ANNUAL REPORT 2017

PRUDENTIAL BANK LIMITED

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ANNUAL REPORT 2017

Awards Won:

- **Best Bank in Customer Care** (2 years running)
- **Best Bank in Retail Banking**
- **1st Runner-up in Customer Advisory Services**
- **1st Runner-up in Corporate Banking**

Our laurels at the 16th Ghana Banking Awards.

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OPEN A PRUDENTIAL MICRO SAVINGS ACCOUNT TODAY.

PRUDENTIAL BANK LTD.

HEAD OFFICE
Retail Cash Collection Unit
8 John Harmond St., Ring Road Central
Private Mail Bag, General Post Office, Accra
Tel: +233 302 778468, 0302 781 200-2/6/7

OVERVIEW

This section gives information about the Bank, its Board of Directors, a summary of performance over the last five (5) years, the Chairman's Statement and Corporate Governance.

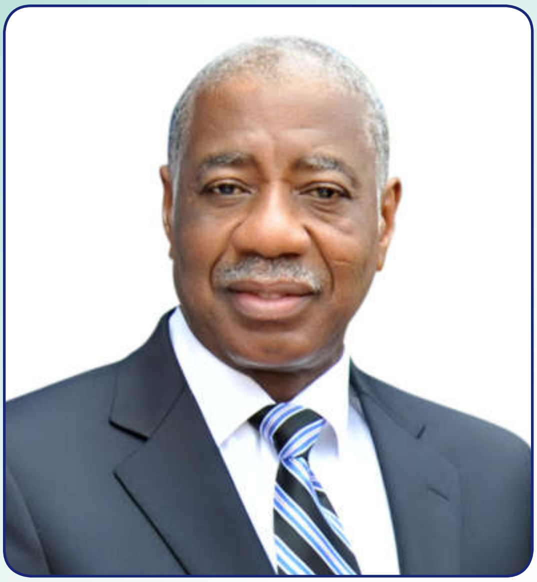
ABOUT US

Prudential Bank Limited (PBL) opened for business on 15th August 1996

The main areas of the Bank's operations are domestic and international banking, project financing, SME financing, e-banking services, international money transfer and funds management.

The Bank has a network of 41 branches and agencies located in seven out of the ten regions in Ghana, with plans to expand to all the 10 regions.

PBL has consistently won several prestigious awards in banking since its inception.



Mr. Stephen Sekyere-Abankwa, Managing Director

Corporate Mission

To provide domestic and international banking services with a strategic focus on project financing, trade financing, export development and SME financing. PBL is committed to playing a positive and innovative role in the financial intermediation process and, most importantly, to offer the best banking services.

Vision

To be a successful indigenous and the preferred bank in Ghana offering the most remunerative banking services to the public.

Subsidiary Companies

Prudential Bank has two subsidiary companies – Prudential Securities Limited and Prudential Stockbrokers Limited.

Prudential Securities Limited

is engaged in fund management, corporate finance and business advisory services.

Prudential Stockbrokers Limited

is engaged in stockbrokerage, equity and economic research and advisory services.

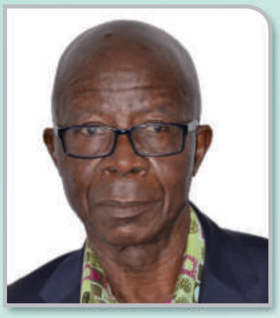
www.prudentialbank.com.gh

BOARD OF DIRECTORS

JOHN S. ADDO
CHAIRMAN

S. SEKYERE-ABANKWA
M. D.

JOANA F. DICKSON
MEMBER

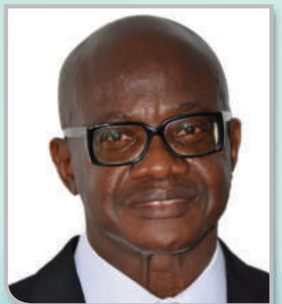


S. NKANSA-BOADI
MEMBER

NORTEY K. OMABOE
MEMBER

ARETHA DUKU
MEMBER

K. AGYEI-GYAMFI
MEMBER



K. KWAKYE-MINTAH
MEMBER

STEPHEN A. ASARE
MEMBER

FRED KWASI BOATENG
MEMBER

OSEI YAW OSAFO (BOARD SECRETARY)

AUDITORS:
Asamoa Bonsu & Co,
Chartered Accountants,
B146/10, Orgle Road, North Keneshie
P.O. Box AN-7751,
Accra

Tel.: 233-302-224787

POSTAL ADDRESS:
Private Mail Bag
General Post Office
Accra.

REGISTERED OFFICE:
No. 8 John Harmond Street
Ring Road Central
Accra, Ghana

Tel:	233-302-781200-5
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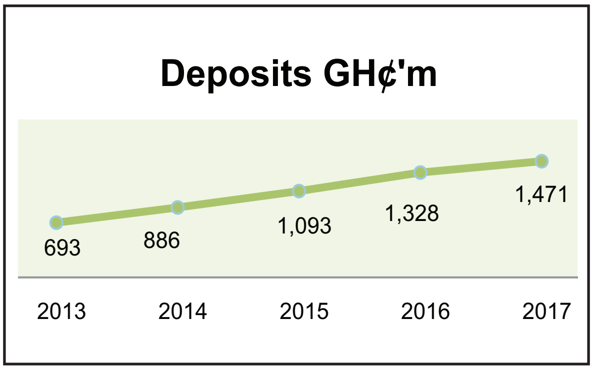
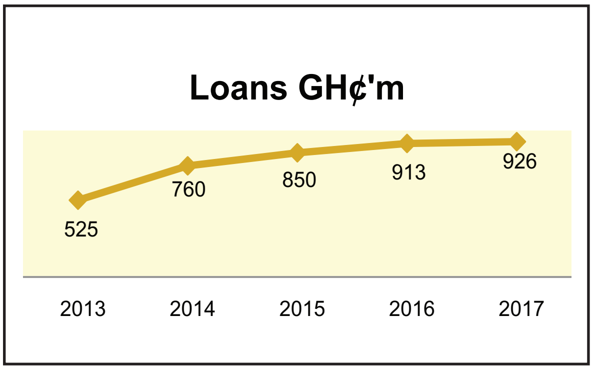
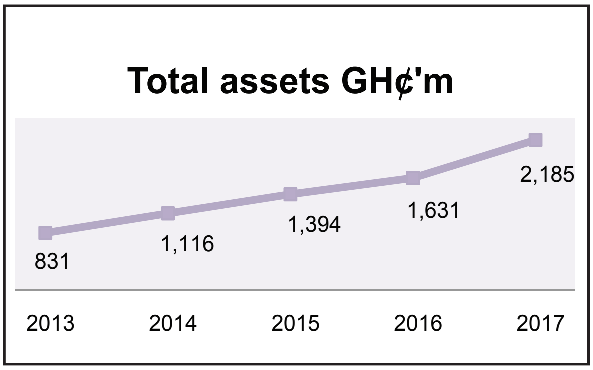
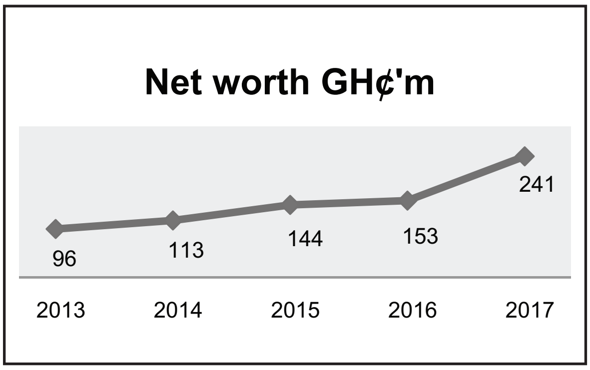
TLX:	233-302-2954 PBL GH
	233-302-2087 PBL GH
Cable:	Prubank
Swiftcode:	PUBKGHAC
E-mail:	headoffice@prudentialbank.com.gh
Website:	www.prudentialbank.com.gh

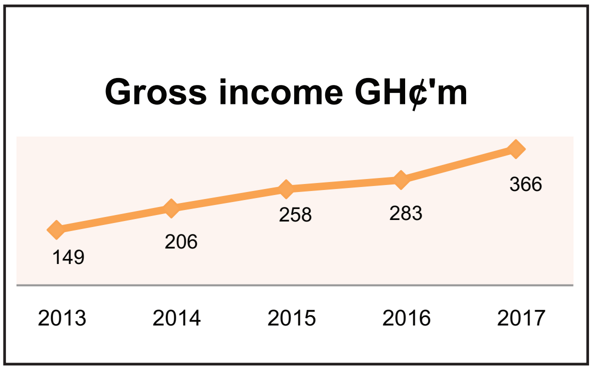
FINANCIAL HIGHLIGHTS

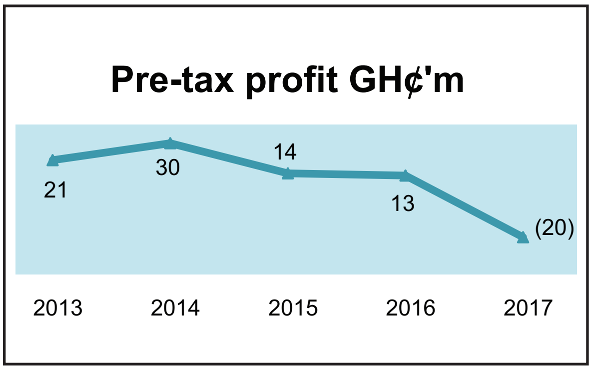


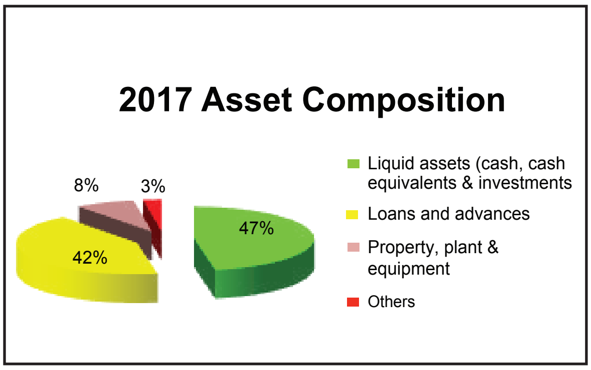


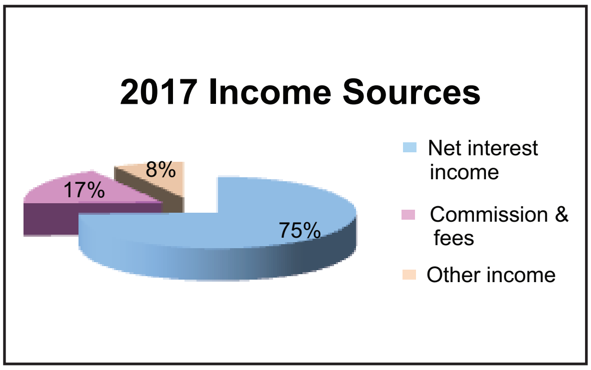












FIVE YEARS SUMMARY OF BANK'S PERFORMANCE (2013 - 2017)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of Ghana cedis

	2017	2016	2015	2014	2013
Interest income	311,794	235,750	204,560	153,151	107,317
Interest expense	(157,962)	(118,462)	(102,297)	(69,732)	(43,242)
Net interest income	**153,832**	**117,288**	**102,263**	**83,419**	**64,076**
Net fee and commission income	35,477	32,497	35,204	30,316	22,286
Net trading and other operating income	17,221	13,131	17,139	22,958	19,226
Operating income	**206,530**	**162,916**	**154,606**	**136,693**	**105,588**
Net impairment loss on financial assets	(67,144)	(17,388)	(30,483)	(15,531)	(17,210)
Operating expenses	(159,470)	(132,648)	(110,063)	(91,004)	(67,273)
Profit/ (loss) before tax	**(20,084)**	**12,880**	**14,060**	**30,158**	**21,105**
Income tax expense	(6,732)	(4,249)	(4,261)	(10,770)	(6,993)
PROFIT/ (LOSS) FOR THE YEAR	**(26,816)**	**8,631**	**9,799**	**19,388**	**14,112**
Other comprehensive income (net of tax)	_	_	24,059	_	_
TOTAL COMPREHENSIVE INCOME	**(26,816)**	**8,631**	**33,858**	**19,388**	**14,112**
RETAINED EARNINGS					
Balance at 1st January	23,925	17,452	10,586	4,125	671
Profit/ (loss) for the year	(26,816)	8,631	9,799	19,388	14,112
	(2,891)	**26,083**	**20,385**	**23,513**	**14,783**
Transfer to statutory reserve	_	(2,158)	(2,450)	(9,694)	(7,056)
Transfer to credit risk reserve	(13,564)	_	2,517	(838)	(593)
Dividend paid	_	_	(3,000)	(2,395)	(3,009)
Transfer to stated capital	(20,000)	_	_	_	_
Accumulated profit on merger	4,665	_	_	_	_
Balance at 31st December	**(31,790)**	**23,925**	**17,452**	**10,586**	**4,125**

FIVE YEARS SUMMARY OF BANK'S PERFORMANCE (2013 - 2017)

STATEMENT OF FINANCIAL POSITION

in thousands of Ghana cedis

	2017	2016	2015	2014	2013
Assets					
Cash and cash equivalents	592,259	230,130	224,985	155,026	112,927
Investments	438,420	359,788	203,680	134,983	141,116
Loans and advances to customers	925,815	913,471	849,648	760,450	525,485
Taxation	7,243	11,161	8,828	_	3,194
Investment securities	1,766	7,366	7,366	7,366	7,366
Intangible assets	2,931	5,781	9,019	11,635	3,045
Property, plant & equipment	173,792	92,688	83,207	38,957	32,064
Other assets	42,609	10,766	7,202	7,195	5,409
Total assets	**2,184,835**	**1,631,151**	**1,393,935**	**1,115,612**	**830,606**
LIABILITIES AND SHAREHOLDERS' FUNDS					
Liabilities					
Deposits from banks & other financial institutions	5,797	2,901	1,779	820	3,178
Deposits from customers	1,465,665	1,325,008	1,091,682	884,720	689,949
Taxation	2,493	2,231	1,975	1,430	_
Borrowings	403,524	117,273	127,485	97,500	19,889
Other liabilities	66,566	31,057	26,964	17,950	21,391
Total liabilities	**1,944,045**	**1,478,470**	**1,249,885**	**1,002,420**	**734,407**
Shareholders' Funds					
Stated capital	127,666	62,453	62,453	62,453	62,453
Retained earnings	(31,790)	23,925	17,452	10,586	4,125
Statutory reserve	36,744	36,744	34,586	32,136	22,442
Credit risk reserve	13,564	_	_	2,517	1,679
Revaluation reserve	84,988	29,559	29,559	5,500	5,500
Deposit for shares	9,618	_	_	_	_
Total equity and reserves	**240,790**	**152,681**	**144,050**	**113,192**	**96,199**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**2,184,835**	**1,631,151**	**1,393,935**	**1,115,612**	**830,606**

CHAIRMAN'S STATEMENT

1.0 INTRODUCTION

Distinguished Shareholders, Directors, Ladies and Gentlemen, it is my pleasure to welcome you to the 21st Annual General Meeting of Prudential Bank Limited and to report on the position and performance of your Bank for the year ended 31st December 2017.

Let me first give an overview of the environment in which the Bank operated.

2.0 THE GLOBAL ECONOMIC ENVIRONMENT

The cyclical recovery of global economic activities, which began in the second half of 2016, gained further momentum in 2017. According to the IMF, the upsurge in economic growth was broad-based in that it cut across all the major country groups and affected some 120 countries that accounted for three quarters of global economic output. The IMF further indicated that the upsurge in economic growth was driven mainly by investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity-exporting countries.

