal financial services organization which delivers the financial services seamlessly and efficiently, and where the client has access to and experiences all our propositions relevant to their needs".

3. Being a Digital Bank delivering all our propositions through secure, personalised, relevant and digitally enhanced experiences to clients and employees in real time, all the time. We are making progress in making Stanbic Bank Ghana a simpler, better and safer bank for our customers.

We will use our five strategic value drivers which are below to help focus our efforts and to effectively measure the progress we are making with our strategy.

1. Client focus
2. Employee engagement
3. Risk and conduct
4. Financial outcomes
5. Social, economic and environmental outcome.

Our strategy and key value drivers have shown relevance as our customer numbers and revenue continue to grow. We showed a strong commitment to delight and serve our customers with standards deserving of a world class Bank. Several digital interventions were made, particularly migrating key transactions performed in our branches to self-service channels. This has made it flexible and easier for our clients to undertake their financial transactions.

We continue to execute through collaboration with various segments of the business including the group, to provide solutions to our clients. These collaborations were key in growing our deposits and asset base and driving our income growth. Personal and business banking deepened its trade and card propositions successfully while corporate and investment banking responded adequately to opportunities in the business environment to diversify client relationships, deepen their funding mix and improve the overall quality of the loan book. We are learning a lot from these collaborations and applying these learnings back into how we serve our customers.

We do and will continue to do the right business the right way by investing in constructive relationships with regulators, our risk and compliance frameworks, standards and policies and embedding an ethical and risk-aware culture, and internal control systems.

Our financial outcomes for 2018 attests to our unique value proposition that is client centric and executed within a robust risk and corporate governance framework.

The Bank made significant investment in cyber security as a strategic initiative to address the increasing possibility of cyber attacks which will result in data breaches and ultimately, damaging consumer trust. We built and will continue to build on a multi-layered approach to cyber security and work with the regulator and competition in industry-wide initiatives to monitor and anticipate cyber-attacks.

Corporate and Investment Banking

We are a leading Corporate & Investment Banking ("CIB") franchise in Ghana. Our client universe comprises market-leading local corporates, multinationals with operations in several geographies, and the Government and Strategic Parastatals. We seek to unlock value for our clients by providing a comprehensive range of financial solutions under a unified offering. In doing so, we focus on developing long-term partnerships with these clients, the majority of which operate in the sectors that drive Ghana's GDP.

Ghana's economy rebounded strongly in 2018. But the impact on our clients' businesses was muted, until the second half of the year when we began to experience the benefits of the more conducive environment. Interest rates had been on a declining trend all year, a direct result of a progressive reduction in the Bank of Ghana policy rate by a cumulative 300 basis points by year end. The currency has also been relatively stable, while inflation showed a declining trend. These developments were anticipated by our team, given our extensive knowledge of the market and our deep understanding of our clients' businesses. As such, we responded quickly to the improved operating environment, which led to a reduction in the cost of credit for our clients, and stimulated the growth of our risk asset portfolio.

We also benefited significantly from a portfolio transformation agenda that we had embarked upon in 2016 to diversify our client relationships, deepen our funding mix and improve the overall quality of our loan book. These returns were evident in the form of new client relationships, and higher volumes of risk assets, deposits and transactional activity across all client categories. Notably, feedback from our clients in respect of their experience in doing business

with us also showed improvement over previous years. We believe that the positive testimonies further validate the merits and effectiveness of our refreshed client strategy.

Despite these encouraging outcomes, significant work remains ahead of us. The banking sector recapitalisation exercise which resulted in a reduction in the number of banks to twentythree (23) from thirty-six (36) when it kicked off, has ended. Yet, confidence in the sector by our external stakeholders remains somewhat weak, due to a relatively high industry NPL ratio of (18%). The expected conclusion of the IMF program in April 2019, and the Government's commitment to executing on the industrialisation drive for the country should propel GDP growth higher. A direct consequence of the combined effects of the bank failures, the implementation of the new Basel framework and the introduction of a new Banking Act will be an increase in regulatory scrutiny. At the same time, we expect asset quality, corporate governance practices and capital cushions at all banks to improve significantly. We expect these developments to result in an increase in competition for good quality assets within the top tiers of the client segments where we operate. But we are confident that our commitment to excellence combined with our qualified and energised team should hold us in good stead to face the competition and the heightened regulatory environment.

The disruptive effect of digitisation on banks continues to be felt across our CIB business. With the emergence of Fintechs, and the proliferation of mobile money solutions, our clients now have several alternatives to address their electronic payment and cash and fund management requirements. These platforms offer innovative payment and collection solutions that provide greater convenience, more fulfilling experiences, and lower charges in the process. In addition, the platforms are not only putting pressure on our fee income stream, but also, seek to disrupt our core function as financial intermediary. Our response to these threats will dictate the extent to which we are able to protect our client franchise from these new competitors. Needless to say, we expect to continue to collaborate with our clients and invest in innovative solutions that address their needs in a timely manner.

Personal and Business Banking

In 2018 we continued the excellent trajectory we have been on, to build a market-leading retail business. This was underscored by fantastic financial results and by an improvement in the net promoter score of clients across all segments within Personal and Business Banking. Even though the turbulence in the banking sector during the year came with its challenges we stayed true to our strategy and executed consistently. At the heart of our execution was the Standard Bank Group's strategic value drivers of Customer-Centricity, Universal Financial Services Organisation and Digitalisation.

In 2018 we brought into life the concept of customer-centricity. Several internal processes were re-engineered to improve service delivery to our clients. These included; streamlining processes in our branches to become customer-friendly and deploying products and services with feedback from clients to ensure they were relevant. An example of such product was the Enterprise Smart Loan, which was rolled out to SMEs with borrowing needs but without the usual requirements like collateral and financial statements. In response to feedback from our clients in market enclaves on improving access to the bank, we deployed a mobile cash collection solution supported by a robust proprietary digital interface. This was piloted in the Makola, Madina and Kejetia markets with raving response from clients. We expect to scale it in 2019.

Another key initiative was the streamlining of our personal loan process to enable us deliver to the customer within 48 hours.

These initiatives and others resulted in an improvement of our net promoter score from the previous year.

We made huge strides in our journey to truly delivering the full suite of the bank to our customers. There were several instances of collaboration across the bank and its subsidiaries to assess and package solutions to customers' needs. 2018 was when we truly leveraged on all the enormous capabilities within the bank (both within Ghana and the group) to deliver solutions to our clients. Through this collaboration, the bank structured and financed a flagship mining deal for a wholly owned Ghanaian company. The transaction and the way it was done has become the "template" for the bank across the group. A number of such transactions are also in the pipeline and we expect to have more success stories in 2019.

We digitized our internal processes as well as made improvements to our existing digital channels to enhance customer experience. On digitizing our internal processes, we deployed a fully digital back-end credit model to improve turnaround time for personal loans, deployed a workflow system in our branch network to optimize processing of customer requests, and automated our customer on-boarding process to ensure seamless integration of new customers. To customers, we launched Instant Money, which allows customers to remit funds instantly to beneficiaries who can access funds from the bank's ATM without a card. We also made significant improvements to our mobile banking app enhancing the utility of the app. In 2018 we built a platform and started the building of an omni-channel for our clients. This work is expected to be completed and launched in 2019.

In line with the bank's commitment to deliver results through people, we invested a lot in building the capacity of our people in the business to serve our clients. World-class and bespoke training programs were rolled out in various areas, including client portfolio management, credit risk

management, sales, leadership and self-management. A lot of these programs were hands-on and follow-ups at the work-place to ensure better assimilation.

Wealth and Investment

Wealth and Investment ("WI") continues to play a significant part in the bank's mission to be a leading universal financial services organisation. With the aim of providing value-adding world class financial solutions to the bank's high net worth clients, WI focused extensively on the Client Centricity strategic pillar in 2018. Using the unit's client engagement philosophy which is built around the Wealth Quotient, activities and initiatives during the year were set out to help clients to:

1. Build and Create their Wealth
2. Live and Enjoy their Wealth
3. Save and Invest their Wealth
4. Follow their Passions and Leave a Legacy for the next generation.

Client engaging activities and initiatives during the year included the following:

Wealth and Investment Seminar Series: Our signature thought leadership Seminar in 2018 was themed around the US Tax Reforms. The seminar was held to inform and educate clients on the implications of those reforms for long term tax and estate planning. The panel included Kristin Konschnik, a US tax lawyer from Butler Snow Law Firm and based out of the UK.

Wealth and Investment Leadership Academies: Given our strong focus on generational wealth, we offer clients the opportunity to send their wards to appropriately curated Leadership Academies. Designed specifically for family members ranging from 10 to 24 years of age, our Leadership Academies aim to engage, educate and empower every member of the family with the financial awareness and skills necessary to help them develop and manage wealth, ensuring the successful transfer of wealth for generations to come. In 2018, a number of wards of clients participated in the Leadership Academy held in London.

Visa Infinite Debit and Credit Cards: In 2018: We rolled out the premium Visa Infinite Debit and Credit cards to clients. The launch of these premium visa cards signals our quest to enhance the transactional banking experience of clients. Stanbic Bank becomes the second bank to offer this solution in the Ghanaian market.

The WI value proposition is further strengthened by the cocktail of offshore investment options and access to the UK real estate market that is available to clients. This is driven through the regular visits and interactions from dedicated Offshore Wealth Managers who visit clients throughout the year.

Business Events: A number of WI clients were sponsored to the Trans Regional Conference in Lagos, Nigeria where they networked with Senior Standard Bank officials as well as business persons from across the continent. Similarly, a selected Wealth and Investment Families were sponsored to attend a YPO Networking Event and Seminar on Family Wealth.

Lifestyle events: During the year, the unit also organised a number of lifestyles events to not only engage clients, but to also offer them opportunities to network and also enjoy nonfinancial benefits. These include the 'Park and Drive' event held in partnership with Land Rover/ Jaguar Motors and the 'The Garden Party', which saw patrons wind down the year in style.

Corporate Functions

The corporate functions of Finance, Legal, Human Capital, Risk Management, Marketing, Information Technology, Compliance, Internal Audit and Operations worked together to support CIB, PBB and Wealth businesses to make significant achievements in delivering our strategy. Their efforts went to the core of ensuring that all regulatory requirements were complied with, our license and capital were protected, resources were efficiently deployed to deliver value for our clients and shareholders, and the brand image protected and well projected.

Looking ahead 2019

The global political and economic environment are expected to remain uncertain as geopolitical and trade tensions intensify and global growth slowdown. Particularly worrying for sub-Saharan African countries is the slow growth in China, and the ending of quantitative easing in the developed markets. These external pressures are expected to challenge the government's economic management achievements so far.

In April 2019, Ghana will exit the Extended Credit Facility agreement with the International Monetary Fund after restoring macroeconomic stability. Investor sentiments are expected to remain cautious, but government is confident in its reforms to preserve this stability. These reforms include, but not limited to:

• the enactment of the PFM Act in 2016 to plug loopholes, extract

efficiencies and manage government expenditure

• establishment of a fiscal council to oversee fiscal discipline and enactment of the Fiscal Responsibility Act to legally cap fiscal deficit (on cash basis) at 5% and

• zero tolerance for central bank financing of government to help strengthen fiscal discipline as part of measures to enhance economic management.

Economic growth is expected to pick-up from the 2018 projected outturn of 5.4% to 7.6% in 2019 mainly driven by government's rapid industrialisation drive, ramped up of oil production from about 180kbpd to 250kbpd, investment in agriculture, and significant investment in productive infrastructure. Barring external pressures, inflation should be within the Bank of Ghana target band of 8%±2%.

Considering the significant governance weaknesses that emerged and bank failures that occurred during the recapitalization exercise, we expect the level of regulatory scrutiny to heighten. Additionally, higher capital buffers will have to be maintained under the new capital reserving directive which may dilute return on equity if pricing and capital utilisation is not managed carefully.

Our expectations and drive will not waver as we seek to reinforce our focus on the core strategies of customer centricity, universal financial services organisation and digitisation (CUD). Our operational rigour and compliance with regulations will anchor our strategic intent as we aggressively adopt the One Bank model.

The recent bank failures anchor the need to maintain a robust risk and corporate governance framework. This year we built on the 2017 successes and made great progress in executing the core strategies of client centricity, as a universal financial services organization and in our digitization efforts. We will continue to build on our successes, learnings will be co-opted into the core bank to improve on our offering to the market and client.

I want to thank the Board of Directors, Management and all staff members for the great effort in 2018 and hope that this commitment will remain strong as we continue to build a bank of the future. To our clients, my gratitude is profound and can assure you that we will continue to invest in our people, systems and processes to serve you better now and into the future.

Alhassan Andani
Chief Executive

Financial Review

Economic environment

Ghana's economic growth remained robust during 2018 with real GDP growth projected to be around 5.6%. When compared to a growth of 8.1% recorded in 2017, growth was at a slower pace even though growth in 2017 was enabled by a ramp up in crude oil production with the coming on stream of a number of new oil fields and the repair of faulty equipment which had hampered crude oil production in the Jubilee oil fields.

Headline inflation edged downwards from 11.8% at the beginning of the year to 9.4% in December. This is within the medium term inflationary target of 8±2%. Similarly, the projected fiscal deficit of 4.5% is lower than the rate of 4.8% recorded in 2018.

Ghana's economic progress continues to receive international commendation. The International Monetary Fund has confirmed that Ghana's Extended Credit Facility agreement with the Fund will end in April 2019 amidst concerns of the country's rising debts and revenue shortfalls. As this grants policy flexibility to the government, the test for government will be its resolve to maintain financial discipline and prudent economic management.

To maintain fiscal discipline, the government has established a Fiscal Council and introduced a Fiscal Responsibility Law. During the year, the Ghana cedi came under incessant pressure with the cedi depreciating by 7.6% to GHS 4.88/ US$1 in the year. Pressures on local currencies from a strengthening of the US dollar was felt across emerging markets.

The Central Bank reduced the policy rate by 300 bps over the year to 17% by December 2018. The 91-day treasury bill benchmark rate increased to 14.56% at the close of 2018 after reducing to 13.35% in 2017 from 16.4% in December 2016.

The reduction in interest rates led to improved credit to the private sector in real terms. It was up by 6.8% in September 2018 against a contraction of 2.3% in September 2017, showing an improved propensity to lend to the private sector by banks.

Overview of financial results

The gains made in the macro economic environment translated into improved performance of Banks in the year under review. In addition, 2 new financial reporting standards were adopted- IFRS 9 and 15. The adoption of IFRS 9 resulted in higher credit impairment levels as compared with the previous IAS 39 provisions. However, improvement in the monitoring of our credit facilities together with an overall improvement in the business environment partly moderated the impact of the new standard on the performance of the Bank and its subsidiary (Group). Consequently, the bank recorded profit after tax (PAT) of GHS226.02million compared to 2017 of GHS215.60million representing a year increase of 4.8%.

Total income for 2018 was GHS797.64million, 17.1% up on prior year of GHS681.17million. This was premised on higher volumes of risk assets compared to 2017 which resulted in higher interest income. The effect of the increased volumes of risk assets was however partly moderated by dwindling margins on the back of the introduction of the single reference rate in April 2018, Ghana Reference Rate, (GRR) as it reduced the existing base rate by 154 bps hence a reduction in interest income on the same loan stock. Notwithstanding increased pressure on asset margins, net interest income was higher than prior year by GHS70.96million (17.95%) due to growth in cheaper deposits (current and savings accounts).

Non interest revenue of GHS331.32 million was 15.93% higher than prior year of GHS285.80million. The increase was mainly from fees and commission on the back of advisory / arrangement fees from customer risk asset sales. Additionally, increase in the customer base and higher volumes of transactions improved account maintenance fees. Fees generated from trading activities on the other hand was largely consistent with prior year as the markets were largely stable during the first half of the year.

Increased recovery efforts resulted in significant post write-off recoveries which led to 28% (GHS10.29million) reduction in credit impairment provisions for 2018 at GHS39m compared to GHS53.7million in 2017.

Operating expenses were up 34% compared to prior year. This was mainly due to higher occupancy costs on the back of depreciation of the cedi against major trading currencies and amortisation of intangible assets. All other costs increased around the average rate of inflation.

Total assets of GHS6.21 billion at the end of 2018 was higher than prior year by 17.89%. The increase was due to a rise in net customer loans by GHS709.98m (38%) to close the year at GHS2.58billion. Total liabilities closed the year at GHS5.13 billion compared to 2017 position of GHS4.35 billion representing an increase of 17.9% (GHS784.1million). The year-on-year increase is on the back of the deposit mobilisation drive undertaken during the year which saw a strong current account growth and a reduction in expensive fixed deposits held.

	2018	2017
Return on equity	22.70%	26.70%
Profit after tax (GHS'million)	226.02	215.60
Profit after tax growth	4.8%	42.38%
Earnings per share GHp	129	130
Earnings per share growth	-7.79%	42.86%
Net interest margin	16.11%	16.21%
Cost-to-income ratio	53.05%	46.31%
Credit loss ratio	1.28%	2.71%

Business unit performance

Stanbic Bank categorises customers under 3 main business units:

- Retail Business which consists of Personal & Business Banking (PBB);
- Wealth & Investment (W&I) and;
- Corporate and Investment Banking (CIB).

PBB and Wealth performance

The retail business improved upon its performance in the previous year from a PAT of GHS32million to close 2018 at GHS41million. This was mainly driven by risk assets volume growth, strong transactional activities and bigger ticket transactions which attracted higher fees compared to 2017.

Total income for the year was GHS382million compared to prior year of GHS299million representing an increase of 28% year on year. This was mainly due 30% growth in the volume of risk assets from GHS1.1 billion as at the end of 2017 to GHS1.4billion at the end of 2018. The effect of the strong asset growth was partly moderated by a squeeze in margins after the introduction of GRR by the Central Bank in April 2018. In line with the deposit mobilization strategy, the retail unit increased its average deposits from GHS1.6 billion in 2017 to GHS2.1 billion at the end of 2018 representing an increase of 32% above prior year. Conversely, the year on year increase in interest expense was 5%, reflecting the improvement in the business' deposit mix in favour noninterest- bearing deposits. This consequently resulted in improved performance of net interest income by 20% from GHS205million to GHS245million in 2018.

Non-interest revenue of GHS136m was higher than prior year of GHS94million representing 46% increase above prior year. The year on year growth is mainly driven by an uptick in the volumes of card transactions as well as increase in the number of customers signed in 2018. Transactional activities relating to trade also increased year on year.

Total credit impairment provisions of GHS41million represents an increase of 21% above prior year of GHS33.4million. This is mainly due to increase in customer risk assets by 30% and the introduction of IFRS 9 which required higher levels of provisions for performing loans and offbalance sheet items. In order to reduce the level of impairment provisions, the business put in place measures to improve the monitoring of the loan book in order to avert its deterioration and increase in credit impairment provisions.

Operating expenses were up 29% compared to prior year. This was driven by higher occupancy costs due to depreciation of the cedi against major trading currencies and amortisation of intangible assets.

Gross average risk assets of GHS1.43billion was 30% up on prior year of GHS1.1billion. The increase emanated from renewed drive to grow the asset book. However, the non-performing book also witnessed some increases on the back of the business' inability to regularise the credit concerns on some key names which were expected to be resolved in 2018.

The currency split of gross customer assets as at the end of the year is 61%: 39% in favour of local currency (LCY); compared to prior year split of 75%:25%.

Average customer liabilities of GHS2.1billion was 32% higher than prior year of GHS1.6billion. The year-on-year increase is due to the initiative to drive in cheaper customer deposit in 2018. The currency split for customer liabilities is 64% in favour of LCY compared to 56% in 2017.

CIB performance

Not withstanding an increase in total income year-on-year by 8% and recoveries in respect of credit impairments, CIB closed the year with a profit after tax of GHS145million, 3.3% lower than prior year. This was mainly due to higher operating costs year-on-year as prior year witnessed some efficiencies which resulted in one-off cost recoveries.

Total income for the year of GHS364million was 7.8% up on prior year of GHS338million. This was mainly on the back of stronger interest income of GHS289m in 2018 owing to 37% year-on-year growth in the average risk assets. Additionally, 2018 benefitted from significant interest from financial investment driven by improved customer deposits in third quarter as well as funding from repos and client swaps. The improved mix of customer deposits in favour of cheaper liabilities resulted in lower interest expense in 2018 compared to 2017.

Net fees and commissions of GHS58million witnessed an increase of 4% above prior year performance of GHS56million. The modest growth was due to a slowdown in significant deals such as Government of Ghana bond issues in 2018 due to some unfavorable market conditions. This was partly moderated by stronger performance in guarantees and investor services fees as there was a greater focus on driving guarantee utilization.

Trading revenue at GHS138million was 1% above prior year on the back of relatively higher volatility in the exchange rate and improved volumes in forex trading compared to prior year.

Notwithstanding the introduction of IFRS 9 which requires higher levels of provisioning in 2018, credit impairment provisions for the year was a release of GHS2million compared to a charge of GHS21million in 2017. The release was mainly due to recoveries of some non-performing loans that fully offset the impairment provisions made on specific client facilities.

Total cost for the year of GHS153million was 45% higher than prior year of GHS105million. In addition to higher occupancy costs on the back of depreciation of the cedi against major trading currencies, there were some efficiencies which resulted in one-off recoveries in costs.

Average customer assets increased from GHS1.87billion in 2017 to GHS2.56billion representing an increase of 37% driven by improved sales momentum on the back of stronger appetite levels. The recovery of non-performing loans was a strong success Customer liabilities increased by 9% to GHS2.58 billion in 2018 from GHS2.35 billion in prior year in response to deposit mobilisation initiative in 2018. The currency mix of deposits at the end of 2018 was 64%:36 in favour of foreign currency compared to 65%:35% in prior year in favour of foreign currency.

Capital Management

The Bank of Ghana request for Banks to increase stated capital from GHS120million to GHS400million ended in 2018. Stanbic Bank met the requirement by capitalising funds from retained earnings to stated capital. Also, a new Capital Requirement Directive (CRD) was released in June which sets the requirement for calculating Capital Adequacy ratio (CAR) under the Banks and Special Deposit-taking Institutions Act. The effective date set for full compliance was set for 1 January 2019. Under the new directive the minimum CAR required for Banks is 13% compared to 10% under the previous dispensation. The new directive also requires a minimum leverage ratio of 6%.

The bank is well capitalised with a Capital adequacy ratio (CAR) of 20.54% in December 2018 (2017: 23.87%). The total equity for the Group increased year on year by GHS157.64million though PAT for the year was GHS226.02million. This is due to:

- GHS30.71million transition adjustment in relation to adoption of IFRS 9 which requires higher provisioning on performing loans and off-balance sheet items compared to IAS39;

- GHS16.87million payment of stamp duty and withholding taxes due to the transfer of funds from income surplus to Stated capital account in compliance with the new minimum capital requirement by the Central Bank

- GHS10.19million actuarial loss on staff incentive scheme valuation; and

- GHS11.18million reversal out of equity in relation to available for sale instruments under IAS39.

Risk weighted assets of GHS4.87billion were higher than prior year of GHS3.62billion by 34.5% mainly due to the following:

- Growth in balance sheet risks from loans and advances;

- Growth in off-balance sheet risk due to increase in guarantees and letters of credit; and

- Operational and markets risks due to increase in the size of the business.

Notwithstanding a marginal increase in year on year PAT, the Group saw a marginal dip in its return on equity from 27% in 2017 to 23% in 2018.

Looking ahead

The business environment is expected to get better in 2019 as the GDP growth is projected to be stronger than 2018. A ramp up in government spending will increase business activities and improve the operating environment for companies in the economy. We therefore anticipate continuous improvement in asset quality and growth in lending activity in the market.

On-going new reforms in the banking sector by the Bank of Ghana are expected to moderate in 2019 even as current reforms are implemented. This will improve institutional consistency and support the focus of banks on their core business of financial intermediation in the country.

Corporate Governance Overview

The group's corporate governance approach promotes strategic decision- making that combines long- and short-term outcomes to reconcile the interests of the group, our stakeholders and society to create sustainable shared value.

Corporate governance is integrated across the group's operations. Through the group's subsidiary governance framework, the board fulfils an oversight role and deliberates with executive management over strategic direction, financial goals, resource allocation and risk appetite. Management applies the tone set by the board and the governance philosophy, based on the bank's values, as a set of principles and structures that enable the bank to create shared value for all our stakeholders.

Our approach to corporate governance extends beyond compliance. We see corporate governance as an enabler that creates competitive advantage through enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership.

In line with this ambition, the King Report on Corporate Governance (King Code) has formed the cornerstone of our approach to governance. We support the overarching goals of King IV, being the creation of:

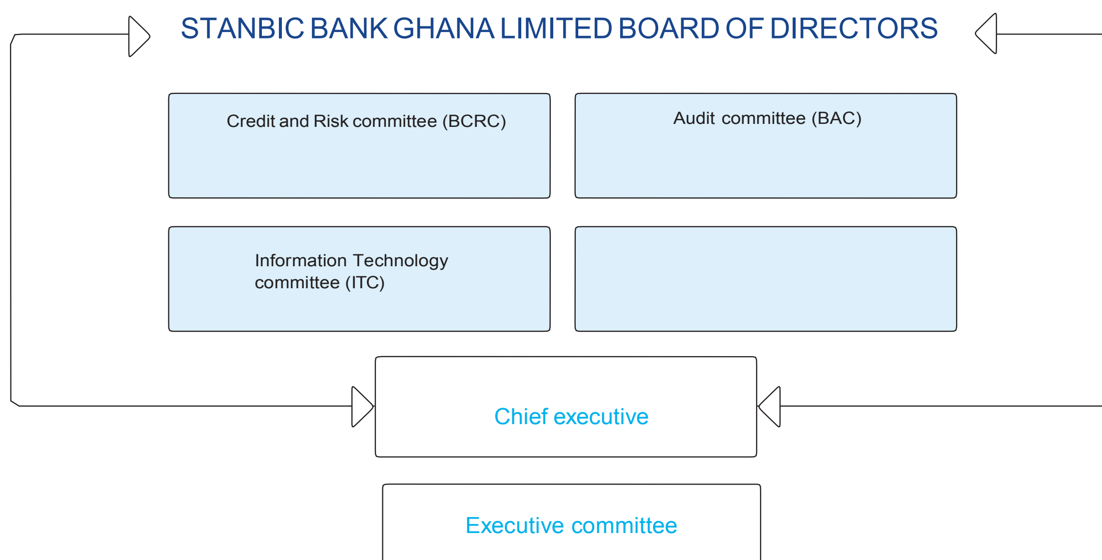
The board is satisfied with the group's application of the principles of King IV, and the group's application register is available online at
www.standardbank.com .

OUR GOVERNANCE FRAMEWORK

The bank operates within a clearly defined board-approved governance framework, which outlines mechanisms for the bank to implement robust governance practices and provides clear direction for decision-making across all disciplines. Through this framework the board has delegated the day-to-day management of the bank to the chief executive without abdicating the board's responsibility.

The delegation of authority is reviewed annually in consultation with the finance function to ensure that financial limits remain appropriate.

The chief executive engages the board on all critical decisions of the bank. These engagements take place with mutual respect and candour. All board decisions are consistently based on ethical foundations.



Board of Directors

1. PROFESSOR ERNEST ARYEETEY

Chairman
Appointed 2010
Appointed chairman 2018

- BA (Hons.) (University of Ghana)
- MSc. (KNUST, Ghana)
- PhD (University of Dortmund, Germany)

Ernest Aryeetey is a professor of Economics and a former Vice-Chancellor of the University of Ghana.

External appointments

- African Research Universities Alliance
- United Nations University, Tokyo
- Natural Resource Governance Institute, New York

2. ALHASSAN ANDANI

Chief Executive
Appointed 2006

- BSc. (University of Ghana)
- MB&F (FINAFRICA, Italy)
- International Management Certificate, INSEAD France

Alhassan Andani is the Chief Executive of Stanbic Bank Ghana. He is a seasoned banker with over 20 years' experience in the international and local banking industry.

External appointments

- STANLIB Ghana
- SBG Securities Ghana
- Council for Scientific and Industrial Research PLUS
- Gold Fields Limited and related entities

Board Committee

IT Committee

3. MRS. MERENE BENYAH

Independent non-executive director
Appointed 2010

- LLB (LSE, London),
- BL (England & Wales)
- BL (Ghana)
- Executive MBA (CEIBS)

Mrs. Merene Benyah is a senior legal practitioner and a partner of JLD & MB Legal Consultancy, a top tier law firm in Ghana.

External appointments

- BP Ghana
- Merton Group of Schools

Board Committee

Chairman, IT Committee
Audit Committee

4. KWAMINA KOANTENG ASOMANING

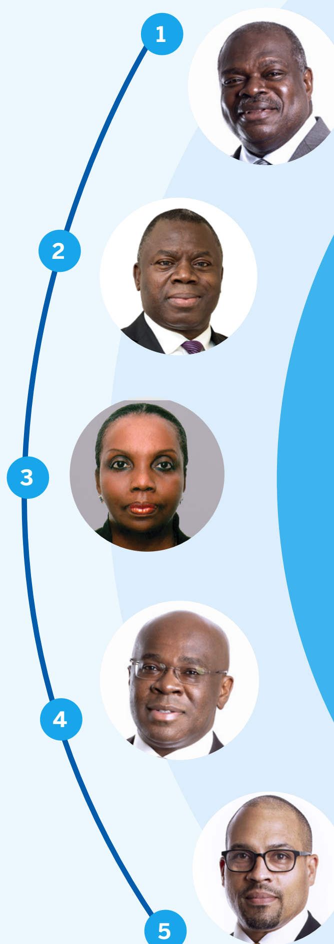
Executive director
Appointed 2010

- BSc. Business Admin. (University of Ghana)
- MBA (Wharton School, University of Pennsylvania)
- Chartered Certified Accountant

Kwamina Asomaning is chartered certified accountant and a seasoned banker. He is the head of Corporate and Investment Banking.

External appointments

- STANLIB Ghana
- SBG Securities
- Chirano Gold Mines
- University of Ghana Business School Management Committee



5. KODWO SAM ATTA MILLS

Independent non-executive director
Appointed 2011

- BA (Georgetown)
- MBA (Harvard)

Kodwo Mills was a Founding Director of Shanduka Group (Pty) Ltd and was the Chairman and Managing Director of Shanduka Fund Managers. Kodwo is the Founder and currently the Managing Partner of Invictus Africa Group

External appointments

- Invictus Investments Ghana

Board Committee

Chairman, Credit & Risk Committee

IT Committee

6. ASHOK MOHINANI

Independent non-executive director
Appointed 2013

- ACCA (England & Wales) Part

Ashok Mohinani is an accomplished entrepreneur and an executive director of the Mohinani Group of Companies.

External appointments

- Mohinani Group of Companies

Board Committee

Credit & Risk Committee

Audit Committee

7. CHARLES EGAN

Independent non-executive director
Appointed 2010

- FCCA (England & Wales)
- CA (Ghana)
- MICT (Ghana)

Charles Egan is a chartered accountant and a past Country Senior Partner of PricewaterhouseCoopers Ghana from which he retired. He previously worked with PricewaterhouseCoopers Zambia and Arthur Young in the UK. He is currently the managing partner of CFY Partners.

External appointments

- Internal Audit Agency of Ghana
- IFS Financial Services Limited
- African University College of Communications Limited
- Metropolitan Life Ghana Limited and related entities

Board Committee

Board Committees

Chairman, Audit Committee

Credit & Risk Committee

8. NANA KWADWO DWEMOH BENNEH

Executive director
Appointed 2014

- BA (Hons.) (University of Ghana)
- Executive MBA (London Business School)
- Chartered Institute of Bankers Diploma (UK)

Nana Benneh is a banker and head of Personal and Business Banking in Stanbic Bank Ghana Limited.

External appointments

- Bora Capital

9. MS. ESTELLE AKOFIO-SOWAH

Independent non-executive director
Appointed 2018

- BA (Hons.) (Sussex)
- Fellow, West African Leadership Initiative (Aspen, Colorado)

Ms. Estelle Akofio-Sowah is country manager of CSquared, an infrastructure company building wholesale internet infrastructure across Africa

External appointments

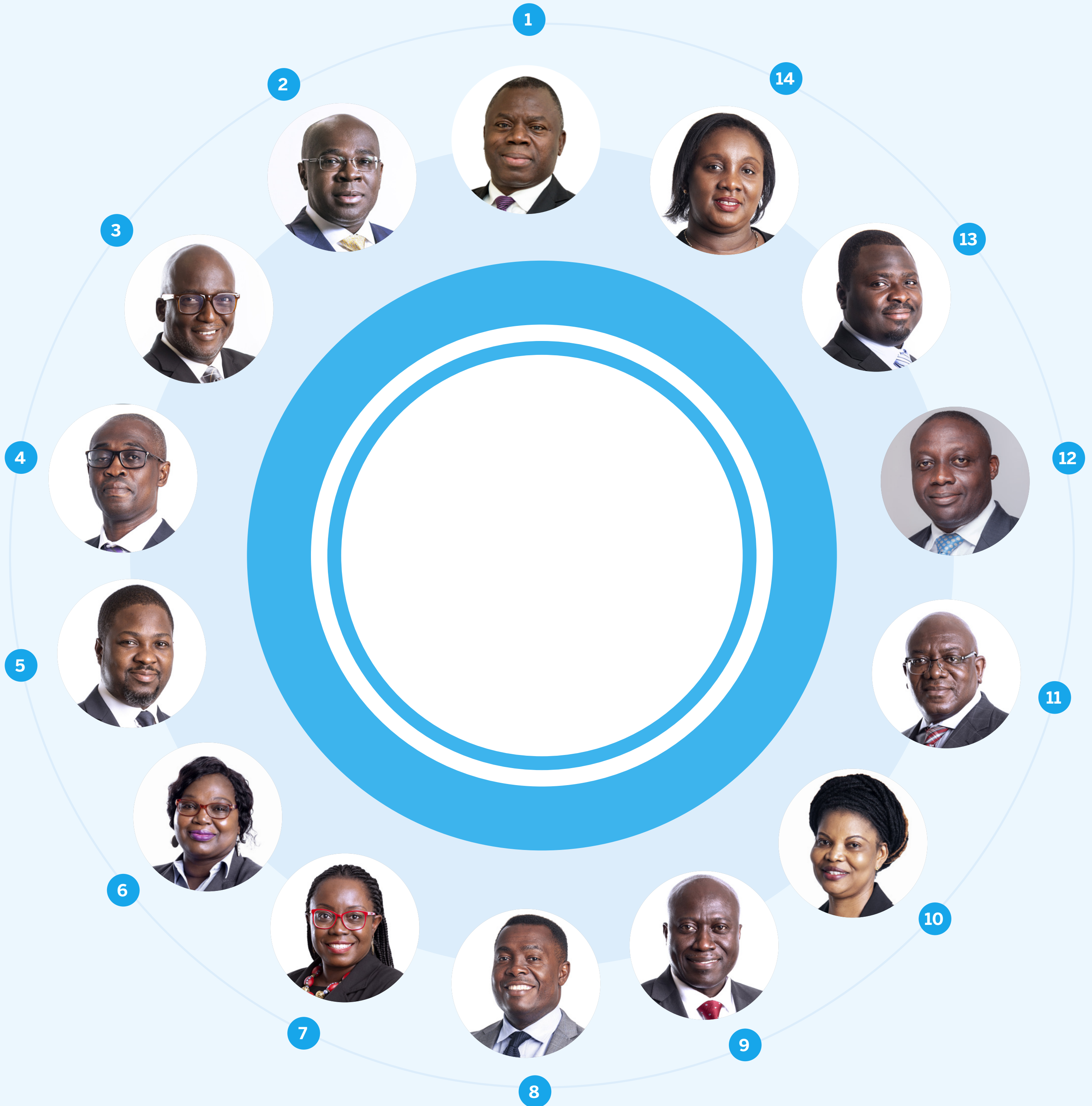
- Databank Epack
- Zawadi Educational Fund

Board Committees

Credit & Risk Committee

IT Committee

Executive Committee



1. **Alhassan Andani**
   Chief Executive
2. **Kwamina Asomaning**
   Head, Corporate & Investment Banking
3. **Nana Dwemoh Benneh**
   Head, Personal and Business Banking
4. **Victor Yeboah-Manu**
   Chief Financial Officer
5. **Benjamin Mensah**
   Head, Wealth and Investment
6. **Lucy Alando**
   Head, Risk
7. **Doreen Iliasu**
   Head, Legal/Company Secretary
8. **Mawuko Afadzinu**
   Head, Marketing and Public Affairs
9. **Emmanuel Martey**
   Head, Information Technology
10. **Doris Dzeha**
    Head, Operations
11. **Samuel Botchway**
    Head, Business Development
12. **Benjamin Ahulu**
    Head, Internal Audit
13. **Samuel Teye**
    Head, Human Capital
14. **Akosua Yelbert**
    Head, Compliance and
    Anti - Money Laundering

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 Standard Bank 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.

In particular, the Bank is largely compliant with the Corporate Governance Directives, 2018 issued by Bank of Ghana which come into effect in March 2019.

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.

Directors Declarations

Directors declare their professional and business interests to the Board before assumption of office and this declaration is reviewed quarterly at each Board meeting.

A Director with an interest in any matter being considered by the Board would declare the interest to the Board and then recuse himself from the discussions of the Board on that matter.

Board composition

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

The Regional Chief Executive for Standard Bank West Africa, Mr. Dominic Bruynseels retired from the services of the Group and the Board in April.

Ms. Estelle Akofio-Sowah was appointed as a non-executive director in June for her expertise in Information Technology (IT) to facilitate the oversight of IT governance and the digitisation transformation program of the Bank.

Mr. Kweku Andoh resigned as the Chairman of the Board in August after serving on the Board for twelve years to pursue other professional interests. He was replaced as Chairman by Professor Ernest Aryeetey.

No director has shares in the Bank.

Appointment of new chairman

With the resignation of Mr. Kweku Andoh Awotwi and in line with the Board's succession plans, the Board unanimously appointed Professor Ernest Aryeetey as chairman.

Professor Ernest Aryeetey has been a non-executive director of the Bank since 2010 and in accordance with the King Code, is considered independent.

Board Supervision of Management

It is the Board's responsibility to ensure that adequate management is in place to implement the Bank's 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 have 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.

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 work experience
- management experience
- knowledge and understanding of

Corporate governance statement

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 and its Committees conduct annual self-evaluations to assess themselves against their 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, the Chief Executive and the Company Secretary are assessed annually.

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 to shape the budget. The Board of Directors is provided with comprehensive documentation at least four days prior to each of the scheduled meetings.

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

Director	Mar.	Jun.	Aug.	Aug.	Nov.
[1]K.A. Awotwi (Chairman)	√	√			
A. Andani	√	√	√	√	√
*E. Aryeetey	√	√	√	√	√
Mrs. M. B. Benyah	√	√	√	√	√
Nana D. Benneh	√	A	√	√	√
K.K. Asomaning	√	√	√	√	A
K.S.A. Mills	√	A	√	A	√
[2]D. Bruynseels	√				
A.R. Mohinani	A	√	√	√	√
C.B. Egan	√	√	√	√	√
[3]Ms. E. Akofio-Sowah		√	√	√	√

1 Resigned on 1 August 2018

***** Appointed Chairman 30 August 2018

2 Resigned 10 April 2018

3 Appointed 8 June 2018

√ Attendance

A Apology

Board Committees

The role played by Board Committees is key in facilitating the discharge of the Board's responsibilities.

Board Committees are established to assist the Board in discharging its responsibilities. The Committees have Board approved mandates that are reviewed at least, annually. 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 independent 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; develop and maintain effective systems of internal control and monitor the Banks compliance with applicable regulations and legislation. The Committee provides a report to the Board at each meeting of the Board.

Credit, Risk & IT Committee

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

Information Technology Committee

The Board IT Committee is composed of independent non-executive directors and the Chief Executive. The committee was established to assist the Board in fulfilling its corporate governance responsibilities with respect to IT and to provide oversight on the IT strategy.

Succession planning

The careful management of the board succession process is vital to the effective functioning of the Board. The Board ensures that as directors retire, candidates with the necessary skills and experience have been identified to ensure that the board's competencies and balance are maintained and enhanced.

In addition to managing non-executive director succession, the Board

Corporate governance statement

considers the talent management of the Bank's leadership team. The Board is satisfied with the depth of talent in the Bank's senior leadership.

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 unfettered 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 Standard Bank 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**

Ethics and organisational integrity

The 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 Standard Bank 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. This remuneration philosophy is approved by the Bank's Board and aligned with the Bank's practices.

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 and the Board.

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

Corporate governance statement

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 annual general meeting 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 a maximum limit of nine (9) for the appointment of non-executive directors.

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)	13,458

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 The Standard Bank 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 contribution) 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 Standard Bank 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

	2018	2017
Branches	39	39
ATMs	115	106
Headcount	831	811
CSI spend (GHS'000)	2,278	1,676

Highlights of awards and achievements in 2018:

1. Best Investment Bank, Ghana in the Global Finance Awards;
2. Best Financial Deal of the Year in the Ghana Mining Industry Awards
3. Best CEO – Financial Sector in the Ghana Industry Awards
4. Institute of Public Relations'
    - Best In a Cause Communications
    - PR campaign of the year
    - Best Promotional event
    - Best Launch and relaunch
    - PR organization of the year

Material issues facing the bank

There were no material deficiencies in the Bank in the course of the year.

Directors and Advisors

Directors and Advisors

Board of Directors	E. Aryeetey	(Chairman)
	A. Andani	(Chief Executive)
	M. B. Benyah (Mrs)	
	K. K. Asomaning	(Executive)
	K.S.A Mills	
	A.R. Mohinani	
	C. B. Egan	
	N.D. Benneh	(Executive)
	E. Akofio-Sowah (Ms)	Appointed June 8, 2018
	K. A. Awotwi	Resigned August 1, 2018
	D. Bruynseels	Resigned April 10, 2018

Secretary	Mrs Doreen Iliasu Stanbic Bank Ghana Limited Stanbic Heights 215 South Liberation Link Accra
Auditor	PricewaterhouseCoopers Chartered Accountants No. 12 Airport City Una Home 3rd Floor Airport PMB CT 42, Cantonments Accra
Registered Office	Stanbic Heights 215 South Liberation Link Airport City Accra

Report of the Directors

Report of the Directors

The directors submit herewith their report and the audited annual financial statements for the year ended 31 December 2018.

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

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. The directors have a reasonable expectation that the Group and Bank will have adequate resources to continue in operational existence and as a going concern in the financial year ahead.

Principal Activities

The principal activities of the Group are Corporate and Investment Banking, Personal and Business Banking, Wealth 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% (2016: 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 statement of financial position, income statement, 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 2018.

Dividend

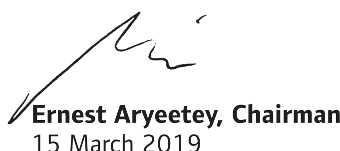
The directors are not recommending the payment of dividend this year. Prior year dividend paid was nil. However, a bonus share issue of 55,429,810 ordinary shares at GHS5.52 per share amounting to GHS305.97 million was offered to the shareholders of the Bank in 2018.

Auditor

In accordance with section 81 (5) of the Banks and specialised deposit-taking Act, 2016 (Act 930), PricewaterhouseCoopers (Ghana) Limited was appointed as the auditor of the Bank and its subsidiary in 2018. The directors recommend that PricewaterhouseCoopers (Ghana) Limited 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 25. The 2018 annual financial statements and specified sections of the risk and capital management report were approved by the board of directors on 15 March 2019 and signed on its behalf by:



Ernest Aryeetey, Chairman
15 March 2019

Alhassan Andani, Chief Executive
15 March 2019

Independent Auditor's Report

To the Members of Stanbic Bank Ghana Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of Stanbic Bank Ghana Limited (the "Bank") and its subsidiary (together the "Group") for the year ended 31 December 2018.

The financial statements on pages 31 to 154 comprise:
- the separate and consolidated statements of financial position as at 31 December 2018;
- the separate and consolidated statements of comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Bank's and Group's financial statements of the current period. These matters were addressed in the context of our audit of the Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How our audit addressed the key audit matter
Impairment provision on loans and advances to customers – GHS146.5 million Gross loans and advances as at 31 December 2018 amount to GHS2.73 billion out of which an impairment provision of GHS146.5 million was recorded.	We obtained an understanding of controls over the loans origination, monitoring and provisioning process and tested relevant controls. We tested the appropriateness of management's assumptions including challenging management's determination of:

Independent Auditor's Report continued

The impairment provision has been determined on the basis of the Expected Credit Loss (ECL) taking into account forward looking information reflecting management's view of potential future economic environment. The model used to determine ECL and inputs used may not be fully observable because it involves management's independent judgement. Management is guided by the IFRS 9 methodology as well as the policies and procedures in place by the Bank and the regulator, Bank of Ghana. ECL is calculated on a portfolio basis for Personal and Business Banking (PBB) loans and on an individual basis for Corporate and Investment Banking (CIB) loans. The determination of ECL is complex and requires significant judgements such as: - Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank. - Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank. - Probability of Default: estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon. - Exposure at default: amount expected to be owed the bank at the time of default. - Loss given default: percentage exposure at risk that is not expected to be recovered in an event of default. - Forward looking economic information and scenarios used in the models. Notes 3.2, 5 and 22.6 in the financial statements set out the accounting policies, critical estimates and related judgements used in the calculation of ECL.	- significant increase in credit risk, - default, - probability of default, - exposure at default, and - loss given default We assessed the reasonableness of forward looking information used in the impairment calculations by challenging the multiple economic scenarios used and the weightings applied. We assessed management's judgement on portfolio segmentation to ensure that portfolio with similar risk characteristics were grouped together in the ECL model. We tested the reasonableness of the Loss Given Default (LGD) by reviewing collateral values along with assumptions on haircut and recovery rates and time to realisation. We checked that the projected EAD over the remaining lifetime of on-balance sheet exposures based on the behavioural life of revolving facilities was in compliance with the requirements of IFRS 9. We assessed the completeness and accuracy of data used in the ECL models. We tested the appropriateness of the staging in the ECL model by independently determining the staging of selected loans based on customer's repayment history, compliance to loan covenants and other qualitative factors. We recomputed the ECL model calculations and tested the inputs and risk parameter outputs. We tested the appropriateness of disclosures set out in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman of the Board of Directors Statement, Chief Executive's Report, Financial Review, Corporate Governance Report, Directors and Advisors, Report of the Directors, and Value Added Statement but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and Our Values and Review of Performance, which are expected to be made available to us after that date.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read Our Values and Review of Performance, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

In preparing the separate and consolidated financial statements, the directors are responsible for assessing the Bank's and 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 Bank and/or 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 financial statements

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- 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.

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

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

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

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

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

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

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

27 March 2019

Statements of financial position

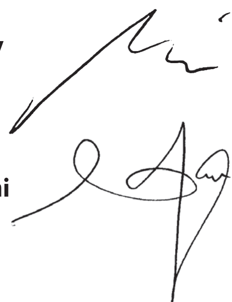
at 31 December 2018

		Group		Bank	
	Note	2018 GHS'000	2017 GHS'000	2018 GHS'000	2017 GHS'000
Assets					
Cash and cash equivalents	2	**1,709,104**	1,734,995	**1,707,136**	1,733,070
Non-pledged trading assets	3.6	**634,614**	566,076	**634,614**	566,076
Investment securities	4	**685,248**	646,316	**682,264**	645,408
Loans and advances to customers	5	**2,584,735**	1,874,757	**2,584,735**	1,874,757
Current tax assets	6	**54,790**	13,713	**54,692**	13,638
Other assets	7	**375,208**	268,832	**377,767**	270,414
Investment in subsidiary	8	**-**	-	**2,500**	1,000
Intangible assets	9	**73,581**	80,369	**73,581**	80,369
Property and equipment	10	**87,730**	78,424	**87,729**	78,422
Total assets		**6,205,010**	5,263,482	**6,205,018**	5,263,154
Equity		**1,075,374**	917,735	**1,075,290**	917,521
Stated capital	11	**414,213**	108,241	**414,213**	108,241
Reserves		**661,161**	809,494	**661,077**	809,280
Income surplus		**223,032**	483,440	**222,948**	483,226
Statutory reserve	12.1	**317,695**	204,621	**317,695**	204,621
Statutory credit risk reserve	12.2	**119,761**	110,156	**119,761**	110,156
Available for sale reserve	12.3	**-**	11,183	**-**	11,183
Other reserve	12.4	**673**	94	**673**	94
Liabilities		**5,129,636**	4,345,747	**5,129,728**	4,345,633
Trading liabilities	13	**127,360**	72,103	**127,360**	72,103
Deposit and current accounts	14	**4,501,166**	3,535,783	**4,501,390**	3,535,783
Deposits from banks	14.1	**218,855**	174,624	**218,855**	174,624
Deposits from customers	14.2	**4,282,311**	3,361,159	**4,282,535**	3,361,159
Deferred tax liabilities	15	**110**	8,852	**110**	8,851
Provisions and other liabilities	16	**366,778**	604,918	**366,646**	604,805
Subordinated debt	17	**134,222**	124,091	**134,222**	124,091
Total equity and liabilities		**6,205,010**	5,263,482	**6,205,018**	5,263,154

The accompanying accounting policies and notes from page 39 to 154 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 15 March 2019 and signed on its behalf by:

Board Chairman: Ernest Aryeetey



Chief Executive: Alhassan Andani

Income Statements

for the year ended 31 December 2018

		Group		Bank	
	Note	2018 GHS'000	2017 GHS'000	2018 GHS'000	2017 GHS'000
Net interest income		**466,325**	395,367	**465,834**	394,896
Interest income	22.1	**549,984**	488,527	**549,493**	488,056
Interest expense	22.2	**(83,659)**	(93,160)	**(83,659)**	(93,160)
Non-interest revenue		**331,316**	285,804	**330,627**	285,581
Net fee and commission revenue	22.3	**193,698**	149,078	**193,009**	148,855
Fee and commission revenue	22.3	**219,239**	170,921	**218,550**	170,698
Fee and commission expense	22.3	**(25,541)**	(21,843)	**(25,541)**	(21,843)
Trading revenue	22.4	**137,715**	136,726	**137,715**	136,726
Other loss	22.5	**(97)**	-	**(97)**	-
Total income		**797,641**	681,171	**796,461**	680,477
Credit impairment charges	22.6	**(38,680)**	(53,696)	**(38,678)**	(53,696)
Income after credit impairment charges		**758,961**	627,475	**757,783**	626,781
Operating expenses		**(423,226)**	(315,476)	**(421,930)**	(314,622)
Staff costs	22.7	**(226,776)**	(198,573)	**(226,192)**	(198,108)
Depreciation and amortisation	22.9	**(35,131)**	(30,776)	**(35,131)**	(30,775)
Other operating expenses	22.8	**(161,319)**	(86,127)	**(160,607)**	(85,739)
Net income before indirect taxation		**335,735**	311,999	**335,853**	312,159
Indirect taxation	23.1	**(12,890)**	(3,095)	**(12,882)**	(3,095)
Profit before direct taxation		**322,845**	308,904	**322,971**	309,064
Direct taxation	23.2	**(96,824)**	(93,305)	**(96,824)**	(93,305)
Profit for the year		**226,021**	215,599	**226,147**	215,759
Basic/diluted earnings per ordinary share (pesewas)	24	**129**	130	**129**	130

The accounting policies and notes on pages 39 to 154 form an integral part of these financial statements.

Statements of other comprehensive income

for the year ended 31 December 2018

		Group		Bank	
	Note	**2018 GHS'000**	2017 GHS'000	**2018 GHS'000**	2017 GHS'000
Profit for the year		**226,021**	215,599	**226,147**	215,759
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Movement in the available-for-sale revaluation reserve		**-**	4,391	**-**	4,391
Net change in fair value of available-for-sale financial assets	12.3	**-**	4,391	**-**	4,391
Items that may not be reclassified subsequently to profit or loss:					
		(10,196)	-	**(10,196)**	-
Defined benefit fund remeasurements	27. 1	**(10,196)**	-	**(10,196)**	-
Total comprehensive income for the year		**215,825**	219,990	**215,951**	220,150

The accompanying accounting policies and notes from page 39 to 154 form an integral part of these financial statements

Statements of changes in equity

for the year ended 31 December 2018

Group	Stated capital GHS'000	Statutory credit risk reserve GHS'000
Balance at 1 January 2017	108,241	185,931
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive (loss)/income for the year	-	-
Transfer from statutory credit risk reserve	-	(75,775)
Transfer to statutory reserve	-	-
Transactions with shareholders, recorded directly in equity	-	-
Increase in share based payment reserve	-	-
Transfer of vested equity rights	-	-
Balance at 31 December 2017	108,241	110,156
IFRS 9 transition adjustment[1]		**(42,033)**
Balance at 1 January 2018 (as restated)	**108,241**	**68,123**
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income/(loss) for the year	-	-
Transfer to statutory credit risk reserve	-	**51,638**
Transfer to statutory reserve	-	-
Transactions with shareholders, recorded directly in equity	**305,972**	-
Equity-settled share-based payment transactions	-	-
Bonus issue to equity holders	**305,972**	-
Dividend tax on Bonus issue to equity holders	-	-
Stamp duty on Bonus issue to equity holders	-	-
Balance at 31 December 2018	**414,213**	**119,761**

[1] *Refer to IFRS 9 financial instruments (note 3.2) in the accounting policies*

The accompanying accounting policies and notes from page 39 to 154 form an integral part of these financial statements

Available for Sale reserve GHS'000	Statutory reserve GHS'000	Income surplus GHS'000	Share-based payment reserve GHS'000	Ordinary shareholders' equity GHS'000
6,792	177,651	219,005	82	697,702
4 391	-	215,599	-	219,990
-	-	215,599		215,599
4 391	-	-	-	4,391
-	-	75,775	-	-
-	26,970	(26,970)	-	-
-	-	31	12	43
-	-		43	43
-	-	31	(31)	-
11,183	204,621	483,440	94	917,735
(11,183)		**11,322**	**-**	**(41,894)**
-	**204,621**	**494,762**	**94**	**875,841**
	-	**215 825**	**-**	**215,825**
-	**-**	**226,021**	**-**	**226,021**
-	**-**	**(10,196)**	**-**	**(10,196)**
-	**-**	**(51,638)**	**-**	**-**
-	**113,074**	**(113,074)**	**-**	**-**
-	**-**	**(322,843)**	**579**	**(16,292)**
-	**-**		**579**	**579**
-	**-**	**(305,972)**	**-**	**-**
-	**-**	**(15,341)**	**-**	**(15,341)**
-	**-**	**(1,530)**	**-**	**(1,530)**
-	**317,695**	**223,032**	**673**	**1,075,374**

Statements of changes in equity

for the year ended 31 December 2018

Bank	Stated capital GHS'000	Statutory credit risk reserve GHS'000
Balance at 1 January 2017	108,241	185,931
Total comprehensive income for the year	-	-
Profit for the year	-	-
Other comprehensive income for the year	-	-
Transfer from statutory credit risk reserve	-	(75,775)
Transfer to statutory reserve	-	-
Transactions with shareholders, recorded directly in equity	-	-
Increase in share based payment reserve	-	-
Transfer of vested equity rights	-	-
Balance at 31 December 2017	108,241	110,156
IFRS 9 transition adjustment[1]		**(42,033)**
Balance at 1 January 2018	**108,241**	**68,123**
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income/(loss) for the year	-	-
Transfer to statutory credit risk reserve	-	**51,638**
Transfer to statutory reserve	-	-
Transactions with shareholders, recorded directly in equity	**305,972**	-
Equity-settled share-based payment transactions	-	-
Bonus issue to equity holders	**305,972**	-
Dividend tax on Bonus issue to equity holders	-	-
Stamp duty on Bonus issue to equity holders	-	-
Balance at 31 December 2018	**414,213**	**119,761**

[1] *Refer to IFRS 9 financial instruments (note 3.2) in the accounting policies*

The accompanying accounting policies and notes from page 39 to 154 form an integral part of these financial statements

Available for Sale reserve GHS'000	Statutory reserve GHS'000	Income surplus GHS'000	Share-based payment reserve GHS'000	Ordinary shareholders' equity GHS'000
6,792	177,651	218,631	82	697,328
4 391	-	215,759	-	220,150
-	-	215,759	-	215,759
4 391	-	-	-	4,391
-	-	75,775	-	-
-	26,970	(26,970)	-	-
-	-	31	12	43
-	-	-	43	43
-	-	31	(31)	-
11,183	204,621	483,226	94	917,521
(11,183)		**11,326**		**(41,890)**
-	**204,621**	**494,552**	**94**	**875,631**
	-	**215 951**	**-**	**215,951**
-	**-**	**226,147**	**-**	**226,147**
-	**-**	**(10 196)**	**-**	**(10,196)**
-	**-**	**(51,638)**	**-**	**-**
-	**113,074**	**(113,074)**	**-**	**-**
-	**-**	**(322,843)**	**579**	**(16,292)**
-	**-**		**579**	**579**
-	**-**	**(305,972)**	**-**	**-**
-	**-**	**(15,341)**	**-**	**(15,341)**
-	**-**	**(1,530)**	**-**	**(1,530)**
-	**317,695**	**222,948**	**673**	**1,075,290**

Statements of cash flows

for the year ended 31 December 2018

	Note	Group		Bank	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
Net cash flows from operating activities		**64,989**	(286,834)	**66,446**	(287,050)
Cash flows used in operations		**(222,038)**	(544,371)	**(220,114)**	(544,231)
Profit before tax		**335,735**	311,999	**335,853**	312,159
Adjusted for:		**(407,426)**	(314,525)	**(406,929)**	(314,055)
Credit impairment charges on loans and advances	22.6	**38,680**	53,696	**38,678**	53,696
Depreciation of property and equipment	22.9	**28,286**	23,931	**28,286**	23,930
Amortisation of intangible asset	22.9	**6,845**	6,845	**6,845**	6,845
Equity-settled share-based payments	22.7	**579**	43	**579**	43
Interest expense	22.2	**83,659**	93,160	**83,659**	93,160
Interest income	22.1	**(549,984)**	(488,527)	**(549,493)**	(488,056)
Indirect tax - VAT	23.1	**(12,890)**	(3,095)	**(12,882)**	(3,095)
Fair value adjustment on financial instrument		**(2,657)**	(478)	**(2,657)**	(478)
Loss/(gain) on sale of property and equipment	22.8	**56**	(100)	**56**	(100)
Increase/(decrease) in income-earning assets	25.1	**(906,340)**	(166,393)	**(905,238)**	(166,770)
Increase/(decrease) in deposits and other liabilities	25.2	**755,993**	(375,452)	**756,200**	(375,565)
Interest paid		**(80,504)**	(93,505)	**(80,504)**	(93,505)
Interest received		**499,119**	434,909	**498,652**	434,528
Direct taxation paid	6	**(131,588)**	(83,867)	**(131,588)**	(83,842)
Net cash flows used in investing activities		**(37,705)**	(29,812)	**(39,205)**	(29,812)
Capital expenditure on property and equipment		**(37,767)**	(29,930)	**(37,767)**	(29,930)
Proceeds from sale of property, equipment, furniture and vehicles		**62**	118	**62**	118
Investment in subsidiary		**-**	-	**(1,500)**	-
Net cash flows used in financing activities		**-**	(7,280)	**-**	(7,280)
Repayment of subordinated debt	25.3	**-**	(7,280)	**-**	(7,280)
Net increase/ (decrease) in cash and cash equivalents		**27,284**	(323,926)	**27,241**	(324,142)
Effect of exchange rate changes on cash and cash equivalents	25.4	**(53,175)**	(10,857)	**(53,175)**	(10,857)
Cash and cash equivalents at beginning of the year		**1,734,995**	2,069,778	**1,733,070**	2,068,069
Cash and cash equivalents at end of the year	2	**1,709,104**	1,734,995	**1,707,136**	1,733,070

The accompanying accounting policies and notes from page 39 to 154 form an integral part of these financial statements

Accounting policies

Accounting policy elections

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

1 Reporting entity

Stanbic Bank Ghana Limited (the Bank) and its wholly owned subsidiary, SBG Securities Ghana Limited (together referred to as 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.

2 Basis of preparation

(a) Statement of compliance

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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

This is the first set of the group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in note 3 of the accounting policies.

The consolidated financial statements for the year ended 31 December 2018 was approved by the Board of Directors on 14 March 2019.

(b) Basis of measurement

These consolidated and separate financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value (applicable before 1 January 2018)
- financial assets are measured at fair value through other comprehensive income (applicable from 1 January 2018)
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- trading assets and liabilities are measured at fair value

The group applies accrual accounting for recognition of its income and expenses.

(c) Going concern assumption

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

(d) Functional and presentation currency

These consolidated and separate financial statements are presented in Ghana Cedis, which is the Bank's functional and presentation currency. All financial information presented in Cedis has been rounded to the nearest thousands (GHS'000), except when otherwise stated.

(e) Use of estimates and judgement

Refer to key management assumptions in notes (note 1) to the financial statements.

(f) Changes in accounting policies

Except as decribed in note 3 of the accounting policies, the group has consistently applied the accounting policies as set out in to all years presented in these financial statements.

Accounting policies continued

3 Statement of significant accounting policies

The group has adopted IFRS 15 *Revenue from Contracts with Customers* (see 3.1) and IFRS 9 *Financial Instruments* (see 3.2) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the group's financial statements.

The effect of initially applying these standards is mainly attributed to an increase in impairment loss recognised on financial assets.

3.1 Revenue from Contracts with Customers

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

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

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods and services. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

Given the nature of fees earned by the group and based on management's assessment, IFRS 15 did not have material impact on the group's financial statements on transition date of 1 January 2018. The group has analysed the nature of its fees as follows:

- *Bank transaction fees:* This include electronic banking charges, point of representation transaction fee, documentation and administration fee, card based commission, knowledge base or professional service fee, foreign service fee, account transaction fee, custody fees and others. The impact of IFRS 15 on accounting treatment has been assessed to be immaterial.

3.2 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (IFRS 9) replaces the existing standard dealing with the accounting treatment for financial instruments IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) from 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:

- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement.
- An expected credit loss (ECL) impairment model as against the incurred loss impairment model in IAS 39.
- Revised requirements and simplifications for hedge accounting.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which the financial assets is managed and its contractual cash flow characteristics.

The adoption of IFRS 9 has not had a significant effect on the group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

3.2 IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following tables and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurment categories under IFRS 9 for each class of the group's financial assets as at 01 January 2018.

Effect of IFRS 9 transition on the consolidated statement of financial position

Statement of financial position line items affected	IFRS restated	IFRS previously reported	Transitional adjustment	Note[1]
	GHS'000	GHS'000	GHS'000	
Assets				
Cash and cash equivalents	1,732,999	1,733,070	71	(a)
Non-pledged trading assets	566,076	566,076	-	
Financial investments	633,892	645,408	11,516	(b)
Investment in subsidiary	1,000	1,000	-	
Loans and advances to customers	1,839,955	1,874,757	34,802	(c)
Other assets	270,414	270,414	-	
Property and equipment	78,422	78,422	-	
Intangible assets	80,369	80,369	-	
Current and deferred tax assets	24,964	13,638	(11,326)	(d)
Total assets	**5,228,091**	**5,263,154**	**35,063**	
Liabilities				
Trading liabilities	72,103	72,103	-	
Deposits from banks	174,624	174,624	-	
Deposits from customers	3,361,159	3,361,159	-	
Subordinated debt	124,091	124,091	-	
Provisions	27,142	27,142	-	
Other liabilities	570,836	577,663	6,827	(e)
Deferred tax liabilities	8,851	8,851	-	
Total liabilities	**4,338,806**	**4,345,633**	**6,827**	
Equity				
Share capital	108,241	108,241	-	
Reserves	767,390	809,280	41,890	
Total equity	**875,631**	**917,521**	**41,890**	
Total equity and liabilities	**5,214,437**	**5,263,154**	**48,717**	

Note[1] : Comments provided under classification and measurement of financial assets and financial liabilities at 1 January 2018 in the next page.