In advanced economies, the growth for 2017 was 2.3% compared to 1.7% in 2016 on the back of increase in private consumption as well as improved investment and external demand in countries like Germany, Japan, South Korea and the United States. Emerging market and developing economies (EMDEs) recorded a growth of 4.8% in 2017 compared to 4.4% in 2016. The uptick in growth in EMDEs in 2017 was mainly due to acceleration in private consumption in some countries and increase in net exports in others. In sub-Saharan Africa, economic growth for 2017 was estimated at 2.8%, compared to 1.4% recorded in 2016. The increase was on the back of higher commodity prices and a generally improved external environment.

According to the IMF's World Economic Outlook report of April 2018, overall global economic growth for 2017 was 3.8%, the fastest since 2011 compared to 3.2% in 2016.

3.0 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2017

3.1 Overall Performance

The macroeconomic performance of the Ghanaian economy witnessed an improvement in 2017 after a substantial fallback in 2016. Provisional estimates for 2017 showed a GDP growth rate of 8.5% compared to 3.7% in 2016. Non-oil real GDP for the same period was 4.9%, down from 5.0% in 2016. The fiscal deficit at the end of 2017 was provisionally estimated at 6.0% of GDP on cash basis against a target of 6.3% and a deficit of 9.3% in 2016.

3.2 Exchange Rates, Inflation and Monetary Policy Rates

The Ghana cedi continued its relative stability against the US dollar during the year 2017. It recorded a cumulative depreciation of 4.9% against the US dollar from GH¢4.2002 at the end of 2016 to GH¢4.4157 at the end of 2017. Within the same period in 2016, the cedi depreciated against the U.S. dollar by 9.7%. The relative stability of the cedi against the US dollar was achieved on the back of improved liquidity and increased Gross International Reserves partly as a result of improved earnings especially from gold, cocoa and oil.

The rate of inflation reduced from 15.4% at the end of 2016 to 11.8% at the end of 2017. The fall in the inflation rate was mainly due to the continued cedi exchange rate stability and general decline in food and non-food prices. The year-end inflation rate of 11.8% was, however, higher than the target of 11.2%.

In line with the downward inflationary trends, the Monetary Policy Committee (MPC) of the Bank of Ghana dropped the Monetary Policy Rate (MPR) by a cumulative 550 basis points from 25.5% at the end of December 2016 to 20.0% in November 2017, where it remained up to the end of 2017.

3.3 Interest Rates

On the money market, the weighted average inter-bank overnight interest rate, which reflects the rate at which commercial banks borrow from and lend to each other, reduced from 25.26% at the end of December 2016 to 19.34% at the end of December 2017. The interest rates on Government of Ghana securities dropped accordingly with the 91-day Treasury-bill rate reducing from 16.81% in December 2016 to 13.33% at the end of December 2017. The 182-day Treasury bill rate declined from 18.50% at the end of December 2016 to 13.78% at the end of December 2017. The rate on the medium term securities decreased from 21.5% at the end of December 2016 to 15.0% in June 2017 and remained at that rate up to the end of year 2017.

In line with the general policy easing during the period, average lending rates of banks reduced from 31.7% at the end of December 2016 to 29.3% at the end of December 2017.

4.0 THE BANKING SECTOR

Distinguished Shareholders and Directors, during the year under review, two existing savings & loans companies and one newly incorporated entity became universal banks when they were granted licences in the first half of the year.

The licences of UT Bank Limited and Capital Bank Limited were revoked in the second half of the year after the central bank had approved a Purchase and Assumption transaction that transferred all deposits and selected assets of the two banks to another bank. The action, according to Bank of Ghana, became necessary due to severe impairment of the capital of the two banks. The remaining assets and liabilities of the two banks were transferred through a receivership process to two senior partners at PricewaterhouseCoopers (PWC). This brought the number of universal banks in the country at the end of the year to thirty-four (34).

According to the Bank of Ghana, the number of bank branches at the end of December 2017 stood at 1,483 compared to 1,342 at the end of December 2016.

The ratio of nonperforming loans (NPLs) of the banking sector increased to 22.7% at the end of 2017 from 17.3% at the end of 2016 compared to 14.7% at the end of 2015. The increasing level of NPLs in the banking sector has become a disturbing development, which is vigorously being addressed by the banks.

In spite of these adverse developments, the banking sector generally remained liquid, sound and profitable. Total assets increased by 14.8% from GH¢81.2 billion at the end of 2016 to GH¢93.2 billion at the end of 2017. Growth in gross advances was moderate at 6.5% from GH¢35.4 billion at the end of 2016 to GH¢37.7 billion at the end of 2017. According to the Bank of Ghana, the modest growth in gross advances was on the account of tightened credit stance in response to the high nonperforming loans ratio. The proportion of net advances in the asset portfolio of the banking sector reduced from 42.7% in 2015 to 38.1% in 2016 and further to 33.3% in 2017 whilst the proportion of investments increased from 22.6% to 27.0% and further to 30.5% within the same period. This showed the growing reallocation of the asset portfolio in favour of less risky assets.

The Capital Adequacy Ratio for the banking industry remained almost unchanged at 17.9% in December 2017 compared with 17.8% in December 2016. It continued to remain well above the minimum regulatory requirement of 10%.

Distinguished Shareholders and Directors, you were put on notice at our last Annual General Meeting of the central bank's intention to increase the minimum paid-up capital of banks. The central bank announced the increase in minimum capital requirement of universal banks from GH¢120m to GH¢400m effective 11th September 2017. All existing banks have consequently been given up to 31st December 2018 to meet the new minimum paid up capital requirement.

5.0 PRUDENTIAL BANK LIMITED IN YEAR 2017

5.1 Update on the Bank's Capital Position and Capitalization Plan

Distinguished Ladies and Gentlemen, as you may recollect, your Bank in 2016 requested shareholders to contribute additional capital of GH¢60.0 million in three installments to raise the stated capital to at least GH¢120 million by the end of 2017. Management is grateful for your overwhelming response which contributed to the increase of the stated capital from GH¢62.5 million to GH¢127.7 million and a deposit for shares of GH¢9.6m at the end of 2017. The deposit for shares is undergoing Bank of Ghana consideration and when approved, would bring the Bank's stated capital to GH¢137.3 million.

Distinguished Shareholders and Directors, at our extraordinary general meeting held on 22nd November 2017, you approved a resolution for the Bank to raise the minimum paid-up capital to GH¢400.0 million by 31st December 2018 pursuant to the Bank of Ghana's directive in September 2017. You accordingly gave Management the mandate to raise additional capital of GH¢280.0 million by the end of 2018 to bring the Bank's stated capital to GH¢417 million.

Based on the mandate, the Bank has engaged Verdant Capital Limited of South Africa to provide transaction advisory services to the Bank in its capital raising efforts. Verdant Capital has made tremendous progress in the preparation of the necessary information memorandum and other documentation. The Bank has also engaged the services of Morrison & Associates, a reputable accounting firm to undertake the valuation of the Bank to guide Management in its negotiations. The valuation is nearing completion.

It is gratifying to note that the Bank continues to receive interests from a number of credible investors who have indicated their readiness to take up equity stakes in the Bank subject to successful due diligence by the investors. In addition, the Bank has received merger proposals from two other banks. Management will conduct its own due diligence and report to the Directors and Shareholders in due course. The Board of Directors and Shareholders would also be briefed from time to time on the capital mobilization.

Distinguished Shareholders, you are encouraged to take up additional shares in order to avoid significant dilution of your percentage shareholding.

5.2 Branch and other Developments

Distinguished Shareholders and Directors, in furtherance of our objective of bringing banking services to the doorstep of our customers, your Bank opened its first branch in the Eastern Region in Koforidua. Thus, your Bank at the end of 2017 had forty-one (41) business locations comprising thirty-nine (39) branches and two (2) agencies in seven (7) out of the ten (10) regions of Ghana.

Following the launch in 2016 of your Bank's mobile banking service, your Bank in 2017 introduced add-on services to its mobile banking services. Notable among the add-on services was the Bank becoming a super agent for three of the major telecommunication network operators in Ghana. This has afforded both account holders and walk-in customers of the Bank to undertake mobile money transactions in any of the Bank's 41 business locations. Your Bank is in the process of completing the mobile money aggregation process by bringing on board a fourth telecommunication network operator.

Your Bank also in 2017 completed a project which has enabled our customers on the Bank's internet banking platform to transfer, in real time, money from their bank accounts to customers of other banks using the Ghana Interbank Payment and Settlement Systems (GhIPSS) Instant Pay. The GhIPSS Instant Pay (GIP) project also allows our customers to receive in real time funds transferred by customers of other banks.

To deepen financial inclusion, your Bank also introduced the Prudential Micro Savings Account (PMSA) at 20 selected branches. PMSA aims to provide low income groups with a means of saving small amounts of money over a period of time to build a lump sum for future needs.

Our customers' response to these development initiatives has been very encouraging.

5.3 Mobilization of Resources

During the year under review, your Bank mobilized GH¢143 million in deposits to increase its deposit base from GH¢1,328 million at the end of 2016 to GH¢1,471 million at the end of 2017, an increase of 10.8%. A significant proportion of the deposits were mobilized from private entities and individuals.

Shareholders' funds increased by 57.5% from GH¢153 million at the end of 2016 to GH¢241 million at the end of 2017 mainly as a result of the additional capital injection by existing shareholders and the booking of retained earnings and revaluation reserves of PBL Properties Limited upon the merger with the Bank.

5.4 Allocation of Resources

Distinguished Shareholders and Directors, the total assets of your Bank grew by 33.7% from GH¢1.63 billion at the end of 2016 to GH¢2.18 billion at the end of December 2017. The growth was funded by deposits, borrowings and shareholders' funds.

Gross loans and advances increased by 7.9% from GH¢994 million at the end of 2016 to GH¢1,073 million at the end of 2017 whilst net loans and advances increased marginally by 1.4% within the same period from GH¢913 million to GH¢926 million.

The Bank's portfolio of investments stood at GH¢438 million at the end of 2017, reflecting an increase of 21.7% over the 2016 end of year position of GH¢360 million. The investment portfolio mainly comprised Government of Ghana and Bank of Ghana securities held for income generation and liquidity management.

The high increase in investments relative to advances reflects the reallocation of the asset portfolio in favour of less risky assets to reduce the impact of nonperforming loans on the Bank's earnings.

5.5 Results of Operations

Distinguished Shareholders and Directors, your Bank's profit before credit impairment charge increased by 55% from GH¢30.3 million in 2016 to GH¢47.0 million in 2017. However, your Bank suffered its share of the impact of high nonperforming loans in the industry as it made a credit impairment charge of GH¢67.1 million in the year 2017 compared to GH¢17.4 million recorded in 2016. As a result, your Bank made a loss of GH¢26.8 million in 2017. Consequently, the Bank recorded negative returns on its assets and equity in 2017. It must be placed on record that this is the first time your Bank has recorded a loss in its annual financial performance since inception. As you are aware, Management is making frantic efforts to recover the nonperforming loans and to restore the Bank to profitability. We are therefore hopeful that the worst days of the Bank are behind us.

5.6 Dividend

Distinguished Ladies and Gentlemen, as a result of the loss, the Directors were unable to recommend the payment of dividend to shareholders.

5.7 Corporate Social Responsibility

Your Bank continued to give back to society as part of its corporate social responsibility, which continues to be a key aspect of your Bank's core values. To this end, your Bank increased its support for education and other social needs from GH¢465,000 in year 2016 to GH¢873,000 in year 2017 in spite of the difficult operating environment. The institutions that received support from your Bank during the year included the following:

- University of Ghana;
- University of Cape Coast;
- Methodist University College;
- Pentecost University College;
- Nobel International Business School;
- African Studies Association of Africa;
- Ghana Association of Agricultural Students;
- West African Centre for Crop Improvement;
- Ghana Police Service;
- Immigration Service Ladies Association; and
- Empretech Ghana Foundation.

5.8 Corporate Governance

Your Bank continued to commit itself to sound and effective corporate governance practices which ensured effective oversight and management of the Bank.

During the year under review, the Board and its Audit & Risk Management Sub-Committee continued to perform their supervisory obligations effectively. The two bodies held regular scheduled meetings to deliberate on key operational issues by reviewing quarterly performance reports, Internal Control, Risk Management, Compliance and Bank of Ghana reports to ensure effective control and direction of the Bank. The Board also regularly reviewed the Bank's risk exposure to inform its risk-related decisions. The Bank continued to comply with all relevant laws and regulations.

At the end of the year, our Chairman, Mr. John Sackah Addo stepped down, having led the Bank all these years of its existence. We express our heartfelt gratitude to him for his meritorious services to the Bank and wish him well in the restful moments of his life.

5.9 Banking Awards

Distinguished Ladies and Gentlemen, your Bank continued to receive accolades as a testament to its excellent customer services. At the 16th Ghana Banking Awards held in 2017, your Bank received the following laurels:

- Best Bank in Customer Care (This is the second time in a row).
- Best Bank in Retail Banking.
- First Runner-up, Best Bank – Advisory Services (PBL was adjudged Second Runner-up during the 15th event held in 2016).
- First Runner-up, Best Bank – Corporate Banking.

6.0 OUTLOOK

6.1 The Global Economy

The IMF projects that the growth momentum would be sustained into 2018 and 2019. This would be on the back of projected pickup in growth in emerging market and developing economies and resilient growth in advanced economies, particularly in the U.S., where recently approved tax policy reforms and higher public spending are expected to spur short-term economic activities. Growth in sub-Saharan Africa is projected to increase from 2.8% in 2017 to 3.4% in 2018 and further to 3.7% in 2019.

The IMF in its World Economic Outlook report of April 2018 projects global economic growth at 3.9% for both 2018 and 2019 compared to the estimated growth of 3.8% in 2017 and actual growth of 3.2% in 2016.

6.2 The Ghanaian Economy

The World Bank in its third edition of the Ghana Economic Update report in March 2018 projects that Ghana's GDP growth for 2018 will remain at the 2017 levels of 8.5% inclusive of oil and 4.9% for non-oil whilst the inflation target range of 6-10 percent as captured in the Government of Ghana's 2018 Budget Statement and Economic Policy is likely to be attained. The report further projects that based on the 2017 trends and sustained fiscal consolidation, the fiscal deficit could fall within the Government's target of below 5% of GDP from 2018 onwards. However, Ghana is likely to face higher financing costs in both the domestic and external markets due to expected strong U.S. dollar and rising global bond yields. The report concluded that Ghana's economic performance over the medium term will, to a large extent, depend on the success of the economic stabilization programme.

In March 2018, the Bank of Ghana eased its monetary policy stance and reduced the MPR by 200 basis points to 18.0% to reflect the easing of inflationary pressures and the decline in inflation, which stood at 10.4% at the end of March 2018. It is therefore expected that the business environment will continue to improve going forward.

6.3 The Banking Sector

Distinguished Ladies and Gentlemen, the banking landscape is expected to undergo significant transformation in 2018 and beyond for a number of reasons including the following:

6.3.1 Implementation of IFRS 9 *Financial Instruments*

Effective 1st January 2018, a new financial reporting standard, IFRS 9 *Financial Instruments* has replaced IAS 39 *Financial Instruments: Recognition and Measurements.* One key distinguishing feature between the two standards is that under IFRS 9, impairment is based on expected credit losses whereas under IAS 39, impairment is based on incurred credit losses. The change is expected to have a pervasive impact on how loans and investments of banks are classified, measured, recognised and disclosed in financial statements as well as the mode of reporting to the Banking Supervision Department of the Bank of Ghana. More importantly, IFRS 9 is expected to provide a more stringent means of treating loan defaults and the accounting for credit impairments. The application of IFRS 9 is therefore likely to result in higher levels of impairment with its consequent negative impact on profits.