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities as at 1 January 2018

In GHS'000	Note	Original classification under IAS 39	New Classification under IFRS 9	Original carrying Value under IAS 39 at inital application date	New carrying Value under IFRS 9 at inital application date	Transitional adjustment
Financial assets						
Cash and cash equivalents	(a)	Loans and receivables	Amortised cost	1,733,070	1,732,999	71
Non-pledged trading assets		Held-for-trading	FVTPL	566,076	566,076	-
Investment securities (financial investments)		Available-for-sale		645,408	-	-
	(b)		Amortised cost	-	633,892	11,516
Loans and advances to customers	(c)	Loans and receivables	Amortised cost	1,874,757	1,839,955	34,802
Other assets	(d)	Loans and receivables	Amortised cost	270,414	281,739	-
Total financial assets				**5,089,725**	**5,054,662**	**46,389**
Financial liabilities						
Trading liabilities		Held-for-trading	FVTPL	72,103	72,103	-
Deposits from banks		Other amortised cost	Amortised cost	174,624	174,624	-
Deposits from customers		Other amortised cost	Amortised cost	3,361,159	3,361,159	-
Subordinated debt		Other amortised cost	Amortised cost	124,091	124,091	-
Provisions and other liabilities	(e)	Other amortised cost	Amortised cost	604,805	597,978	6,827
Total financial liabilities				**4,336,782**	**4,329,955**	**6,827**

FVOCI - Fair value through other comprehensive income
FVTPL - Fair value through profit or loss

Note

(a) The transition adjustment relating to cash and cash equivalents represents expected credit loss requirement per IFRS 9 for loan and advance to bank.

(b) The transition adjustment relating to Investment securities represents expected credit loss requirement under IFRS 9 and the effect of changes in classification . Investment securities which were classified as available for sale under IAS 39 have been classified as amortised cost in line with the Bank's business model. Change in classification of the financial asset resulted in release of GHS11.18million fair valuation reserve and expected creit loss of GHS0.33million required under IFRS9.

(c) The transition adjustment relating to loans and advances to customers represents expected credit loss requirement under IFRS 9

(d) The transistion adjustment on current and the deferred tax relates to the deferred tax on expected credit loss adjusted between the financial assets and equity.

(e) The transition adjustment under other liabilities relates to expected credit loss on undrawn loan commitments, letters of credit and financial guarantee contracts.

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and income surplus. The impact relates to the available for sale (fair value) reserve and income surplus. There is no impact on other components of equity.

In GHS'000	Impact of adopting IFRS 9 at 1 January 2018
Reserves	
Group	
Closing balance under IAS 39 at 31 December 2017	809,494
Reclassification of financial investments from available-for-sale to FVTPL	(11,183)
Recognition of expected credit losses under IFRS 9 (including lease receivables, loan commitments and financial guarantee contracts)	(42,037)
Deferred tax impact	11,326
Opening balance under IFRS 9 (1 January 2018)	767,600
Impact of adopting IFRS 9 at 1 January 2018 on reserves	(41,894)
Bank	
Closing balance under IAS 39 at 31 December 2017	809,280
Reclassification of financial investments from available-for-sale to FVTPL	(11,183)
Recognition of expected credit losses under IFRS 9 (including lease receivables, loan commitments and financial guarantee contracts)	(42,033)
Deferred tax impact	11,326
Opening balance under IFRS 9 (1 January 2018)	767,390
Impact of adopting IFRS 9 at 1 January 2018 on reserves	(41,890)

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018

In GHS'000	IAS 39 Carrying Amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 Carrying Amount 1 January 2018
Group				
Financial Assets				
Amortised cost				
Cash and cash equivalents:				
Opening balance	1,734,995	-	-	1,734,995
Remeasurement	-	-	(71)	(71)
Closing balance				1,734,924
Loans and advances to customers				
Opening balance	1,874,757	-	-	1,874,757
Remeasurement	-	-	(34,802)	(34,802)
Closing balance				1,839,955
Other assets				
Opening balance	268,832	-	-	268,832
Remeasurement	-	-	-	-
Closing balance				268,832
Financial investments/investment securities:				
Opening balance	646,316	-	-	646,316
To Amortised cost	-	11,183	(11,520)	(337)
Closing balance				645,979
Total amortised cost	4,524,900	11,183	(46,393)	4,489,690

In GHS'000	IAS 39 Carrying Amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 Carrying Amount 1 January 2018
Bank				
Financial Assets				
Amortised cost				
Cash and cash equivalents:				
Opening balance	1,733,070	-	-	1,733,070
Remeasurement	-	-	(71)	(71)
Closing balance				1,732,999
Loans and advances to customers				
Opening balance	1,874,757	-	-	1,874,757
Remeasurement	-	-	(34,802)	(34,802)
Closing balance				1,839,955
Other assets				
Opening balance	270,414	-	-	270,414
Remeasurement	-	-	-	-
Closing balance				270,414
Financial investments/investment securities:				
Opening balance	645,408	-	-	645,408
To Amortised cost	-	11,183	(11,516)	(333)
Closing balance				645,075
Total amortised cost	4,523,649	11,183	(46,389)	4,488,443

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018

In GHS'000	IAS 39 Carrying Amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 Carrying Amount 1 January 2018
Group				
FVOCI – equity[+]				
Financial investments:				
Opening balance	(11,183)	-	-	(11,183)
From available-for-sale	-	11,183	-	11,183
Closing balance - Total FVOCI				-
Financial liabilities				
Amortised cost				
Deposits	3,535,783	-	-	3,535,783
Subordinated debt	124,091	-	-	124,091
Other liabilities:				
Opening balance	604,918	-	-	604,918
Remeasurement	-	-	(6,827)	(6,827)
Closing balance				598,091
Total amortised cost				4,257,965
FVTPL				
Trading liabilities	72,103	-	-	72,103
Total FVTPL	72,103	-	-	72,103

In GHS'000	IAS 39 Carrying Amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 Carrying Amount 1 January 2018
Bank				
FVOCI – equity[+]				
Financial investments:				
Opening balance	(11,183)	-	-	(11,183)
From available-for-sale	-	11,183	-	11,183
Closing balance - Total FVOCI				-
Financial liabilities				
Amortised cost				
Deposits	3,535,783	-	-	3,535,783
Subordinated debt	124,091	-	-	124,091
Other liabilities:				
Opening balance	604,805	-	-	604,805
Remeasurement	-	-	(6,827)	(6,827)
Closing balance				597,978
Total amortised cost				4,257,852
FVTPL				
Trading liabilities	72,103	-	-	72,103
Total FVTPL	72,103	-	-	72,103

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9's expected credit loss impairment requirements contain the following key conditions:

• An expected loss credit impairment allowance is required to be recognised on financial assets that are measured on an amortised cost basis or debt instruments measured at fair value through other comprehensive income (OCI), as well as lease receivables, loan commitments and financial guarantee contracts.

• IFRS 9 introduces a 3-bucket approach to calculating impairment on financial assets:

- Impairment losses on instruments included within bucket 1 are based on 12 month expected credit losses (i.e. the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within the 12 months after the reporting date). Assets are included within this bucket at initial recognition if they are not credit impaired (i.e. if they are not purchased or originated credit impaired financial assets).

- Financial assets are included within bucket 2 when there has been a significant increase in credit risk since initial recognition and the assets do not have low credit risk. Impairment losses on assets included in bucket 2 are based on lifetime expected credit losses (i.e. the expected credit losses that result from all possible default events over the expected life of a financial instrument).
- One of the indicators for a financial asset to be included in bucket 3 is where there is evidence of default. As with loans in bucket 2, the impairment loss is based on lifetime expected credit losses (i.e. the expected credit losses that result from all possible default events over the expected life of a financial instrument).

• IFRS 9 requires interest income to be calculated based on the gross carrying amount for financial assets included within bucket 1 and 2 of the impairment model. The gross carrying amount of a financial asset is its amortised cost before deducting its impairment allowance. For financial assets within bucket 3 of the model, interest is required to be calculated based on the net carrying amount of the asset. The net carrying amount of a financial asset is its amortised cost after deducting its impairment allowance.

Significant increase in credit risk or low credit risk

The following are considered by the group in determining whether there has been a significant increase in credit risk on a financial instrument since initial recognition:

- Change in the probability of default from initial recognition to the reporting date.
- A 30-day past due rebuttal, requiring exposures to be classified in bucket 2. It is however not considered sufficient to only look at arrears data such as days past due in considering whether there is a significant increase in credit risk and the group would need to assess for significant increase in credit risk through other means. Arrears data are used after exhausting all other methods of determining whether there has been a significant increase in credit risk.
- Other means of considering whether there is a significant increase in credit risk includes the evaluation of internal and external credit ratings as well as information from external credit bureaus. Information about the economic sector and geographical region of the borrower are also be taken into account.
- Where a single customer has more than one loan with the group (for example, a home loan, revolving facility, vehicle and asset finance, etc.), a one customer view is taken when considering whether there has been a significant increase in credit risk. In this instance, a significant increase in the customer's credit risk on one loan account is taken into account when assessing the customer's other loan accounts. If it is assessed that there is a significant increase in credit risk in one exposure, then there is a presumption that the customer's other loans also have a significant increase in credit risk.
- In terms of IFRS 9, the group is required to incorporate both historical experience as well as forward looking information when assessing whether an instrument's credit risk has increased significantly since initial recognition. A useful reference tool that is used in the assessment of significant increase in credit risk is the exposure's credit rating.

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

Forward-looking information

The process to include forward looking information into the expected credit loss impairment model when assessing whether a customer's credit risk has increased significantly, involves the following:

Building a forward looking information IFRS model: In this stage, a calculation model or expert driven approach is used to adjust the impairment requirement based on the forward looking macro-economic outlook.

Macro-economic forecast: In this stage, an alignment in the base / expected macro-economic outlook is created between the group's stress testing, budgeting and forward looking information for the IFRS expected credit loss impairment model. The same economic base case outlook is used for all these processes and across the group.

Review of the outcome: In this stage, the outcome of the model is reviewed by the relevant governance committee.

In certain instances, the assessment of significant increase in credit risk using forward looking information is done on a collective basis (i.e. portfolio of customers) and not on an individual basis. When demonstrated that a sufficient linkage between forward looking factors and a portfolio exist, a given factor is implemented at the appropriate level of aggregation.

Default

While default is not specifically defined by IFRS 9, the group has aligned the determination of default with its existing internal credit risk management definitions and approaches. Default is determined as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

In some cases,additional specific criteria are set according to the nature of the lending product.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to recieve). ECLs are discounted at the effective interest rate of the financial assets.

The following drivers underline the ECL determination for the group.

Minimum of a 12-month expected credit loss for performing exposures: The existing emergence period is between three to six months for Personal and Business Banking (PBB) exposures and 12 months for Corporate and Investment Banking (CIB) exposures. The change to a 12-month expected loss requirement will result in an increase in impairments for PBB.

Lifetime credit losses for exposures that exhibit a significant increase in credit risk: IFRS 9 requires a lifetime loss to be recognised for exposures for which there has been a significant increase in credit risk.

Accounting policies continued

3.2 IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

ECL held for unutilised client exposures and guarantees: The IFRS 9 requirement for impairments for unutilised client facilities and guarantees results in additional balance sheet impairments for both PBB and CIB.

Longer outlook period for exposures that are expected to default: Measurement of ECL over a longer time horizon results in the potential for higher loss outcomes which has a greater impact for PBB than CIB.

Forward looking economic expectations for ECL: The inclusion of forward-looking economic information is expected to increase the level of provisions as a result of the nature and timing of both current and forecasted economic assumptions.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group has determined that the application of IFRS 9's impairment requirements as at 1 January 2018 resulted in an additional impairment allowance as follows.

Amounts in GHS'000	
Impairment allowance as at 31 December 2017 under IAS 39	106,137
Additional impairment recognised at 1 January 2018 on:	42,033
Loans and advances to customers	34,802
Investment securities (financial investments) at amortised cost	333
Cash and cash equivalents	71
Loan commitments and financial guarantee contracts	6,827
Impairment allowance as at 01 January 2018 under IFRS 9	148,170

Accounting policies continued

3.2 **IFRS 9 Financial Instruments** (continued)

Impairment of financial assets (continued)

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 31 December 2017; to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

Expected credit loss

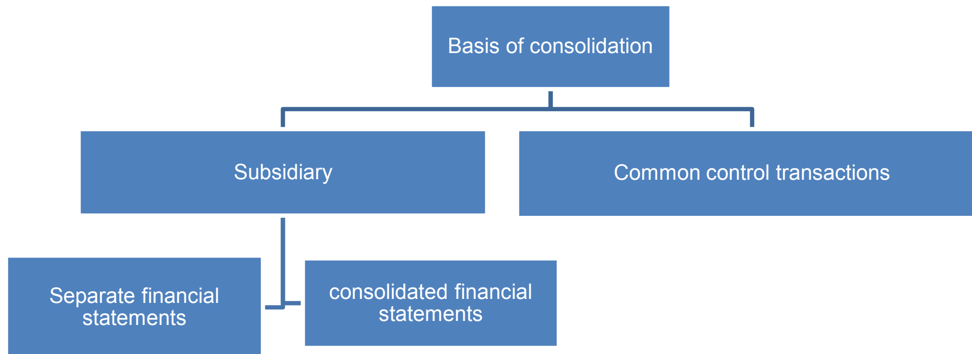
Financial instruments subject to expected credit loss requirements of IFRS 9	Portfolio impairment (IAS 39)	Specific impairment (IAS 39)	Total IAS 39 impairment provision	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total IFRS 9 impairment provision	Transitional adjustment
As at 31 December 2017	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**	**GHS'000**
Financial assets at amortised cost or Debt instruments at FVOCI								
Cash and cash equivalents	-	-	-	71	-	-	71	71
Pledged assets	-	-	-	-	-	-	-	-
Financial investments	-	-	-	333	-	-	333	333
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	21,294	84,843	106,137	18,790	37,306	84,843	140,939	34,802
Other assets	-	-	-	-	-	-	-	-
Off Balance sheet (Not at FVTPL)	-	-	-	6,517	310	-	6,827	6,827
	21,294	84,843	106,137	25,711	37,616	84,843	148,170	42,033

Accounting policies continued

4 Statement of significant accounting policies

Except for the changes explained in note 3, the group has consistently applied the following accounting policies to all periods presented in these consolidated and separate interim financial statements.

4.1 Basis of consolidation



Subsidiary

Separate financial statements

Investments in subsidiary 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.

Consolidated financial statements

The accounting policies of the subsidiary that is consolidated by the group conform to the group's accounting policies. Intragroup transactions, balances and unrealised gains (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 (NCI) are determined on the basis of the group's present ownership interest in the subsidiary.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translations

Foreign currency transactions are translated into the respective group entities' functional currencies 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 period-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.

In the case of foreign currency gains and losses on debt instruments classified as available for sale, a distinction is made between foreign currency differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Foreign currency differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in equity. For available for sale equity investments, foreign currency differences are recognised in Other Comprehensive Income and cannot be reclassified to profit/loss from 1 January 2018 in line with IFRS 9.

Foreign currency gains and losses on intragroup 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.

4.2 Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows consist of cash and balances with central banks, and balances with other banks . Cash and balances with central banks comprise coins and bank notes, balances with Bank of Ghana and other Banks.

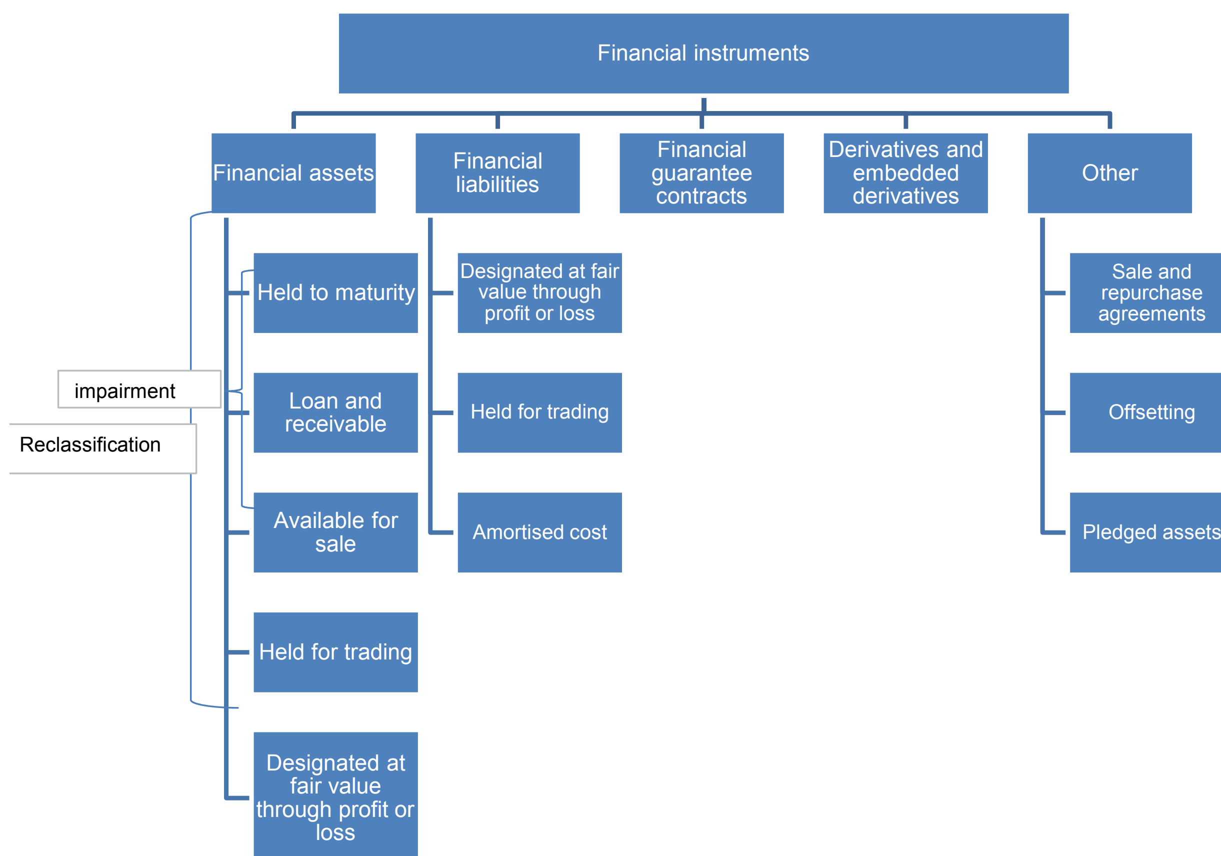
Accounting policies continued

4 Statement of significant accounting policies (continued)

4.3 Financial instruments

Accounting Policy applicable before 1 January 2018

The relevant financial instruments are financial assets held for trading, available for sale financial assets, loans and receivables and other liabilities.



Recognition and initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Held to maturity	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.
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale.
Held for trading	Those financial assets acquired principally for the purpose of selling in the near term, those that form 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.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value in the following instances: - to eliminate or significantly reduce an accounting mismatch that would otherwise arise - where the financial assets are managed and their performance evaluated and reported on a fair value basis - where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.
Available for sale	Financial assets that are not classified into one of the above-mentioned financial asset categories.

Accounting policies continued

4 Statement of significant accounting policies (continued)

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held to maturity and Loans and receivables	Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Available for sale	Fair value, with changes in fair value recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. Interest income on debt financial assets is recognised in profit and loss in terms of the effective interest rate method. Dividends received on equity available-for-sale financial assets are recognised in other revenue within profit or loss. 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).
Held for trading	Fair value, with gains and losses arising from changes in fair value) (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses recognised in interest income for all debt financial assets and in other revenue within non-interest revenue for all equity instruments.

Impairment

A financial asset 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 financial asset that can be estimated reliably. The group assesses at each reporting date whether there is objective evidence that a financial asset which is either carried at amortised cost or classified as available-for-sale is impaired as follows:

Held to maturity and Loans and receivables	The following criteria are used by the group in determining whether there is objective evidence of impairment for loans or groups of loans 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 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. 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. Subsequent to impairment, the effects of discounting unwind over time as interest income. 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.

Accounting policies continued

4 Statement of significant accounting policies (continued)

Held to maturity and Loans and receivables (Continued)	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. 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.
Available for sale	Available-for-sale debt instruments are impaired when there has been an adverse effect in fair value of the instrument below its cost and for equity instruments where there is information about significant or prolonged changes with an adverse effect on the environment in which the issuer operates that indicates that the cost of the investment in the equity instrument may not be recovered. When an available for sale asset has been identified as impaired, 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, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in OCI.

Reclassification

Reclassifications of financial assets are permitted only in the following instances:

Held to maturity	Where the group is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified from held-to-maturity to available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.
Loans and receivables	The group may choose to reclassify financial assets from loans and receivables to held to maturity 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.
Held for trading	The group may choose to reclassify held for trading non-derivative financial assets to another category of financial assets in the following instances: - 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. - non-derivative trading assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified only in rare circumstances. - non-derivative trading assets that would meet the definition of loans and receivables 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.

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 changes in estimates of cash flows (other than credit impairment changes) 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.

Accounting policies continued

4 Statement of significant accounting policies (continued)

Financial liabilities

Nature

Held for trading	Those financial liabilities incurred principally for the purpose of re-purchasing in the near term, those that form 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.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: - to eliminate or significantly reduce an accounting mismatch that would otherwise arise - where the financial liabilities are managed and their performance evaluated and reported on a fair value basis - where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
At amortised cost	All other financial liabilities not included the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held for trading	Fair value, with gains and losses arising from changes in fair value) (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in interest expense.
At amortised cost	Amortised cost using the effective interest method with interest recognised in interest expense.

Derecognition of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

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

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 at date of modification taking into account the renegotiated terms.

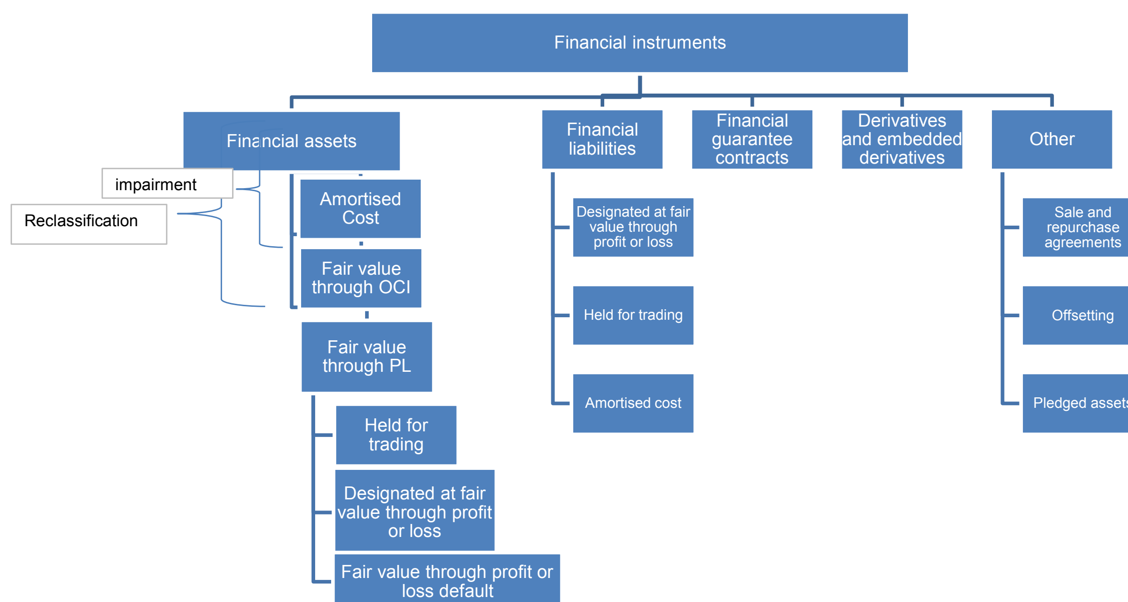
Accounting policies continued

4 Statement of significant accounting policies (continued)

4.4 Financial instruments

Policy applicable after 1 January 2018

The relevant financial instruments are financial assets classified at amortised cost, fair value through OCI, fair value through P/L and other liabilities.



Recognition and initial measurement – financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Amotised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basis lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Fair value through OCI	Includes: • A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): — held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and — The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basis lending arrangement, the financial asset is classified as fair value through profit or loss – default. • Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held for trading	Those financial assets acquired principally for the purpose of selling in the near term, those that form 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.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value in the following instances: - to eliminate or significantly reduce an accounting mismatch that would otherwise arise - where the financial assets are managed and their performance evaluated and reported on a fair value basis - where the financial asset contains one or more embedded derivatives that significantly modify the financial asset's cash flows.
Fair value through profit or loss default	Financial assets that are not classified into one of the above-mentioned financial asset categories.

Accounting policies continued

4 Statement of significant accounting policies (continued)

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Interest income on debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest income.
Held for trading	Fair value, with gains and losses arising from changes in fair value) (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

Accounting policies continued

4 Statement of significant accounting policies (continued)

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • 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. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within provisions.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of financial assets are permitted only in the following instances:

Reclassifications of debt financial assets are permitted when, and only when, the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:
• Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
• The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
• Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
• The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
• The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
• The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Accounting policies continued

4 Statement of significant accounting policies (continued)

Financial liabilities

Nature

Held for trading	Those financial liabilities incurred principally for the purpose of re-purchasing in the near term, those that form 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.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: - to eliminate or significantly reduce an accounting mismatch that would otherwise arise - where the financial liabilities are managed and their performance evaluated and reported on a fair value basis - where the financial liability contains one or more embedded derivatives that significantly modify the financial asset's cash flows.
At amortised cost	All other financial liabilities not included the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held for trading	Fair value, with gains and losses arising from changes in fair value) (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in interest expense.
At amortised cost	Amortised cost using the effective interest method with interest recognised in interest expense.

Derecognition of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

Financial assets	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. 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. From 1 January 2018 any cummulative gain/loss recognised in OCI in respect of equity investment securities designated at FVOCI is not recognised in profit or loss on derecognition of such securities.
Financial liabilities	Financial liabilities are derecognised when the obligation of the financial liabilities are extinguished, that is, when the obligation is discharged, cancelled or expires.

Modification of financial assets and liabilities

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 at fair value and recalculates a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new carrying gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or gains and losses on financial instruments within non-interest revenue (for all other modifications).

Accounting policies continued

4 Statement of significant accounting policies (continued)

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. Financial guarantee contracts are subsequently measured at the higher of the:

Before 1 January 2018

- present value of any expected payment, when a payment under the guarantee has become probable; and
- unamortised premium.

After 1 January 2018

- the ECL calculated for the financial guarantee; and
- unamortised premium.

Derivatives and embedded derivatives

A derivative is a financial instrument whose fair 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.

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

All gains and losses from changes in the fair values of derivatives are recognised immediately in profit or loss as trading revenue.

Other

Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial investments or trading assets to pledged assets, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial recognition of pledged assets is at fair value, whilst subsequently measured at amortized cost or fair value as approriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

Sale and repurchase agreements

Securities sold subject to linked repurchase agreements (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 (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender’s rate of return, are recorded as loans 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 expected life using the effective interest rate method.

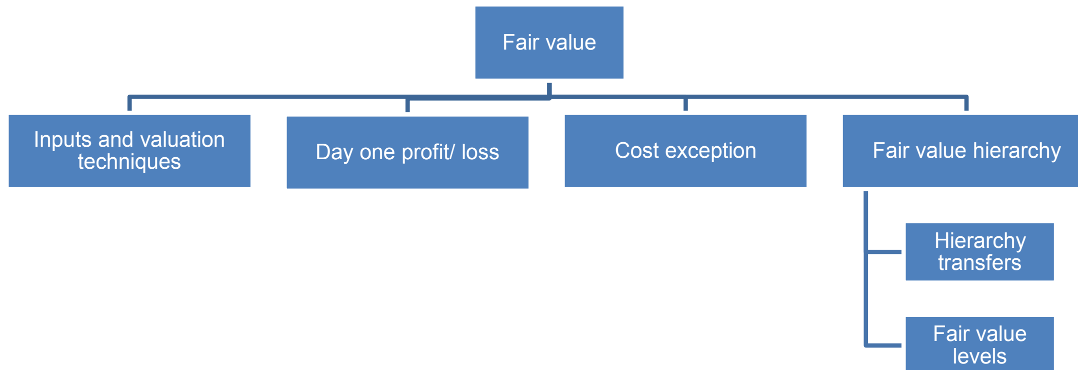
Offsetting

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.

Accounting policies continued

4 Statement of significant accounting policies (continued)

4.5 Fair value



In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

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. Fair value is a market based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. 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 the measurement date.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy 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.
Where discounted cash flow analyses 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's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
Derivative financial instruments	Derivative financial instruments comprise foreign exchange, and interest rate.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • Discounted cash flow model	• Discount rate* • Spot prices of the underlying assets • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Trading assets and Trading liabilities	Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, and collateral.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date.	

Accounting policies continued

4 Statement of significant accounting policies (continued)

Item	Description	Valuation technique	Main inputs and assumptions (Level 2 and 3 fair value hierarchy items)
Pledged assets	Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign debt (government treasury bills and bonds) pledged in terms of repurchase agreements.	Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	• Discount rate* • Spot prices of the underlying • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Financial investments	Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, unlisted equity instruments, investments in mutual fund investments and unit-linked investments.		
Loans and advances to banks and customers	Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	• Discount rate. • Probability of default. • Loss given default.
Deposits from bank and customers	Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	• Discount rate. • Probability of default. • Loss given default.

** Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.*

Accounting policies continued

4 Statement of significant accounting policies (continued)

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from 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.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed.

Cost exception (applicable before 1 January 2018)

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 hierarchy

The group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are 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.

Hierarchy levels

The levels have been defined as follows:

Level	Definition
Level 1	Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those 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 value is determined through 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 instrument being valued and the similar instrument.

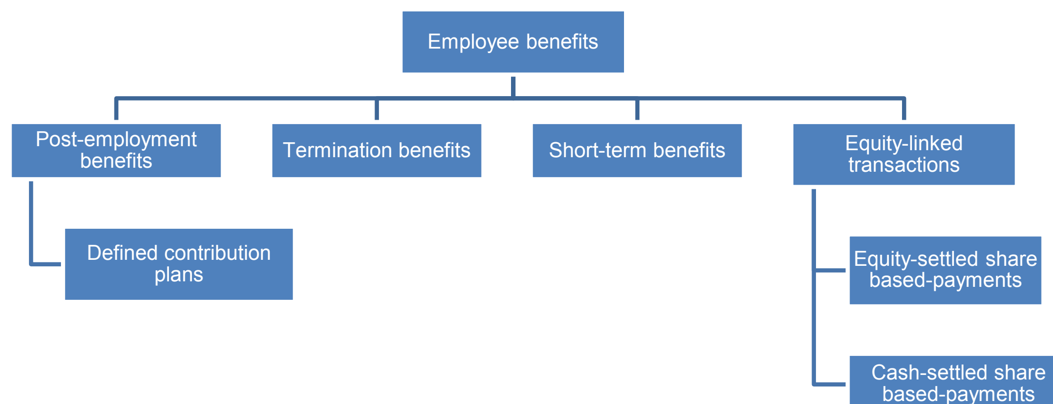
Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period during which change occurred.

Accounting policies continued

4 Statement of significant accounting policies (continued)

4.6 Employee benefits



Type	Description	Statement of financial position	Statement of other comprehensive income	Income statement
Defined contribution plans	The group operates a contributory pension plan in line with the National Pension Act, 2008 (Act 766). Employees and the Bank contribute 10.5% and 24.5% of employees' basic salary respectively of each of the qualifying staff salary in line with the provisions of the National Pension Act, 2008 (Act 766).	Liability is recognised for unpaid contributions.	No impact.	Contributions 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 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 when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.	A liability is recognised for the termination benefit representing the best estimate of the amount payable.	No impact.	Termination benefits 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.	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.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

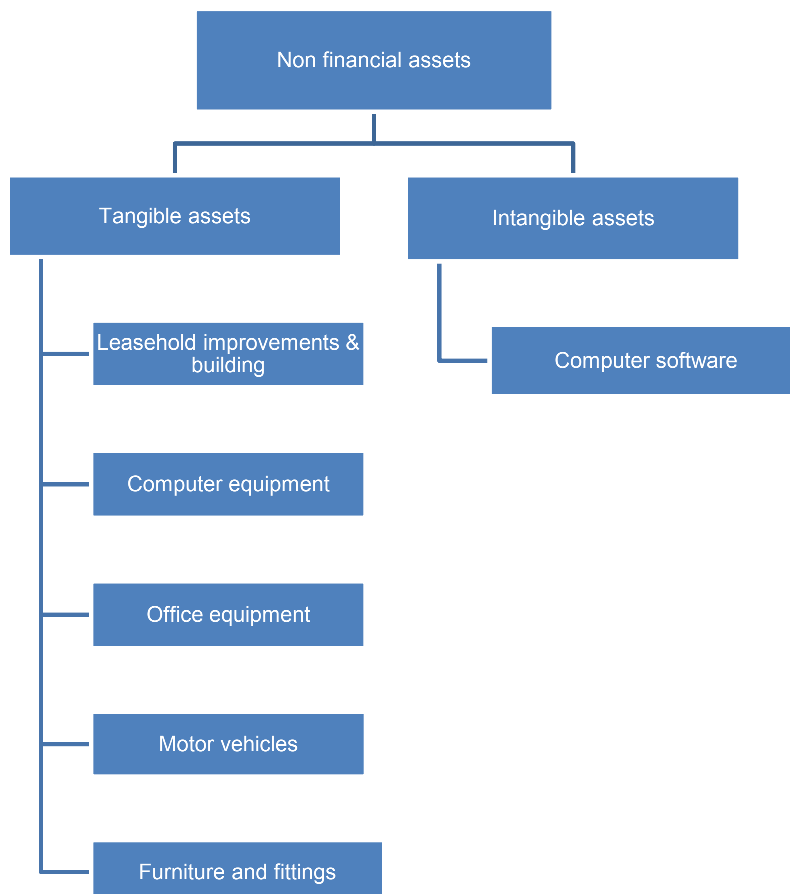
Accounting policies continued

4 Statement of significant accounting policies (continued)

Equity-linked transactions

Equity-settled share based payments	The fair value of the equity-settled share based payments are determined on grant date and accounted for within operating expenses - staff costs over the vesting period with a corresponding increase in the group's 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 the equity-settled share based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer.
Cash-settled share based payments	Cash-settled share based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses – staff costs.