6.3.2 Implementation of Capital Requirement Directive

From July 2018, Banks are required to comply with rigorous risk and capital management requirements referred to as Basel II and Basel III. This would lead to additional adjustments to capital and the introduction of new capital thresholds. This would further result in higher capital requirements in order to maintain the minimum capital adequacy ratio.

Ladies and Gentlemen, as already mentioned, Banks are also required to comply with the new minimum paid-up capital of GH¢400 million by 31st December 2018. This is expected to strengthen the capital base of the banking sector as well as increase liquidity. Meanwhile, Bank of Ghana has indicated that it has suspended the granting of new banking licences. The banking sector is therefore expected to undergo some consolidation with the likely effect of mergers and takeovers, which may result in further reduction in the number of universal banks currently operating in the country.

6.3.3 Implementation of Corporate Governance Directive

Ladies and Gentlemen, Bank of Ghana in March 2018 issued a corporate governance directive applicable to banks and specialised deposit-taking institutions regulated under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The Directive among other things seeks to restrict the tenure of chief executive officers and directors of banks as well as determine the size of bank boards and the retiring age for directors.

6.4 Prudential Bank Limited

Distinguished Ladies and Gentlemen, your Bank in its 2018 Budget and Operating Statement has made concrete proposals to ensure that the loss recorded in 2017, being the only time the Bank has recorded a loss, does not recur in the future. Management is in the process of finalizing the Bank's strategic plan for the next three years up to 2020, in which are far- reaching measures to bring the financial performance of the Bank to its full potential whilst maintaining modest growth without compromising on our renowned excellent customer service. Notable measures to be taken in 2018 include aggressive mobilization of low-cost deposits, intensification of debt recovery efforts, outsourcing of non-core banking and support services, cautious growth of the loan asset portfolio, and general cost reduction measures to improve on the efficiency of the Bank. It is therefore the expectation of Management that the performance for 2018 will usher the Bank into a new era of significantly improved and sustainable performance.

6.5 Change of External Auditors

Distinguished Ladies and Gentlemen, as per Bank of Ghana's directive of June 2011 and in furtherance of best corporate governance practice, the tenure of Asamoa Bonsu & Co as the Bank's external auditor will lapse at the end of this Annual General Meeting, having been in office for the past six years. Consequently, the Board of Directors are seeking the Shareholders' authority to enable us identify and appoint a suitable external auditor.

7.0 ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all our customers whose continued patronage and loyalty have contributed to the success of the Bank. I also commend the Management and Staff of the Bank for their dedicated service and professionalism in the midst of the intense competition in our industry. Finally, I wish to thank you Shareholders and colleague members on the Board for your co-operation and invaluable contributions that have sustained the Bank in its endeavours over the past 21 years. Based on your mutual support and cooperation, we continue to look to the future with confidence.

Thank you.

KWAKU AGYEI-GYAMFI
ACTING CHAIRMAN

Receive your money at any Prudential Bank Branch.

Safe, fast, convenient.

PRUDENTIAL BANK LTD

8 John Harmond Street,
General Post Office, Accra - Ghana.
Tel: (+233 302) 781 200 - 5. Fax: (+233 302) 781 210
Website: www.prudentialbank.com.gh

CORPORATE GOVERNANCE

The Bank recognizes sound and effective corporate governance practices as essential for the attainment of its business objectives and long-term success. The corporate governance system of the Bank comprises the board of directors, key management personnel and internal control systems.

The Bank's governance framework seeks to promote checks and balances and also ensure that internal control systems are put in place to enable the Board of Directors and key management personnel adhere to corporate governance best practices.

Board of Directors

The Board has ten (10) directors comprising eight (8) non-executive directors, one of whom is the board chairman, and two (2) executive directors. The board members are collectively responsible for the overall supervision, direction and long term success of the Bank. The role of the Board is to provide leadership of the Bank within a framework of prudent and effective controls which enables risks to be assessed and managed.

In order to provide effective supervision, the Board has established two sub-committees with specific responsibilities. The sub- committees are: Audit & Risk Management Sub-Committee and Credit Sub-Committee.

The Audit & Risk Management Sub-Committee is responsible for reviewing the Bank's accounting policies, financial reports, compliance with regulatory and financial reporting requirements and the adequacy and scope of external and internal audit functions. The Committee reviews internal control, compliance and risk management reports and monitors compliance with approved risk appetite and tolerance levels.

The Credit Sub-Committee is responsible for approving credit facilities which are above the limit of the executive management when the main board is unable to meet to consider such reports.

Management

To ensure balanced decision-making and active participation of key management staff in the administration of the Bank, the following committees have been established as part of the governance structure of the Bank:

- Executive Committee;
- Asset and Liability Management Committee;
- Credit Facilities Review Committee;
- Treasury Committee;
- IT Steering Committee;
- Procurement Committee;

- Disciplinary Committee; and
- Business Strategy & Risk Management Committee.

The committees are created to identify, measure, and make recommendations on risks inherent in the operations of the Bank. They ensure that approved policies and procedures of the Board are implemented effectively. The committees meet regularly to take actions and decisions within their authority.

Code of Conduct

The Bank has in place policies which prescribe the code of conduct for all employees. The content of the Bank's personnel policies have been communicated to all employees to enable them discharge their functions professionally. The policies set out the rules regarding employees' general conduct, compliance with relevant laws, conflicts of interest, confidentiality and adherence to approved policies and procedures of the Bank.

Anti-Money Laundering (AML)

Money laundering, the financing of terrorists and proliferation of weapons of mass destruction have negative effects on the financial system and societies. It is therefore the policy of the Bank to take all reasonable and appropriate measures to prevent persons engaged in such crimes from using the Bank's products and services. The Bank is committed to ensuring compliance with both the spirit and letter of the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874) and related regulations in Ghana.

The Bank has in place AML compliance systems and controls to enable its employees detect and report money laundering activities. The elements of the Bank's AML compliance system include:

a. Customer acceptance policy;

b. Customer identification procedures;

c. Transaction monitoring and reporting of suspicious transactions;

d. Record keeping requirements;

e. Staff training and education; and

f. Independent review of the AML procedures.

Internal Control System

The Board of Directors is responsible for the system of internal controls that is designed to maintain effective and efficient operations compliant with applicable laws and regulations. The systems of internal control are designed to manage or mitigate risk to an acceptable residual level. The systems of internal control provide reasonable assurance against material misstatement, fraud and error.

The effectiveness of the Bank's internal controls is reviewed regularly by the Audit & Risk Management Sub-Committee of the Board. Internal Control Division undertakes independent assurance activities and provides reports to the Board and executive management on the quality and effectiveness of governance, risk management and internal controls to manage and mitigate risks inherent in the Bank's activities.

Bank officials at the launch of Prudential Micro Savings Account in Kumasi. Seated in the middle is Mr. Richard K.F. Acolatse, the Deputy Managing Director in charge of Banking Operations.

FINANCIALS

This section contains the report of the Directors, report of the independent auditor and the financial statements with supporting notes

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the Members their 21st annual report together with the audited financial statements of the Bank and its subsidiaries for the year ended 31st December 2017 as follows:

a. Subsidiaries

The subsidiary companies of the Bank at the reporting date of 31st December 2017 are:

i. Prudential Securities Limited: Generally engaged in fund management, corporate finance, and business advisory services, and

ii. Prudential Stockbrokers Limited: Generally engaged in stockbrokerage, equity and economic research and advisory services.

The subsidiaries are incorporated in Ghana and wholly owned by the Bank.

b. Merger of PBL Properties Limited with the Bank

PBL Properties Limited, a wholly-owned subsidiary of the Bank hitherto engaged in the acquisition and development of banking premises, was merged with the Bank on 31st July 2017.

c. Principal Activities

The principal activities carried out by the Bank during the year under review were within the limits permitted by its regulations and its banking licence and also consistent with its strategic focus. There were no changes in the principal activities of the Bank during the year.

d. Results and Dividend

The results of operations for the year ended 31st December 2017 are set out in the separate and consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and the notes to the financial statements from pages 40 - 106.

The Directors are unable to recommend the payment of dividend in respect of the year ended 31st December 2017. There was no dividend declared in 2016.

The Directors made a transfer of GH¢20.0 million from retained earnings to stated capital based on the 2016 audited financial performance.

The consolidated statement of financial position and this report have been signed by two directors indicating the Board’s approval of the statement of financial position, annexed financial statements and the notes.

A summary of the results is as follows:

	2017		2016	
	Bank	Group	Bank	Group
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
From retained earnings balance brought forward of	23,925	30,694	17,452	23,123
was transferred to stated capital	(20,000)	(20,000)	–	–
	3,925	10,694	17,452	23,123
The net (loss)/profit for the year was	(26,816)	(25,800)	8,631	9,729
	(22,891)	(15,106)	26,083	32,852
The following transfers have been made:				
Credit risk reserve	(13,564)	(13,564)	–	–
Accumulated profit in respect of PBL Properties Ltd on merger	4,665	116	–	–
Statutory Reserve	–	–	(2,158)	(2,158)
	(8,899)	(13,448)	(2,158)	(2,158
Leaving a balance on retained earnings at end of the year of	**(31,790)**	**(28,554)**	**23,925**	**30,694**
TOTAL ASSETS	**2,184,835**	**2,188,252**	**1,631,151**	**1,694,790**

e. Directors' Assessment of the State of the Group's Affairs

The Bank has put in place strategies to meet the new minimum paid-up capital for banks of GH¢400 million by 31st December 2018 as required by Bank of Ghana. The Board and Shareholders have approved options to raise the additional equity capital of up to GH¢280 million to meet the new capital requirement. The Board and senior management have appointed transaction advisors to assist the Bank in this direction. The Bank firmly believes that based on ongoing discussions so far held, it will conclude its capital raising activities by 30th September 2018.

The Directors consider the Group's state of affairs to be satisfactory. They have a reasonable expectation that the Bank and the Group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing these financial statements.

BY ORDER OF THE BOARD

…………………………………	…………………………………
Director	**Director**
KWAKU AGYEI-GYAMFI	**STEPHEN SEKYERE-ABANKWA**

14TH MARCH ………………………………… 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Companies Act, 1963, (Act 179) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and its subsidiaries and of their profit or loss for the year.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires every bank to prepare annually as at 31st December of each year financial statements and returns in accordance with that Act.

In preparing these financial statements, the Directors are required to:

a. Select accounting policies, which comply with the Companies Act 1963, (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), Securities Industry Act, 2016 (Act 929) and in accordance with International Financial Reporting Standards and to apply them consistently.

b. Make judgements and estimates that are reasonable and prudent.

c. Ensure applicable accounting standards have been followed and any material departures disclosed.

d. Ensure the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and ensuring that the Bank and its subsidiaries keep accounting records which disclose with reasonable accuracy the financial position of the Bank and its subsidiaries and which enable them to ensure that the financial statements comply with the Companies Act 1963, (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Securities Industry Act, 2016 (Act 929) and the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874). They are also responsible for safeguarding the assets of the Bank and its subsidiaries and hence taking steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

The above statement, which should be read in conjunction with the report of the auditors, is made with the view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to these financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PRUDENTIAL BANK LIMITED

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prudential Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31st December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year ended on that date, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying consolidated financial statements show a true and fair view of the consolidated financial position of the Group as at 31st December 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749), the International Financial Reporting Standards and the Securities Industry Act, 2016 (Act 929).

Basis for Opinion

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

Key Audit Matters

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

Prudential Bank Limited has put in place plans to meet the new capital requirement of GH¢400 million by 31st December 2018 as announced by Bank of Ghana. The Board of Directors and Shareholders have given approval for the Bank to raise up to GH¢280 million by 30th September 2018.

The Bank has increased its stated capital from GH¢62.45 million (31st December 2016) to GH¢127.67 million as at 31st December 2017, as a result of a transfer of GH¢20 million from the audited retained earnings for the year 2016, and GH¢45.21 million realised from a rights issue made in 2017.

Responsibilities of Management and Directors for the Consolidated Financial Statements

As described on page 28, the Bank's Directors are responsible for the preparation of these consolidated financial statements in accordance with the Companies Act, 1963, (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Securities Industry Act, 2016 (Act 929), and the International Financial Reporting Standards (IFRSs). This responsibility includes designing, implementing, and maintaining internal control as Management determines is necessary and relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error, and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Management and Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 Management and Board of 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 report on the following:

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 and its subsidiaries, so far as appears from our examination of those books, and

iii. The consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity of the Bank and its subsidiaries are in agreement with the books of account.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby certify that:

i. The financial statements give a true and fair view of the state of affairs as at 31st December 2017 of the Bank and its subsidiaries and the results for the year ended on that date.

ii. We obtained all the information and explanation required for the efficient performance of our audit.

iii. The transactions of the Bank and its subsidiaries are within their powers; and

iv. The Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930); the Anti-Money Laundering Act, 2008 (Act 749) and the Anti-Terrorism Act, 2008 (Act 762).

....

Asamoa Bonsu & Co.
(CHARTERED ACCOUNTANTS),
ICAG Licence Number ICAG/F/2018/155
B146/10, Orgle Road, North Kaneshie
P. O. Box AN-7751, Accra.