4.7 Non-financial assets (Intangible assets, Property and equipment)



Accounting policies continued

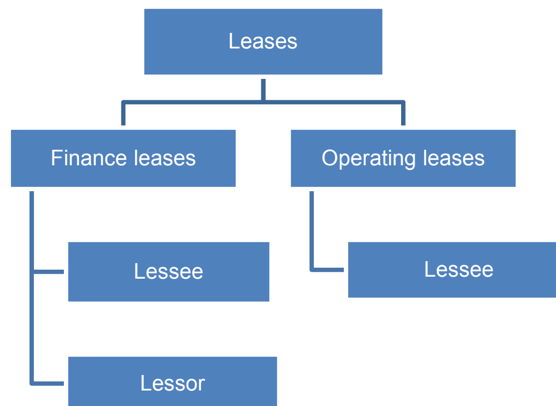
4 Statement of significant accounting policies (continued)

Type	Initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment	Derecognition
Tangible assets	Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulative impairment loss. Land is not depreciated. 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. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.	Property and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values. Land is not depreciated. Computer equipments: 3-5 years Motor vehicles: 4-5 years Office equipments: 5-10 years Furniture and fittings: 5-13 years Capitalised leased assets/ branch refurbishments: over the shorter of the lease term or its useful life The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial period end.	Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. 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 determined as 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.	The non-financial assets 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 non-financial asset.
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 period, are recognised as intangible assets. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. 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.	Amortisation is recognised in profit or loss on a straight-line basis at rates appropriate to the expected lives of the assets (2 to 15 periods) from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial periodend and adjusted, if necessary.		

Accounting policies continued

4 Statement of significant accounting policies (continued)

4.8 Leases

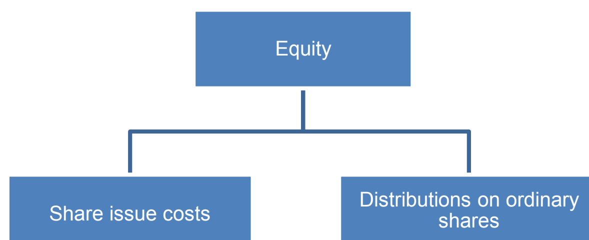


Type	Description	Statement of financial position	Income statement
Finance lease - lessee	Leases, where the group assumes substantially all the risks and rewards incidental to ownership, are classified as finance leases.	The leased asset is capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments together with an associated liability to the lessor. Lease payments less the interest component, which is calculated using the interest rate implicit in the lease or the group's incremental borrowing rate, are recognised as a capital repayment which reduces the liability to the lessor.	A lease finance cost, determined with reference to the interest rate implicit in the lease or the group's incremental borrowing rate, is recognised within interest expense over the lease period.
Finance lease - lessor	Leases, where the group transfers substantially all the risks and rewards incidental to ownership, are classified as finance leases.	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and receivables.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease.
Operating lease - lessee	All leases that do not meet the criteria of a financial lease are classified as operating leases.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense) are recognised.	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.

Accounting policies continued

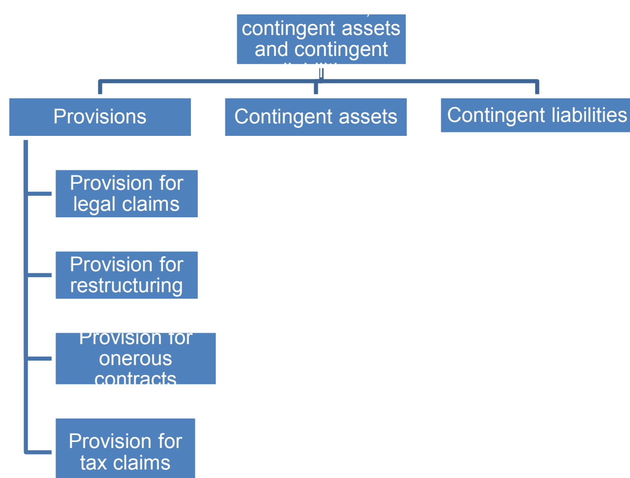
4 Statement of significant accounting policies (continued)

4.9 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 to owners	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 to the financial statements.

4.10 Provisions, contingent assets and contingent liabilities



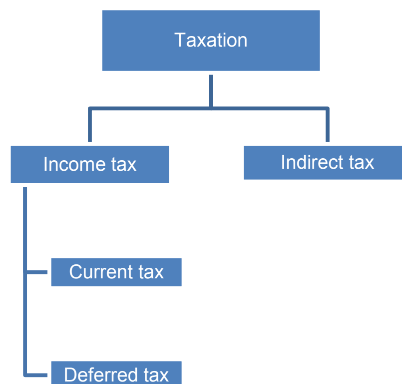
Provisions	Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can 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. The group's provisions typically (when applicable) include the following:

Accounting policies continued

4 Statement of significant accounting policies (continued)

Provisions (continued)	**Provisions for legal claims** Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received. **Provision for restructuring** 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. **Provision for onerous contracts** 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. **Provision for tax claims** Provisions for taxes claims relates to additional assessment on taxes, including withholding tax, value added tax, PAYE tax.
Contingent assets	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	Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements.

4.11 Taxation



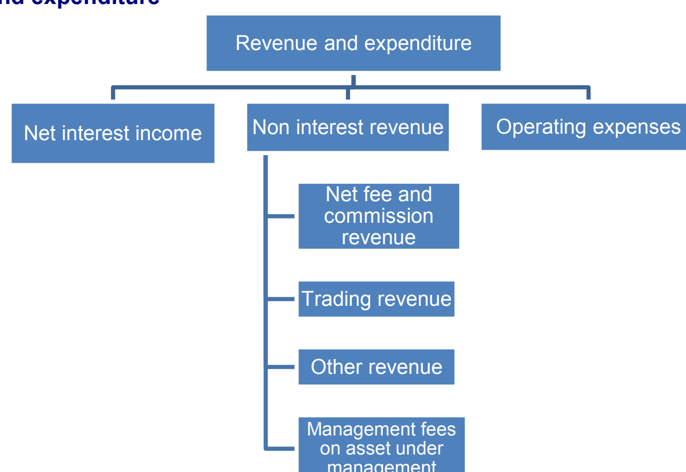
Type	Description, recognition and measurement	Offsetting
Current tax- determined for current period transactions and events	Current tax represents the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous periods. Current tax is recognised as an expense for the period and adjustments to past periods except to the extent that current tax related to items that are charged or credited in OCI or directly to equity. In Ghana, Income tax rates applicable to companies differ according to industry, location and type of business. Corporate tax rates of 25% and 35% are applicable to entities in general which do not qualify for incentives and companies engaged in mining or upstream petroleum business respectively.	

Accounting policies continued

4 Statement of significant accounting policies (continued)

Type	Description, recognition and measurement	Offsetting
Deferred tax-determined for future tax consequences	Deferred tax is 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 as part of OCI. 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, associates and jointly controlled arrangements (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 tax assets and liabilities, 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.
Indirect taxation	Indirect taxes are recognised in profit or loss. Indirect taxes are separately disclosed in the income statement.	None
Dividend tax	Taxes on dividends declared by the group are recognised as part of the dividends paid within equity as dividend tax represents a tax on the shareholder and not the group.	None

4.12 Revenue and expenditure



Description	Recognition and measurement
Net interest income	Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in profit or loss using the effective interest method for all interest-bearing financial instruments.

Accounting policies continued

4 Statement of significant accounting policies (continued)

4.12 Revenue and expenditure (continued)

Description	Recognition and measurement
Net interest income	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 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 adjusted 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. When a financial asset is classified as specifically impaired (before 1 January 2018) or as Stage 3 impaired (after 1 January 2018), interest income is calculated on the impaired value (gross carrying value less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in interest income when the financial asset is no longer specifically impaired (before 1 January 2018) or is reclassified out of Stage 3 (after 1 January 2018). Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income. **Before 1 January 2018** The following additional amounts are recognised in net interest income: • Fair value gains and losses on debt financial assets that are designated at fair value through profit or loss • The gain or loss on the derecognition of a financial asset classified as available for- sale • Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost • Fair value gains and losses financial liabilities (including changes as a result of own credit risk) that are designated at fair value through profit or loss.
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 expenses, 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 dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re- measurement gains and losses from contingent consideration on disposals and purchases. **Before 1 January 2018** Gains and losses on equity instruments designated at fair value through profit or loss are recognised within other revenue. Gains and losses on equity instruments classified as available-for-sale financial assets are reclassified from OCI to other revenue on derecognition or impairment.
Dividend income	Dividends are recognised in profit or loss when the right to receipt is established.
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.
Operating expenses	Expenses are recognized on an accrual bases regardless of the time of cash outflows. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming periods. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statements as assets.

Offsetting

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.

Accounting policies continued

4 Statement of significant accounting policies (continued)

In addition to the above identified changes between IAS 39 and IFRS 9, interest in suspense (IIS) (refers to contractual interest which accrues on financial assets which are classified as non-performing) is presented as follows:

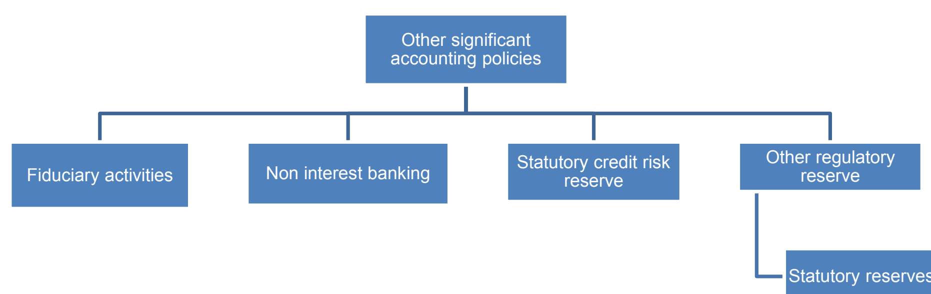
IAS 39 accounting treatment

Up to 31 December 2017, IAS 18 Revenue (IAS 18) required interest income to be recognised only when it was probable that the economic benefits associated with a transaction would flow to the entity. The group, in line with these requirements suspended the recognition of contractual interest from the point that a financial asset was classified as specifically impaired. The accounting presentation policy for this suspended contractual interest was to present the balance sheet interest in suspense (IIS) account as part of the gross carrying amount of the financial asset (i.e. gross carrying amount net of IIS). In addition, upon the curing of the non-performing financial asset, the group elected an accounting presentation policy to recognised this suspended contractual interest (previously unrecognised interest) within interest revenue line within the income statement. This policy was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1.

IFRS 9 accounting treatment

Requires that interest for financial assets classified as stage 3 (i.e. in default) only be calculated on the gross carrying amount less impairments (i.e. amortised cost balance). The group has applied this requirement by suspending all contractual interest on such financial assets and recognising interest on the amortised cost balance utilising the financial assets' effective interest rate. IFRS 9 requires that the suspended contractual interest be recognised as part of the financial assets' gross carrying amount and be deducted as part of the reconciliation to the net carrying amount which is reported in the balance sheet. Whilst the IIS is recognised in the gross carrying amount it does not impact the net carrying amount of the financial asset as presented on the face of the statement of financial position. Given the IFRS 9 requirement that the gross carrying amount would include the contractual suspended interest on financial assets classified as stage 3. However, the group will, report the balance sheet interest in suspense account as a separate reconciling item when calculating the financial assets' net carrying amount. This change in presentation will result in an increase gross carrying amount when compared to the IAS 39 gross carrying amount. The group has elected to continue to present upon the curing of the non-performing financial asset, this suspended contractual interest (previously unrecognised interest) within interest revenue line within the income. This policy was elected on the basis that the presentation best represented the nature of the amount in terms of IAS 1.

4.13 Other significant accounting policies



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.
Statutory credit risk reserve	The statutory credit risk reserve represents a reserve component created when credit impairment on loans and advances as accounted for under IFRS using the expected loss model differ from the Bank of Ghana Guidelines set by the Central Bank of Ghana.
Statutory reserve	The Banks and Specialised Deposit-taking Institutions Act 2016 (Act 930) require the Banks to make an annual appropriation to a statutory reserve. Section 34 of the Act requires that proportion of profits after tax ranging between 12.5% and 50% depending on the ratio of existing statutory fund to paid-up capital of the Bank be transferred to the statutory reserve.

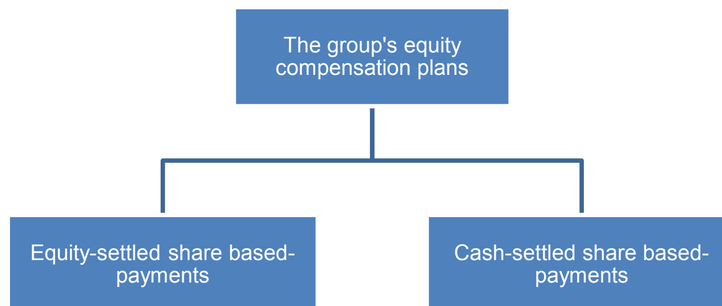
Accounting policies continued

4 Statement of significant accounting policies (continued)

4.14 Non-current assets held for sale and disposal groups

Type	Description	Statement of financial position	Income statement
Non-current assets/disposal groups that are held for sale	Comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use (including regular purchases and sales in the ordinary course of business).	Immediately before classification, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of financial position.	Impairment losses on initial classification as well as subsequent gains and losses on remeasurement of these assets or disposal groups are recognised in profit or loss. Property and equipment and intangible assets are not depreciated or amortised.

4.15 Equity-linked transactions



Equity-settled share based payments	The fair value of the equity-settled share based payments are determined on grant date and accounted for within operating expenses - staff costs over the vesting period with a corresponding increase in the group's 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 the equity-settled share based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer.
Cash-settled share based payments	Cash-settled share based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses – staff costs.

Accounting policies continued

5 New standards and interpretations not yet effective

<table>
<tr><th colspan="2">Pronouncement</th></tr>
<tr><td>Title</td><td>IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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. 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.

The amendments will be applied prospectively and are not expected to have a material impact on the group’s financial statements.</td></tr>
<tr><td>Effective date</td><td>1 January 2019</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Title</td><td>IFRS 17 Insurance Contracts
This standard replaces the existing accounting standard IFRS 4 Insurance Contracts which gave entities dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches.
The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts, and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a “shock absorber” in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features.

An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held as underlying items for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets.
These requirement will provide transparent reporting about an entities’ financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17.
The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.</td></tr>
<tr><td>Effective date</td><td>1 January 2021 earlier application permitted.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Title</td><td>IFRIC 23 Uncertainty over Income Tax Treatments
This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This Interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.</td></tr>
<tr><td>Effective date</td><td>1 January 2019 earlier application permitted.</td></tr>
<tr><td colspan="2"></td></tr>
</table>

Accounting policies continued

5 New standards and interpretations not yet effective (continued)

Pronouncement	
Title	**IAS 28 Interest in Associates and Joint Ventures (amendment)** This amendment clarifies that an entity should apply IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture only when the equity method is not applied. The amendments will be applied retrospectively. The impact on the annual financial statements is not expected to have a significant impact on the annual financial statements.
Effective date	1 January 2019 earlier application permitted.
Title	**IFRS 16 Leases** 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). 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. 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. 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. 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. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. However, the group has formed an IFRS 16 working group and detailed project plan, identifying key responsibilities and milestones of the project. The group is in the process of determining the estimated impact as well as discussing the system requirements to accommodate IFRS 16's principles.
Effective date	1 January 2019 earlier application permitted.
Title	**IFRS 4 (amendment) Insurance Contracts** The amendment to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts introduce two approaches: an overlay approach and a deferral approach. The amended 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. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. The amendments will have no material impact on the activities of the group as the group has no insurance contract as at reporting date and has no intention to issue insurance contract in the coming year.
Effective date	1 January 2019 earlier application permitted.

Accounting policies continued

5 New standards and interpretations not yet effective (continued)

Pronouncement	
Title	**IFRS 3 Business Combinations (amendment)** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is not expected to have a material impact on the group.
Effective date	1 January 2020 with earlier application permitted.
Title	**IFRS 9 Financial Instruments (amendment)** The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the group.
Effective date	1 January 2019 with earlier application permitted.
Title	**IAS 19 Employee Benefits (amendments)** The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.
Effective date	1 January 2019 with earlier application permitted.
Title	**Annual improvements 2015-2017 cycle** The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the group's annual financial statements.
Effective date	1 January 2019 earlier application permitted.

Notes to the annual financial statements

for the year ended 31 December 2018

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. Unless otherwise stated, no material changes to assumptions have occurred during the period.

1.1 Credit impairment losses on loans and advances (applicable before 1 January 2018)

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 judgments 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. For corporate and investment banking portfolio, estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. This 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. At the period end, the group applied the following loss emergence periods.

For Personal and Business Banking (PBB) portfolio, the estimates for the duration between the occurrence of a loss event and the identification of a loss impairment for performing loans is calculated using portfolio loss given default and the probability of default for the arrears bucket and linked to the relevant 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 difference between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

	Expected time to recovery		Expected recoveries as a percentage of impaired loans		Impairment loss sensitivity[1]	
	2018	2017	**2018**	2017	**2018**	2017
	Months	Months	**%**	%	**GHS'000**	GHS'000
Personal & Business Banking					**1 261**	1 005
Mortgage lending	**17**	18	**82**	76	**141**	69
Instalment sale and finance leases	**11**	10	**76**	70	**271**	237
Other lending	**14**	13	**48**	53	**849**	699
Corporate & Investment Banking	**19**	16	**13**	21	**293**	1 045

The estimated recoveries for Corporate and Investment Banking non-performing loans are calculated on a customer by customer basis.

[1] *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 Key management assumptions (continued)

Determination of statutory credit risk reserves

Provisions under Bank of Ghana guidelines are determined using the time based provisioning regime prescribed by the central bank of Ghana. This is at variance with the expected loss model required by IFRS under IFRS 9 (after 1 January 2019) and IAS 39 (before 1 January 2018). As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

The Bank of Ghana guidelines stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards. However, Banks would be required to comply with the following guideline:

Provisions for loans recognised in the profit and loss account determined on the basis of the requirements of IFRS should be compared with provisions determined under Bank of Ghana guidelines and the expected impact/changes in reserves should be treated as follows:

* Provisions per Bank of Ghana guidelines is greater than IFRS provisions; the excess provision resulting should be transferred from the income surplus account to statutory credit risk reserves.
* Provisions per Bank of Ghana guidelines is less than IFRS provisions; IFRS determined provision is charged to the income statements. The cumulative balance in the statutory credit risk reserve is thereafter reversed to the income surplus account

Stanbic Bank Ghana Limited has complied with the requirements of the guidelines as follows:

	Note	2018 GHS'000	2017 GHS'000
Statement of prudential adjustments			
Bank of Ghana guidelines Provision			
Specific provision on loans and advances		**224,042**	188,145
General provision on loans and advances		**36,172**	20,544
Impairment on other financial assets and provision for other losses		**12,777**	7,604
		272,991	216,293
IAS 39 Provision			
Specific provision on loans and advances	5	**-**	84,841
General provision on loans and advances	5	**-**	21,296
IFRS 9 Provision			
12-month ECL and	5	**24,403**	-
Lifetime ECL not credit-impaired	5	**30,129**	-
Lifetime ECL credit-impaired	5	**91,974**	-
Impairment on other financial assets and provision for other losses	5	**6,724**	-
		153,230	106,137
Opening regulatory reserve at 1 January		**110,156**	185,931
IFRS 9 transition adjustment		**(42,033)**	-
Regulatory reserve at 1 January		**68,123**	185,931
Transfer from/(to) income surplus		**51,638**	(75,775)
Closing regulatory reserve at 31 December		**119,761**	110,156

Notes to the annual financial statements

for the year ended 31 December 2018

1 Key management assumptions (continued)

1.2 Fair value of financial instruments

The fair value of financial instruments, such as unlisted equity investments and certain 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 the accounting policies.

1.3 Impairment of available-for-sale investments (before 1 January 2018)

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 nil (2017:GHS1.39 million) in its financial statements, being the transfer of the negative revaluations within the available-for-sale reserve to profit or loss.

1.4 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 period, 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 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.

1.5 Provisions

The group make provisions for contingent items such as legal claims, fines, penalties and other taxes penalties. The amount provided are based on the management best estimate of the amounts that will be required to settle the obligation in the event that it crystallises. 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. Any material difference in management best estimates will have an impact to the carrying amount of the provisions.

The principal assumptions taken into account in determining the value at which provisions are recorded at include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the group’s legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements. Refer to note 16 for further details.

1 Key management assumptions (continued)

1.6 Recognition of deferred tax assets

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. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group in order to utilise the deferred tax assets. The forecasts of taxable profits are determined based on approved budgets for future periods and adjusted for any adjustments that management deems necessary and are supportable at the time of reporting.

1.7 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 current and deferred tax expenses and assets/ liabilities disclosed in note 6 and note 23 respectively, in the period in which such determination is made.

1.8 Depreciation and useful life of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

1.9 Share-based payment

The group have both cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the respective schemes. The valuation of the group's obligations with respect to its cash-settled share incentive scheme obligations is determined with reference to the parent and ultimate parent's share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the group estimates the expected future vesting of the awards by considering staff attrition levels. The group also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met.

Refer to notes 22.7 for further details regarding the carrying amount of the liabilities arising from the group's cash-settled share incentive schemes and the expenses recognised in the income statement.

Notes to the annual financial statements

for the year ended 31 December 2018

1 Key management assumptions (Continues)

1.10 Long service awards scheme

The group's long service awards scheme is a defined benefit scheme where obligations to fund the scheme's benefits are derived from actuarial valuations performed by an appointed actuary taking into account various assumptions. The scheme is subject to a annual financial review by the group's independent actuary. The principle assumptions used in the determination of the group and company's obligation include the following:

The principal assumptions used in the determination of the group's obligations include the following:

	Long service award incentive
Discount rate	11%
Salary/benefit inflation	15%
Consumer price index (CPI) inflation	10%
Mortality rate	75% SSNIT Mortalty
Withdrawal	0%
Average credited years of service	7 years
Average age of employees	37
Age definition	Age nearest Birthday
Disability rate	0%
Long service terms	10,15,20

1.11 Key management assumptions (After 1 January 2018)

Expected credit loss on On-balance Sheet and Off-balance sheet exposures

Inputs, assumptions and techniques used for estimating impairment

Refer to accounting policy on IFRS 9 Financial instruments.

Significant increase in credit risk

The following are considered by the group in determining whether there has been a significant increase in credit risk on a financial instrument since initial recognition:

- Change in the probability of default from initial recognition to the reporting date.
- A 30-day past due rebuttal, requiring exposures to be classified in bucket 2. It is however not considered sufficient to only look at arrears data such as days past due in considering whether there is a significant increase in credit risk and the group would need to assess for significant increase in credit risk through other means. Arrears data are used after exhausting all other methods of determining whether there has been a significant increase in credit risk.
- Other means of considering whether there is a significant increase in credit risk includes the evaluation of internal and external credit ratings as well as information from external credit bureaus. Information about the economic sector and geographical region of the borrower are also be taken into account.
- Where a single customer has more than one loan with the group (for example, a home loan, revolving facility, vehicle and asset finance, etc.), a one customer view is taken when considering whether there has been a significant increase in credit risk. In this instance, a significant increase in the customer's credit risk on one loan account is taken into account when assessing the customer's other loan accounts. If it is assessed that there is a significant increase in credit risk in one exposure, then there is a presumption that the customer's other loans also have a significant increase in credit risk.
- In terms of IFRS 9, the group is required to incorporate both historical experience as well as forward looking information when assessing whether an instrument's credit risk has increased significantly since initial recognition. A useful reference tool that is used in the assessment of significant increase in credit risk is the exposure's credit rating.

Low credit risk financial instruments

- If internal risk gradings are based on external credit risk ratings, all instruments within the 'investment grade' category would be considered as having a low credit risk.
- If internal risk gradings are not based on external credit risk ratings, internal ratings is utilised in order to determine a low credit risk threshold. The threshold reflects a low credit risk assumption from a market participant's perspective taking into account the exposure's terms and conditions.

Key management assumptions (Continues)

Significant increase in credit risk (Continues)

Default

The group has Corporate and Investment Banking (CIB) as well as Personal and Business Banking (PBB) exposures. Due to the different nature of financial instruments that the group holds, the group uses a single definition of default which applies to all financial assets, with implementation guidance for specific circumstances which would meet default in terms of this definition. Default is defined as follows:

- Based on objective evidence the counterparty is unlikely to pay amounts payable to the group on due date or shortly thereafter without recourse to actions such as realisation of security; or
- the counterparty is past due (or, in the case of revolving facilities such as overdrafts, is in excess of the current limit) for more than 90 days (for the avoidance of doubt, the overdue period may be measured using either a 'days past due' or a 'number of missed payments or part thereof' approach.), on any material credit obligation to the group, whichever occurs first.

Derecognition

An impaired loan is derecognised once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding.

Modified financial assets

A modification is a change to the contractual cash flows of a financial asset. It involves the renegotiation of the terms of the financial asset such that the contractual cash flows (amount, timing, basis, etc.) are changed or the contractual terms materially change the probability that the cash flows will be received (e.g. change in counterparty).

In calculating impairment losses, the group to assesses whether there has been a significant increase in the credit risk of modified financial assets that do not qualify for derecognition at the reporting date by comparing:

- the credit risk of the modified instrument at the reporting date based on the modified contractual terms; and
- the credit risk at initial recognition based on the original unmodified contractual terms.

Incorporation of forward-looking information

Forward-looking information

The process to include forward looking information into the expected credit loss impairment model when assessing whether a customer's credit risk has increased significantly, involves the following:

Building a forward looking information IFRS model: In this stage, a calculation model or expert driven approach is used to adjust the impairment requirement based on the forward looking macro-economic outlook.

Macro-economic forecast : In this stage, an alignment in the base / expected macro-economic outlook is created between the group's stress testing, budgeting and forward looking information for the IFRS expected credit loss impairment model. The same economic base case outlook is used for all these processes and across the group.

Review of the outcome : In this stage the outcome of the model should be reviewed by the relevant governance committee.

In certain instances, the assessment of significant increase in credit risk using forward looking information is done on a collective basis (i.e. portfolio of customers) and not on an individual basis. When demonstrated that a sufficient linkage between forward looking factors and a portfolio exist, a given factor is implemented at the appropriate level of aggregation.

Notes to the annual financial statements

for the year ended 31 December 2018

		Group		Bank	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
2	**Cash and cash equivalents**				
	Cash and balances with Bank of Ghana	**898,734**	1,137,017	**897 172**	1,136,806
	Coins and bank notes	**221,858**	131,989	**220,296**	131,778
	Balances with central bank	**676,876**	1,005,028	**676,876**	1,005,028
	Due from other banks and financial institutions (net)	**810,370**	597,978	**809,964**	596,264
		1,709,104	1,734,995	**1,707,136**	1,733,070

Cash and balances with Bank of Ghana include GHS 453.9million (2017: GHS 332.5 million) for the Bank that is maintained as part of the cash reserve requirements of Bank of Ghana.

Included in due from other banks and financial institutions is GHS14.4million (2017: GHS297.9million) due from Standard Bank Group. See note 26.2 for details.

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Due from other banks and financial institutions (gross)	**811,351**	597,978	**810,945**	596,264
Expected credit loss				
Stage 1	**(981)**	-	**(981)**	-
Stage 2	**-**	-	**-**	-
Stage 3	**-**	-	**-**	-
Total expected credit loss	**(981)**	-	**(981)**	-
Due from other banks and financial institutions (net)	**810,370**	597,978	**809,964**	596,264

3 Derivative instruments
All derivatives are classified as derivatives held for trading and measured at fair value through profit or loss.

3.1 Use and measurement of derivative instruments

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

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 on 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 swaps 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;
* 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.

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 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.

3.2.2 Non-deliverable foreign exchange derivatives contract
Non-deliverable foreign exchange derivative contracts (NDFs) is a variation of foreign exchange derivatives described above. NDFs are cash settled and do not require physical delivery of foreign currency. The counterparties settle the difference between the contracted NDF price or rate and the prevailing spot price or rate on an agreed notional amount.

.2.3 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 and for the group's own positions. Interest rate derivatives primarily consist of swaps.

3.3 Fair values
The fair value of a derivative financial instrument represents for quoted instruments the quoted market price and for unquoted instruments the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at period end.

3.4 Notional amount
The gross notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts.

Notes to the annual financial statements

for the year ended 31 December 2018

3.5 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
Group and Bank							
At 31 December 2018							
Derivatives held-for-trading							
Forwards	**1,942**	**-**	**-**	**1,942**	**16,866**	**(14,924)**	**(467,593)**
Swaps	**12,344**	**-**	**-**	**12,344**	**14,287**	**(1,943)**	**(344,259)**
Total derivative assets/(liabilities)	**14,286**	**-**	**-**	**14,286**	**31,153**	**(16,867)**	**(811,852)**

	Maturity analysis of net fair value						
	Within 1 year	After 1 year but within 5 periods	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
At 31 December 2017							
Derivatives held-for-trading							
Forwards	4,644	-	-	4,644	4,644	-	(70,332)
Swaps	(19,561)	-	-	(19,561)	1,595	(21,156)	(80,108)
Total derivative assets/(liabilities)	(14,917)	-	-	(14,917)	6,239	(21,156)	(150,440)

Included in derivative assets is GHS14.29 million (2017: GHS1.59 million) due from related parties. See note 26.2 for details.

Included in derivative liabilities is GHS1.94 million (2017:1.03million) due to related parties. See note 26.2 for details.

3.6 Non-pledged trading assets

Non-pledged trading assets mainly relates to client-facilitating activities carried out by the Global Markets business. These instruments are managed and assessed on a total portfolio basis.

	Group and Bank	
	2018	2017
	GHS'000	GHS'000
Comprising:		
Government bills and bonds	**603,461**	559,837
Derivative assets (note 3.5)	**31,153**	6,239
	634,614	566,076
Maturity analysis		
The maturities represent periods to contractual redemption of the trading assets recorded.		
Maturing within 1 month	**261,540**	222,357
Maturing after 1 month but within 6 months	**191,025**	94,366
Maturing after 6 months but within 12 months	**143,694**	162,565
Maturing after 12 months	**38,355**	86,788
	634,614	566,076

Notes to the annual financial statements

for the year ended 31 December 2018

3.6 Non-pledged trading assets

Non-pledged trading assets mainly relates to client-facilitating activities carried out by the Global Markets business. These instruments are managed and assessed on a total portfolio basis.

	Group and Bank	
	2018	2017
	GHS'000	GHS'000
Comprising:		
Government bills and bonds	**603,461**	559,837
Derivative assets (note 3.5)	**31,153**	6,239
	634,614	566,076
Maturity analysis		
The maturities represent periods to contractual redemption of the trading assets recorded.		
Maturing within 1 month	**261,540**	222,357
Maturing after 1 month but within 6 months	**191,025**	94,366
Maturing after 6 months but within 12 months	**143,694**	162,565
Maturing after 12 months	**38,355**	86,788
	634,614	566,076

Notes to the annual financial statements

for the year ended 31 December 2018

4 Investment securities

Investment securities comprise assets held for liquidity requirement purposes.

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Short - term negotiable securities	**117,031**	267,698	**116,791**	266,790
Other financial investments	**568,466**	378,618	**565,716**	378,618
Gross financial investments	**685,497**	646,316	**682,507**	645,408
Expected credit loss on investment securities				
Stage 1	**(249)**	-	**(243)**	-
Total expected credit loss on investment securities	**(249)**	-	**(243)**	-
Net investment securities	**685,248**	646,316	**682,264**	645,408
4.1 Gross financial investments comprising:				
Government bonds	**540,365**	333,267	**539,723**	333,267
Treasury bills	**117,031**	266,822	**116,791**	266,822
Corporate bonds	**28,101**	46,227	**25,993**	45,319
	685,497	646,316	**682,507**	645,408
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investments recorded.				
Maturing within 1 month	**121,966**	131,727	**121,900**	131,727
Maturing after 1 month but within 6 months	**164,308**	166,930	**163,972**	166,930
Maturing after 6 months but within 12 months	**196,201**	137,386	**195,721**	137,386
Maturing after 12 months	**201,458**	209,365	**200,914**	209,365
Undated investments[1]	**1,564**	908	**-**	-
	685,497	646,316	**682,507**	645,408

There was no ECL transfer between stages for financial investments during the period.

[1] Undated investments include mutual funds and linked investments .

Notes to the annual financial statements

for the year ended 31 December 2018

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
5 Loans and advances to customers				
Gross loans and advances to customers	**2,731,241**	1,980,894	**2,731,241**	1,980,894
Mortgage loans	**261,087**	114,907	**261,087**	114,907
Instalment sale and finance leases	**260,951**	241,294	**260,951**	241,294
Overdrafts and other demand loans	**921,955**	405,422	**921,955**	405,422
Other term loans	**1,287,248**	1,219,271	**1,287,248**	1,219,271
Credit impairments for loans and advances (note 5.3)	**(146,506)**	(106,137)	**(146,506)**	(106,137)
12-month ECL	**(24,420)**	-	**(24,420)**	-
Lifetime ECL not credit-impaired	**(30,112)**	-	**(30,112)**	-
Lifetime ECL credit-impaired	**(91,974)**	-	**(91,974)**	-
Specific credit impairments	**-**	(84,843)	**-**	(84,843)
Portfolio credit impairments	**-**	(21,294)	**-**	(21,294)
Net loans and advances	**2,584,735**	1,874,757	**2,584,735**	1,874,757
Comprising:				
Gross loans and advances	**2,731,241**	1,980,894	**2,731,241**	1,980,894
Less: Credit impairments allowance	**(146,506)**	(106,137)	**(146,506)**	(106,137)
Net loans and advances	**2,584,735**	1,874,757	**2,584,735**	**1,874,757**

Regulatory disclosures on loans and advances have been disclosed under note 1.1 and credit risk management– Bank of Ghana guidelines disclosures.

Included in gross loans and advances to customers is an amount of GHS260.95 million (2017:GHS241.29 million) relating instalmental sale and finance leases. See note 5.2 for analysis of instalment sale and finance lease receivable.

Analysis of gross loans and advances by performance	Gross carrying value	Total expected credit loss					Net carrying value
		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased/Orginated credit Impairment	Total	
Gross loans and advances to customers							
Mortgage loans	261,087	(2,496)	(12,643)	(867)	-	(16,006)	245,081
Instalment sale and finance leases	260,951	(1,598)	(10,902)	(21,463)	-	(33,963)	226,988
Overdrafts and other demand loans	921,955	(11,954)	(6,122)	(36,174)	-	(54,250)	867,705
Other term loans	1,287,248	(8,355)	(462)	(33,470)	-	(42,287)	1,244,961
Total	**2,731,241**	**(24,403)**	**(30,129)**	**(91,974)**	**-**	**(146,506)**	**2,584,735**

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from the period end.				
Redeemable on demand	**301,923**	161,304	**301,923**	161,304
Maturing within 1 month	**100,747**	49,492	**100,747**	49,492
Maturing after 1 month but within 6 months	**439,795**	206,075	**439,795**	206,075
Maturing after 6 months but within 12 months	**467,556**	261,999	**467,556**	261,999
Maturing after 12 months	**1,421,220**	1,302,024	**1,421,220**	1,302,024
Gross loans and advances	**2,731,241**	1,980,894	**2,731,241**	1,980,894

		Group		Bank	
		2018	2017	2018	2017
		GHS'000	GHS'000	GHS'000	GHS'000
5	**Loans and advances** (continued)				
	Segmental analysis - industry				
	Agriculture	**229,890**	140,737	**229,890**	140,737
	Construction and real estate	**357,245**	284,641	**357,245**	284,641
	Electricity	**1,341**	4,050	**1,341**	4,050
	Finance, commerce and other business services	**519,736**	356,289	**519,736**	356,289
	Individuals	**512,652**	421,157	**512,652**	421,157
	Manufacturing	**358,343**	239,100	**358,343**	239,100
	Mining	**327,772**	173,368	**327,772**	173,368
	Other services	**220,868**	222,196	**220,868**	222,196
	Transport	**203,394**	139,356	**203,394**	139,356
	Gross loans and advances	**2,731,241**	1,980,894	**2,731,241**	1,980,894

Segmental analysis - geographic area

The following table sets out the distribution of the group's loans and advances by geographic area where the loans are recorded.

	Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
Ghana	**2,731,241**	1,980,894	**2,731,241**	1,980,894
Outside Ghana	**-**	-	**-**	-
Gross loans and advances	**2,731,241**	1,980,894	**2,731,241**	1,980,894

5.2 Instalment sale and finance leases

Included in gross loans and advances to customers are finance leases as analysed below:

	Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
Gross investment in instalment sale and finance leases	**325,068**	322,778	**325,068**	322,778
Receivable within 1 year	**66,117**	46,461	**66,117**	46,461
Receivable after 1 year but within 5 years	**258,385**	268,241	**258,385**	268,241
Receivable after 5 years	**566**	8,076	**566**	8,076
Unearned finance charges deducted	**(64,117)**	(81,484)	**(64,117)**	(81,484)
Net investment in instalment sale and finance leases	**260,951**	241,294	**260,951**	241,294
Receivable within 1 year	**53,076**	38,542	**53,076**	38,542
Receivable after 1 year but within 5 years	**207,421**	199,403	**207,421**	199,403
Receivable after 5 years	**454**	3,349	**454**	3,349

Notes to the annual financial statements

for the year ended 31 December 2018

5.3 Credit impairments allowance for loans and advances
Year ended 31 December 2018

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

	Opening ECL 1 January 2018	Transfers between stages: Transfer 12 month ECL (to)/from	Transfer Lifetime ECL not credit-impaired (to)/from	Transfer Lifetime ECL credit-impaired (to)/from	Total	Originated "New" impairments raised
12 month ECL		-				
Mortgage loans	1,207	-	168	(1)	167	284
Instalment sales and finance lease	860	-	(39)	(7)	(46)	891
overdrafts and other demand loans	11,164	-	841	(437)	404	10,750
Other term loans	7,082	-	48	-	48	3,919
Total	20,313	-	1,018	(445)	573	15,844
Lifetime ECL not credit-impaired		-	-	-	-	
Mortgage loans	11,629	(168)	-	(1,402)	(1,570)	2,397
Instalment sales and finance lease	9,036	39	-	(2,913)	(2,874)	4,096
overdrafts and other demand loans	16,117	(841)	-	(1,443)	(2,284)	7,726
Other term loans	672	(48)	-		(48)	-
Total	37,454	(1,018)	-	(5,758)	(6,776)	14,219
Lifetime ECL credit-impaired (excluding IIS)						
Mortgage loans	1,247	1	1,402	-	1,403	-
Instalment sales and finance lease	15,349	7	2,913	-	2,920	-
overdrafts and other demand loans	35,685	437	1,443	-	1,880	-
Other term loans	32,506	-	-	-	-	(95)
Total	84,787	445	5,758	-	6,203	(95)
Purchased/originated credit impaired						
Total	-	-	-	-	-	-
Total ECL	142,554	(573)	6,776	(6,203)	-	29,968

Year ended 31 December 2017

Group and Bank	**Instalment sale and finance leases GHS'000**	**Other loans and advances GHS'000**	**Total GHS'000**
Specific impairments			
Balance at beginning of the period	14,615	69,049	83,664
Net impairments raised	10,561	65,943	76,504
Impaired accounts written off	(2,276)	(55,799)	(58,075)
Discount element recognised in interest income	(803)	(16,447)	(17,250)
Balance at end of the period	22,097	62,746	84,843
Portfolio impairments			
Balance at beginning of the period	1,649	37,822	39,471
Net impairments raised /(released)	442	(18,619)	(18,177)
Balance at end of the period	2,091	19,203	21,294
Total	24,188	81,949	106,137

Income statement movement				Impaired accounts written off	Currency translation and other movements	Closing balance	Post write-off recoveries recognized in Profit or loss
Changes in ECL - due to modifications	Subsequent changes in ECL	Derecognised incuding write offs	Total				
-	(617)	-	(333)	-	1,455	2,496	-
-	357	-	1,248	-	(464)	1,598	-
-	(9,442)	-	1,308	-	(922)	11,954	-
385	(1,624)	-	2,680	-	(1,455)	8,355	-
385	(11,326)	-	4,903	-	(1,386)	24,403	-
-	(28)	-	2,369	-	216	12,644	-
-	(6,168)	-	(2,072)	-	6,812	10,902	-
(1,448)	(5,429)	-	849	-	(8,561)	6,121	-
-	54	-	54	-	(216)	462	-
(1,448)	(11,571)	-	1,200	-	(1,749)	30,129	-
-	1,769	-	1,769	(835)	(2,717)	867	-
-	14,479	-	14,479	(5,957)	(5,328)	21,463	-
-	15,245	-	15,245	(14,284)	(2,351)	36,174	-
-	10,290	-	10,195	-	(9,231)	33,470	10,291
-	41,783	-	41,688	(21,076)	(19,627)	91,974	10,291
-	-	-	-	-	-	-	-
(1,063)	18,886	-	47,791	(21,076)	(22,762)	146,506	10,291

Notes to the annual financial statements

for the year ended 31 December 2018

5.4 Credit impairments for loans and advances (continued)

Segmental analysis of Stage 3 loans - industry

The following table sets out the segment analysis of the group non performing loans and impairment by industry.

	Stage 3 loans and advances	Non-performing loans	Lifetime ECL credit impairment	Specific Impairment
	2018	2017	**2018**	2017
Group and Bank	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Agriculture	**94,827**	66,485	**16,846**	14,941
Construction	**35,903**	23,727	**4,461**	2,128
Finance, real estate and other business services	**350,774**	278,932	**47,364**	42,778
Individuals	**24,228**	25,984	**9,794**	10,426
Manufacturing	**-**	329	**-**	94
Mining	**22,376**	26,383	**5,574**	9,928
Other services	**20,513**	9,679	**5,639**	3,313
Transport	**3,424**	1,429	**110**	1,235
	552,045	432,948	**89,788**	84,843

Segmental analysis of lifetime ECL credit impaired loans - geographic area

The following table sets out the distribution of the group's impairments by geographic area where the loans are recorded.

	Stage 3 loans and advances	Non-performing loans	Lifetime ECL credit impairment	Specific Impairment
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Ghana	**552,045**	432,948	**89,788**	84,843
Outside Ghana	**-**	-	**-**	-
	552,045	432,948	**89,788**	84,843

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
6 Current tax				
Current tax asset	**54,790**	13,713	**54,692**	13,638
	54,790	13,713	**54,692**	13,638
6.1 Reconciliation of current tax asset				
Current tax assets at beginning of the year	**13,713**	1,145	**13,638**	1,095
Movement for the year	**41,077**	12,568	**41,054**	12,543
Charge for the year	**(90,534)**	(71,299)	**(90,534)**	(71,299)
Withholding tax receivable	**23**	-	**-**	-
Payment made	**131,588**	83,867	**131,588**	83,842
Current tax assets at end of the year	**54,790**	13,713	**54,692**	13,638

6.2 Current Tax (continued)

Group	At 1 January	Adjustments / charge to income statement	Payments during the year	At 31 December
	GHS'000	GHS'000	GHS'000	GHS'000
Corporate tax				
up to 2017	13 732	-	-	13 732
2018	-	(74 407)	110 525	36 118
Withholding tax receivable	-	-	-	23
	13 732	(74 407)	110 525	49 873
National stabilisation levy				
up to 2017	(19)	-	-	(19)
2018	-	(16 127)	21 063	4 936
	(19)	(16 127)	21 063	4 917
Total	**13 713**	**(90 534)**	**131 588**	**54 790**
Bank				
Corporate tax				
up to 2017	13 661	-	-	13 661
2018	-	(74 430)	110 525	36 095
	13 661	(74 430)	110 525	49 756
National stabilisation levy				
up to 2017	(23)	-	-	(23)
2018	-	(16 104)	21 063	4 959
	(23)	(16 104)	21 063	4 936
Total	**13 638**	**(90 534)**	**131 588**	**54 692**

7 Other assets

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Items in the course of collections	**106,030**	130,905	**106,030**	130,905
Accounts receivable	**63,443**	7,808	**66,002**	7,808
Prepayments	**164,473**	128,640	**164,473**	128,640
Other debtors	**41,262**	1,479	**41,262**	3,061
	375,208	**268,832**	**377,767**	**270,414**

8 Investment in subsidiary

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Amount invested	**-**	-	**2,500**	1,000
	-	**-**	**2,500**	1,000

The table below provides details of the direct subsidiary of the group.

Subsidiary	Country of Incorporation	Nature of business	Perentage holdings	Financial year end
SBG Securities Ghana Limited	Ghana	Provision of stockbroking services	100%	31 December

Notes to the annual financial statements

for the year ended 31 December 2018

9 Intangible asset

Computer software Group	Purchased Software GHS'000
9.1 Cost	
Balance at 1 January 2018	**91,343**
Additions	**-**
Balance at 31 December 2018	**91,343**
Balance at 1 January 2017	91,486
Impairment	(143)
Balance at 31 December 2017	91,343
Accumulated amortisation	
Balance at 1 January 2018	**10,974**
Amortisation for the year	**6,845**
Reclassification (note 10.1)	**(57)**
Balance at 31 December 2018	**17,762**
Balance at 1 January 2017	4,215
Amortisation for the year	6,845
Impairment	(143)
Reclassification (note 10.1)	57
Balance at 31 December 2017	10,974
Carrying amount:	
2018	**73,581**
2017	80,369

The intangible asset is in respect of purchased computer software. The asset relates to cost of Finacle core banking software purchased from Standard Bank of South Africa (SBSA) under a Sale, Purchase and Assignment Agreement (SPA).

Notes to the annual financial statements

for the year ended 31 December 2018

9 Intangible asset

Computer software

Bank	**Purchased Software GHS'000**
9.2 Cost	
Balance at 1 January 2018	**91,343**
Additions	**-**
Balance at 31 December 2018	**91,343**
Balance at 1 January 2017	91,343
Additions	-
Balance at 31 December 2017	91,343
Accumulated amortisation	
Balance at 1 January 2018	**10,974**
Amortisation for the year	**6,845**
Reclassification (note 10.2)	**(57)**
Balance at 31 December 2018	**17,762**
Balance at 1 January 2017	4,072
Amortisation for the year	6,845
Reclassification (note 10.2)	57
Balance at 31 December 2017	10,974
Carrying amount:	
2018	**73,581**
2017	80,369

The intangible asset is in respect of purchased computer software. The asset relates to cost of Finacle core banking software purchased from Standard Bank of South Africa (SBSA) under a Sale, Purchase and Assignment Agreement (SPA).

Notes to the annual financial statements

for the year ended 31 December 2018

10 Property and equipment

Group	Computer equipment GHS'000	Motor Vehicles GHS'000	Office equipment GHS'000	Leasehold improvement GHS'000	Funiture and fittings GHS'000	Total GHS'000
10.1 Cost						
Balance at 1 January 2018	**63,126**	**5,978**	**15,814**	**31,212**	**45,224**	**161,354**
Additions	**23,207**	**862**	**2,254**	**2,895**	**8,550**	**37,768**
Disposals	**(5,640)**	**(205)**	**(2,133)**	**(1,050)**	**(4,072)**	**(13,100)**
Transfers	**-**	**-**	**-**	**(161)**	**161**	**-**
Balance at 31 December 2018	**80,693**	**6,635**	**15,935**	**32,896**	**49,863**	**186,022**
Balance at 1 January 2017	52,071	3,718	14,013	26,593	38,491	134,886
Additions	10,786	2,262	2,043	4,323	10,516	29,930
Disposals	(722)	(2)	(454)	(104)	(2,180)	(3,462)
Transfers	991	-	212	400	(1,603)	-
Balance at 31 December 2017	63,126	5,978	15,814	31,212	45,224	161,354
Accumulated depreciation						
Balance at 1 January 2018	**31,420**	**2,424**	**9,045**	**17,040**	**23,002**	**82,931**
Charge for the period	**12,007**	**1,193**	**2,647**	**4,832**	**7,607**	**28,286**
Disposals/ expensed	**(5,629)**	**(176)**	**(2,128)**	**(1,050)**	**(3,999)**	**(12,982)**
Reclassification (note 9.1)	**57**	**-**	**-**	**-**	**-**	**57**
Balance at 31 December 2018	**37,855**	**3,441**	**9,564**	**20,822**	**26,610**	**98,292**
Balance at 1 January 2017	22,245	1,561	7,195	12,524	18,976	62,501
Charge for the period	9,946	865	2,299	4,591	6,230	23,931
Disposals	(714)	(2)	(449)	(99)	(2,180)	(3,444)
Transfers		-	-	24	(24)	-
Reclassification	(57)	-	-	-	-	(57)
Balance at 31 December 2017	31,420	2,424	9,045	17,040	23,002	82,931
Net book value:						
2018	**42,838**	**3,194**	**6,371**	**12,074**	**23,253**	**87,730**
2017	31,707	3,554	6,769	14,172	22,222	78,424

Amount of work in progress in the net book value of Property and equipment for which depreciation has not yet commenced is GHS7.05million (2017: GHS5.29million).

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

10 Property and equipment (continued)

Bank	Computer equipment GHS'000	Motor Vehicles GHS'000	Office equipment GHS'000	Leasehold improvement GHS'000	Funiture and fittings GHS'000	Total GHS'000
10.2 Cost						
Balance at 1 January 2018	**63,106**	**5,978**	**15,814**	**31,212**	**45,224**	**161,334**
Additions	**23,207**	**862**	**2,254**	**2,895**	**8,550**	**37,768**
Disposals	**(5,640)**	**(205)**	**(2,133)**	**(1,050)**	**(4,072)**	**(13,100)**
Transfers/ reclassifications	**-**			**(161)**	**161**	**-**
Balance at 31 December 2018	**80,673**	**6,635**	**15,935**	**32,896**	**49,863**	**186,002**
Balance at 1 January 2017	52,051	3,718	14,013	26,593	38,491	134,866
Additions	10,786	2,262	2,043	4,323	10,516	29,930
Disposals	(722)	(2)	(454)	(104)	(2,180)	(3,462)
Transfers/ reclassifications	991	-	212	400	(1,603)	-
Balance at 31 December 2017	63,106	5,978	15,814	31,212	45,224	161,334
Accumulated depreciation						
Balance at 1 January 2018	**31,401**	**2,424**	**9,045**	**17,040**	**23,002**	**82,912**
Charge for the period	**12,007**	**1,193**	**2,647**	**4,832**	**7,607**	**28,286**
Disposals/ expensed	**(5,629)**	**(176)**	**(2,128)**	**(1,050)**	**(3,999)**	**(12,982)**
Reclassification (note 9.2)	**57**	**-**	**-**	**-**	**-**	**57**
Balance at 31 December 2018	**37,836**	**3,441**	**9,564**	**20,822**	**26,610**	**98,273**
Balance at 1 January 2017	22,227	1,561	7,195	12,524	18,976	62,483
Charge for the period	9,945	865	2,299	4,591	6,230	23,930
Disposals	(714)	(2)	(449)	(99)	(2,180)	(3,444)
Transfers		-	-	24	(24)	-
Reclassification (note 9.2)	(57)					(57)
Balance at 31 December 2017	31,401	2,424	9,045	17,040	23,002	82,912
Net book value:						
2018	**42,837**	**3,194**	**6,371**	**12,074**	**23,253**	**87,729**
2017	31,705	3,554	6,769	14,172	22,222	78,422

Amount of work in progress in the net book value of Property and equipment for which depreciation has not yet commenced is GHS7.05million (2017: GHS5.29million).

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

10.3 (Gain)/loss on disposal of property and equipment	**Group**		**Bank**	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Cost	**13,100**	3,462	**13,100**	3 462
Accumulated depreciation	**(12,982)**	(3,444)	**(12,982)**	(3 444)
Net book value	**118**	18	**118**	18
Sales proceeds	**(62)**	(118)	**(62)**	(118)
(Profit)/loss on disposal	**56**	(100)	**56**	(100)

Notes to the annual financial statements

for the year ended 31 December 2018

		Group and Bank	
		2018 GHS'000	2017 GHS'000
11	**Stated capital and reserves**		
11.1	**Authorised**		
	500,000,000 Ordinary shares of no par value (2017: 500,000,000 Ordinary shares of no par value)	-	-
11.2	**Issued**		
	Number of ordinary shares issued for cash consideration is 221,275,640 (2017: 165, 845,830)	414,169	108,197
	Number of ordinary shares issued for non-cash consideration is 443, 600 (2017: 443,600)	44	44
	Stated capital	414,213	108,241

There was no change in authorised share capital during the year.

The Bank issued 55,429,810 ordinary shares as bonus shares at a ratio of 1:3 shares to its shareholders in order to capitalise GHS305,972,551 from income surplus. The Bonus issue increased the paid capital of the Bank to GHS414,213,551 in order to meet Bank of Ghana's minimum capital requirement.

11.3 Analysis of shareholding

By number of shares

Category	Number of shareholders	Number of shares held	Percentage of holding
2018			
1 -1000	-	-	-
1001 -5000	-	-	-
5001 - 50 000	4	87,061	0.04%
over 50 001	3	221,632,179	99.96%
	7	221,719,240	100%
2017			
1 -1000	-	-	-
1001 -5000	-	-	-
5001 - 50 000	4	65296	0.04%
over 50 001	3	166,224,134	99.96%
	7	166,289,430	100%

By name

Shareholder	2018 Number of shares held	2018 Percentage of holding	2017 Number of shares held	2017 Percentage of holding
Stanbic Africa Holdings Limited - UK	220,701,981	99.54%	165,526,486	99.54%
Estate of Edward Henaku Boohene	555,243	0.25%	416,432	0.25%
Starwin Product Ltd	374,955	0.17%	281,216	0.17%
Bigfat Service Ltd	33,821	0.02%	25,366	0.02%
Joseph Ofori	32,316	0.01%	24,237	0.01%
Kwame C. Serbeh-Yiadom	13,333	0.01%	10,000	0.01%
Kwaku Gyesi Twum	7,591	0.003%	5,693	0.003%
	221,719,240	100.00%	166,289,430	100%

		Group		Bank	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
12	**Reserves**				
12.1	**Statutory reservers**				
	At January	**204,621**	177,651	**204,621**	177,651
	Transferred from income surplus	**113,074**	26,970	**113,074**	26,970
	At 31 December	**317,695**	204,621	**317,695**	204,621

Statutory reserve fund represents the cummulative amounts set aside from the annual profit after tax required by section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). 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 Statutory credit risk reserve

Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under Bank of Ghana guidelines and the expected impact/changes in reserves should be treated as follows:

(i) If provisions per Bank of Ghana guidelines is greater than IFRS provisions; the excess provision resulting should be transferred from the income surplus account to statutory credit risk reserves..

(ii) If provisions per Bank of Ghana guidelines is less than IFRS provisions; IFRS determined provision is charged to the income statements. The cumulative balance in the statutory credit risk reserve is thereafter reversed to the income surplus account.

Analysis of the statutory credit risk reserve is disclosed under note 1.1

12.3 Available for sale reserve

Available for sale reserve represents unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets which are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired.
Under IFRS 9, the Group and Bank classified its investment securities (financial investment) as amortised cost in line with its Business model. Investment securities was previously classified as available for sale under IAS 39.

12.4 Share based payment reserve

Share based payment reserve represents obligations under the equity settled portion of the group's share incentive scheme which enables key management personnel and senior employees to benefit from the performance of Bank.

12.5 Dividend

The directors at their meeting on 15 March 2019 did not recommend payment of dividends (2017: Nil)

Notes to the annual financial statements

for the year ended 31 December 2018

13 Trading liabilities

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Trading liabilities				
Comprising:				
Other instruments	**110,493**	50,947	**110,493**	50,947
Derivatives (note 3)	**16,867**	21,156	**16,867**	21,156
	127,360	72,103	**127,360**	72,103

Maturity analysis

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

	Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
Repayable on demand	**-**	21,156	**-**	21,156
Maturing within 1 month	**93,155**	40,403	**93,155**	40,403
Maturing after 1 month but within 6 months	**12,145**	3,716	**12,145**	3,716
Maturing after 6 months but within 12 months	**22,060**	6,828	**22,060**	6,828
	127,360	72,103	**127,360**	72,103

14 Deposit and current accounts

	Group		Company	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
14.1 Deposits from banks	**218,855**	174,624	**218,855**	174,624
Deposits from banks	**218,855**	174,624	**218,855**	174,624
14.2 Deposits from customers	**4,282,311**	3,361,159	**4,282,535**	3,361,159
Current accounts	**2,396,758**	2,206,776	**2,396,758**	2,206,776
Call deposits	**764,252**	365,904	**764,252**	365,904
Savings accounts	**558,592**	410,245	**558,592**	410,245
Term deposits	**315,349**	378,234	**315,573**	378,234
Negotiable certificate of deposits	**247,360**	-	247,360	-
Total deposits and current accounts	**4,501,166**	3,535,783	**4,501,390**	3,535,783

Included in deposits from banks is GHS106.03 million (2017: GHS32.85million) due to Standard Bank Group. See note 26.2.

Maturity analysis

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

	Group 2018 GHS'000	Group 2017 GHS'000	Company 2018 GHS'000	Company 2017 GHS'000
Repayable on demand	**4,085,779**	3,179,806	**4,085,779**	3,179,806
Maturing within 1 month	**86,823**	25,704	**86,823**	25,704
Maturing after 1 month but within 6 months	**122,140**	65,285	**122,140**	65,285
Maturing after 6 months but within 12 months	**128,076**	264,814	**128,076**	264,814
Maturing after 12 months	**76,546**	174	**76,770**	174
Maturing after 12 months but within 5 years	**1,802**	**-**	**1,802**	-
Total deposits and current accounts	**4,501,166**	3,535,783	**4,501,390**	3,535,783

15 Deferred tax liabilities

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Deferred tax liabilities	**110**	8,852	**110**	8,851
	110	8,852	**110**	8,851

15.1 Deferred tax analysis by source

	GHS'000	GHS'000	**GHS'000**	GHS'000
Credit impairment charges	**(14,076)**	(11,100)	**(14,076)**	(11,100)
Property and equipment	**14,186**	16,224	**14,186**	16,223
Fair value adjustments on financial instruments	**-**	3,728	**-**	3,728
Deferred tax closing balance	**110**	8,852	**110**	8,851

15.2 Deferred tax reconciliation

	GHS'000	GHS'000	**GHS'000**	GHS'000
Deferred tax at beginning of the year	**8,852**	(14,618)	**8 851**	(14,618)
Originating/(reversing) temporary differences for the	**(8 742)**	23,470	**(8 741)**	23 469
Credit impairment charges	**25,396**	15,435	25,396	15,435
Property and equipment	**(30,410)**	6,571	**(30,409)**	6,570
Fair value adjustments on financial instruments	**(3,728)**	1,464	**(3,728)**	1,464
Deferred tax at end of the year	**110**	8,852	**110**	8,851

16 Provisions and other liabilities

	GHS'000	GHS'000	**GHS'000**	GHS'000
Provisions	**24,348**	15,599	**24 348**	15,599
Provisions for franchise and technical services	**18,508**	15,427	**18,508**	15,427
Impairment for off-balance sheet exposure	**5,668**	-	**5,668**	-
Provisions for legal charges	**172**	172	**172**	172
Other liabilities	**342,430**	589,319	**342,298**	589,206
Items in the course of transmission	**134,285**	469,244	**134,285**	469,244
Staff-related accruals	**29,184**	32,500	**29,099**	32,494
Actuarial loss on employee defined benefit	**10,196**	-	**10,196**	-
Deferred revenue liability	**32,847**	4,985	**32,847**	4,985
Accounts payable	**50,074**	43,867	**50,069**	43,863
Indirect taxes accruals	**30,075**	2,840	**30,075**	2,840
Accrued expenses	**12,258**	14,346	**12,258**	14,346
Others	**43,511**	21,537	**43,469**	21,434
Provisions and other liabilities	**366,778**	604,918	**366,646**	604,805

(a) Provisions for franchise and technical services
The Bank's franchise and information technology agreement with its parent company was approved by both GIPC and Bank of Ghana for a period of ten (10) years effective 1 September 2017. Provisions are held in line with the approved agreement.

(b) Impairment for off-balance sheet exposure
This relates to expected credit loss on off balance sheet exposures in accordance with IFRS 9.

(c) Legal
In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims, lawsuits. The group makes provision for amounts that would be required to settle obligations that may crystallise in the event of unfavourable outcome of the lawsuits. Estimates of provisions required are based on management judgment. See note 21.4 for further details.

Notes to the annual financial statements

for the year ended 31 December 2018

16 Provisions and other liabilities (continued)

(i) **Items in the course of transmission** relating to balance held in respect of clearing and settlement of customer transactions of the Bank.

(ii) **Staff-related accruals** include performance bonus of GHS22.6 million (2017: GHS22.4million) and deferred bonus of GHS4 million (2017: GHS3.2 million).

(ii) **Actuarial loss on employee defined benefit** of GHS10.9million (2017: nil) relates to present value of the Bank's obligation on its long service award to staff. Refer to note 27 for details.

17 Subordinated debt

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Subordinated debt[1] - 12.5million US dollar (see (i) below)	**61,025**	56,405	**61,025**	56,405
Subordinated debt[2] - 15million US dollar (see (ii) below)	**73,197**	67,686	**73,197**	67,686
	134,222	124,091	**134,222**	124,091

The terms and conditions of subordinated debt are as follows:

Subordinated debt[1] represents US dollar denominated term non-collaterised facility of USD12.5 million obtained from Standard Bank of South Africa effective 16 November 2015. The facility matures on 15 November 2025 and is repayable at maturity. Interest on the facility is payable quarterly at LIBOR (London Interbank Offered Rate) plus 4.3%. The facility is callable on 15 November 2020 and the rate after call date is three month LIBOR plus 5.3%. See note 26.2.

Subordinated debt[2] represents US dollar denominated term non-collaterised facility of USD15 million obtained from Standard Bank of South Africa effective 29 November 2016. The facility matures on 27 November 2026 and is repayable at maturity. Interest on the facility is payable quarterly at LIBOR (London Interbank Offered Rate) plus 5.32%. The facility is callable on 27 November 2021 and the rate after call date is three month LIBOR plus 6.32%. See note 26.2.

The group has not had any default of principal, interest or any other convenant breaches with respect to its debt securities during the year (2017: Nil).