Signing Partner
Kofi Kusi Asamoa-Bonsu
(ICAG/P/1479)

14TH MARCH
.... **2018**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
Statement of profit or loss for the year ended 31st December					
Interest income	7.1	311,794	311,794	235,750	235,750
Interest expense	7.2	(157,962)	(157,958)	(118,462)	(117,984)
Net interest income		153,832	153,836	117,288	117,766
Fee and commission income	8.1	36,802	36,802	33,952	33,952
Fee and commission expense	8.2	(1,325)	(1,325)	(1,455)	(1,455)
Net fee and commission income		35,477	35,477	32,497	32,497
Net trading income	9	16,904	16,904	12,967	12,970
Other operating income	10	317	2,371	164	1,529
		17,221	19,275	13,131	14,499
Total operating income		206,530	208,588	162,916	164,762
Net impairment loss on financial assets	16.3	(67,144)	(67,144)	(17,388)	(17,388)
Personnel expenses	11	(73,371)	(73,814)	(57,973)	(64,550)
Depreciation and amortisation	18, 19	(14,183)	(14,209)	(12,894)	(12,928)
Other expenses	12	(71,916)	(72,118)	(61,781)	(55,655)
		(226,614)	(227,285)	(150,036)	(150,521)
(Loss)Profit/ before income tax		(20,084)	(18,697)	12,880	14,241
Income tax expense	13	(6,732)	(7,103)	(4,249)	(4,512)
(Loss)/profit for the year		**(26,816)**	**(25,800)**	**8,631**	**9,729**
Other comprehensive income, net of income tax		–	–	–	–
Total comprehensive income for the year		**(26,816)**	**(25,800)**	**8,631**	**9,729**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
ASSETS					
Cash and cash equivalents	14	592,259	592,259	230,130	231,523
Investments	15	438,420	438,420	359,788	364,014
Loans and advances to customers	16	925,815	925,815	913,471	913,471
Current tax asset	13	7,243	7,231	11,161	11,162
Investment securities	17	1,766	5,252	7,366	232
Intangible assets	19	2,931	2,988	5,781	5,839
Property, plant & equipment	18	173,792	173,756	92,688	157,523
Other assets	21	42,609	42,531	10,766	11,026
Total assets		**2,184,835**	**2,188,252**	**1,631,151**	**1,694,790**
LIABILITIES					
Deposits from banks & other financial institutions	22	5,797	5,797	2,901	2,901
Deposits from customers	23	1,465,665	1,461,665	1,325,008	1,324,651
Deferred tax liabilities	20	2,493	2,506	2,231	2,240
Borrowings	24.2	403,524	403,524	117,273	117,273
Other liabilities	24.1	66,566	70,734	31,057	32,846
Total Liabilities		**1,944,045**	**1,944,226**	**1,478,470**	**1,479,911**
EQUITY					
Stated Capital	25.1	127,666	127,666	62,453	62,453
Deposit for shares	25.5	9,618	9,618	–	–
Retained earnings		(31,790)	(28,554)	23,925	30,694
Statutory reserve		36,744	36,744	36,744	36,744
Credit risk reserve		13,564	13,564	–	–
Revaluation reserve		84,988	84,988	29,559	84,988
Total equity attributable to equity holders of the Bank		**240,790**	**244,026**	**152,681**	**214,879**
TOTAL LIABILITIES AND EQUITY		**2,184,835**	**2,188,252**	**1,631,151**	**1,694,790**

BY ORDER OF THE BOARD

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) **DIRECTORS**
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14TH MARCH **2018**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
Cash flows from operating activities					
(Loss)/profit before tax		(20,084)	(18,697)	12,880	14,241
Adjustments for:					
Depreciation and amortisation	18,19	14,183	14,209	12,894	12,928
Impairment on financial assets	16.3	67,144	67,144	17,388	17,388
Surplus on merger		4,665	116	–	–
(Profit)/loss on disposal of property, plant & equipment	18	142	142	11	11
Change in investments	15	5,600	(5,020)	(900)	(991)
Change in loans and advances to customers	16	(79,487)	(79,487)	(81,210)	(81,209)
Change in other assets	21	(31,843)	(31,505)	(3,565)	(3,430)
Change in deposits from banks & other financial institutions	22	2,896	2,896	(124,611)	(124,612)
Change in deposits from customers	23	141,353	136,110	233,327	233,927
Change in borrowings	24	286,251	286,251	115,521	115,521
Change in other liabilities	24	35,509	39,488	4,093	4,563
Income tax paid	13	(2,552)	(2,906)	(6,326)	(6,586)
Net cash used in operating activities		**423,777**	**408,741**	**179,502**	**181,751**
Cash flows from investing activities					
Purchase of investments	15	(165,399)	(164,934)	–	8
Purchase of property, plant & equipment	18	(36,731)	(27,314)	(18,889)	(18,911)
Proceeds from the sale of property, plant & equipment	18	1	1	–	–
Purchase of intangible assets	19	(420)	(420)	(259)	(259)
Net cash used in investing activities		**(202,549)**	**(192,667)**	**(19,148)**	**(19,162)**
Cash flows from financing activities					
Proceeds from exercise of rights issues	25.1	45,213	45,213	–	–
Deposit for shares	25.5	9,618	9,618	–	–
Net cash from financing activities		**54,831**	**54,831**	**–**	**–**
Net increase/(decrease) in cash and cash equivalents		276,059	270,905	160,354	162,589
Cash and cash equivalents at 1st January		583,261	588,415	422,907	425,826
Cash and cash equivalents at 31st December		**859,320**	**859,320**	**583,261**	**588,415**

B.) Composition of cash and cash equivalents

	2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
Cash in hand	48,991	52,739	40,805	42,067
Balances with Bank of Ghana	170,360	170,360	129,048	129,048
Balances with foreign banks	34,351	34,351	25,722	25,722
Items in the course of collection	16,387	12,639	18,378	18,378
Money at short notice	322,170	322,170	16,177	16,308
Government securities	224,248	224,248	301,474	305,235
Foreign time deposits	42,813	42,813	51,657	51,657
	859,320	**859,320**	**583,261**	**588,415**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – BANK

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Deposit for Shares GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Revaluation Reserve GH¢'000	Total Equity GH¢'000
Balance at 1st January 2017	62,453	23,925	–	36,744	–	29,559	152,681
Total comprehensive income, net of income tax							
(Loss)/profit for the year	–	(26,816)	–	–	–	–	**(26,816)**
Other comprehensive income, net of tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	**(26,816)**	–	–	–	–	**(26,816)**
Transactions with owners							
Contributions and distributions							
Transfer to stated capital	20,000	(20,000)	–	–	–	–	–
Cash from rights issue	45,213	–	–	–	–	–	**45,213**
Deposit for shares	–	–	9,618	–	–	–	**9,618**
Transfer to credit risk reserve	–	(13,564)	–	–	13,564	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–
Total contributions and distributions	65,213	(33,564)	9,618	–	13,564	–	**54,831**
Merger of PBL Properties Limited with Bank							
Accumulated profit in respect of PBL Properties Ltd	–	4,665	–	–	–	–	**4,665**
Revaluation reserve of PBL Properties at 1st Aug 17	–	–	–	–	–	55,429	**55,429**
Total changes in respect of merger	–	4,665	–	–	–	55,429	**60,094**
Total transactions with owners	**65,213**	**(28,899)**	**9,618**	–	**13,564**	**55,429**	**114,925**
Balance at 31st December 2017	**127,666**	**(31,790)**	**9,618**	**36,744**	**13,564**	**84,988**	**240,790**
Comparative figures - 2016							
Balance at 1st January 2016	**62,453**	**17,452**	–	**34,586**	–	**29,559**	**144,050**
Total comprehensive income, net of income tax							
(Loss)/profit for the year	–	8,631	–	–	–	–	**8,631**
Other comprehensive income, net of tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	**8,631**	–	–	–	–	**8,631**
Transactions with owners							
Transfer to statutory reserve	–	(2,158)	–	2,158	–	–	–
Total transactions with owners	–	**(2,158)**	–	**2,158**	–	–	–
Balance at 31st December 2016	**62,453**	**23,925**	–	**36,744**	–	**29,559**	**152,681**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – GROUP

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Deposit for Shares GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Revaluation Reserve GH¢'000	Total Equity GH¢'000
Balance at 1st January 2017	**62,453**	**30,694**	–	**36,744**	–	**84,988**	**214,879**
Total comprehensive income, net of income tax							
(Loss)/profit for the year	–	(25,800)	–	–	–	–	**(25,800)**
Other comprehensive income, net of tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	**(25,800)**	–	–	–	–	**(25,800)**
Transactions with owners							
Contributions and distributions							
Transfer to stated capital	20,000	(20,000)	–	–	–	–	–
Cash from rights issue	45,213	–	–	–	–	–	**45,213**
Deposit for shares	–	–	9,618	–	–	–	**9,618**
Transfer to credit risk reserve	–	(13,564)	–	–	13,564	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–
Total contributions and distributions	65,213	(33,564)	9,618	–	13,564	–	**54,831**
Merger of PBL Properties Limited with Bank							
Accumulated profit in respect of PBL Properties Ltd	–	116	–	–	–	–	**116**
Total changes in respect of merger	–	116	–	–	–	–	**166**
Total transactions with owners	65,213	(33,448)	9,618	–	13,564	–	**55,947**
Balance at 31st December 2017	**127,666**	**(28,544)**	**9,618**	**36,744**	**13,564**	**84,988**	**244,026**
Comparative figures - 2016							
Balance at 1st January 2016	**62,453**	**23,123**	–	**34,586**	–	**84,988**	**205,150**
Total comprehensive income, net of income tax							
(Loss)/profit for the year	–	9,729	–	–	–	–	**9,729**
Other comprehensive income, net of tax	–	–	–	–	–	–	–
Total comprehensive income for the year	–	**9,729**	–	–	–	–	**9,729**
Transactions with owners							
Transfer to statutory reserve	–	(2,158)	–	2,158	–	–	–
Total transactions with owners	–	**(2,158)**	–	**2,158**	–	–	–
Balance at 31st December 2016	**62,453**	**30,694**	–	**36,744**	–	**84,988**	**214,879**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

1. REPORTING ENTITY

The “Bank” is a company domiciled in Ghana. The address of the Bank’s registered office is No. 8, John Harmond Street, Ring Road Central, Accra. The consolidated financial statements of the Group as at the year ended 31st December 2017 comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group primarily is involved in corporate, retail and investment banking.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were approved by the Board of Directors on 14th March 2018.

2.2 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Investment property is measured at fair value.
- Property, plant & equipment are re-valued to reflect the fair value option.

2.3 Reclassification

The comparative figures for 2016 have been reclassified to fall in line with the *Guide for Financial Publication for Banks & BOG Licensed Financial Institutions, BSD/2017.*

2.4 Functional and Presentation Currency

The financial statements are presented in Ghana Cedi (GH¢), which is the functional and presentation currency of the Group.

2.5 Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank and its subsidiaries and which have been applied consistently in preparing these consolidated financial statements are stated below:

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, and if the entity is exposed or has rights to the variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investees returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3.1.2 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains and losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date (closing rate). The foreign currency gain or loss on monetary items is the difference between amortised cost at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in Other Comprehensive Income (OCI).

3.3 Interest

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the organisation and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement. Interest income and expense are, however, generally recognised in profit or loss on straight-line basis using the effective interest method. The Effective Interest Rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

The calculation of the EIR includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss & other comprehensive income include:

- Interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.
- Interest on available-for-sale investment securities on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3.4 Fees and Commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.5 Net Trading Income

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

3.6 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss/other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

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 by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.7 Financial Assets and Liabilities

3.7.1 Recognition

The Group initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and financial liabilities (including financial assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.7.2 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

3.7.3 Offsetting

Financial assets and liabilities are set off and the net amount presented in the financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.7.4 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.7.5 Fair Value Measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The fair value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

3.7.6 Identification and Measurement of Impairment

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

The Group considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognized through OCI.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.7.7 Designation at Fair Value Through Profit or Loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

3.8 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

3.9 Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

3.10 Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the financial asset is accounted for as a loan, and the underlying asset is not recognised in the Group’s financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Group chooses to carry the loans and advances at fair value through profit or loss.

3.11 Investments

These are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

3.11.1 Held-to-Maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

3.11.2 Fair Value through Profit or Loss

The Group carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss.

3.11.3 Available-for-Sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is transferred to profit or loss.

3.12 Property, Plant & Equipment

3.12.1 Recognition and Measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant or equipment.

3.12.2 Subsequent Costs

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

3.12.3 Revaluation Model

After recognition of an asset, an item of property, plant & equipment whose fair value can be measured reliably shall be carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Revaluation model is used for only property and surpluses on such revaluations are restricted to tier-two capital with respect to Capital Adequacy Ratio computation.

3.12.4 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant & equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

•	Computer hardware	25.0%
•	Furniture and fittings	20.0%
•	Motor vehicle	20.0%
•	Office equipment	12.5%
•	Plant & machinery	12.5%
•	Branch development	12.5%
•	Buildings	3.0%

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

3.13 Intangible Assets

An intangible asset is generally considered as an identifiable non-monetary asset without physical substance. It is recognised when future economic benefits will flow to the Group and it can be reliably measured. The useful life may be finite or indefinite depending on the nature and legal framework underpinning the transaction. Impairment assessment is made of all indefinite intangible assets at each reporting date and the appropriate adjustments made.

3.13.1 Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over their useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four years.

3.14 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

3.16 Employee Benefits

3.16.1 Short-term Benefits

Short-term employee benefits are amounts payable to employees that fall due wholly within 12 months after the end of the year in which the employee renders the related service. The cost of short-term employee benefits is recognised as an expense in the year when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting year are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund or a reduction in future cash payment.

Wages and salaries payable to employees are recognised as an expense in profit or loss at gross amount. The Group's contribution to social security fund is also charged as an expense.

3.16.2 Defined Benefit Pension Scheme

Under a national defined benefit pension scheme, the Group contributes amounts equivalent to 13% of employees' basic salary to Social Security and National Insurance Trust (SSNIT) for employee pensions. The Group's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

3.16.3 Provident Fund

The Group has a Provident Fund Scheme for all permanent employees. Employees contribute 5% of their basic salary to the Fund with the Group also contributing amounts equivalent to 5% of the employee's basic salary. The Group's obligation under the Fund is limited to the relevant contribution which is invested at interest rates agreed by the Trustees of the Scheme and the Group.

3.17 Share Capital and Reserves

3.17.1 Perpetual Bonds/Irredeemable Preference Shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Bank's Perpetual Bonds are not redeemable by holders, and bear an entitlement to distributions that is non-cumulative and at the discretion of the directors. Accordingly, they are presented as a component of issued capital within equity. Where the perpetual bonds or preference shares are irredeemable but cumulative in terms of dividend then the unpaid portion of the dividend is obligatory and is treated as a liability whilst the principal is classified as equity.

3.17.2 Share Issue Costs

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

3.18 Dividends

Dividends are recognised as a liability in the year in which they are declared.

3.19 Offsetting of Financial Assets and Liabilities

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

3.20 Sale and Repurchase Agreements

Securities sold under sale and repurchase agreements (Repos) are retained in the financial statements with the counterparty liability included in amounts due to banking institutions. Securities purchased from the central bank (Bank of Ghana) under agreement to resell (reverse Repos), are disclosed as Treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

3.21 Acceptances, Letters of Credit, Financial Guarantees and Commitments

Acceptances, letters of credit, financial guarantees and commitments are considered contingent liabilities and are disclosed unless the possibility of an outflow of resources involving economic benefits is remote.

3.22 Borrowings (Liabilities to Banks and Customers)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings.

Borrowings and other forms of financial liabilities are de-recognised from the books only when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

3.23 Events after the Reporting Date

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

3.24 Standards Issued but not yet Effective

As at the date of the issuance of the financial statements, the following standards and interpretations have been issued but not yet effective. Consequently, the Bank has not adopted them. The Bank intends to adopt them, where applicable, when they become effective.

3.24.1 IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model.

<u>Possible Impact on Consolidated Financial Statements</u>

IFRS 9 will have significant impact on the Group's financial statements which necessitate changes in systems and processes and associated internal controls to meet the Expected Credit Loss (ECL) model's extensive new data and calculation requirements.

The total estimated adjustment to the balance of the Bank's equity at 31st December 2017 is GH¢48.2 million. The principal components of the estimated adjustment are as follows:

	Gross as at 31 Dec 17	IAS 39 Impairment	Estimated IFRS 9 Impairment
	GH¢'000	GH¢'000	GH¢'000
Advances	1,073,378	(147,563)	(100,121)
Investments	438,420	_	(20)
Placements	322,170	_	(623)
Off balance sheet - L/Cs and guarantees	168,073	(1,381)	(12)
	2,002,041	**(148,944)**	**(100,776)**
Estimated IFRS 9 impairment adjustment			**48,168**

3.24.2 IFRIC 23 *Uncertainty over Income Tax Treatments*

This was issued by the IFRS Interpretation Committee in June 2017 to clarify the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. An entity has to consider whether it is probable that the relevant tax authority will accept each tax treatment or group of tax treatments that it used or plans to use in its income tax filing. IFRIC 23 is effective for annual reporting periods beginning on or after 1st January 2019, with early adoption permitted.

Possible Impact on Consolidated Financial Statements

The impact of IFRIC 23 on tax accounting could be material to the Group since the interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Group will therefore assess its impact and prepare adequately towards it implementation from 1st January 2019.