Comprising	Group		Bank	
	2018	**2017**	**2018**	**2017**
	GHS'000	GHS'000	**GHS'000**	GHS'000
Current	**1,637**	2,028	**1,637**	2,028
Non-current	**132,585**	122,063	**132,585**	122,063
At end of period	**134,222**	124,091	**134,222**	124,091

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Notes to the annual financial statements

for the year ended 31 December 2018

18 Classification of financial instruments

Accounting classifications and fair values

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

Group	Note	Fair Value Through P&L		
		Held for trading	Designated at fair value	Fair value through P/L - default
		GHS'000	GHS'000	GHS'000
At 31 December 2018				
Assets				
Cash and cash equivalents	2	-	-	674,230
Non-pledged trading assets	3	634,614	-	-
Investment securities	4	-	-	1,564
Loans and advances to customers	5	-	-	78,465
Investment in subsidiary	8	-	-	-
Other financial assets	7	-	-	-
Other non-financial assets		-	-	-
		634,614	-	754,259
Liabilities				
Trading liabilities	13.0	127,360	-	-
Deposits from banks	14.1	-	-	-
Deposits from customers	14	-	-	-
Subordinated debt	17	-	-	-
Other non-financial liabilities	16	-	-	-
		127,360	-	-

[1] Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

Amortised cost	Other non-financial assets/liabilities	Fair-value through other comprehensive income		Other amotised cost	Total carrying amount	Fair value [1]
	Fair Value Through OCI	Debt Instrument	Equity Instrument			
GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
1,034,874	-	-	-	-	1,709,104	1,709,104
-	-	-	-	-	634,614	634,614
683,684	-	-	-	-	685,248	685,248
2,506,270	-	-	-	-	2,584,735	2,584,735
-	-	-	-	-	-	-
158,900	-	-	-	-	158,900	-
-	-	-	-	432,409	432,409	-
4,383,728	-	-	-	432,409	6,205,010	5,613,701
-	-	-	-	-	127,360	127,360
218,855	-	-	-	-	218,855	218,855
4,282,311	-	-	-	-	4,282,311	4,282,311
134,222	-	-	-	-	134,222	134,222
-	-	-	-	366,888	366,888	-
4,635,388	-	-	-	366,888	5,129,636	4,762,748

Notes to the annual financial statements

for the year ended 31 December 2018

18 Classification of financial instruments (continued)

Group	Note	Held-for-trading GHS'000
At 31 December 2017		
Assets		
Cash and cash equivalents	2	-
Non-pledged trading assets	3.6	566,076
Investment securities	4	-
Loans and advances to customers	5	-
Investment (other than securities)	8	-
Other financial assets		-
Other non-financial assets		-
		566,076
Liabilities		
Trading liabilities	13	72,103
Deposits from banks	14.1	-
Deposits from customers	14.2	-
Subordinated debt	17	-
Other financial liabilities	15	-
Other non-financial liabilities	16	-
		72,103

[1] Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

	Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets/liabilities	Total carrying amount	Fair value [1]
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
	1,734,995	-	-	-	1,734,995	1,734,995
	-	-	-	-	566,076	566,076
	-	646,316	-	-	646,316	646,316
	1,874,757	-	-	-	1,874,757	1,874,757
	-	-	-	-	-	-
	138,713	-	-		138,713	-
	-	-	-	302,625	302,625	-
	3,748,465	646,316	0	302,625	5,263,482	4,822,144
	-	-	-	-	72,103	72,103
	-	-	174,624	-	174,624	174,624
	-	-	3,361,159	-	3,361,159	3,361,159
	-	-	124,091	-	124,091	124,091
	-	-	8,852	-	8,852	-
	-	-	-	604,918	604,918	-
	-	-	3,668,726	604,918	4,345,747	3,731,977

Notes to the annual financial statements

for the year ended 31 December 2018

18 Classification of financial instruments

Accounting classifications and fair values

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

Bank	Note	**Fair Value Through P&L**		
		Held for trading	**Designated at fair value**	**Fair value through P/L - default**
		GHS'000	**GHS'000**	**GHS'000**
2018				
Assets				
Cash and cash equivalents	2	-	-	674,230
Non-pledged trading assets	3	634,614	-	-
Investment securities	4	-	-	-
Loans and advances to customers	5	-	-	78,465
Investment in subsidiary	8	-	-	-
Other financial assets		-	-	-
Other non-financial assets		-	-	-
		634,614	**-**	**752,695**
Liabilities				
Trading liabilities	13.0	127,360	-	-
Deposits from banks	14.1	-	-	-
Deposits from customers	14.2	-	-	-
Subordinated debt	17	-	-	-
Other non-financial liabilities		-	-	-
		127,360	**-**	**-**

[1] Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

Amortised cost	Other non-financial assets/liabilities	Fair-value through other comprehensive income		Other amotised cost	Total carrying amount	Fair value [1]
	Fair Value Through OCI	Debt Instrument	Equity Instrument			
GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
1,032,906	-	-	-	-	1,707,136	1,707,136
-	-	-	-	-	634,614	634,614
682,264	-	-	-	-	682,264	682,264
2,506,270	-	-	-	-	2,584,735	2,584,735
2,500	-	-	-	-	2,500	-
158,900	-	-	-	-	158,900	-
-	-	-	-	434,869	434,869	-
4,382,840	-	-	-	434,869	6,205,018	5,608,749
-	-	-	-	-	127,360	127,360
218,855	-	-	-	-	218,855	218,855
4,282,535	-	-	-	-	4,282,535	4,282,535
134,222	-	-	-	-	134,222	134,222
-	-	-	-	366,756	366,756	-
4,635,612	-	-	-	366,756	5,129,728	4,762,972

Notes to the annual financial statements

for the year ended 31 December 2018

18 Classification of financial instruments (continued)

Bank	Note	Held-for-trading
		GHS'000
31 December 2017		
Assets		
Cash and cash equivalents	2	-
Non-pledged trading assets	3	566,076
Investment securities	4	-
Loans and advances to customers	5	-
Investment (other than securities)	8	-
Other financial assets		-
Other non-financial assets		-
		566,076
Liabilities		
Trading liabilities	13	72,103
Deposits from banks	14.1	-
Deposits from customers	14.2	-
Subordinated debt	17	-
Other financial liabilities	15	-
Other non-financial liabilities	16	-
		72,103

1 Carrying value has been used where it closely approximates fair values. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments, such as loans, deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well-established valuation techniques using current market parameters.

Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets/liabilities	Total carrying amount	Fair value [1]
GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
1,733,070	-	-	-	1,733,070	1,733,070
-	-	-	-	566,076	566,076
-	645,408	-	-	645,408	645,408
1,874,757	-	-	-	1,874,757	1,874,757
1,000	-	-	-	1,000	-
138,713	-	-		138,713	-
-	-	-	304,130	304,130	-
3,747,540	645,408	0	304,130	5,263,154	4,819,311
-	-	-	-	72,103	72,103
-	-	174,624	-	174,624	174,624
-	-	3,361,159	-	3,361,159	3,361,159
-	-	124,091	-	124,091	124,091
-	-	8,852	-	8,852	-
-	-	-	604,804	604,804	-
-	-	3,668,726	604,804	4,345,633	3,731,977

Notes to the annual financial statements

for the year ended 31 December 2018

19 Fair values of financial instruments

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

19.1 Valuation models

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

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 (i.e. as quoted prices) or indirectly (i.e. 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.

Valuation techniques include discounted cash flow models, comparison with similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, bonds and equity prices, foreign exchange rates, equity pricess and expected volatilities and correlations.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the group believes that a third party market participant would take them into account in pricing a transaction. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account the credit valuation adjustment (CVA) when market participants take this into consideration in pricing the derivatives.

19 Fair values of financial instruments

19.2 Valuation framework

The group has an established control framework with respect to the measurement of fair values. This framework includes a *market risk function*, which has overall responsibility for independently verifying the results of trading operations and all significant fair value measurements, and a *product control function*, which is independednt of front office management and reports to the Chief Financial Officer. The roles performed by both functions include:

- verification of observable pricing
- re-performance of model valuations;
- review and approval process for new models and changes to models
- calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments.

Significant valuation issues are reported to the audit committee.

19.3 Financial instruments measured at fair value - fair value hierarchy

The tables below analyze financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. See reference 4.5 on accounting policies on fair value.

Group	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2018						
Assets						
Non-pledged trading assets	3.6	634,614	-	634,614	-	634,614
		634,614	-	634,614	-	634,614
Comprising:						
Held-for-trading	3.6	634,614		634,614		634,614
		634,614	-	634,614	-	634,614
Liabilities						
Trading liabilities	13	127,360	-	127,360	-	127,360
		127,360	-	127,360	-	127,360
Comprising:						
Held-for-trading	13	127,360	-	127,360	-	127,360
		127,360	-	127,360	-	127,360

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the period.

Notes to the annual financial statements

for the year ended 31 December 2018

19 Financial instruments measured at fair value (continued)

Financial instruments measured at fair value - fair value hierarchy

Group	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2017						
Assets						
Non-pledged trading assets	3.6	566,076	-	566,076	-	566,076
Investment securities	4	646,316	-	646,316	-	646,316
		1,212,392	-	1,212,392	-	1,212,392
Comprising:						
Held-for-trading	3.6	566,076		566,076		566,076
Available-for-sale	4	646,316		646,316		646,316
		1,212,392	-	1,212,392	-	1,212,392
Liabilities						
Trading liabilities	13	72,103		72,103	-	72,103
		72,103	-	72,103	-	72,103
Comprising:						
Held-for-trading		72,103		72,103	-	72,103
		72,103	-	72,103	-	72,103

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the period.

Bank	**Note**	**Carrying amount GHS'000**	**Level 1 GHS'000**	**Level 2 GHS'000**	**Level 3 GHS'000**	**Total GHS'000**
At 31 December 2018						
Assets						
Non-pledged trading assets	**3.6**	**634,614**	**-**	**634,614**	**-**	**634,614**
		634,614	**-**	**634,614**	**-**	**634,614**
Comprising:						
Held-for-trading	**3.6**	**634,614**	**-**	**634,614**	**-**	**634,614**
		634,614	**-**	**634,614**	**-**	**634,614**
Liabilities						
Trading liabilities	**13**	**127,360**	**-**	**127,360**	**-**	**127,360**
		127,360	**-**	**127,360**	**-**	**127,360**
Comprising:						
Held-for-trading	**13**	**127,360**	**-**	**127,360**	**-**	**127,360**
		127,360	**-**	**127,360**	**-**	**127,360**

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the period.

Financial instruments measured at fair value (continued)

Financial instruments measured at fair value - fair value hierarchy

Bank	Note	Carrying amount GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2017						
Assets						
Non-pledged trading assets	3.6	566,076	-	566,076	-	566,076
Investment securities	4	645,408	-	645,408	-	645,408
		1,211,484	-	1,211,484	-	1,211,484
Comprising:						
Held-for-trading	3.6	566,076	-	566,076	-	566,076
Available-for-sale	4	645,408	-	645,408	-	645,408
		1,211,484	-	1,211,484	-	1,211,484
Liabilities						
Trading liabilities	13	72,103	-	72,103	-	72,103
		72,103	-	72,103	-	72,103
Comprising:						
Held-for-trading	13	72,103		72,103	-	72,103
		72,103	-	72,103	-	72,103

There were no transfers between Level 1 and Level 2 during the period. No reclassifications were made in or out of level 3 during the

20 Financial instruments not measured at fair value - fair value hierarchy

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

Group	Note	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2018						
Assets						
Cash and cash equivalents	2	**1,709,104**	**1,709,104**	**-**	**-**	**1,709,104**
Investment securities	4	**685,248**	**-**	**682,264**	**-**	**682,264**
Loans and advances to customers	5	**2,584,735**	**-**	**-**	**2,584,735**	**2,584,735**
Other financial assets		**158,900**	**-**	**-**	**158,900**	**158,900**
Investments in subsidiary		**-**	**-**	**-**	**2,500**	**2,500**
		5,137,987	**1,709,104**	**682,264**	**2,746,135**	**5,137,503**
Liabilities						
Deposits from banks	14.1	**218,855**	**-**	**218,855**	**-**	**218,855**
Deposits from customers	14.2	**4,282,311**	**-**	**-**	**4,282,311**	**4,282,311**
Subordinated debt	17	**134,222**	**-**	**134,222**	**-**	**134,222**
		4,635,388	**-**	**353,077**	**4,282,311**	**4,635,388**

Notes to the annual financial statements

for the year ended 31 December 2018

20 Financial instruments not measured at fair value - fair value hierarchy (continued)

Group	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2017					
Assets					
Cash and cash equivalents	1,734,995	1,734,995	-	-	1,734,995
Investment securities	646,316	-	646,316	-	646,316
Loans and advances to customers	1,874,757	-	-	1,874,757	1,874,757
Other assets	268,832			2,049	2,049
Investments in subsidiary	-	-	-	-	-
	4,524,900	1,734,995	646,316	1,876,806	4,258,117
Liabilities					
Deposits from banks	174,624	-	174,624	-	174,624
Deposits from customers	3,361,159	-	-	3,361,159	3,361,159
Provisions and other liabilities	604,918	-	-	38,855	38,855
Subordinated debt	124,091	-	124,091	-	124,091
	4,264,792	-	298,715	3,400,014	3,698,729

Bank	**Carrying value GHS'000**	**Level 1 GHS'000**	**Level 2 GHS'000**	**Level 3 GHS'000**	**Total GHS'000**
At 31 December 2018					
Assets					
Cash and cash equivalents	**1,707,136**	**1,707,136**	-	-	**1,707,136**
Investment securities	**682,264**	-	**682,264**	-	**682,264**
Loans and advances to customers	**2,584,735**	-	-	**2,584,735**	**2,584,735**
Other financial assets	**158,900**	-	-	**158,900**	**158,900**
Investments in subsidiary	**2,500**	-	-	**2,500**	**2,500**
	5,135,535	**1,707,136**	**682,264**	**2,746,135**	**5,135,535**
Liabilities					
Deposits from banks	**218,855**	-	**218,855**	-	**218,855**
Deposits from customers	**4,282,535**	-	-	**4,282,535**	**4,282,535**
Subordinated debt	**134,222**	-	**134,222**	-	**134,222**
	4,635,612	-	**353,077**	**4,282,535**	**4,635,612**

Fair value of loans and advances is estimated using discounted cash flow techniques. Input into the valuation techniques includes interest rates and expected cash flows. Expected cash flows are discounted at current market rates to determine fair value.

Fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

20 Financial instruments not measured at fair value - fair value hierarchy (continued)

Bank	Carrying value GHS'000	Level 1 GHS'000	Level 2 GHS'000	Level 3 GHS'000	Total GHS'000
At 31 December 2017					
Assets					
Cash and cash equivalents	1,733,070	1,733,070	-	-	1,733,070
Loans and advances to customers	1,874,757	-	-	1,874,757	1,874,757
Other assets	270,414	-	-	2,049	2,049
Investments in subsidiary	1,000	-	-	1,000	1,000
	3,879,241	1,733,070	-	1,877,806	3,610,876
Liabilities					
Deposits from banks	174,624	-	174,624	-	174,624
Deposits from customers	3,361,159	-		3,361,159	3,361,159
Deferred tax liabilities	110			110	110
Subordinated debt	124,091	-	124,091	-	124,091
	3,659,984	-	298,715	3,361,269	3,659,984

Fair value of loans and advances is estimated using discounted cash flow techniques. Input into the valuation techniques includes interest rates and expected cash flows. Expected cash flows are discounted at current market rates to determine fair value.

Fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Notes to the annual financial statements

for the year ended 31 December 2018

		Group		Bank	
		2018	2017	2018	2017
		GHS'000	GHS'000	GHS'000	GHS'000
21	**Contingent liabilities and commitments**				
21.1	**Contingent liabilities**				
	Letters of credit	88,701	71,091	88,701	71,091
	with cash collateral	16,111	27,202	16,111	27,202
	without cash collateral	72,590	43,889	72,590	43,889
	Guarantees	1,287,790	809,568	1,287,790	809,568
	with cash collateral	163,824	144,440	163,824	144,440
	without cash collateral	1,123,965	665,128	1,123,965	665,128
		1,376,491	880,659	1,376,491	880,659

Guarantees and letters of credit are given to third parties as security to support the performance of a customer to third parties. As the group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts. The expected credit loss of GHS5.7 million (2017: nil) on this has been included in provisions (see note 16).

21.2 Operating leases

The group leases a number of branches and office premises under operating leases. The lease period varies, and typically run for a period of 3 to 10 periods, with an option to renew the lease after that date. Lease payments are increased periodically (usually every three periods) to reflect market rentals.

At period end, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
Properties				
Within 1 year	39,773	7,060	39,773	7,060
After 1 year but within 5 years	129,318	24,572	129,318	24,572
After 5 years	38,994	9,878	38,994	9,878
	208,085	41,510	208,085	41,510
Equipment				
Within 1 year	1,820	2,604	1,820	2,604
After 1 year but within 5 yeares	1,920	2,177	1,920	2,177
	3,740	4,781	3,740	4,781

21.3 Loan commitments

The group had irrevocable loan commitments amounting to GHS758.53 million (2017: 563.69GHSmillion) in respect of various loan contracts.

21.4 Legal proceedings

In the ordinary course of business the Group is exposed to various actual and potential claims, lawsuits and other proceedings that relate to alleged errors, omissions, breaches. The directors are satisfied, based on present information and the assessed probability of such existing claims crystallising that the group has adequate insurance cover and / or provisions in place to meet such claims. Total provisions made for possible claims if cases went against the group at 31 December 2018 is GHS 0.172million (2017: GHS0.172million).

These claims against the group are generally considered to have a low likelihood of success and the group is actively defending these claims. Management believes that the ultimate resolution of any of the proceedings will not have a significantly adverse effect on the group. Where the group envisages that there is a more than average chance that a claim against it will succeed, adequate provisions are raised in respect of such claim. See note 16 for details of provisions raised.

21.5 Subsequent events

The Bank entered into an assumption agreement with Bank of Baroda Ghana Limited on 31 December 2018 to take over Baroda's customer deposits and selected loans and advances. The agreement was effective on 1 January 2019.

Notes to the annual financial statements

for the year ended 31 December 2018

22 Income statement information

		Group		Bank	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
22.1	**Interest income**				
	Interest on loans and advances	**431,198**	336,139	**430,707**	336,139
	Interest on investments	**109,385**	135,138	**109,385**	134,667
	Unwinding of discount element of credit impairments for loans and advances	**9,401**	17,250	**9,401**	17,250
		549,984	488,527	**549,493**	488,056

All interest income reported above relates to financial assets not carried at fair value through profit or loss for the group and bank

Included in interest income is GHS5.45 million (2017: GHS5.59million) earned from related party transactions. See note 26.2.

		Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
22.2	**Interest expense**				
	Current accounts	**2,442**	1,992	**2,442**	1,992
	Savings and deposit accounts	**26,372**	56,754	**26,372**	56,754
	Subordinated debt	**9,704**	8,361	**9,704**	8,361
	Other interest bearing liabilities	**45,141**	26,053	**45,141**	26,053
		83,659	93,160	**83,659**	93,160

All interest expense reported above relates to financial assets not carried at fair value through profit or loss for the group and the bank

Included in interest expense reported above is GHS9.7 million (2017: GHS7.3 million) from related party transactions. See note 26.2.

		Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
22.3	**Net fee and commission revenue**				
	Fee and commission revenue	**219,239**	170,921	**218,550**	170,698
	Account transaction fees	**61,522**	46,225	**60,833**	46,002
	Card based commission	**36,651**	25,944	**36,651**	25,944
	Knowledge based fees and commission	**11,778**	16,059	**11,778**	16,059
	Electronic banking	**1,655**	3,407	**1,655**	3,407
	Insurance - fees and commission	**3,186**	1,738	**3,186**	1,738
	Foreign currency service fees	**41,129**	35,630	**41,129**	35,630
	Documentation and administration fees	**15,305**	15,715	**15,305**	15,715
	Other fee and commision revenue	**48,013**	26,203	**48,013**	26,203
	Fee and commission expense	**(25,541)**	(21,843)	**(25,541)**	(21,843)
		193,698	149,078	**193,009**	148,855

All fees revenue and expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss for the group and bank

Other fee income for Group includes commission on sale of government securities, agency fee, account statement fee, funds transfer charges, salary processing and administration charges, reference letter charges, and cash withdrawal charges.

Included in fees and commission expense is GHS0.29 million (2017: nil) earned from related party transactions. See note 26.2.

		Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
22.4	**Trading revenue**				
	Foreign exchange	**60,288**	85,407	**60,288**	85,407
	Debt securities	**77,427**	51,319	**77,427**	51,319
		137,715	136,726	**137,715**	136,726

Notes to the annual financial statements

for the year ended 31 December 2018

		Group		Bank	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
22	**Income statement information (continued)**				
22.5	**Other loss**				
	Banking and other[1]	**(73)**	-	**(73)**	-
	Loss on derecognition of financial asset	**(24)**	-	**(24)**	-
		(97)	-	**(97)**	-

[1]Included in banking and other are loss made on sale of investment on behalf of third parties.

		Group 2018 GHS'000	Group 2017 GHS'000	Bank 2018 GHS'000	Bank 2017 GHS'000
22.6	**Credit impairments charges**				
	Specific impairments	**-**	75,057	**-**	75,057
	Portfolio impairments	**-**	(18,177)	**-**	(18,177)
	Net expected credit loses raised and released for financial investments				
	12 month ECL	**769**	-	**767**	-
	Lifetime ECL not credit impaired	**-**	-	**-**	-
	Lifetime ECL credit impaired	**-**	-	**-**	-
	Net expected credit loses raised and released for Loan and advances				
	12 month ECL	**5,884**	-	**5,884**	-
	Lifetime ECL not credit impaired	**1,200**	-	**1,200**	-
	Lifetime ECL credit impaired	**41,854**	-	**41,854**	-
	Net expected credit loses raised and released on off balance sheet exposures				
	12 month ECL	**(2,406)**	-	**(2,406)**	-
	Lifetime ECL not credit impaired	**222**	-	**222**	-
	Lifetime ECL credit impaired		-	**-**	-
	Modification losses	**1,448**		**1,448**	
	Recoveries on loans and advances previously written off	**(10,291)**	(3,184)	**(10,291)**	(3,184)
	Total credit impairment charge	**38,680**	53,696	**38,678**	53,696
22.7	**Staff costs**				
	Salaries and allowances	**219,051**	192,486	**218,467**	192,021
	Deferred bonus scheme	**5,409**	4,029	**5,409**	4,029
	Long service award incentive	**1,737**	2,015	**1,737**	2,015
	Share equity base scheme	**579**	43	**579**	43
		226,776	198,573	**226,192**	198,108

Share-based payment transactions

The group operates a number of share- based payment arrangements under which the entity receives services from employees as a consideraion for equity instrument of the group or cash settlement based on equity instrument of the group.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 plans is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The group had the following share-based arrangements.

a) Deferred bonus scheme: The group has implemented this scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

Employees granted an annual performance award over a threshold have part of their award deferred. In addition the group makes special awards of Cash settled deferred bonus scheme to qualifying employees. The award units are demoninated in employee's host countries' local currency, the value of which moves parrallel to the changes in the price of the Standard Bank Group (SBG) shares listed on the Johannesburg Stock Exchange and accrue notional dividends over the vesting period which are payable on vesting. Awards vest in three equal tranches at 18 months, 30 months and 42 months from the date of award. Final payout is determined with referenace to SBG share price on vesting date.

(b) Share options and appreciation rights based on equity instrument of Standard Bank Group (Parent company share incentive schemes) - equity settled.The share equity base scheme is equity settled. As such, a corresponding increase in equity has been recognised. See Statement of changes in equity for further details.

Long service award incentive

The value of long service is acknowledged through long service awards that are regarded as an important aspect of recognition and the total Employee Value Proposition (EVP) of the Bank.

The award structure for long service awards is show below:

Years of service	Award to employee
10	2 months basic salary plus certificate of recognition
15	3 months basic salary plus certificate of recognition
20	4 months basic salary plus certificate of recognition

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Emoluments of Stanbic Bank Ghana Limited directors and prescribed officers				
Emoluments of directors in respect of services rendered	**21,535**	10,946	**21,261**	10,711
Non-executive directors				
Emoluments of directors in respect of services rendered	**842**	742	**842**	742
	22,377	11,688	**22,103**	11,453

In order to align emolument with the performance to which they relate, emoluments reflect the amounts accrued in respect of the each year and not the amount paid.

Notes to the annual financial statements

for the year ended 31 December 2018

	Group		Bank	
	2018 GHS'000	2017 GHS'000	**2018 GHS'000**	2017 GHS'000
22 Income statement information (continued)				
22.8 Other operating expenses				
Information technology	**16,334**	11,668	**16,276**	11,621
Communication	**5,395**	5,382	**5,271**	5,261
Premises	**59,752**	57,631	**59,347**	57,473
Auditors' remuneration	**546**	443	**536**	435
Non-executive directors' fees	**984**	742	**984**	742
Professional fees	**17,135**	4,614	**17,094**	4,606
Marketing and advertising	**7,708**	9,378	**7,708**	9,378
Insurance	**3,570**	3,872	**3,570**	3,872
Training	**4,035**	3,284	**4,035**	3,284
Donation and sponsorship	**2,461**	2,490	**2,461**	2,490
Profit on sale of property and equipment	**56**	(100)	**56**	(100)
[1]Other administrative expenses	**19,996**	50,122	**19,922**	50,076
[2]Franchise and technical service fees	**23,347**	(63,400)	**23,347**	(63,400)
	161,319	86,126	**160,607**	85,738

[1] Administrative expenses include office security, travel, stationery and printing, motor vehicle overheads and subscription fees.

[2] The Bank's franchise and information technology agreement with its parent company was approved by both Ghana Investment Promotion Centre (GIPC) and Bank of Ghana for a period of ten (10) years effective 1 September 2017. Provisions made in the financials in respect of the agreement prior to the approved date was reversed in 2017.

22.9 Depreciation and amortisation

	Group 2018	Group 2017	Bank 2018	Bank 2017
Amortisation - intangible assets	**6,845**	6,845	**6,845**	6,845
Depreciation				
Property				
- leasehold	**4,832**	4,591	**4,832**	4,591
Equipment				
- Computer equipment	**11,997**	9,945	**11,997**	9,944
- Motor vehicles	**1,193**	865	**1,193**	865
- Office equipment	**2,657**	2,299	**2,657**	2,299
- Furniture and fittings	**7,607**	6,231	**7,607**	6,231
	35,131	30,776	**35,131**	30,775

Notes to the annual financial statements

for the year ended 31 December 2018

		Group		Bank	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
23	**Taxation**				
	Indirect taxation (note 23.1)	**12,890**	3,095	**12,882**	3,095
	Direct taxation (note 23.2)	**96,824**	93,305	**96,824**	93,305
		96,824	96,400	**96,824**	93,305
23.1	**Indirect taxation**				
	Value added tax on franchise and technical services	**2,091**	1,302	**2,091**	1,302
	Value added tax on other purchases and services	**10,799**	1 793	**10,791**	1 793
		12,890	3,095	**12,882**	1,793
23.2	**Direct taxation**				
	Current period	**96,824**	93,305	**96,824**	93,305
	Current tax	**90,534**	71,299	**90,534**	71,299
	Deferred tax	**6,290**	22,006	**6,290**	22,006
	Taxation per statement of profit or loss	**96,824**	93,305	**96,824**	93 305
	Income tax recognised in other comprehensive income	**-**	3,727	**-**	3,727
	Deferred tax	**-**	3,727	**-**	3,727
	Taxation per total comprehensive income	**96,824**	97,032	**96,824**	97,032

23.3 Rate reconciliation

	Group		Bank	
	2018	2017	**2018**	2017
	%	%	**%**	%
Rate reconciliation				
Rate reconciliation including indirect and direct tax	**33**	31	**33**	31
Value added tax	**(3)**	(1)	**(3)**	(1)
The corporate tax charge for the year as a percentage of profit before tax	**30**	30	**30**	30
Net tax charge	**30**	30	**30**	30
Other tax levy (National Stabilisation Levy)	**(5)**	**(5)**	**(5)**	**(5)**
Other permanent differences	**(1)**	**-**	**(1)**	**-**
Standard rate of tax	**25**	25	**25**	25

24 Earnings per ordinary share

	Group		Bank	
	2018	2017	**2018**	2017
The calculations of basic earnings per ordinary share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:				
Earnings attributable to ordinary shareholders (GHS'000)	**226,021**	215,599	**226,147**	215,759
Weighted average number of ordinary shares in issue (in thousand)	**175,528**	166,289	**175,528**	166,289
Basic/diluted earnings per ordinary share (Ghana pesewas)	**129**	130	**129**	130

Notes to the annual financial statements

for the year ended 31 December 2018

		Group		Company	
		2018	2017	**2018**	2017
		GHS'000	GHS'000	**GHS'000**	GHS'000
25	**Statement of cash flows notes**				
25.1	**(Increase)/decrease in assets**				
	Non-pledged trading assets	**4,110**	(8,047)	**4,110**	(8,047)
	Investment securities	**(16,468)**	29,336	**(14,416)**	30,154
	Loans and advances to customers	**(836,450)**	(84,998)	**(836,450)**	(84,998)
	Other assets	**(57,532)**	(102,684)	**(58,482)**	(103,879)
		(906,340)	(166,393)	**(905,238)**	(166,770)
25.2	**Increase/(decrease) in deposits and other liabilities**				
	Deposit and current accounts	**784,951**	(554,528)	**785,176**	(554,528)
	Trading liabilities	**38,390**	(174,486)	**38,390**	(174,486)
	Other liabilities and provisions	**(67,348)**	353,562	**(67,366)**	353,449
		755,993	(375,452)	**756,200**	(375,565)
25.3	**Repayment of subordinated debt**				
	Subordinated debt redeemed	**-**	(7,280)	**-**	(7,280)
		-	(7,280)	**-**	(7,280)
25.4	**Effect of exchange rate changes on cash and cash equivalents**				
	Currency				
	USD	**52,333**	8,013	**52,333**	8,013
	EUR	**3,667**	1,768	**3,667**	1,768
	GBP	**411**	303	**411**	303
	ZAR	**(3,236)**	773	**(3,236)**	773
	Effect of exhange rate	**53,175**	10,857	**53,175**	10,857

26 Related party transactions

26.1 Parent and ultimate controlling party

The Bank is 99.54% owned by Stanbic Africa Holdings Limited, which is incorporated in the United Kingdom. The ultimate parent and controlling party of the group/ company is Standard Bank Group Limited, incorporated in South Africa. Stanbic Ghana Limited has a subsidiary, SBG Securities Ghana Limited.

Stanbic Bank Ghana Limited is related to other companies that are fellow subsidiaries of Standard Bank Group Limited. These include Stanlib Ghana Limited, Standard Bank Isle of Man Limited, Standard Bank of South Africa (SBSA), Stanbic IBTC Holdings Nigeria PLC , CfC Stanbic Bank Kenya Limited, Stanbic Bank Botswana, Stanbic Bank Uganda Limited, and Standard Bank (Mauritius) Limited. ICBC Standard Bank PLC, which is an associate of Standard Bank Group Limited, is also a related party.

26.2 Balances with Standard Bank of South Africa (SBSA) and other related parties

In the normal course of business, current accounts are operated and placements of foreign currencies and trades between currencies are made with SBSA and other entities within the Standard Bank Group.

The relevant balances are shown below:

		Group		Bank	
	Note	**2018 GHS'000**	2017 GHS'000	**2018 GHS'000**	2017 GHS'000
Amounts due from related parties					
Cash and cash equivalent	2	**14,375**	297,943	**14,375**	297,943
Non-pledged trading assets	3	**14,287**	1,596	**14,287**	1,596
Other assets (Group)	7	**1,021**	1,228	**1,021**	1,228
Other assets (subsidiary)	7	**-**	-	**2,572**	1,000
		29,683	300,767	**32,255**	301,767

(a) Cash and cash equivalents (loans to banks) : This represents foreign currency placement with Standard Bank Group entities. Placements are usually denominated in US dollars and Rands. Tenor is usually short ranging between 1-6 months. The contract terms are based on normal market terms. Details per counterparty are as follows:

	Note	Group 2018	Group 2017	Bank 2018	Bank 2017
Standard Bank of South Africa	2	**14,375**	297,943	**14,375**	297,943
		14,375	297,943	**14,375**	297,943

(b) Non-pledged trading assets (derivatives): These represent fair value of currency swap and foreign exchange forward transactions with related parties. The transaction includes EUR/ USD swap, USD/ ZAR swap, and USD/GHS swap with a combined notional principal of GHS811.85milion (2017: GHS150.44million). The contracts maturity ranges from one month to 1 year.

c) Other assets (Group): These represent reimbursable expenses recoverable from related parties. No specific impairments have been recognised in respect of the amount.

Other assets (Subsidiary): These represent receivable from subsidiary in respect of reimbursable expenses.

Notes to the annual financial statements

for the year ended 31 December 2018

Related party transactions (continued)

		Group		Bank	
		2018	2017	**2018**	2017
	Note	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Amounts due to related parties					
Deposits and current accounts	14	**106,108**	32,737	**106,332**	32,737
Trading liabilities	13	**1,943**	1,034	**1,943**	1,034
Provisions and other liabilities	15	**18,508**	23,653	**18,508**	23,653
Subordinated debt	17	**134,222**	124,091	**134,222**	124,091
		260,781	181,515	**261,005**	181,515

(d) **Deposits and current accounts:** These represent demand deposits with related parties. Balances are denominated in GHS with no interest rates and are repayable on demand.

	Group 2018	Group 2017	Bank 2018	Bank 2017
Standard Bank of South Africa	**105,992**	32,737	**105,992**	32,737
Stanlib Ghana Limited	**116**	114	**116**	114
SBG Securities	**-**	-	**224**	
	106,108	32,851	**106,332**	32,851

(f) Trading liabilities (**derivatives):** These represent fair value of currency swap and forward transactions with entities within the Standard Bank Group. Details per counterparty are as follows:

	Group 2018	Group 2017	Bank 2018	Bank 2017
Standard Bank of South Africa	**1,943**	1,034	**1,943**	1,034
	1,943	1,034	**1,943**	1,034

(i) **Other liabilities (Group)**: These relate to franchise and information technology accruals payable to SBSA. Also included in other liabilities are reimbursable expenses payable to SBSA and other members of the Standard Bank Group.

(g) **Subordinated debt:** See note 17 for details of the transaction.

Profit or loss impact of transactions with Standard Bank of South Africa and other related parties

		Group		Bank	
		2018	2017	**2018**	2017
	Note	**GHS'000**	GHS'000	**GHS'000**	GHS'000
Interest income earned		**5,446**	5,587	**5,446**	5,587
Interest expense		**9,721**	7,343	**9,721**	7,343
Trading revenue/ (loss)		**12,823**	2,488	**12,823**	2,488
Operating expense incurred		**27,622**	(69,807)	**27,622**	(69,807)

(j) **Interest income earned**: This represents interest earned on placement with group entities.

(k) **Interest expense**: This represents interest expense booked in respect of deposits, subordinated debt, and other borrowing transactions with group entities.

(l) **Trading revenue / (loss)**: This represents fair value gain/ (loss) on trading and derivative transactions with group entities.

Related party transactions (continued)

26.3 Balances with key management personnel

Key management personnel includes: members of the Stanbic Bank Ghana Limited board of directors and its executive committee. The definition of key management includes close members of key management personnel and any entity over which key management exercise control, joint control or significant influence. Close family members are those family members who may 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.

(i) Key management compensation

	Group	
	2018	2017
	GHS'000	GHS'000
Salaries and other short-term benefits	**21,535**	20,114
Value of share options and rights expensed	**579**	43
	22,114	20,157

(ii) Loans and deposit transactions with key management personnel

	2018	2017
	GHS'000	GHS'000
Loans and advances		
Loans outstanding at the beginning of the period	**8,694**	7,224
Net movement during the period	**(2,374)**	1,470
Loans outstanding at the end of the year	**6,320**	8,694
Net interest earned	**386**	355

Loans include mortgage loans, instalment sale and finance leases and credit cards. Loans granted to employees and executive directors are granted at concessionary rates 0%-5% below the prime lending rate. No specific impairments have been recognised in respect of loans granted to key management at the reporting date (2017: nil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets. All other loans are unsecured.

The maximum amount of all sums of staff loans and advances due to the Bank and its subsidiary at the end of the year from officers was GHS150.25 million (2017: GHS121.78million)

	2018	2017
Deposit and current accounts		
Deposits outstanding at beginning of the period	**1,130**	1,530
Net movement during the period	**(42)**	(400)
Deposits outstanding at end of the year	**1,088**	1,130
Net interest expense	**1**	2

Deposits include cheque, current and savings accounts.

	2018	2017
	GHS'000	GHS'000
Third-party funds under management (subsidiary)		
Customer balances held for investment	**52**	31

Notes to the annual financial statements

for the year ended 31 December 2018

27 Long service award scheme

The value of long service is acknowledged through long service awards that are regarded as an important aspect of recognition and the total Employee Value Proposition (EVP) of the Bank.

The Long Service Awards Scheme is a defined benefit (DB) scheme where accrued benefits are determined based on a prescribed formula contained in the scheme rules. It is meant for employees who have served the Bank for the period of 10, 15 and 20 years. The level of benefit is dependent on the years of credited service, age and other general material assumptions.

The scheme pays two (2) months basic salary for 10 years of service, three (3) months basic salary for 15 years of service, and four (4) months basic salary for 20 years and over of service. The length of service is calculated each year and the awards paid when due. The employee makes no financial contribution towards the scheme; the responsibility of funding the Awards Scheme is on the Bank.

27.1 Description of risk

The nature of the awards scheme is that of an Unfunded Scheme because the Actuarial Liability is not supported with any dedicated Asset. Its structure is equivalent to the traditional Pay-As-You-Go pension system which has no dedicated assets to back the pension liability.

In valuing the liabilities, the Projected Unit Credited Method (PUCM), which is the recommended valuation method by IAS 19, was employed together with a set of assumptions relating to employees demographic profiles as well as assumptions on financial variables.

		Group and Bank	
		2018	2017
		GHS'000	GHS'000
i)	**The amounts recognised in the statement of financial position in respect of the retirement fund is as follows**		
	Present value of funded obligations	**(10,196)**	-
	Fair value of plan asset	**-**	-
		(10,196)	-
ii)	**Movement in the present value of funded obligation**		
	Balance at the beginning of the year	**-**	-
	Current service cost	**1,565**	2,015
	Interest cost	**172**	-
	Actuarial losses	**10,196**	-
	Benefits paid	**(1,737)**	(2,015)
	Balance at the end of the year	**10,196**	-
iii)	**The amounts recognised in profit and loss are determined as follows**		
	Current service cost	**1,565**	2,015
	Net interest income	**172**	-
	Included in staff costs	**1,737**	2,015
iv	**Components of statement of OCI**		
	Actuarial loss	**10,196**	-

iv) **Sensitivity analysis for the scheme**

	2018		2017	
	1% increase	**1% decrease**	1% increase	1% decrease
	GHS'000	**GHS'000**	GHS'000	GHS'000
Inflation rate				
Effect on the defined benefit obligation	**104**	**(104)**	**-**	-
Discount rate				
Effect on the defined benefit obligation	**(107)**	**108**	**-**	-
	10% increase	**10% decrease**	10% increase	10% decrease
Mortality improvements				
Effect on the defined benefit obligation	**6**	**(6)**	**-**	-

28 Risk and capital management

Enterprise risk review

Overview

Risk Management's objective continues to align with the group's strategic focus "to be the leading end-to-end financial solutions provider in Ghana through innovative and customer-focused people". Effective risk management is fundamental and essential to the achievement of the group's strategic objectives. It is also one of the pillars of the institution's strategic value drivers which entails supporting our clients by doing the right business the right way and maintaining the highest possible standards of responsible business practice using frameworks that align with regulatory expectations and standard business practices as well as procedures.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.

The Risk function continues its oversight and advisory responsibilities by deploying a consistent, comprehensive and strategic approach to the identification, measurement, management and reporting of enterprise-wide risks across the group. This is executed through proactive risk management practices which ensure that the business maintains the right balance in terms of the risk-return trade off whilst limiting the negative variations that could impact the group's capital, earnings, risk assets and appetite levels in a constantly changing and dynamic operating environment. Furthermore, Risk continues to shape, drive and monitor activities relating to risk and conduct in the institution through various measures including strengthening the risk and control environment, monitoring risk appetite and governance standards across the institution and elevating risk awareness by deploying requisite compliance training programmes for all Stanbic Bank Ghana Limited employees with a standard process of monitoring and escalating deficiencies in meeting the required standards. This is also in line with the established code of conduct and ethics that all members of staff must adhere and attest to on an annual basis.

The Board sets the tone and risk appetite for the organization including the tolerance levels for key risks and ensure the right risk culture is established across the insittution. These risks are however managed in accordance with a set of governance standards, frameworks and policies which align with the global and industry best practices.

The overarching approach to managing enterprise-wide risk is based on the "Three Lines of Defense" principle which requires the first line (Business risk owners) to appropriately demonstrate ownership and accountability for risks and manage same closest to the point of incidence; second line (including Risk, Compliance, and Operations and Financial Control) to review and challenge as well as provide oversight and advisory functions; and the third line (Internal Audit) to conduct assurance that control processes are fit for purpose, are implemented in accordance with standard operating procedures, and operating effectively or as intended. Internal Audit function reports all matters directly to the Board Audit Committee.

Risk management framework

Approach and structure

The group's approach to risk management is based on governance processes that rely on both individual responsibility and collective oversight that is supported by a tailored Management Information System (MIS). This approach balances corporate oversight at senior management level with independent risk management structures in the business where the business unit heads, as part of the first line of defense, are specifically responsible for the management of risk within their businesses using appropriate risk management frameworks that meet required group minimum standards.

An important element that underpins the group's approach to the management of all risk is independence and appropriate segregation of responsibilities between Business and Risk. Risk officers report separately to the Head of Risk who reports to the Chief Executive Officer of Stanbic Bank Ghana Limited and also through a matrix reporting line to the Standard Bank Group (SBG).

All principal risks are supported by the Risk department.

Governance structure

The risk governance structure provides a platform for the board, executive and senior management through the various committees to evaluate and debate material existential and emerging risks which the group is exposed to, and assess the effectiveness of risk responses through the risk profiles of the underlying business units and functional areas .

The risk-focused board committees include the board audit committee, board credit committee, and board IT committee, while executive management oversight at the subsidiary and group levels is achieved through management committees that focus on specific risks. Each of the board and management committees is governed by mandates that set out the expected committee's terms of reference.

Risk governance standards, policies and procedures

The group has developed a set of risk governance standards for each principal risk including credit, market, operational, IT and compliance risks. The standards define the acceptable conditions for the assumption of the major risks and ensure alignment and consistency in the manner in which these risks are identified, measured, managed, controlled and reported, across the group.

All standards are supported by policies and procedural documents. They are applied consistently across the bank and are approved by the Board. It is the responsibility of the business unit executive management to ensure that the requirements of the risk governance standards, policies and procedures are implemented within the business units.

Risk and capital management

for the year ended 31 December 2018

Risk appetite

Risk appetite is an expression of the amount, type and tenure of risk that the group is prepared to accept in order to deliver its business objectives. It is the balance of risk and return as the group implements business plans, whilst recognising a range of possible outcomes.

The Board establishes the group's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts for the Bank and subsidiary; and
- regularly reviewing and monitoring the group's performance in relation to set risk appetite.

The risk appetite is defined by several metrics which are then converted into limits and triggers across the relevant risk types, at both entity and business line levels, through an analysis of the risks that impact them.

Stress testing

Stress testing serves as a diagnostic and forward looking tool to improve the group's understanding of its credit; market, liquidity and operational risks profile under event based scenarios.

Management reviews the outcome of stress tests and selects appropriate mitigating actions to minimize and manage the impact of the risks to the group.

Residual risk is then evaluated against the risk appetite.

Risk categories

The group's enterprise risk management framework is designed to govern, identify, measure, manage, control and report on the principal risks to which the group is exposed. The principal financial risks are defined as follows:

Credit risk

Credit risk arises primarily in the group operations where an obligor / counterparty fails to perform in accordance with agreed terms or where the counterparty's ability to meet such contractual obligation is impaired.

Credit risk comprises counterparty risk, wrong-way risk, settlement risk, country risk and concentration risk.

Counterparty risk

Counterparty risk is the risk of loss to the group as a result of failure by a counterparty to meet its financial and/or contractual obligations to the group. It has three components:

• primary credit risk which is the exposure at default (EAD) arising from lending and related banking product activities, including their underwriting;

• pre-settlement credit risk which is the EAD arising from unsettled forward and derivative transactions, arising from the default of the counterparty to the transaction and measured as the cost of replacing the transaction at current market rates; and

• issuer risk which is the EAD arising from traded credit and equity products, and including their underwriting.

Wrong-way risk

Wrong-way risk is the risk that arises when default risk and credit exposure increase together. There are two types of wrong-way risk as follows: specific wrong way risk (which arises through poorly structured transactions, for example, those collateralized by own or related party shares) and general wrong way risk (which arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the credit quality of the counterparty).

Settlement risk

Settlement risk is the risk of loss to the group from a transaction settlement, where value is exchanged, failing such that the counter value is not received in whole or part.

Country and cross border risk

Country and cross border risk is the risk of loss arising from political or economical conditions or events in a particular country which reduce the ability of counterparties in that particular country to fulfill their obligations to the group.

Cross border risks is the risk of restriction on the transfer and convertibility of local currency funds, into foreign currency funds thereby limiting payment by offshore counterparties to the group.

Concentration risk

Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten the group's capital adequacy or ability to maintain its core operations. It is the risk that common factors within a risk type or across risk types cause credit losses or an event occurs within a risk type which results to credit losses.

Market risk

Market risk is defined as the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, foreign exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in the market variables. Market risk covers both the impact of these risk factors on the market value of traded instruments as well as the impact on the group's net interest margin as a consequence of interest rate risk on banking book assets and liabilities.

Liquidity risk

Liquidity risk is defined as the risk that the group, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (as a result of funding liquidity risk), or can only do so at materially disadvantageous terms (as a result of market liquidity risk).

Funding liquidity risk refers to the risk that the counterparties, who provide the group with funding, will withdraw or not roll-over that funding.

Market liquidity risk refers to the risk of a generalised disruption in asset markets that makes normal liquid assets illiquid and the potential loss through the forced-sale of assets resulting in proceeds being below their fair market value.

Credit risk

Principal credit standard and policies

The group's Governance Standard, as reviewed regularly, sets out the broad overall principles to be applied in credit risk decisions and sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in the group.

The Corporate and Investment Banking (CIB) and the Personal and Business Banking (PBB) Global Credit Policies have been designed to expand the Group Credit Risk Governance Standard requirements by embodying the core principles for identifying, measuring, approving, and managing credit risk. These policies provide a comprehensive framework within which all credit risk emanating from the operations of the bank are legally executed, properly monitored and controlled in order to minimize the risk of financial loss; and assure consistency of approach in the treatment of regulatory compliance requirements.

In addition to the Credit Risk Governance Standard, CIB and PBB Global Credit Policies, a number of related credit policies and documents have been developed, with contents that are relevant to the full implementation and understanding of the credit policies.

Methodology for risk rating

Internal counterparty ratings and default estimates that are updated and enhanced from time-to-time play an essential role in the credit risk management and decision-making process, credit approvals, internal capital allocation, and corporate governance functions. Ratings are used for the following purposes:

- Credit assessment and evaluation
- Credit monitoring
- Credit approval and delegated authority
- Economic capital calculation, portfolio and management reporting
- Regulatory capital calculation
- RARORC (Risk-Adjusted Return on Regulatory Capital) calculation
- Pricing: PDs, EADs, and LGDs may be used to assess and compare relative pricing of assets/facilities, in conjunction with strategic, relationship, market practice and competitive factors.

Risk and capital management

for the year ended 31 December 2018

Methodology for risk rating (continued)

The starting point of all credit risk assessment and evaluation lies in the counterparty risk grading, which is quantified and calculated in compliance with the group's credit rating policy and using such Basel-2 compliant models as are in current use and which are updated or enhanced from time to time.

Credit risk quantification for any exposure or portfolio is summarised by the calculation of the expected loss (EL), which is arrived at in the following way:

- Based on the risk grading foundation which yields the counterparty's probability of default (PD), the nature and quantum of the credit facilities are considered;
- A forward-looking quantification of the exposure at default (EAD) is determined in accordance with group standard guidelines.
- Risk mitigants such as security and asset recovery propensities are then quantified to moderate exposure at default to yield the loss given default (LGD).
- Finally, the EL is a function of the PD, the LGD and the EAD.

These parameters are in turn used in quantifying the required regulatory capital reserving, using the Regulatory Capital Calculator developed, maintained and updated in terms of Basel 2, and the economic capital implications through the use of Credit Portfolio Management's (CPM's) Economic Capital tools. Furthermore, bearing in mind the quantum of the facility and the risk/reward thereof, an appropriate consideration of Basel 2 capital requirements (where applicable) and the revenue and return implications of the credit proposal.

Framework and governance

Credit risk remains a key component of financial risks faced by the Bank given the very nature of its business. The importance of credit risk management cannot be over emphasised as consequences can be severe when neglected. The group has established governance principles to ensure that credit risk is managed effectively within a comprehensive risk management and control framework.

In reaching credit decisions and taking credit risk, both the credit and business functions must consistently and responsibly balance risk and return, as return is not the sole prerogative of business neither is credit risk the sole prerogative of credit. Credit (and the other risk functions, as applicable) and business must work in partnership to understand the risk and apply appropriate risk pricing, with the overall aim of optimising the bank's risk adjusted performance.

The reporting lines, responsibilities and authority for managing credit risk in the group are clear and independent. However, ultimate responsibility for credit risk rests with the board.

Credit risk mitigation

Credit risk mitigation is defined as all methods of reducing credit expected loss whether by means of reduction of EAD (e.g. netting), risk transfer (e.g. guarantees) or risk transformation.

Guarantees, collateral and the transaction structures are used by the group to mitigate credit risks both identified and inherent though the amount and type of credit risk is determined on a case by case basis. The group's credit policy and guidelines are used in a consistent manner while security is valued appropriately and reviewed regularly for enforceability and to meet changing business needs.

The credit policy establishes and defines the principles of risk transfer, transformation and reduction. The processes and procedures for accepting, verifying, maintaining, and releasing collateral are well documented in order to ensure appropriate application of the collateral management techniques.

Credit risk measurement

A key element in the measurement of credit risk is the assignment of credit ratings, which are used to determine expected defaults across asset portfolios and risk bands. The risk ratings attributed to counterparties are based on a combination of factors which cover business and financial risks:

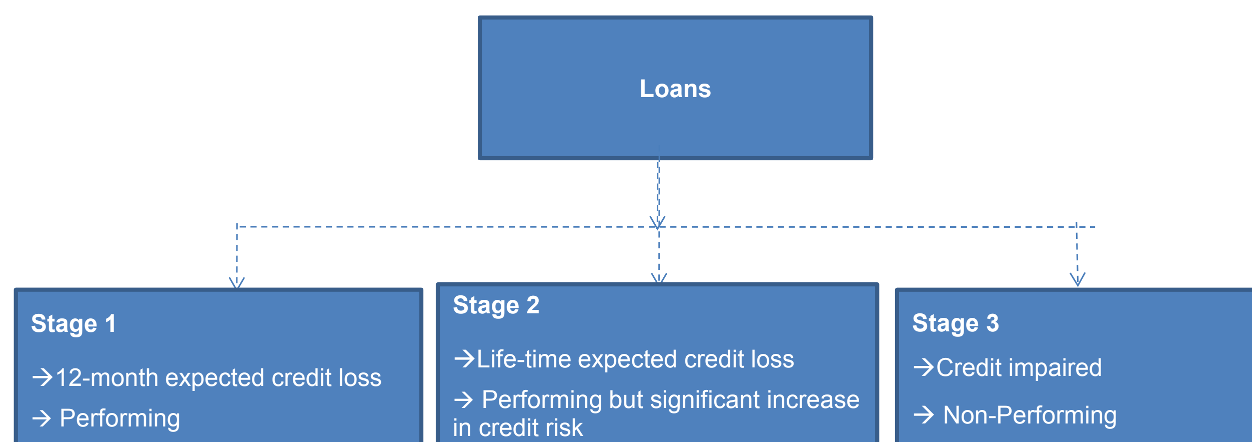
The group uses the PD Master Scale rating concept with a single scale to measure the credit riskiness of all counterparty types. The grading system is a 25-point scale, with three additional default grades.

Group's rating	Grade description	Standard & Poor's	Fitch
SB01 - SB12/SB13	Investment grades	AAA to BBB-	AAA to BBB-
SB14 - SB21	Sub Investment grades	BB+ to CCC+	BB+ to CCC+
SB22 – SB25	Cautionary grade	CCC to C	CCC to C

IFRS 9 changes and methodology
A summary of the primary changes for the Group are provided below.

New impairment model
IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses (ECL) rather than incurred losses under IAS 39. This applies to all financial debt instruments held at amortised cost, fair value through other comprehensive income (FVOCI), undrawn loan commitments and financial guarantees.

Staging of financial instruments
Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.
Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).
Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant change in the credit risk compared with what was expected at origination.
Instruments are classified as stage 3 when they become credit-impaired.
The framework used to determine a significant increase in credit risk is set out below.



The accounting policies under IFRS 9 are set out in point 3.2 IFRS 9 disclosure. The impact upon adoption of IFRS 9 as at 1 January 2018 is set out in the same accounting policy disclosure. The main methodology principles and approach adopted by the Group are set out below;

Approach to determining expected credit losses
The accounting policies under IFRS 9 are set out under Credit impairment and Financial instruments in the accounting policies. The impact upon adoption of IFRS 9 as at 1 January 2018 is set out in Transition to IFRS 9 Financial Instruments. The main methodology principles and approach adopted by the Bank are set out in the following table with cross references to other sections.
For portfolios that follow a standardised regulatory approach, the Group has developed new models where these portfolios are material.

Incorporation of forward looking information
The determination of expected credit loss includes various assumptions and judgements in respect of forward looking macroeconomic information.

Significant increase in credit risk ('SICR')
Expected credit loss for financial assets will transfer from a 12 month basis to a lifetime basis when there is a significant increase in credit risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date.

SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Signifi cant' does not mean statistically signifi cant nor is it refl ective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is signifi cant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.

The Group uses a mix of quantitative and qualitative criteria to assess SICR.

Risk and capital management

for the year ended 31 December 2018

IFRS 9 changes and methodology (Continue)

Assessment of credit-impaired financial assets

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay.

Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the bank has granted concessions that it would not ordinarily consider.

Modified financial assets

Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cash flows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument.

If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime probability of default (PD) based on the modified terms with the remaining lifetime PD based on the original contractual terms.

Transfers between stages

Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms. In addition:

→ Loans that were subject to forbearance measures must remain current for 12 months before they can be transferred to stage 2;
→ Retail loans that were not subject to forbearance measures must remain current for 180 days before they can be transferred to stage 2 or stage 1.

Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in credit risk. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).

Governance and application of expert credit judgement in respect of expected credit losses

The determination of expected credit losses requires a significant degree of management judgement which is being assessed by the Credit Risk Management Committee (CRMC).

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Risk and capital management

for the year ended 31 December 2018

Maximum exposure to credit risk by credit quality

At 31 December 2018	Note	Total Loans and Advances to Customers GHS'000	Balance sheet impairments for performing loans GHS'000	Stage 1 and Stage 2			
				Neither past due nor specifically impaired			
				Performing			
				Normal monitoring GHS'000		Close monitoring GHS'000	
				Stage 1	Stage 2	Stage 1	Stage 2
Personal & Business Banking		1,488,915	-	920,994	-	-	76,740
Mortgage loans		319,904		197,369			31,231
Instalment sale and finance leases		254,568		158,286			7,506
Other loans and advances		914,443		565,339			38,003
Corporate & Investment Banking		1,523,916	-	247,610	-	966,456	22,026
Corporate loans		1,523,916		247,610		966,456	22,026
Gross loans and advances		**3,012,831**	-	1,168,604	-	966,456	98,766
Less: Total expected credit loss for loans and advances at amortised cost							
12-month ECL		(24,403)					
Lifetime ECL not credit-impaired		(30,129)					
Lifetime ECL credit-impaired		(91,974)					
Purchased/originated credit impaired							
Interest In Suspense (IIS)		(281,590)					
Net loans and advances		2,584,735					
Add the following other banking activities exposures:							
Cash and cash equivalents							
Derivatives							
Financial investments (excluding equity)							
Loans and advances to banks							
Trading assets							
Pledged assets							
Other financial assets							
Total on-balance sheet exposure		2,584,735					
Unrecognised financial assets:							
Letters of credit		88,701		66,270	-	10,188	12,244
Guarantees		1,287,790		574,366	-	653,984	59,440
Loan commitments		758,530		368,854	-	386,868	2,808
Total exposure to credit risk		**4,719,755**					
Expected credit loss for off balance Sheet exposures							
12-month ECL		(5,249)					
Lifetime ECL not credit-impaired		(419)					
Lifetime ECL credit-impaired		-					
Total exposure to credit risk on Loans and advances at amortised cost		**4,714,087**					

					Stage 3					
Not specifically impaired		Specifically impaired loans								
		Non-performing loans								
Early arrears GHS'000		Stage 3			Total GHS'000	Securities and expected recoveries on specifically impaired loans GHS'000	Balance sheet impairments for non-performing specifically impaired loans GHS'000	Gross specific impairment coverage %	Total non-performing loans N'million	Non-performing loans %
Stage 1	Stage 2	Sub-standard GHS'000	Doubtful GHS'000	Loss GHS'000						
60,838	159,935	14,608	23,058	232,742	270,408	-	56,127	21	270,408	18.2
19,505	52,091	9,095	316	10,297	19,708		2,079	11	19 708	6.2
2,620	42,801	470	6,857	36,028	43,355		14,942	34	43,355	17.0
38,713	65,043	5,043	15,885	186,417	207,345		39,106	19	207,345	22.7
6,187	-	-	-	281,637	281,637	-	35,848	13	281,637	18.5
6,187				281,637	281,637		35,848	13	281,637	18.5
67,025	159,935	14,608	23,058	514,379	552,045	-	91,975	17	552,045	18.3

-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-

Risk and capital management

for the year ended 31 December 2018

	Performing Loans	
	Neither past due nor specifically impaired	Early arrears but not specifically impaired
	2017	2017
	GHS '000	GHS '000
Credit quality		
Loans and advances to customers		
- Mortgage Lending	207 565	32 410
- Instalment sales and finance leases	180 370	38 345
- Other loans and advances	988 395	78 894
Total recognised financial instruments	1 376 330	149 649

Non - Performing Loans					
Sub - Standard	Doubtful	Loss	Gross Maximum exposure	Security and expected recoveries against impaired loans	Net impaired loans
2017	2017	2017	2017	2017	2017
GHS '000	GHS '000	GHS '000	GHS '000	GHS '000	GHS '000
636	3 689	6 956	251 256	8 533	8 231
12 135	867	26 634	258 351	28 112	37 990
22 310	22 559	359 129	1 471 287	130 274	177 572
35 081	27 115	392 719	1 980 894	166 919	223 793

Risk and capital management

for the year ended 31 December 2018

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired amounted to GHS44.69 million (2017: GHS50.18million).

Collateral

The table that follows shows the financial effect that collateral has on the group's maximum exposure to credit risk. All on- and off-balance sheet exposures which are exposed to credit risk, including non-performing assets, have been included.

Collateral includes:
- financial securities that have a tradable market, such as shares and other securities;
- physical items, such as property, plant and equipment;and
- financial guarantees, suretyships and intangible assets.

All exposures are presented before the effect of any impairment provisions.

Collateral

Group	Total exposure GHS'000	Unsecured GHS'000	Secured GHS'000	Netting agreements GHS'000	Secured exposure after netting GHS'000	Total collateral coverage 1%-50% GHS'000	50%-100% GHS'000	Greater than 100% GHS'000
At 31 December 2018								
Corporate	2,792,450	216,500	2,575,950	-	2,575,950	22,650	748,371	618,598
Sovereign	2,104,537	492,329	1,612,208	-	1,612,208	-	1,612,208	-
Bank	900,410	900,410	-	-	-	-	-	-
Retail	1,598,050	228,670	1,369,380	-	1,369,380	171,398	378,292	799,010
Retail Mortgage	319,904	-	319,904	-	319,904			319,904
Other retail loans and advances	1,278,146	228,670	1,049,476	-	1,049,476	171,398	378,292	479,106
Total	**7,395,447**	**1,837,909**	**5,557,538**	**-**	**5,557,538**	**194,048**	**2,738,871**	**1,417,608**
Less: Financial assets not exposed to credit risk	(1,105,068)							
Less: Impairments for loans and advances	(153,398)							
Less: Unrecognised off balance sheet items	(88,701)							
Total exposure	**6,048,280**							
Reconciliation to statement of financial position:								
Cash and cash equivalents	1,709,104							
Non-pledged trading assets	634,614							
Investment securities	685,248							
Loans and advances to customers	2,860,414							
Other financial assets	158,900							
Total	**6,048,280**							

Risk and capital management

for the year ended 31 December 2018

Collateral

Bank	Total exposure GHS'000	Unsecured GHS'000	Secured GHS'000	Netting agreements GHS'000	Secured exposure after netting GHS'000	Total collateral coverage 1%-50% GHS'000	50%-100% GHS'000	Greater than 100% GHS'000
At 31 December 2018								
Corporate	2,792,450	216,500	2,575,950	-	2,575,950	22,650	748,371	618,598
Sovereign	2,102,823	490,615	1,612,208	-	1,612,208	-	1,612,208	-
Bank	897,172	897,172	-	-	-	-	-	-
Retail	1,598,050	228,670	1,369,380	-	1,369,380	171,398	378,292	799,010
Retail Mortgage	319,904	-	319,904	-	319,904	-	-	319,904
Other retail loans and advances	1,278,146	228,670	1,049,476	-	1,049,476	171,398	378,292	479,106
Total	7,390,495	1,832,957	5,557,538	-	5,557,538	194,048	2,738,871	1,417,608
Less: Financial assets not exposed to credit risk	(1,105,068)							
Less: Impairments for loans and advances	(153,398)							
Less: Unrecognised off balance sheet items	(88,701)							
Total exposure	6,043,328							
Reconciliation to statement of financial position:								
Cash and cash equivalents	-							
Non-pledged trading assets	-							
Investment securities	-							
Loans and advances to customers	2,860,414							
Other financial assets	158,900							
Total	3,019,314							

Risk and capital management

for the year ended 31 December 2018

Off Balance sheet exposures - Industry sectors

	2018			2017		
	Guarantees GHS'000	Letters of credit GHS'000	2018 Total GHS'000	Guarantees GHS'000	Letters of credit GHS'000	2017 Total GHS'000
Agriculture	170,000	299	170,299	20,000	287	20,287
Construction	138,067	-	138,067	54,581	-	54,581
Electricity	-	341	341	150	2,835	2,985
Finance, real estate and other business services	522,162	151,522	673,684	462,490	90,162	552,652
Individuals	9,881	-	9,881	721	-	721
Manufacturing	120,578	10,065	130,643	80,044	3,574	83,618
Mining	298,004	1,270	299,273	186,583	25,576	212,160
Other services			-			-
Transport	29,099	1,494	30,593	5,000	-	5,000
Carrying amount	1,287,790	164,991	1,452,781	809,569	122,434	932,002

Credit provisioning based on Bank of Ghana guidelines

In accordance with the Bank of Ghana (BoG) Guidelines, provision against credit risk is as follows.

Non performing accounts

Interest and/or principal outstanding for over:	Classification	Minimum provision
Less than 30 days	Current	1%
30 days but less than 90 days	OLEM	10%
90 days but less than 180 days	Substandard	25%
180 days but less than 365 days	Doubtful	50%
Over 365 days	Lost	100%

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the profit and loss account. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the statement of profit or loss.

Performing accounts

A minimum of 1% general provision on performing loans is made in accordance with the Bank of Ghana Guidelines.

Key Ratios for loans and advances to customers are as follows

	Bank	
	2018	2017
Gross non-performing loans ratio	18.3%	19.9%
Ratio of top 50 exposures to gross exposure	63.54%	61.32%
Ratio of impairment charge to gross loans (income statement)	1.28%	2.71%
Loans and advances written off as required by BoG notices	38.67 million	58.08 million

Liquidity risk

Framework and governance

The nature of banking and trading activities results in a continuous exposure to liquidity risk. Liquidity problems can have an adverse impact on a group's earnings and capital and, in extreme circumstances, may even lead to the collapse of a group which is otherwise solvent.

The group's liquidity risk management framework is designed to measure and manage the liquidity position at various levels of consolidation such that payment obligations can be met at all times, under both normal and considerably stressed conditions. Under the delegated authority of the board of directors, the Asset and Liability Committee (ALCO) sets liquidity risk policies in accordance with regulatory requirements, international best practice and SBG stated risk appetite.

Tolerance limits, appetite thresholds and monitoring items are prudently set and reflect the group's conservative appetite for liquidity risk. ALCO is charged with ensuring ongoing compliance with liquidity risk standards and policies. The group must, at all times, comply with the more stringent of Standard Bank imposed tolerance limits or regulatory limits.