3.24.3 Other Standards

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

a. IFRS 16 *Leases*

The IASB in January 2016 issued IFRS 16 *Leases* as the new standard for accounting for leases. This will replace IAS 17 *Leases* effective annual periods beginning on or after 1st January 2019. Early adoption is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

The new standard does not significantly change the accounting for leases for lessors. However, it requires lessees to recognise most leases on their statement of financial position as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to the current finance lease accounting methods, with interest and depreciation expense recognized separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

Possible Impact on Consolidated Financial Statement

The impact on a lessee's financial reporting, asset financing, IT systems, processes and controls is not expected to be substantial. The Group does not anticipate a material impact on its operations because leasing (operating or finance) is currently not a usual asset financing option but will be adopted when it becomes operational and there is a transaction necessitating its use.

b. *IFRS 15 Revenue from Contract with Customers*

The International Accounting Standards Board (IASB) with other international accounting bodies initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS that would:

- Remove inconsistencies and weaknesses in previous revenue requirements
- Provide a more robust framework for addressing revenue issues
- Improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 Customer *Loyalty Programmes*. However, interest and fee income integral to financial instruments and leases fall outside the scope of IFRS 15 and will continue to be regulated by the other applicable standards such as IFRS 9, and IFRS 16.

Possible Impact on Consolidated Financial Statements

The Group does not foresee a significant impact on its financial statement since its main source of revenue is from financial instruments which will be regulated by IFRS 9 in the coming year.

c. *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

This was issued in December 2016 and is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

IAS 21 *The Effects of Changes in Foreign Exchange Rates* is currently unclear as to which date should be used for foreign currency transactions involving an advance payment or receipt. To address this, IFRIC 22 has clarified that the transaction date is when the prepayment or deferred income is recognized and that the exchange rate for that date should be applied. If there are multiple payments or receipts, a date of transaction should be established for each and the exchange rates for those days applied.

Possible Impact on Consolidated Financial Statements

Given the nature of the treatment, The Interpretation is not expected to have a significant impact on the Group's financial statements. The Group is already treating such transactions in line with the interpretations.

d. Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based* Payment. Issued on 21st June 2016 and effective for annual periods commencing on or after 1st January 2018).

e. Transfers of Investment Property (Amendments to IAS 40 *Investment Property*. Issued on 14th December 2016 and effective for annual periods commencing on or after 1st January 2018 with early adoption permitted).

f. Sale or Contribution of assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28).

g. Annual Improvements to IFRSs 2014 – 2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28. Effective for annual periods commencing on or after 1st January 2018 with early adoption permitted. The amendments to IAS 28 may be applied retrospectively).

4. RISK MANAGEMENT

4.1 Introduction and Overview

Risk management is fundamental to the long term profitability and survival of the Group. The Group manages risk through a continuous process of identifying, measuring and controlling risks inherent in its operations.

4.1.1 Categories of Risk

Risk is inherent in every material business activity of the Group. The nature of the Group's operations exposes it to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Compliance risk;

- Strategic risk; and
- Reputational risk.

To ensure that the Group takes only measured risks, the Group has integrated effective risk management in its daily business activities, processes and procedures.

4.2 Risk Management Framework

The Group has established a comprehensive risk management framework for managing the risks inherent in its operations at all times and levels throughout the Group. The risk management framework ensures the identification, measurement and control of the risks at all levels in the Group with a view to safeguarding its integrity, reputation and financial strength. The risk management framework also contains details of the Group's risk governance structure.

The Group maintains a risk governance structure geared towards strengthening risk identification, measurement, management and control whilst positioning the Group to manage the changing regulatory environment in an efficient and effective manner. The risk governance structure ensures oversight of and accountability for, the effective management of risks inherent in the Group's operations.

The Group uses the Three Lines of Defence Model for managing risks. The model ensures that risk management is performed at all levels of the Group's operations. This approach provides a clear allocation of responsibilities for the ownership and management of risks as follows:

4.2.1 First Line of Defence

In the first line of defence, heads of divisions, departments and branch managers are primarily responsible for managing risks inherent in their business units. These departments and branches continuously assess and evaluate risks associated with their day-to-day operations. The process ensures strict adherence to the Group's operational policies, procedures and controls.

4.2.2 Second Line of Defence

The second line of defence consists of dedicated risk management committees well structured to assist the first line of defence in the implementation of risk management procedures approved by the Board.

4.2.3 Third Line of Defence

The third line of defence consists of the Internal Control Division comprising Branch Inspection, Systems Audit and Internal Audit as well as the Compliance and Risk Management Departments. These departments provide an independent assessment and validation of the adequacy and effectiveness of the overall risk management function and governance structures of the Group and report independently to the Board.

The risk governance system of the Group is therefore multi-faceted, involving the Board of Directors and management level committees. At the highest level, the Board of Directors, supported by the Audit & Risk Management Sub-Committee of the Board determines the risk strategy, policy, limits and appetite for the Group. The Board regularly reviews the Group's risk exposure to enable it take appropriate risk related decisions.

The Risk Management Department assists management in the formulation of the overall policies including various risk management strategies and control. The Department also provides a review of the overall risk profile from time to time. The head of the Risk Management Department is responsible for coordinating the risk management issues emanating from the various committees, divisions and departments of the Group and is primarily responsible for ensuring that the Group's risk profile is consistent with its financial resources and the risk appetite defined by the Board.

4.3 Credit Risk

Credit risk refers to the risk that a borrower defaults in repaying a credit facility either in full or in part or that counterparty fails to meet its contractual obligation to financial instrument thereby resulting in financial loss to the Group.

The principal sources of credit risk inherent in the Group's operations arise from loans and advances to customers as well as off-balance sheet transactions such as guarantees, undertakings and letters of credit.

The Group manages credit risk through well structured systems and controls which ensure that relevant committees meet to take appropriate decisions on credit applications and reports in order to control credit risk at various stages of the credit delivery process. The Group pursues a prudent policy for granting credit facilities to customers.

The Group also applies the Know Your Customer (KYC) principle when granting credit facilities to customers. In other words, credit facilities are granted to businesses whose management, integrity and expertise are known and considered to be acceptable by the Group. In addition, the Group adequately assesses the financial performance of the businesses of borrowers before granting credit facilities to such businesses.

Credit facilities granted to customers, both corporate and retail, are closely monitored on a regular basis to uncover early warning signals of non-performance for the necessary remedial measures to be taken.

Early risk detection is a tenet of the Group's credit culture and is intended to ensure that greater attention is paid to credit exposures in order to effectively manage such exposures and maximize loan recovery.

The Group requires appropriate collateral to secure credit facilities granted to borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. Collaterals held as security against credit risk consist mainly of mortgages over landed property as well as cash and Government securities. While collateral can be an alternative source of repayment, it does not mitigate or compensate for a borrower's questionable reputation.

The Group has adopted the following internal credit grading system in classifying its credit portfolio:

Grade	Description	Days Overdue
1	Current	Less than 30 days
2	OLEM	30 to 90 days
3	Substandard	91 to180 days
4	Doubtful	181 to 365 days
5	Loss	More than 365 days

4.3.1 Exposure to Credit Risk

	Loans and Advances to Customers	
	2017	**2016**
	GH¢'000	**GH¢'000**
Individually Impaired		
Grade 3	40,204	66,734
Grade 4	45,346	51,898
Grade 5	102,934	22,938
Gross Amount	188,484	141,570
Allowance for Impairment	(127,829)	(69,981)
Carrying Amount	60,655	71,589
Collectively Impaired		
Grade 1	760,205	852,321
Grade 2	124,688	_
Gross amount	884,893	852,321
Allowance for Impairment	(19,734)	(10,439)
Carrying amount	865,159	841,882
Total Carrying Amount	**925,814**	**913,471**
Past due but not impaired comprises:		
Grade 3	_	2,370
Grade 4	16,130	6,350
Grade 5	6,622	200
Gross/Carrying amount	22,752	8,920
Past due comprises:		
Grade 3	2,635	33,304
Grade 4	11,641	22,636
Grade 5	23,627	6,729
Carrying amount	37,903	62,669
Neither past due nor impaired comprises:		
Grade 1	752,940	841,882
Grade 2	112,219	_
Carrying amount	865,159	841,882
Total Carrying Amount	**925,814**	**913,471**

The loans and advances portfolio for years 2017 and 2016 are further analyzed in terms of quality as shown on charts 1 and 2.

Chart 1: Analysis of loans and advances portfolio of GH¢926m for 2017

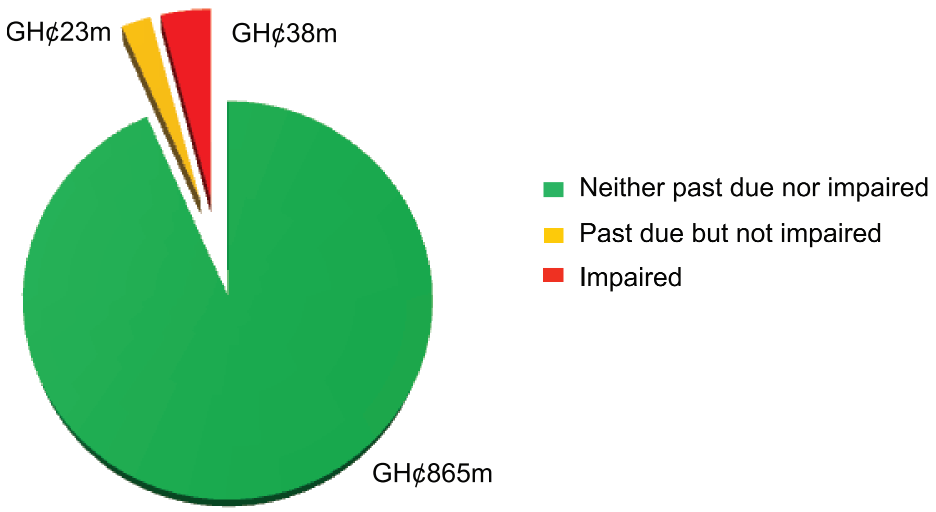
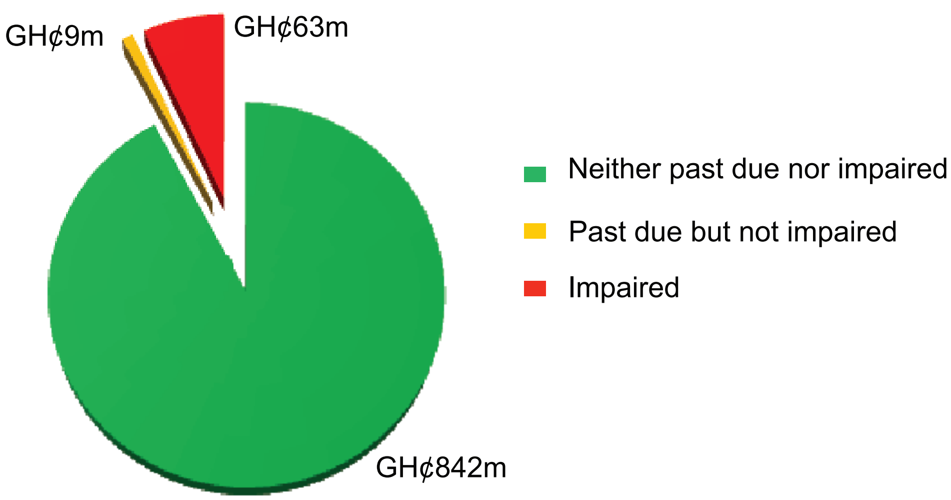


Chart 2: Analysis of loans and advances portfolio of GH¢914m for 2016



<u>Impaired Loans and Advances</u>

Impaired loans and advances are loans and advances for which the Group has recognized that principal and/or interest are not collectible in accordance with the credit agreement.

Past due but not Impaired Loans

These are loans and advances where agreed scheduled payments are past due but the discounted cash flow of the value of the collateral is estimated to be more than the carrying amount of the facility.

Loans and Advances with Renegotiated Terms

These are loans and advances that have been restructured or rescheduled due to any one or a combination of the following:

- Time overrun during implementation of the business activity that is financed by the Group resulting in delay in starting up the business;
- Delay in delivery of goods and services ordered or imported by the borrower;
- Negative deviation of cash flow from the projected figures contained in the credit report due to the fact that reasonable time period is required to set up production and build up sales; and
- Inadequate cash flow generation due to seasonal slowdown in business activity.

Restructured Loans and Advances remain in their risk grade for a reasonable time until proven record of performance in accordance with the renegotiated terms.

Allowances for Impairment

The Group estimates the incurred losses in its loans/ advances portfolio as at the end of the year and provides an impairment allowance against it. The components of the impairment allowance are the specific impairments for individually assessed borrowers and collective impairments based on the loans/advances segments.

4.3.2 Write off Policy

The Group writes off loans and advances when the Bank’s Credit Facilities Review Committee assesses a loan/advances or a portion thereof to be unrecoverable. All write offs are done in accordance with laid down policies and procedures, including approval from Bank of Ghana.

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

	Loans and Advances to Customers	
	Gross GH¢'000	Net GH¢'000
31-Dec-17		
Grade 3	40,204	2,635
Grade 4	45,346	27,771
Grade 5	102,934	30,249
Total	188,484	60,655
31-Dec-16		
Grade 3	66,734	35,674
Grade 4	51,897	28,986
Grade 5	22,938	6,929
Total	141,569	71,589

4.3.3 Collaterals for Credit Facilities

The Group holds collateral against loans and advances to customers in the form of mortgage interests over landed property, assignments over equipments and stocks, guarantees, and assignments over cash and near cash assets.

Fair values of collaterals are based on valuations of collaterals by a qualified valuer at the time of granting the credit facility. The collateral values are updated periodically to reflect the current condition and market value of the collateral.

The fair value of collateral and other securities held against loans and advances is shown below:

	Loans and Advances to Customers	
	2017 GH¢'000	2016 GH¢'000
Against 'Individually impaired' Property	37,756	59,091
Against 'Past due but not Impaired Property'	37,546	29,270
Against 'Neither past due nor Impaired' Property	1,339,481	962,993
Other (Cash Securities)	44,074	44,099
Total	1,458,857	1,095,453

4.3.4 Repossessed Assets

The type and carrying amount of collaterals that the Group has taken possession of in the year are measured at the lower of carrying amount and fair value less costs to sell and stated below:

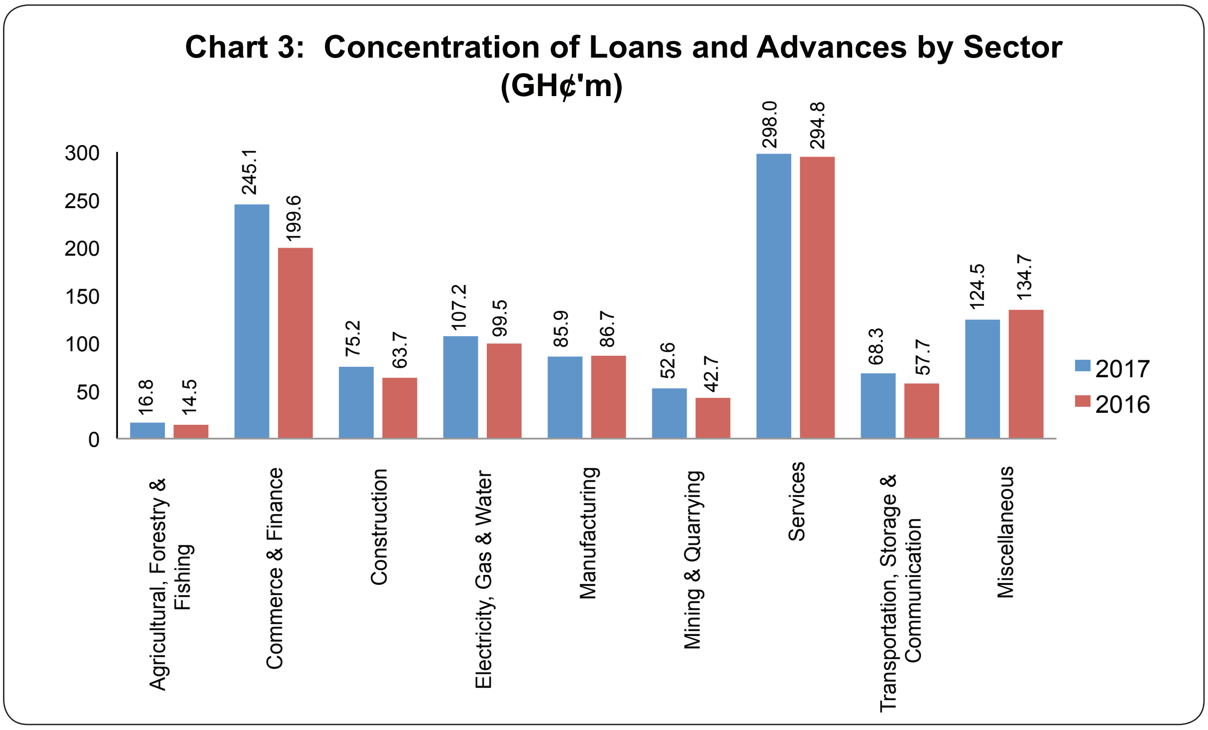
	Loans and Advances to Customers	
	2017 GH¢'000	2016 GH¢'000
Against 'Individually impaired' Property	27,329	Nil

4.3.5 Investments

The Group's investments consist mainly of Government and Bank of Ghana securities which were neither past due nor impaired at the end of the year.

4.3.6 Credit Concentration Risk

The Group monitors credit concentration risks by sector. The analysis of credit risk concentration as at 31st December 2017 is shown in the chart below:



4.3.7 Settlement Risk

Settlement risk is the risk of loss arising from the failure of counterparty to honour its obligations to deliver a security or cash under agreed terms. The Group's trading and other money market activities may give rise to settlement risk. The Group mitigates settlement risk by setting limits for dealers and traders. For some transactions, settlements are done through clearing/settlement agents to ensure that trades are settled only when both parties have fulfilled their obligations under the agreed terms of settlement.

4.4 Liquidity Risk

Liquidity risk is the potential loss to the Group arising from either its inability to meet its maturing obligations as they fall due or to fund increases in assets without incurring unacceptable costs.

Liquidity risk could occur if customers suddenly withdraw more funds than expected which cannot be met from the Group's available cash resources, from selling or pledging assets, or by borrowing funds from third parties. Liquidity risk could also occur if the Group is unable to meet the primary reserve required by Bank of Ghana or meet committed loan disbursements.

4.4.1 Management of Liquidity Risk

Management of liquidity risk enables the Group to minimise the mismatch in the timing of cash flows relating to its assets and liabilities and also ensures that it regularly maintains the cash reserve requirement of Bank of Ghana.

The Group's liquidity risk management aims at maintaining sufficient liquidity to ensure safe and sound banking operations and also meet its maturing obligations when due, under both normal and stressed conditions.

The Group considers liquidity risk from three different perspectives namely structural, tactical and contingency liquidity risks.

i. Structural Liquidity Risk

Structural Liquidity Risk arises from a mismatch of the maturities of the Group's assets and liabilities which could lead to a liquidity crisis. Structural Liquidity Risk is controlled by managing the structure of assets and liabilities in the statement of financial position on a going concern basis. This is aimed at achieving a sound liquidity profile through the following:

- Maintenance of a well diversified funding mix of customer deposits and borrowings (both secured and unsecured) through a Group-wide coordinated funding strategy. The funding mix is diversified both in terms of sources and maturities to have an inbuilt high level of stability. The Group funds a substantial portion of its lending activities through customer deposits, which stood at GH¢1,467 million and GH¢1,328 million at 31st December 2017 and 2016, respectively.
- Holding a broad portfolio of high grade securities in the form of defensive investments that can be used to obtain secured funding from the money market. These investments are mainly held in Government of Ghana Securities with structured maturities. The Bank had unencumbered defensive investments of GH¢313.8 million at the end of December 2017;

- Managing any structural liquidity gap that may occur using the defensive investments and/or through the introduction of medium term funds – fixed deposits and borrowings, to rectify any such anomaly.

ii. Tactical Liquidity Risk

Tactical Liquidity Risk arises from the shortage of short-term cash to meet customers' withdrawals or maturing obligations. It gives rise to the need for day to day liquidity management. The Treasury Department is responsible for managing the day-to-day liquidity needs of the Group while branch managers are responsible for managing daily liquidity at branch level to ensure that customer withdrawal needs are always met.

The Treasury Department determines and monitors the daily liquidity position by preparing daily liquidity reports which summarise the daily cash inflows and outflows and reserve requirements. Any required borrowings or placements are actioned by the Treasury Department within the framework of the treasury policy guidelines. The daily report is subsequently submitted to management for approval. The Treasury Department also monitors compliance with regulatory limits on a daily basis.

A branch's daily cash holding depends on projected cash withdrawals and deposits based on past experience. In locations where there is more than one branch of the Bank, the other branch/branches serve as a source of cash replenishment for a cash deficit branch.

iii. Contingency Liquidity Risk

Contingency Liquidity Risk relates to planning for liquidity management under stress conditions. It is the Group's policy to have adequate and up to date contingency funding plans to enable the Group to respond effectively to liquidity stress events at various levels of severity. These policies are based on stress scenarios and include potential funding strategies and sources. Executive Management, with the assistance of the Treasurer, is responsible for the activation of the Group's Liquidity Risk Contingency Plan.

The Treasury Committee meets regularly to review the liquidity position of the Group in line with the treasury and investment policy of the Group. The Group maintained a healthy liquidity position throughout 2017.

4.4.2 Exposure to Liquidity Risk

The Bank's exposure to liquidity risk is measured by:

- Liquidity Gap Analysis; and
- Ratio of net liquid assets to deposits.

The Group's exposure to liquidity risk as measured by the liquidity gap analysis is summarized in the table below:

	Total GH¢'000	Less than 1 month GH¢'000	1 to 3 months GH¢'000	3 to 6 months GH¢'000	6 to 12 months GH¢'000	More than 1 year GH¢'000
31-Dec-17						
ASSETS						
Cash and cash equivalents	**592,259**	340,089	81,170	40,000	131,000	–
Investments	**443,672**	222,397	50,118	499	116	170,542
Loans and advances to customers	**925,815**	110,277	441,113	151,019	128,879	94,527
Property, plant & equipment	**173,756**	–	–	–	–	173,756
Other assets	**52,750**	(1,600)	–	–	–	54,350
Total Assets	**2,188,252**	671,163	572,401	191,518	259,995	493,175
LIABILITIES						
Deposit from customers	**1,461,665**	122,282	189,420	191,765	185,339	772,859
Deposit from banks & other financial institutions	**5,797**	5,797	–	–	–	–
Borrowings	**403,524**	95,672	41,003	266,849	–	–
Other liabilities	**73,240**	34,444	37,919	877	–	–
Total liabilities	**1,944,226**	258,195	268,342	459,491	185,339	772,859
Liquidity gap (before contingencies)	**244,026**	412,968	304,059	(267,973)	74,656	(279,684)
Contingent liabilities	**168,073**	65,773	64,744	24,534	9,895	3,127
Liquidity gap (after contingencies)	**75,953**	**347,195**	**239,315**	**(292,507)**	**64,761**	**(282,811)**

	Total GH¢'000	Less than 1 month GH¢'000	1 to 3 months GH¢'000	3 to 6 months GH¢'000	6 to 12 months GH¢'000	More than 1 year GH¢'000
31-Dec-16						
ASSETS						
Cash and cash equivalents	**231,523**	216,523	15,000	_	_	_
Investments	**364,246**	310,268	19,677	24,464	2,385	7,452
Loans and advances to customers	**913,471**	86,126	176,237	138,742	164,452	347,914
Property, plant & equipment	**157,523**	_	_	_	_	157,523
Other Assets	**28,027**	_	_	_	_	28,027
Total Assets	**1,694,790**	612,917	210,914	163,206	166,837	540,916
LIABILITIES						
Deposit from customers	**1,324,651**	309,622	293,351	86,839	117,678	517,161
Deposit from banks & other financial institutions	**2,901**	_	2,901	_	_	_
Borrowings	**117,273**	88,665	5,000	23,247	102	259
Other liabilities	**35,086**	32,855	_	2,231	_	_
Total liabilities	**1,479,911**	431,142	301,252	112,317	117,780	517,420
Liquidity gap (before contingencies)	**214,879**	181,775	(90,338)	50,889	49,057	23,496
Contingent liabilities	**84,440**	41,980	25,413	5,126	4,161	7,760
Liquidity gap (after contingencies)	**130,439**	**139,795**	**(115,751)**	**45,763**	**44,896**	**15,736**

The gap analysis above matches the liquid assets and liabilities in the various time bands based on the remaining number of days to the contractual maturity dates. The unmatched position (gap) indicates the Group's exposure to liquidity risk. The analysis shows that the Group is well positioned to meet its short term liquidity needs as shown by the cumulative positive gap for the six-month period.

Another key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Net liquid assets comprise cash and cash equivalents, investment securities in Government of Ghana Securities and Bank of Ghana Bills less deposits from banks, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers as at 31st December 2017 and during the year were as follow:

At 31st December	**2017**	**2016**
Average for the year	22.83%	13.48%
Maximum for the year	10.19%	18.51%
Minimum for the year	35.30%	10.00%

4.5 Market Risk

Market risk is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. The Group is currently exposed to interest rate and foreign exchange rate risks.

The Asset and Liability Committee (ALCO) and the Treasury Committee are responsible for the management of the Group's market risk. The Risk Management Department is responsible for ensuring that the Group's exposure to market risk is within the risk appetite levels defined by the Board. The primary responsibility for the daily monitoring and management of market risk is, however, delegated to the Treasury and International Banking Departments with the oversight supervision of the Treasury Committee.

4.5.1 Management of Market Risk

Exposure to Interest Rate Risk – Non-Trading Portfolio

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Group's lending, investment and funding activities give rise to interest rate risk because it carries a mix of both fixed and floating rate assets and liabilities on its books that are subject to re-pricing periodically.

Potential mismatches in interest rate sensitive assets and liabilities are caused by the following:

a. Movement in market interest rate;

b. Generation of new interest rate sensitive assets and liabilities;

c. Movement of interest rate sensitive assets and liabilities from one time band to another

The Group employs an interest rate sensitivity model (Gap Analysis) to measure and monitor interest rate sensitive assets and liabilities. The model is based on the classification of interest rate sensitive assets and liabilities into particular time bands with regards to maturity.

A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

	Total GH¢'000	Less than 3 months GH¢'000	3 to 6 months GH¢'000	6 to 12 months GH¢'000	More than 12 months GH¢'000	Non-interest sensitive GH¢'000
31-Dec-17						
ASSETS						
Cash and cash equivalents	**592,259**	151,170	40,000	131,000	_	270,089
Investments	**443,672**	272,515	5,344	116	165,697	_
Loans and advances to customers	**925,815**	551,390	151,019	128,879	94,527	_
Total assets	**1,961,746**	975,075	196,363	259,995	260,224	270,089
LIABILITIES						
Deposit from customers	**1,461,665**	311,702	191,765	185,339	376,886	395,973
Deposit from banks & other financial institutions	**5,797**	5,797	_	_	_	_
Borrowings	**403,524**	136,675	266,849	_	_	_
Total liabilities	**1,870,986**	454,174	458,614	185,339	376,886	395,973
Interest sensitive gap	**90,760**	**520,901**	**(262,251)**	**74,656**	**(116,662)**	**125,884**
31-Dec-16						
Assets						
Cash and cash equivalents	**231,523**	16,393	_	_	_	215,130
Investments	**364,246**	332,852	28,690	2,385	87	232
Loans and advances to customers	**913,471**	723,697	94,951	6,671	_	88,152
Total assets	**1,509,240**	1,072,942	123,641	9,056	87	303,514
Liabilities						
Deposit from customers	**1,324,651**	703,333	86,480	17,678	_	517,160
Deposit from banks & other financial institutions	**2,901**	2,901	_	_	_	_
Borrowings	**117,273**	93,665	23,247	102	259	_
Total liabilities	**1,444,825**	799,899	109,727	17,780	259	517,160
Interest sensitive gap	**64,415**	**273,043**	**13,914**	**(8,724)**	**(172)**	**(213,646)**

The Group's interest rate risk management strategy is based on a variable (floating) interest rate pricing policy in pricing its assets and to a large extent its liabilities. This allows the Group to re-price its assets and liabilities in tandem with changes in market rates. The Group ensures that the re-pricing structure of the statement of financial position generates maximum benefits from interest rate movements.

The Group's strategy is to maintain an overall position of interest sensitive assets greater than interest sensitive liabilities.

Exposure to Exchange Rate Risk

Exchange rate risk is the potential loss of income and capital arising from movements in exchange rates of currencies in which the Group has positions or commitments.

The Group measures its exposure to foreign exchange rate risk by using the Net Open Foreign Exchange Position. The Group, on a daily basis, computes the net open position for each foreign currency for which the Group has a position. The net open position is then stress tested against variations in the exchange rate of each of the currencies to determine the extent to which exchange rate movements can adversely affect the Group's statement of profit or loss and other comprehensive income.

The Group manages foreign exchange risk inherent in its operations by:

a. Matching assets and liabilities denominated in the same currency to ensure that the impact of exchange rate movement on the Group is largely positive.

b. Keeping foreign currency holdings in more stable currencies.

c. Avoiding foreign currency purchase/sale transactions that could result in exchange losses. The Bank's trading in foreign currencies is spot based.

The Group manages contingent liabilities to ensure that their crystallisation do not result in foreign exchange risk. Maturing contingent liabilities which are not adequately funded are converted into loans or overdrafts denominated in the same currency as the contingent liability.

The currency exposures are maintained within the Group's risk tolerance levels and are monitored on daily basis by the Risk Management and Compliance Departments of the Group to ensure that revaluation losses are kept to a minimum.

The table below summarises the Group's exposure to foreign exchange risk (in Ghana cedis) as at 31st December 2017 and also shows the sensitivity of profit before tax to assumed changes in exchanges rates.

The Group assumed that the cedi will depreciate against the USD, GBP and Euro by 10.07%, 5.33% and 9.72%, respectively based on the three average depreciation rate of the respective currencies.

Foreign currency exposure (in Ghana cedis)

	2017 USD GH¢'000	2017 GBP GH¢'000	2017 EURO GH¢'000	2016 USD GH¢'000	2016 GBP GH¢'000	2016 EURO GH¢'000
Assets						
Cash in till and in vault	11,204	3,068	3,542	9,017	2,565	3,290
Bank of Ghana	20,807	9,140	1,405	3,245	8,427	2,764
Nostro balances	15,625	3,062	15,664	21,531	3,895	75
Foreign time deposits	35,540	7,195	80	2,316	6,239	43,102
Loans and advances	331,643	78	993	403,464	_	993
Other assets	355	_	_	_	_	_
Total assets	415,174	22,543	21,684	439,573	21,126	50,224
Liabilities						
Customer deposits	400,715	16,750	21,853	391,130	15,910	50,329
Borrowings	47,645	_	_	33,672	_	_
Other liabilities/margins	33,904	6,012	68	13,361	5,222	30
Total liabilities	482,264	22,762	21,921	438,163	21,132	50,359
Net open position	(67,090)	(219)	(237)	1,410	(6)	(135)
Contingent liabilities	(127,199)	_	_	(42,586)	_	_
Net position (including contingent liabilities)	(194,289)	(219)	(237)	(41,176)	(6)	(135)
Assumed depreciation rate of the cedi	10.07%	5.33%	9.72%	18.75%	10.00%	11.50%
Projected effect on profits (without contingent liabilities)	(6,756)	(12)	(23)	264	(1)	(16)
Projected effect on profits (with contingent liabilities)	(19,565)	(12)	(23)	(7,721)	(1)	(16)

4.6 Operational Risks

Operational risk is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events.