Liquidity and funding management

A sound and robust liquidity process is required to measure, monitor and manage liquidity exposures. The group has incorporated the following liquidity principles as part of a cohesive liquidity management process:

- structural liquidity mismatch management;
- long-term funding ratio;
- maintaining minimum levels of liquid and marketable assets;
- depositor restrictions;
- local currency loan to deposit ratio;
- foreign currency loan to deposit ratio;
- interbank reliance limit;
- intra-day liquidity management;
- collateral management;
- daily cash flow management;
- liquidity stress and scenario testing; and
- funding plans;
- liquidity contingency planning.

The cumulative impact of these principles is monitored, at least monthly by ALCO through a process which is underpinned by a system of extensive controls. The latter includes the application of purpose-built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of the effectiveness of the system.

Structural liquidity mismatch management

The mismatch principle measures the group's liquidity by assessing the mismatch between its inflow and outflow of funds within different time bands on a maturity ladder. The structural liquidity mismatch is based on behaviourally-adjusted cash flows which factors a probability of maturity into the various time bands. As expected cash flows vary significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet items with an indeterminable maturity or drawdown period.

A net mismatch figure is obtained by subtracting liabilities and netting off-balance sheet positions from assets in each time band. The group's liquidity position is assessed by means of the net cumulative mismatch position, while its liquidity mismatch performance is an aggregation of the net liquidity position in each successive time band expressed as a percentage of total funding related to deposits.

Maintaining minimum levels of liquid and marketable assets

Minimum levels of prudential liquid assets are held in accordance with all prudential requirements as specified by the regulatory authorities. The group needs to hold additional unencumbered marketable assets, in excess of any minimum prudential liquid asset requirement, to cater for volatile depositor withdrawals, draw-downs under committed facilities, collateral calls, etc.

The following criteria apply to readily marketable securities:

- prices must be quoted by a range of counterparties;
- the asset class must be regularly traded;
- the asset may be sold or repurchased in a liquid market, for payment in cash; and

settlement must be according to a prescribed, rather than a negotiated, timetable.

Depositor concentration

To ensure that the group does not place undue reliance on any single entity as a funding source, restrictions are imposed on the short dated (0 – 3 months term) deposits accepted from any entity. These include:

- the sum of 0 – 3 month deposits and standby facilities provided by any single deposit counterparty must not, at any time, exceed 10% of total funding related liabilities to the public; and

- the aggregate of 0 – 3 month deposits and standby facilities from the 10 largest single deposit counterparties must not, at any time, exceed 20% of total funding related liabilities to the public.

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary sources of funding are in the form of deposits across a spectrum of retail and wholesale clients. As mitigants, the group maintains marketable securities in excess of regulatory requirements in order to create a buffer for occasional breaches of concentration limits.

Loan to deposit limit

A limit is put in place, restricting the local currency loan to deposit ratio to a maximum specified level, which is reviewed periodically. Similarly, in order to restrict the extent of foreign currency lending from the foreign currency deposit base, a foreign currency loan to deposit limit, which is also referred to as own resource lending, is observed. As mitigants, the group maintains high levels of unencumbered marketable and liquid assets in excess of regulatory benchmark.

Risk and capital management

for the year ended 31 December 2018

Intra-day liquidity management

The group manages its exposures in respect of payment and settlement systems. Counterparties may view the failure to settle payments when expected as a sign of financial weakness and in turn delay payments to the group. This can also disrupt the functioning of payment and settlement systems. At a minimum, the following operational elements are included in the group's intra-day liquidity management:

- capacity to measure expected daily gross liquidity inflows and outflows, including anticipated timing where possible;
- capacity to monitor its intra-day liquidity positions, including available credit and collateral;
- sufficient intra-day funding to meet its objectives;
- ability to manage and mobilise collateral as required;
- robust capacity to manage the timing of its intra-day outflows; and
- readiness to deal with unexpected disruptions to its intra-day liquidity flows.

Daily cash flow management

The group generates a daily report to monitor significant cash flows. Maturities and withdrawals are forecast at least three months in advance and management is alerted to large outflows. The report, which is made available to the funding team, ALM and market risk also summarises material daily new deposits as well as the interbank and top depositor reliance (by value and product).

The daily cash flow management report forms an integral part of the ongoing liquidity management process and is a crucial tool to proactively anticipate and plan for large cash outflows.

Interbank reliance

Interbank funding traditionally is seen as the most volatile and least stable source of funding, easily influenced by market sentiment and prone to flight under stress situations. Consequently, to ensure prudent liquidity management is enforced, the group restricts the local currency interbank funding as a proportion of the local currency funding base to a maximum of 15% of the total currency funding base.

Liquidity stress testing and scenario testing

Anticipated on- and off-balance sheet cash flows are subjected to a variety of the group specific and systemic stress scenarios in order to evaluate the impact of unlikely but plausible events on liquidity positions. Scenarios are based on both historical events, such as past emerging markets crises, past local financial markets crisis and hypothetical events, such as an entity specific crisis. The results obtained from stress testing provide meaningful input when defining target liquidity risk positions.

Maturity analysis of financial liabilities by contractual maturity

The tables below analyse cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and trading derivatives) and may therefore not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. All other derivative liabilities are treated as trading instruments and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The following tables also include contractual cash flows with respect to off-balance sheet items which have not yet been recorded on-balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Maturity analysis of financial assets and liabilities by contractual maturity

Group	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2018						
Financial assets	**1,557,093**	**938,187**	**795,128**	**807,451**	**1,662,597**	**5,760,456**
Cash and cash equivalents	1,255,170	453,934				1,709,104
Non-pledged trading assets		261,540	191,025	143,694	38,355	634,614
Investment securities	-	121,966	164,308	196,201	203,022	685,497
Loans and advances to customers	301,923	100,747	439,795	467,556	1,421,220	2,731,241
Financial liabilities	**4,085,779**	**181,615**	**134,285**	**150,136**	**210,932**	**4,762,748**
Trading liabilities	-	93,155	12,145	22,060	-	127,360
Deposits from banks	218,855	-	-	-	-	218,855
Deposits from customers	3,866,924	86,823	122,140	128,076	78,348	4,282,311
Subordinated debt		1,637			132,584	134,222
Total	(2,528,686)	756,572	660,843	657,315	1,451,665	997,708
Unrecognised financial instruments						
Letters of credit	-	-	-	27,392	61,309	88,701
Guarantees	129,002	33,201	30,802	932,798	161,987	1,287,790
Total	129,002	33,201	30,802	960,190	223,296	1,376,491

Risk and capital management

for the year ended 31 December 2018

Maturity analysis of financial assets and liabilities by contractual maturity (continued)

Group	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2017						
Financial assets	991,149	409,795	467,392	561,950	2,391,858	4,822,144
Cash and cash equivalents	828,937	-	-	-	906,058	1,734,995
Non-pledged trading assets	-	228,596	94,366	162,565	80,549	566,076
Investment securities	908	131,707	166,951	137,386	209,364	646,316
Loans and advances to customers	161,304	49,492	206,075	261,999	1,195,887	1,874,757
Financial liabilities	3,200,831	27,733	109,404	271,642	122,367	3,731,977
Trading liabilities	21,156	-	44,119	6,828	-	72,103
Deposits from banks	174,623	1	-	-	-	174,624
Deposits from customers	3,005,052	25,704	65,285	264,814	304	3,361,159
Subordinated debt	-	2,028	-	-	122,063	124,091
Total recognised financial instruments	(2,209,682)	382,062	357,988	290,308	2,269,491	1,090,167
Unrecognised financial instruments						
Letters of credit	13,311	1,322	4,815	25,813	25,830	71,091
Guarantees	4,985	29,107	143,502	493,458	138,516	809,568
Total unrecognised financial instruments	18,296	30,429	148,317	519,271	164,346	880,659

Bank	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2018						
Financial assets	**1,555,125**	**938,121**	**794,792**	**806,971**	**1,660,489**	**5,755,498**
Cash and cash equivalents	**1,253,202**	**453,934**	**-**	**-**	**-**	**1,707,136**
Non-pledged trading assets	**-**	**261,540**	**191,025**	**143,694**	**38,355**	**634,614**
Investment securities	**-**	**121,900**	**163,972**	**195,721**	**200,914**	**682,507**
Loans and advances to customers	**301,923**	**100,747**	**439,795**	**467,556**	**1,421,220**	**2,731,241**
Financial liabilities	**4,085,779**	**181,615**	**134,285**	**150,136**	**211,156**	**4,762,972**
Trading liabilities	**-**	**93,155**	**12,145**	**22,060**	**-**	**127,360**
Deposits from banks	**218,855**	**-**	**-**	**-**	**-**	**218,855**
Deposits from customers	**3,866,924**	**86,823**	**122,140**	**128,076**	**78,572**	**4,282,535**
Subordinated debt		**1,637**			**132,584**	**134,222**
Total recognised financial instruments	**(2,530,654)**	**756,506**	**660,507**	**656,835**	**1,449,333**	**992,526**
Unrecognised financial instruments						
Letters of credit	**-**	**-**	**-**	**27,392**	**61,309**	**88,701**
Guarantees	**129,002**	**33,201**	**30,802**	**932,798**	**161,987**	**1,287,790**
Total unrecognised financial instruments	**129,002**	**33,201**	**30,802**	**960,190**	**223,296**	**1,376,491**

Risk and capital management

for the year ended 31 December 2018

Maturity analysis of financial assets and liabilities by contractual maturity (continued)

Bank	Redeemable on demand GHS'000	Maturing within 1 month GHS'000	Maturing between 1-6 months GHS'000	Maturing between 6-12 months GHS'000	Maturing after 12 months GHS'000	Total GHS'000
At 31 December 2017						
Financial assets	988,316	409,795	467,392	561,950	2,391,858	4,819,311
Cash and cash equivalents	827,012	-	-	-	906,058	1,733,070
Non-pledged trading assets	-	228,596	94,366	162,565	80,549	566,076
Investment securities	-	131,707	166,951	137,386	209,364	645,408
Loans and advances to customers	161,304	49,492	206,075	261,999	1,195,887	1,874,757
Financial liabilities	3,200,832	27,732	109,404	271,642	122,367	3,731,977
Trading liabilities	21,156		44,119	6,828	-	72,103
Deposits from banks	174,624	-	-	-	-	174,624
Deposits from customers	3,005,052	25,704	65,285	264,814	304	3,361,159
Subordinated debt	-	2,028	-	-	122,063	124,091
Total recognised financial instruments	(2,212,516)	382,063	357,988	290,308	2,269,491	1,087,334
Unrecognised financial instruments						
Letters of credit	13,311	1,322	4,815	25,813	25,830	71,091
Guarantees	4,985	29,107	143,502	493,458	138,516	809,568
Loan commitments	-	-	-	-	-	-
Total unrecognised financial instruments	18,296	30,429	148,317	519,271	164,346	880,659

Liquidity contingency plans

The group recognises that it is not possible to hold sufficiently large enough quantity of readily available liquidity to cover the least likely liquidity events. However, as such events can have devastating consequences, it is imperative to bridge the gap between the liquidity the group chooses to hold and the maximum liquidity the group might need.

The group's liquidity contingency plan is designed to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The plan incorporates an extensive early warning indicator methodology supported by a clear and decisive crisis response strategy. Early warning indicators span group specific crises, systemic crises, contingency planning, and liquidity risk management governance and are monitored based on assigned frequencies and tolerance levels. The crisis response strategy is formulated around the relevant crisis management structures and addresses internal and external communications, liquidity generation, operations, as well as heightened and supplementary information requirements.

Foreign currency liquidity management

A number of indicators are observed to monitor changes in either market liquidity or exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing capital and loan markets across the group.
Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital and loan markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate to meet its anticipated funding requirements.

Depositor concentrations

	2018	2017
Single depositor	**9%**	12%
Top 10 depositors	**24%**	28%

Liquity 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 liabilites is constituted by demand deposits and government instruments which could be called at short notice.

	Group		Bank	
	2018 GHS'000	2017 GHS'000	**2018** GHS'000	2017 GHS'000
Cash and cash equivalents	1,709,104	1,734,995	1,707,136	1,733,070
Investments securities maturing within one year	527,451	436,043	481,593	436,043
Non-pledged Trading assets	-	566,076	634,614	566,076
Liquid assets	2,236,555	2,737,114	2,823,343	2,735,189
Demand deposits	4,501,166	3,157,549	4,501,390	3,157,549
Trading liabilities maturing within one year	127,360	72,103	127,360	72,103
Volatile liabilities	4,628,526	3,229,652	4,628,750	3,229,652
Liquidity ratio	48%	84.7%	61%	84.7%
Number of breaches	2	Nil	2	Nil
Sanctions amount (in GHS'000)	23.49	Nil	23.49	Nil

Risk and capital management

for the year ended 31 December 2018

Market risk

The identification, management, control, measurement and reporting of market risk is categorised as follows:

Trading market risk

These risks arise in trading activities where the bank acts as a principal with clients in the market. The group's policy is that all trading activities are contained within the bank's trading operations.

Banking book interest rate risk

These risks arise from the structural interest rate risk caused by the differing re-pricing characteristics of banking assets and liabilities.

Foreign currency risk

These risks arise as a result of changes in the fair value or future cash flows of financial exposures due to changes in foreign exchange rates.

Equity investment risk

These risks arise from equity price changes in listed and unlisted investments, and managed through the equity investment committee, which is a sub-committee of the executive committee.

Framework and governance

The board approves the market risk appetite and standards for all types of market risk. The board grants general authority to take on market risk exposure to the asset and liability committee (ALCO). ALCO sets market risk policies to ensure that the measurement, reporting, monitoring and management of market risk associated with operations of the bank follow a common governance framework. The bank's ALCO reports to EXCO and also to the board risk management committee.

The in-country risk management is subject to SBG oversight for compliance with group standards and minimum requirements.

The market risk management unit which is independent of trading operations and accountable to ALCO, monitors market risk exposures due to trading and banking activities. This unit monitors exposures and respective excesses daily, report monthly to ALCO and quarterly to the board risk management committee.

Market risk measurement

The techniques used to measure and control market risk include:

- daily net open position
- daily VaR;
- back-testing;
- PV01;
- annual net interest income at risk

Daily net open position

The board on the input of ALCO, sets limits on the level of exposure by currency and in aggregate for overnight positions. The latter is also aligned to the net open position limit as specified by the regulators, which is usually a proportion of the groups' capital.

Daily value-at-risk (VaR)

VaR is a technique that estimates the potential losses that may occur as a result of market movements over a specified time period at a predetermined probability.

VaR limits and exposure measurements are in place for all market risks the trading desk is exposed to. The bank generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal market conditions. Normal VaR is based on a holding period of one day and a confidence level of 95%. Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

The use of historic VaR has limitations as it is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution. Hence, there is a need to back-test the VaR model regularly.

VaR back-testing

The group and the banking business back-tests its foreign currency, interest rate and credit trading exposure VaR model to verify the predictive ability of the VaR calculations thereby ensuring the appropriateness of the model. Back-testing exercise is an ex-post comparison of the daily hypothetical profit and loss under the one-day buy and hold assumption to the prior day VaR. Profit or loss for back-testing is based on the theoretical profits or losses derived purely from market moves both interest rate and foreign currency spot moves and it is calculated over 250 cumulative trading-days at 95% confidence level.

Market risk (continued)

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions.
The stress tests carried out include individual market risk factor testing and combinations of market factors on individual asset classes and across different asset classes. Stress tests include a combination of historical and hypothetical simulations.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

Pricing models and risk metrics used in production systems, whether these systems are off-the-shelf or in-house developed, are independently validated by the market risk unit before their use and periodically thereafter to confirm the continued applicability of the models. In addition, the market risk unit assesses the daily liquid closing price inputs used to value instruments and performs a review of less liquid prices from a reasonableness perspective at least fortnightly. Where differences are significant, mark-to-market adjustments are made.

Annual net interest income at risk

A dynamic forward-looking annual net interest income forecast is used to quantify the banks' anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. The analysis is completed under both normal market conditions as well as stressed market conditions.

Analysis of Value-at-Risk (VaR) and actual income

The table below highlights the historical diversified normal VaR across the various trading desks. The minimum and maximum trading diversified normal VaR stood at GHS157,000 and GHS920,000 respectively with an annual average of GHS429,000 which translates to a conservative VaR base limit utilisation of 6% on average.

Diversified Normal Var Exposures (GHS'000)

Desk	Maximum	Minimum	Average	2018	2017	Limit
Bankwide	920	157	429	742	642	7000
FX Trading	647	9	182	207	626	2300
Money markets trading	879	24	160	750	53	1400
Fixed income trading	581	88	243	269	94	5000
Credit trading	-	-	-	-	-	390
Derivatives	-	-	-	-	-	-

Currency risk

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2018 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 2018	Normal VaR as at 31 December 2017
AUD	5,676	683
CAD	8,174	542
CHF	14,477	2,812
CNY	3,725	30
EUR	118,081	71,654
GBP	86,559	6,863
JPY	874	17
SEK	5,858	775
USD	11,851	68,813
XOF	-	-
ZAR	23,364	5,708

PV01

PV01 is a risk measure used to assess the effect of a change of rate of one basis point on the price of an asset. This limit is set for the fixed income trading, money market trading, credit trading, derivatives, foreign exchange trading and Interest Rate Banking portfolios.

Risk and capital management

for the year ended 31 December 2018

Market risk (continued)

Analysis of PV01

The table below shows the PV01 of the Interest Rate Banking (Money Markets Banking and Treasury Capital Management) and the individual trading books as at year end. The money markets trading book PV01 exposure increased to GHS1.67million from GHS0.82 million from 2017 due to increase in its cash positions (loans and deposits) as well as increase in Treasury bills and 6-month Cocoa bill positions. The Fixed Income Trading book also had an increase in PV01 exposure from GHS1.43million to GHS1.47million due to a net increase in 2-year bonds. The Interest Rate Trading Foreign Currency book had exposures reduced from the sale of 3-year Dollar bonds held. PV01 exposures on the Interest Rate Banking book went to zero (0) in 2018 as all instruments being held in that book were reclassified into amortised Cost (AMC) book from available For Sale (AFS) and hence are not fair valued anymore. Overall trading PV01 exposure was GHS1.19million against a limit of GHS6.69million as at 31 December 2018 thus reflecting a very conservative exposure utilisation.

PV01 (GHS'000)	2018	2017	Limit
Money Market Trading Lcy book	16.7	(8.2)	26.4
Fixed Income Trading Lcy book	(14.8)	(14.3)	25.0
Credit Trading Lcy book	-	-	0.1
Derivatives Trading book	-	-	-
Interest Rate Trading Fcy book	(1.8)	(3.8)	15.4
Total trading book	0.1	(3.8)	66.9
Interest Rate banking book	-	(61.8)	32.0

Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) can be defined as the reduction in banking book net interest income due to changes in interest rates arising from the different re-pricing characteristics of banking book assets and liabilities. IRRBB is further divided into the following sub-risk types:

• Repricing risk referring to the timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
• Yield curve risk arising when unanticipated shifts in the yield curve have adverse effects on the group's income.
• Basis risk arising from the imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
• Optionality risk arising from the options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
• Endowment risk referring to the interest rate risk exposure arising from the net differential between interest rate insensitive assets such as non-earning assets and interest rate insensitive liabilities such as non-paying liabilities and equity.

Approach to managing interest rate risk on positions in the banking book

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest movements on banking book earnings (net interest income and banking book mark-to-market profit or loss).

The group's approach to managing IRRBB is governed by prudence and is in accordance with the applicable laws and regulations, best international practice and the competitive situation within which it operates in financial markets. Interest rate risk is transferred to and managed within the bank's treasury operations under supervision of ALCO.

Measurement of IRRBB

The analytical technique used to quantify IRRBB is an earnings based approach. A dynamic, forward-looking net interest income forecast is used to quantify the bank's anticipated interest rate exposure. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles. All assets and liabilities are allocated to gap intervals based on either their repricing or maturity characteristics. However, assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.
The impact on net interest income due to interest rate changes cover 12 months of forecasting and allows for the dynamic interaction of payments, new business and interest rates. The analyses are done under stressed market conditions in which the banking book is subjected to an upward 300 basis points and downward 300 basis points (2017: 350 basis points) parallel rate shocks for local currency and 100 basis points upward and downward parallel rate shocks for foreign currency positions. The table below shows the sensitivity of the bank's net interest income in response to standardised parallel rate shocks.

2018		GHS	USD	Other	Total
Increase in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	40,188	6 528	-	46 716
Decrease in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	-27,245	(7 117)	-	(34 362)

2017		GHS	USD	Other	Total
Increase in basis points		300	100	100	
Sensitivity of annual net interest income	GHS'000	18,827	3890	-	22,717
Decrease in basis points		350	100	100	
Sensitivity of annual net interest income	GHS'000	(12,564)	(4,260)	-	(16,824)

Market risk (continued)

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net exposure of non-rate sensitive liabilities and equity less non-rate sensitive assets. The endowment risk is hedged using marketable liquid instruments in the same currency as the exposure as and when it is considered opportune. Hedge decisions are made by ALCO following careful consideration of the interest rate views to be hedged against, including magnitude, direction, timing and probability, and the exposure to be hedged.

Exposure to currency risks

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in aggregate for both overnight and intra day positions, which are monitored daily. The table below summarises the group's exposure to foreign currency exchange risk.

Concentrations of currency risk – on- and off-balance sheet financial instruments

Group **At 31 December 2018**	**GHS** **GHS'000**	**USD** **GHS'000**	**GBP** **GHS'000**	**ZAR** **GHS'000**	**Others** **GHS'000**	**Total** **GHS'000**
Financial assets						
Cash and cash equivalents	**1,034,776**	**518,509**	**15,933**	**15,592**	**124,294**	**1,709,104**
Non-pledged trading assets	**633,211**	**1,403**	**-**	**-**	**-**	**634,614**
Investment securities	**685,248**					**685,248**
Loans and advances to customers	**1,459,741**	**1,103,449**	**13,787**	**-**	**7,758**	**2,584,735**
Other non-financial assets	**589,565**	**1,313**	**118**	**313**	**-**	**591,309**
	4,402,541	**1,624,674**	**29,838**	**15,905**	**132,052**	**6,205,010**
Financial liabilities						
Trading liabilities	**79,119**	**48,240**				**127,360**
Deposits from banks	**142,604**	**76,186**			**65**	**218,855**
Deposits from customers	**2,386,906**	**1,742,329**	**27,456**	**1,901**	**123,720**	**4,282,311**
Subordinated debt	**-**	**134,222**	**-**	**-**	**-**	**134,222**
Other non-financial liabilitiies	**246,781**	**98,281**	**3,058**	**15,159**	**3,610**	**366,888**
	2,855,410	**2,099,258**	**30,514**	**17,060**	**127,395**	**5,129,636**
Net on-balance sheet financial position	**1,547,131**	**(474,584)**	**(676)**	**(1,155)**	**4,657**	**1,075,374**
Off balance sheet	**493,298**	**861,090**	**62**	**64**	**21,977**	**1,376,491**

At 31 December 2017 **Financial assets**	GHS GHS'000	USD GHS'000	GBP GHS'000	ZAR GHS'000	Others GHS'000	Total GHS'000
Cash and cash equivalents	1,011,849	571,568	12,016	49,935	89,627	1,734,995
Non-pledged trading assets	551,021	15,055	-	-	-	566,076
Investment securities	632,935	13,381	-	-	-	646,316
Loans and advances to customers	1,109,576	740,176	16,262	-	8,743	1,874,757
Other non-financial assets	427,668	12,247	212	1,168	43	441,338
	3,733,049	1,352,427	28,490	51,103	98,413	5,263,482
Financial liabilities						
Trading liabilities	72,064	39	-	-	-	72,103
Deposits from banks	146,565	27,963	96	-	-	174,624
Deposits from customers	1,592,562	1,665,185	18,343	479	84,590	3,361,159
Subordinated debt	-	124,091	-	-	-	124,091
Other non-financial liabilitiies	506,263	49,719	736	49,414	7,638	613,770
	2,317,454	1,866,997	19,175	49,893	92,228	4,345,747
Net on-balance sheet financial position	1,415,595	(514,570)	9,315	1,210	6,185	917,735
Off balance sheet	460,306	939,501	-	138	44,403	1,444,348

Risk and capital management

for the year ended 31 December 2018

Market risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments

Bank	GHS GHS'000	USD GHS'000	GBP GHS'000	ZAR GHS'000	Others GHS'000	Total GHS'000
2018						
Financial assets						
Cash and cash equivalents	**1,032,086**	**518,509**	**15,933**	**15,592**	**125,016**	**1,707,136**
Non-pledged trading assets	**633,211**	**1,403**	**-**	**-**	**-**	**634,614**
Investment securities	**682,264**					**682,264**
Loans and advances to customers	**1,459,741**	**1,103,449**	**13,787**	**-**	**7,758**	**2,584,735**
Other non-financial assets	**594,525**	**1,313**	**118**	**313**	**-**	**596,269**
	4,401,827	**1,624,674**	**29,838**	**15,905**	**132,774**	**6,205,018**
Financial liabilities						
Trading liabilities	**79,120**	**48,240**				**127,360**
Deposits from banks	**142,604**	**76,186**			**65**	**218,855**
Deposits from customers	**2,387,129**	**1,742,329**	**27,456**	**1,901**	**123,720**	**4,282,535**
Subordinated debt	**-**	**134,222**	**-**	**-**	**-**	**134,222**
Other non-financial liabilitiies	**246,648**	**98,281**	**3,058**	**15,159**	**3,610**	**366,756**
	2,855,501	**2,099,258**	**30,514**	**17,060**	**127,395**	**5,129,728**
Net on-balance sheet financial position	**1,546,326**	**(474,584)**	**(676)**	**(1,155)**	**5,379**	**1,075,290**
Off balance sheet	**493,298**	**861,090**	**62**	**64**	**21,977**	**1,376,491**

At 31 December 2017	GHS	USD	GBP	ZAR	Others	Total
Financial assets	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
Cash and cash equivalents	1,009,924	571,568	12,016	49,935	89,627	1,733,070
Non-pledged trading assets	551,021	15,055	-	-	-	566,076
Investment securities	632,027	13,381				645,408
Loans and advances to customers	1,109,576	740,177	16,262	-	8,742	1,874,757
Other non-financial assets	430,172	12,247	212	1,168	44	443,843
	3,732,720	1,352,428	28,490	51,103	98,413	5,263,154
Financial liabilities						
Trading liabilities	72,064	39	-	-	-	72,103
Deposits from banks	146,565	27,963	96	-	-	174,624
Deposits from customers	1,592,562	1,665,185	18,343	479	84,590	3,361,159
Subordinated debt	-	124,091	-	-	-	124,091
Other non-financial liabilitiies	506,149	49,719	736	49,414	7,638	613,656
	2,317,340	1,866,997	19,175	49,893	92,228	4,345,633
Net on-balance sheet financial position	1,415,380	(514,569)	9,315	1,210	6,185	917,521
Off balance sheet	460,306	939,501	-	138	44,403	1,444,348

Exchange rates applied

year-end spot rate*	**2018**	2017
US Dollar	**4.8200**	4.4157
GBP	**6.1711**	5.9669
Euro	**5.5131**	5.2964
ZAR	**0.3348**	0.3580

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 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.

Capital management

Regulatory Capital
The Group's capital management framework is designed to ensure the Group and its principal subsidiary are capitalised in line with the risk profile , regulatory requirements, economic capital standards and target ratios approved by the Board of Directors. 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 the Bank and its subsidiary maintain sufficient capital levels for legal and regulatory compliance purposes. The group ensures that its actions do not compromise sound governance and appropriate business practices and it eliminates any negative effect on payment capacity, liquidity and profitability.

The group's regulatory capital is divided into two tiers:
- Tier 1 capital which comprises share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital relates to subordinated debts.

Capital Adequacy
Regulatory capital adequacy is measured based on Pillar 1 of the Basel II capital framework. Capital adequacy ratio is calculated by dividing the capital held by total risk-weighted assets. Risk weighted assets comprise computed risk weights from credit, operational and market risks associated with the business of the bank. Notional risk weighted asset for market risk is calculated using the standardised approach while operational risk is determined using the basic indicator approach. Management monitors the capital adequacy ratio on a proactive basis.

Throughout the year, Stanbic Bank Ghana Limited operated above its targeted capitalization range and well over the minimum regulatory capital adequacy ratio of 10% as mandated by Bank of Ghana.

Mininum Capital requirements

In September 2017, the Bank of Ghana announced a new minimum capital requirement, as part of a holistic financial sector reform plan to further develop, strengthen, and modernize the financial sector to support the government’s economic vision and transformational agenda. In accordance with Section 28 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana (BOG) increased the minimum capital requirement for commercial Banks from GHS 120 million to GHS 400 million. A directive issued by Bank of Ghana required all Banks to comply with the new capital requirement by the end of December 2018.

Stanbic Bank Ghana Limited issued 55,429,810 shares as bonus shares at a ratio of 1:3 shares to its shareholders in order to capitalise GHS305,972,551 from income surplus account. The Bonus issue increased the paid capital of the Bank to GHS414,213,551 in order to meet Bank of Ghana's minimum capital requirement.

Capital Requirement Directive (CRD)
Bank of Ghana issued the CRD under section 92(1) of the Banks and Specialised Deposit-taking Institutions Act 2016 (Act 930) (the BSDI Act') and section 4(d) of the Bank of Ghana Act 2002 (Act 612) for Banks to calculate a prescribed Capital Adequacy Ratio (CAR) under the BSDI Act. Under CRD, Banks are to hold appropriate capital commensurate for unexpected losses that may arise from business through capital transactions, credit, operational and market risks.
The CRD requires the measurement of risks to capital using the Basel II framework.

The implementation date of the CRD is 1 July 2018 and the effective date by which Banks are to comply with it is 1 January 2019.

Stanbic Bank Ghana Limited had assessed its capital adequacy ratio using the requirements of CRD since 1 July 2018.

Risk and capital management

for the year ended 31 December 2018

Regulatory capital (continued)

Capital adequacy computation

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	GHS'000	GHS'000
Tier 1 Capital				
Capital and unimpaired reserve funds	1,075,305	917,735	1,075,289	917,521
Issued ordinary share capital	414,213	108,241	414,213	108,241
Ordinary shareholders' reserves	661,092	809,494	661,076	809,280
Less: regulatory deduction	205,790	179,259	208,270	180,239
Statutory credit risk reserve	119,761	110,156	119,761	110,156
Investment in subsidiary	-	-	2,500	1,000
Prepayment	86,029	69,103	86,009	69,083
Total Tier 1 Capital	869,515	738,476	867,019	737,282
Tier 2 Capital	132,550	121,432	132,550	121,432
Subordinated debt	132,550	121,432	132,550	121,432
Total regulatory capital	**1,002,065**	859,908	**999,569**	858,714
Risk weighted assets:				
Credit risk	4,217,242	3,052,197	4,251,494	3,070,968
On-balance sheet	2,840,813	2,171,539	2,875,065	2,190,310
Off-balance sheet	1,376,429	880,658	1,376,429	880,658
Operational risk	607,086	523,886	606,368	523,137
Market risk	8,060	17,865	8,060	17,865
Total risk weighted assets	**4,832,388**	3,593,948	**4,865,922**	3,611,970
Total capital adequacy ratio	20.7%	23.9%	20.5%	23.8%
Tier I capital adequacy ratio	18.0%	20.5%	17.8%	20.4%

Other Regulatory Disclosure

Annexure - Value added statement

Annexure :

Value added statement for the year ended 31 December 2018

	Group		Bank	
	2018	2017	**2018**	2017
	GHS'000	GHS'000	**GHS'000**	GHS'000
Interest income and other operating income	**797,641**	681,171	**796,461**	680,477
Direct cost of servicess	**(161,319)**	(86,127)	**(160,607)**	(85,739)
Value added by banking services	**636,322**	595,044	**635,854**	594,738
Credit impairments	**(38,680)**	(53,696)	**(38,678)**	(53,696)
Valued Added	**597,642**	541,348	**597,176**	541,042
Distributed as follows:				
To Employees	**226,776**	198,573	**226,192**	198,108
Non-exective directors	**842**	742	**842**	742
Executive directors	**21,535**	10,946	**21,261**	10,711
Other employees	**204,399**	186,885	**204,089**	186,655
To Government				
Taxation	**109,714**	96,400	**109,706**	96,400
To expansion and growth				
Depreciation	**28,286**	23,931	**28,286**	23,930
Amortisation	**6,845**	6,845	**6,845**	6,845
Total	**35,131**	30,776	**35,131**	30,775
Retained earnings	**226,021**	215,599	**226,147**	215,759

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