Operational risk may arise from:

a. Failure to manage systems, operations, transactions and assets;

b. Human errors or loss of customer data;

c. Fraud ,theft, cyber attacks and hacking activities; and

d. Natural as well as man-made disasters.

These risks are identified, monitored and controlled through well designed operating procedures and controls, insurance policies, business continuity planning, internal audit and timely and reliable management reporting systems. Operational risk in the Bank or Group is driven by volume of cash flows and transactions as well as other operational risk measures such as cash shortages, legal expenses, system failures etc.

The Group's top management is primarily responsible for managing operational risk inherent in its banking business. The Group manages its operational risk by regularly raising awareness of its employees to potential operational losses, improving early warning information systems and allocating risk ownership and responsibilities to branch managers and heads of departments. The Executive Committee, IT Steering Committee and Business Strategy & Risk Management Committee are responsible for managing operational risk. The Risk Management Department coordinates all operational risk management activities.

A key threat to the Group's operation is the possibility of cyber attacks, computer virus attacks, unauthorized access, sabotage and other events that could adversely affect the security of its information systems. Failure to prevent or protect the Group from such attacks could have a significant adverse impact on the Group's operations in the form of loss of customer data and other sensitive information, financial loss or reputational damage.

The Group's internal policies and procedures and other information security systems protect the confidentiality, integrity and availability of information assets held on its computer systems, software, networks and other electronic devices. In addition, the Group continues to use the services of both internal and external information technology security experts to conduct independent reviews on the resilience of its IT systems to cyber attacks and other information security threats. The security systems and processes deployed to protect the Group's computer systems, networks and other IT resources are continuously upgraded to maintain their effectiveness against evolving cyber attacks and hacking activities.

Furthermore, the Group has put in place physical controls to ensure that unauthorised persons do not have access to sensitive areas of the Group.

The effective management of the Group's operational risk therefore protects the Group against unnecessary business disruptions and associated costs.

4.6.1 Business Continuity and Disaster Recovery Plan (BC/DRP)

Natural and man-made disasters such as fire, earthquakes, floods, wars, terrorist attacks, cyber attacks, etc. may expose the Group's operations to unexpected interruptions. Such events may threaten business operations and may ultimately affect the survival of the Group. As a result, the Group has put in place a Business Continuity and Disaster Recovery Plan (BC/DRP) as part of its strategic and operational risk management strategy to manage both minor and major potential disruptions to its operations.

The BC/DRP is a management process that identifies threats and vulnerabilities that could impact the Group's continued operations. The Group's BC/DRP provides a framework for building institutional resilience and capability to enable the Group provide an effective response in the event of a disaster. The BC/DRP framework forms an integral part of the operational risk management strategy of the Group.

The objective of the Group's BC/DRP is to ensure that any business disruption caused by a disaster is well managed to safeguard the Group's operations, reduce the impact of such a disruption to the barest minimum and ensure continuous service delivery to customers.

The Group's operations are highly dependent on IT systems. Hence, failure of the IT systems at the Group's primary data centre due to natural or man-made disasters could have a serious adverse impact on the Group's operations and customers. The Group has therefore established an offsite standby data centre facility where a replica of all business critical systems (both hardware and software) has been installed and is updated in real time. This standby facility is to enable the Group resume operations within the shortest possible time in the event of a disruption which renders the Group's IT facilities at the primary data centre inoperative.

The Group has also procured the services of two communication service providers to provide network connectivity to all branches and the central processing facilities with one serving as a backup for the other.

In the event of a disaster at any of the Bank's branches, the affected branch staff will work from the nearest branch. The customers of the affected branch can also be served from the network of branches across the country. The Group has also provisioned alternate office locations for head office staff for the purpose of business continuity in the event of any disruption that will require relocation of staff. Furthermore, the Group has provided each of the Bank's business locations with a functional standby power facility to be used as back up to the national grid in the event of power outages.

The Group's documented BC/DRP provides details of the required procedures and processes needed to restore business operations to normality in the event of a disaster. The plan is structured around teams with each team having clearly defined roles and responsibilities. Staff members have been educated on the Group's BC/DRP programme through regular training and update sessions.

In addition, the Ghana National Fire Service provides periodic fire and evacuation drills for all staff of the Group biannually.

4.7 Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the Group's reputation as a result of failure to comply with banking or securities industry laws, regulations, rules, internal management directives and other codes of conduct and practices applicable to the banking and securities industry. Compliance breaches expose the Group to reputational damage, payment of fines, court orders, civil penalties, loss of business opportunities and diminished ability to expand key operations.

Compliance failures can therefore have an adverse impact on the Group's customers, staff as well as other stakeholders.

Managing the Group's compliance risk on a proactive basis is fundamental to driving shareholder value. The Group has clear and accessible policies and procedures embedded in its operations to forestall possible compliance failures. These policies and procedures include a comprehensive system of internal controls aimed at ensuring continuous improvement in managing the Group's compliance risk.

The Board has established and resourced a compliance department to be responsible for managing the compliance risks inherent in the operations of the Group. The head of Compliance Department reports quarterly to the Audit & Risk Management Sub-Committee of the Board.

4.7.1 The Compliance Function

The compliance function of the Group covers four key areas, namely compliance with:

a. Prudential banking regulation requirements;

b. Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance requirements;

c. Statutory and other regulatory requirements such as requirements from the National Pension Regulatory Authority and the Securities and Exchange Commission requirements; and

d. Internal management policies and employees conduct.

The objective of the compliance function is to ensure that the Group conducts its activities in conformity with its own rules, current legislations, supervisory guidelines as well as good practices in order to minimise the risk of irregularity, material financial loss, regulatory sanctions and reputational damage.

The Group's compliance function is underpinned by the following principles:

- Integrity and reputation are the Group's key assets;
- The Board and Senior Management are the compliance owners;
- Management must set a good example for compliance; and
- Compliance is a shared responsibility by all employees, regardless of position within the Group.

The responsibility of the Compliance Department is to proactively identify, assess and monitor compliance risks faced by the Group and also assist management in fulfilling its compliance responsibilities. The Compliance Department supports and works closely with divisions and departments of the Group to comply with emerging compliance developments to minimise compliance failures. The functions of the Compliance Department include the following:

a. Identification and assessment of compliance risks associated with the Group's operations on a proactive basis;

b. Monitoring and testing compliance by performing sufficient and representative compliance tests on the Group's operations;

c. Ensuring compliance with relevant laws, regulations and directives including compliance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Foreign Exchange Act, 2006 (Act 723), Bank of Ghana directives, tax laws, pension laws etc.

d. Monitoring of all prudential returns submitted to Bank of Ghana to ensure that they are accurate, complete and submitted on time;

e. Assisting Management to build a strong compliance culture through education and training of employees on compliance issues and acting as the point of contact on compliance matters;

f. Liaising with relevant external bodies, including correspondent banks and other external experts on compliance issues to ensure compliance with statutory and regulatory requirements;

g. Advising the Board and Management on compliance laws, rules and standards and also keeping them informed on developments in the compliance environment;

h. Ensuring that all employees, divisions, departments and branches operate in line with Management directives, policies and procedures;

i. Certifying legal documents covering credit facilities granted to customers to ensure that pre-disbursement conditions and covenants are met before the Bank disburses such facilities;

j. Ensuring compliance with AML/CFT laws, regulations and directives within the Group;

k. Submission of quarterly compliance reports to the Audit & Risk Management Sub-Committee of the Board.

The Department adopts a risk-based approach in carrying out the above functions and managing the Group's exposure to compliance risks. This involves the use of clear and accessible policies, procedures and a comprehensive system of internal controls embedded in the Group's operations to avert possible compliance failures. The Compliance Department also monitors divisions and departments responsible for preparing periodic reports and returns to regulatory bodies such as Bank of Ghana, Financial Intelligence Centre, Ghana Revenue Authority, National Pension Regulatory Authority, and Securities and Exchange Commission of reporting deadlines and the need to review returns for accuracy and completeness before submission.

4.8 Strategic Risk

Strategic risk is inherent in every business and is one of the major risk categories in the banking industry. It is the risk that results from adverse business decisions, ineffective execution of business plans and strategies, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence or other risks inherent in the operations of the Group. In the banking industry, strategic risk is elevated due to changing customer preferences and competitive pressures. The Group's appetite for strategic risk is assessed within the context of its strategic plans. Strategic risk is managed in the context of the Group's overall financial condition and assessed, and acted on by the Managing Director and executive management team. Significant strategic actions, such as capital actions and branch expansion, require review and approval of the Board.

The Board approves the strategic plans and annually reviews and approves the financial operating plans developed by Executive Management to implement the strategic goals for the year. With oversight by the Board, Executive Management ensures that the annual plans are consistent with the Group's strategic plans, core operating tenets and risk appetite. The Board assesses the following areas as part of its annual reviews:

- Forecast earnings and returns on capital,
- Current risk profile,
- Current capital and liquidity requirements,
- Staffing levels and changes required to support the plan,
- Stress testing results and other qualitative factors such as industry growth and peer analysis.

The executive management team also monitors the performance of new products introduced against product expectation.

4.9 Reputational Risk

Reputational risk refers to the potential reputational damage that a company or an institution could suffer from any adverse or negative publicity about the company or the institution concerned. Prudential Bank Limited and its subsidiaries, like other institutions, are confronted with reputational risk. That is, any negative publicity about the Group that could impair public confidence in the Group and thereby cause a decline in the customer base or reduction in the volume of business transacted by customers.

Reputational risk may result from operational issues such as inefficient services that cause disaffection to customers and other stakeholders of the Group. The major sources of reputational risk include system failures, unnecessary litigation, dealing with customers who engage in illegal business activities etc.

Internal operational issues such as system breakdowns, employee errors, employee fraud etc may expose the Group to serious reputational risk. In managing reputational risk emanating from these sources, the Group has put in place appropriate measures and controls that ensure that system breakdowns and bookkeeping errors are checked at every level of operation in order to minimise their impact on customers and other stakeholders. These controls form part of the daily operational procedures of the Group.

Unnecessary litigation is also another source of reputational risk to the Group. The Group manages reputational risk resulting from avoidable litigation by ensuring that any misunderstanding between any member of the Group and customers is resolved in a cordial way.

The Group's reputation depends not only on the way it conducts its business but also the way its customers conduct themselves. Thus, dealing with customers whose activities border on illegality, such as money laundering, is a source of reputational risk to the Group. To manage this type of risk and to avoid becoming associated with economic and financial crimes or being used as a conduit for channelling illegal monies into the country, PBL and its subsidiaries use Know Your Customer (KYC) procedures to screen potential customers and also monitor customers account operations to ensure that customers who open accounts with any member of the Group are engaged in legitimate businesses. The Group also monitors customers' account operations to ensure that deposits into accounts are consistent with the type of business customers are engaged in. The Group conducts due diligence on companies and their directors before accounts are opened.

It is the responsibility of every member of staff to safeguard the reputation of the Group. The Group's reputational risk management also revolves around effective communication between members of the Group and their customers. This is achieved through daily monitoring of customer complaints and media reportage about the Group for prompt resolution of the concerns raised or any adverse publicity.

4.10 Capital Management

The primary objective of capital management in the Group is to ensure that:

i. The Group complies with the minimum stated capital requirement of regulatory bodies, particularly the Bank of Ghana and Ghana's Securities and Exchange Commission (SEC);

ii. The Bank complies with the regulatory capital requirement that enables it to meet the minimum Capital Adequacy Ratio requirement of Bank of Ghana at all times;

iii. The Group maintains a strong capital base to maintain investor, creditor and market confidence and to sustain future development of its business.

The achievement of the above objectives is monitored through regular reports on the performance of the Group and prudential returns submitted to the Bank of Ghana and the Securities and Exchange Commission (SEC).

4.10.1 Regulatory Capital

The Group's Regulatory Capital consists of both Tier 1 and Tier 2 capital.

Tier 1 capital consists of stated capital, statutory reserves and retained earnings, after deductions of intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital consists of convertible debentures and revaluation surplus. Total Tier 2 capital is limited to 100% of the net Tier 1 capital.

The Group's regulatory capital position as at 31st December 2017 is summarised below:

		2017		2016
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Tier 1 Capital				
Stated capital	127,666	127,666	62,453	62,453
Retained earnings	18,518	21,754	60,669	67,438
Less intangible assets	(10,871)	(10,871)	(9,531)	(9,531)
Other regulatory adjustments	(15,295)	(15,142)	(279)	(7,178)
Total	120,018	123,407	113,312	113,182
Tier 2 Capital				
Revaluation reserve (adjusted)	42,494	42,494	29,559	84,988
Qualifying subordinated liabilities	–	–	9,436	9,436
Total	42,494	42,494	38,995	94,424
Total regulatory capital	**162,512**	**165,901**	**152,307**	**207,606**
Total adjusted assets	1,246,208	1,252,290	1,057,779	1,114,183
Net contingent liabilities	136,674	136,674	54,142	54,142
100% of 3 years average annual gross income	151,388	152,981	132,603	133,151
The amounts for 50% of NOP for market risk charge	33,773	33,773	3,571	3,571
Total risk weighted assets	**1,568,043**	**1,575,718**	**1,248,095**	**1,305,047**
Capital Ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	10.36%	10.53%	12.20%	15.91%
Total Tier 1 Capital expressed as a percentage of risk weighted assets	7.65%	7.83%	9.08%	8.67%

4.10.2 Capital Allocation

The allocation of the Group's capital to various business segments is determined by the available regulatory capital and the expected return to be achieved on the allocated capital.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. USE OF ESTIMATES AND JUDGEMENTS

Management discusses with the Audit & Risk Management Sub-Committee the development, selection and disclosure of the Group's accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on Risk Management (see note 4).

5.1 Key Sources of Estimation Uncertainty

5.1.1 Allowances for Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.7. The individual counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar credit characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters are used in determining collective allowances.

5.1.2 Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.7.5. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5.2 Critical Accounting Judgements made in Applying the Group's Accounting Policies

Critical accounting judgements made in applying the Group's accounting policies include:

5.2.1 Financial Asset and Liability Classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as 'trading', the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.7.
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3.7.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3.7.

Details of the Group's classification of financial assets and liabilities are given in note 6.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values (excluding accrued interest).

Financial Assets and Liabilities -- 31 Dec 2017

Bank

	Note	Held-to Maturity GH¢'000	Loans and Receivables GH¢'000	Available for sale GH¢'000	Other amortised Cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial Assets							
Cash and cash equivalents	14	592,259	_	_	_	592,259	**544,737**
Investments	15	438,420	_	_	_	438,420	**432,978**
Loans and advances to customers	16	_	1,073,378	_	_	1,073,378	**985,005**
Investment securities	17	1,766	_	_	_	1,766	**1,766**
		1,032,445	1,073,378	_	_	2,105,823	**1,964,486**
Financial Liabilities							
Deposits from banks & other financial institutions	22	5,797	_	_	_	5,797	**5,732**
Deposits from customers	23	1,465,665	_	_	_	1,465,665	**1,449,224**
Borrowings	24.2	403,524	_	_	_	403,524	**393,225**
		1,874,986	_	_	_	1,874,986	**1,848,181**

Group

	Note	Held-to Maturity GH¢'000	Loans and Receivables GH¢'000	Available for sale GH¢'000	Other amortised Cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial Assets							
Cash and cash equivalents	14	592,259	_	_	_	592,259	**544,737**
Investments	15	438,420	_	_	_	438,420	**432,978**
Loans and advances to customers	16	_	1,073,378	_	_	1,073,378	**985,005**
Investment securities	17	5,252	_	_	_	5,252	**5,252**
		1,035,931	1,073,378	_	_	2,109,309	**1,967,972**
Financial Liabilities							
Deposits from banks & other financial institutions	22	5,797	_	_	_	5,797	**5,732**
Deposits from customers	23	1,461,665	_	_	_	1,461,665	**1,449,224**
Borrowings	24.2	403,524	_	_	_	403,524	**393,225**
		1,870,986	_	_	_	1,870,986	**1,848,181**

Financial Assets and Liabilities -- 31 Dec 2016

Bank

	Note	Held-to Maturity GH¢'000	Loans and Receivables GH¢'000	Available for sale GH¢'000	Other amortised Cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial Assets							
Cash and cash equivalents	14	230,130	_	_	_	230,130	**228,953**
Investments	15	359,788	_	_	_	359,788	**361,372**
Loans and advances to customers	16	_	993,891	_	_	993,891	**932,188**
Investments securities	17	7,366	_	_	_	7,366	**7,366**
		597,284	993,891	_	_	1,591,175	**1,529,879**
Financial Liabilities							
Deposits from banks & other financial institutions	22	2,901	_	_	_	2,901	**2,866**
Deposits from customers	23	1,325,008	_	_	_	1,325,008	**1,309,268**
Borrowings	24.2	117,273	_	_	_	117,273	**113,549**
		1,445,182	_	_	_	1,445,182	**1,425,683**

Group

	Note	Held-to Maturity GH¢'000	Loans and Receivables GH¢'000	Available for sale GH¢'000	Other amortised Cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial Assets							
Cash and cash equivalents	14	231,523	_	_	_	231,523	**230,345**
Investments	15	364,014	_	_	_	364,014	**365,597**
Loans and advances to customers	16	_	993,891	_	_	993,891	**932,188**
Investment securities	17	232	_	_	_	232	**232**
		595,769	993,891	_	_	1,589,660	**1,528,362**
Financial Liabilities							
Deposits from banks & other financial institutions	22	2,901	_	_	_	2,901	**2,867**
Deposits from customers	23	1,324,651	_	_	_	1,324,651	**1,308,912**
Borrowings	24.2	117,273	_	_	_	117,273	**113,549**
		1,444,825	_	_	_	1,444,825	**1,425,328**

7. INTEREST INCOME AND INTEREST EXPENSES

		2017		2016	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
7.1	**Interest Income**				
	Loans and advances to customers	171,314	171,314	183,571	182,600
	Investments	108,416	108,416	46,006	46,977
	Cash and cash equivalent	32,064	32,064	6,173	6,173
	Total interest income	311,794	311,794	235,750	235,750
7.2	**Interest Expense**				
	Deposits from customers	115,581	115,577	96,909	96,431
	Deposits from banks & other financial Institutions	63	63	42	42
	Borrowings	42,318	42,318	21,511	21,511
	Total interest expense	157,962	157,958	118,462	117,984
7.3	**Net Interest Income**	**153,832**	**153,836**	**117,288**	**117,766**

Included within various captions under interest income for the year ended 31st December 2017 is a total of GH¢Nil (2016: GH¢Nil) accrued on impaired financial assets.

Included within interest income on investments for the year ended 31st December 2017 is GH¢Nil (2016: GH¢Nil) relating to debt securities held to maturity.

8. COMMISSIONS AND FEES

		2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
8.1	**Fee and commission income**				
	Retail banking	20,207	20,207	8,355	8,355
	Corporate banking	16,595	16,595	25,597	25,597
		36,802	36,802	33,952	33,952
8.2	**Fee and commission expense**				
	Inter-bank transaction fees	1,325	1,325	1,455	1,455
	Total fee and commission expense	1,325	1,325	1,455	1,455
8.3	**Net fee and commission income**	**35,477**	**35,477**	**32,497**	**32,497**

9. NET TRADING INCOME

	2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
Foreign exchange	16,904	16,904	12,967	12,970
Net trading income	16,904	16,904	12,967	12,970

10. OTHER OPERATING INCOME

	2017 Bank GH¢'000	2017 Group GH¢'000	2016 Bank GH¢'000	2016 Group GH¢'000
Rental income	68	56	12	201
Other	249	2,315	152	1,328
	317	2,371	164	1,529

		2017		2016	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
11.	**PERSONNEL EXPENSES**				
	Salaries and allowances	62,687	63,093	49,309	55,827
	Contributions to defined contribution plans	3,913	3,947	3,086	3,110
	Medical expenses	3,221	3,221	2,997	3,014
	Training	1,510	1,513	1,044	1,062
	Retirement benefit	2,040	2,040	1,537	1,537
		73,371	**73,814**	**57,973**	**64,550**
12.	**OTHER EXPENSES**				
	Software licensing and other information technology cost	8,609	8,629	6,708	6,729
	Auditors' remuneration	212	244	202	270
	Administrative expenses	13,959	14,058	12,408	11,209
	Advertising and marketing	6,586	6,586	4,718	4,718
	Directors' emoluments	1,523	1,523	1,350	1,455
	Occupancy	19,872	19,881	19.061	15,303
	Other	21,155	21,197	17,334	15,971
		71,916	**72,118**	**61,781**	**55,655**

13. TAXATION

13.1 Bank

Tax Years	Balance 1-Jan-16 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-16 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-17 GH¢'000
Up to 2012	(3,723)	_	_	(3,723)	_	_	(3,723)
2013	3,461	_	_	3,461	_	_	3,461
2014	122	_	_	122	_	_	122
2015	(7,716)	_	_	(7,716)	_	_	(7,716)
2016	-	3,329	(5,545)	(2,216)	1,742	_	(474)
	(7,856)	3,329	(5,545)	(10,072)	1,742	_	(8,330)
2017	_	_	_	_	4,611	(2,223)	2,388
	(7,856)	3,329	(5,545)	(10,072)	6,353	(2,223)	(5,942)
NFSL	(972)	664	(781)	(1,089)	117	(329)	(1,301)
Deferred tax	1,975	256	_	2,231	262	_	2,493
	(6,853)	**4,249**	**(6,326)**	**(8,930)**	**6,732**	**(2,552)**	**(4,750)**

13.2 Group

Tax Years	Balance 1-Jan-16 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-16 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-17 GH¢'000
Up to 2012	(3,751)	_	_	(3,751)	_	_	(3,751)
2013	3,429	_	_	3,429	_	_	3,429
2014	146	_	_	146	_	_	146
2015	(7,667)	_	_	(7,667)	_	_	(7,667)
2016	_	3,592	(5,808)	(2,216)	1,742	_	(474)
	(7,843)	3,592	(5,808)	(10,059)	1,742	_	(8,317)
2017	_	_	_	_	4,978	(2,577)	2,401
	(7,843)	3,592	(5,808)	(10,059)	6,720	(2,577)	(5,916)
NFSL	(989)	664	(778)	(1,103)	117	(329)	(1,315)
Deferred tax	1,984	256	_	2,240	266	_	2,506
	(6,848)	**4,512**	**(6,586)**	**(8,922)**	**7,103**	**(2,906)**	**(4,725)**

13.3 Reconciliation/ Computation of Effective Tax Rate

	2017		2016	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Profit before tax	**(20,084)**	**(18,697)**	**12,880**	**14,241**
Income tax using applicable tax rate 25%	(5,021)	(4,674)	3,220	3,560
Current year tax	117	480	3,993	4,256
Adjustments for prior years	4,752	4,756	–	–
	4,869	5,236	3,993	4,256
Deferred tax expense				
Origination and reversal of temporary differences	262	266	256	256
Recognition of previously unrecognised tax losses	–	–	–	–
	262	266	256	256
Total income tax expense	**5,131**	**5,502**	**4,249**	**4,512**
Reconciliation of Effective Tax Rate				
Profit before income tax	**(20,084)**	**(18,697)**	**12,880**	**14,241**
Income tax using the enacted corporation tax rate (25%)	(5,021)	(4,674)	3,220	3,560
Non deductible expenses	18,317	18,317	4,406	4,406
Tax exempt income (net Agric income @ 20%)	267	267	294	294
Recognition of previously unrecognised tax losses (over) provided in prior years	(4,752)	(4,756)	–	–
Total income tax expense in statement of profit or loss	**8,811**	**9,154**	**7,920**	**8,260**
Effective tax rate	**-44%**	**-49%**	**61%**	**58%**

14. CASH AND CASH EQUIVALENTS

	2017 Bank	2017 Group	2016 Bank	2016 Group
Cash and balances with banks	99,729	99,729	84,905	86,167
Unrestricted balances with central bank	31,352	31,352	14,437	14,437
Restricted balances with central bank	139,008	139,008	114,611	114,611
Money market placements	322,170	322,170	16,177	16,308
	592,259	**592,259**	**230,130**	**231,523**

15. INVESTMENTS

	2017 Bank	2017 Group	2016 Bank	2016 Group
Bills discounted	224,248	224,248	302,171	305,932
1-Year Treasury notes	349	349	756	756
Government bonds	213,823	213,823	56,861	57,326
	438,420	**438,420**	**359,788**	**364,014**

16. LOANS AND ADVANCES TO CUSTOMERS

	2017 Bank	2017 Group	2016 Bank	2016 Group
Loans and advances to customers and financial institutions at amortised cost	1,073,378	1,073,378	993,891	993,891
	1,073,378	**1,073,378**	**993,891**	**993,891**

16.1 Loans and Advances to Customers and Financial Institutions at Amortised Cost – Bank

	2017 Gross Amount GH¢'000	2017 Impairment Allowance GH¢'000	2017 Carrying Amount GH¢'000	2016 Gross Amount GH¢'000	2016 Impairment Allowance GH¢'000	2016 Carrying Amount GH¢'000
Retail Customers:						
Mortgage lending	24,925	255	24,670	13,624	137	13,487
Personal loans	171,801	26,790	145,011	164,263	14,257	150,006
	196,726	27,045	169,681	177,887	14,394	163,493
Corporate Customers:						
Secured lending	876,099	120,512	755,587	816,004	66,026	749,978
Unsecured lending	553	6	547	–	–	–
	876,652	120,518	756,134	816,004	66,026	749,978
	1,073,378	**147,563**	**925,815**	**993,891**	**80,420**	**913,471**

16.2 Loans and Advances to Customers and Financial Institutions at Amortised Cost – Group

	2017			2016		
	Gross Amount GH¢'000	Impairment Allowance GH¢'000	Carrying Amount GH¢'000	Gross Amount GH¢'000	Impairment Allowance GH¢'000	Carrying Amount GH¢'000
Retail Customers:						
Mortgage lending	24,925	255	24,670	13,624	137	13,487
Personal loans	171,801	26,790	145,011	164,263	14,257	150,006
	196,726	27,045	169,681	177,887	14,394	163,493
Corporate Customers:						
Secured lending	876,099	120,512	755,587	816,004	66,026	749,978
Unsecured lending	553	6	547	–	–	–
	876,652	120,518	756,134	816,004	66,026	749,978
	1,073,378	**147,563**	**925,815**	**993,891**	**80,420**	**913,471**

16.3 Allowances for Impairment

	2017		2016	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Individual Allowances for Impairment				
Balance at 1st January	69,980	69,980	53,905	53,905
Impairment loss for the year	57,847	57,847	16,075	16,075
Balance at 31st December	127,827	127,827	69,980	69,980 5
Collective Allowances for Impairment				
Balance at 1st January	10,440	10,440	9,127	9,127
Impairment loss for the year	9,297	9,297	1,313	1,313
Balance at 31st December	19,737	19,737	10,440	10,440
Total Allowances for Impairment	**147,564**	**147,564**	**80,420**	**80,420**
Total Impairment Charged for the Year	**67,144**	**67,144**	**17,388**	**17,388**

17. INVESTMENT SECURITIES

Equity investments	1,766	5,252	7,366	232
	1,766	**5,252**	**7,366**	**232**

18. PROPERTY, PLANT AND EQUIPMENT

18.1(a) Property, Plant & Equipment – Bank

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2017	5,695	10,717	13,338	5,329	15,798	13,754	12,452	53,054	**130,137**
Additions during the year	258	44	1,177	670	1,670	1,149	8,751	78,441	**92,160**
Transfers	406	–	–	1,127	824	1,095	(9,319)	5,867	–
Disposal	–	–	(543)	–	–	–	–	–	**(543)**
At 31st December 2017	6,359	10,761	13,972	7,126	18,292	15,998	11,884	137,362	**221,754**
Depreciation									
At 1st January 2017	2,051	7,253	8,223	3,150	8,183	7,070	–	1,519	**37,449**
Charges for the year	729	–	1,805	902	1,720	2,960	–	2,797	**10,913**
Released on disposal	–	–	(400)	–	–	–	–	–	**(400)**
At 31st December 2017	2,780	7,253	9,628	4,052	9,903	10,030	–	4,316	**47,962**
Net Book Value									
At 31st December 2017	3,579	3,508	4,344	3,074	8,389	5,968	11,884	133,046	**173,792**
At 31st December 2016	3,644	3,464	5,115	2,179	7,615	6,684	12,452	51,535	**92,688**

Profit on Disposal of Property, Plant & Equipment

	2017 GH¢'000	2016 GH¢'000
Gross book value	543	140
Accumulated depreciation	(400)	(129)
Net book value	143	11
Sales proceeds	1	–
(Loss)/Gain on disposal	(142)	(11)

18.1(b) PROPERTY, PLANT AND EQUIPMENT– BANK

Comparative Figures – 2016

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,896	11,503	4,483	12,260	11,804	18,674	38,738	**111,388**
Additions during the year	213	_	1,729	405	1,386	1,227	13,498	431	**18,889**
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	_
Disposal	_	_	(140)	_	_	_	_	_	**(140)**
At 31st December 2016	5,695	10,717	13,338	5,329	15,798	13,754	12,452	53,054	**130,137**
Depreciation									
At 1st January 2016	1,455	6,016	6,556	2,382	6,552	4,489	_	731	**28,181**
Charges for the year	596	1,237	1,796	768	1,631	2,581	_	788	**9,397**
Released on disposal	_	_	(129)	_	_	_	_	_	**(129)**
At 31st December 2016	2,051	7,253	8,223	3,150	8,183	7,070	_	1,519	**37,449**
Net Book Value									
At 31st December 2016	3,644	3,464	5,115	2,179	7,615	6,684	12,452	51,535	**92,688**
At 31st December 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	38,007	**83,207**

Profit on Disposal of Property, Plant & Equipment

	2016 GH¢'000	2015 GH¢'000
Gross book value	140	596
Accumulated depreciation	(129)	(525)
Net book value	11	71
Sales proceeds	–	131
(Loss)/Gain on disposal	(11)	60

18.2(a) PROPERTY, PLANT AND EQUIPMENT – GROUP

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2017	5,694	10,717	13,385	5,343	15,961	13,793	12,446	117,912	**195,251**
Additions during the year	258	44	1,177	681	1,670	1,150	8,751	13,583	**27,314**
Transfers	406	–	–	1,127	824	1,095	(9,319)	5,867	–
Disposal	–	–	(543)	–	–	–	–	–	**(543)**
At 31st December 2017	6,358	10,761	14,019	7,151	18,455	16,038	11,878	137,362	**222,022**
Depreciation									
At 1st January 2017	2,051	6,015	8,265	3,159	8,316	7,160	–	2,762	**37,728**
Charges for the year	729	–	1,806	903	1,721	2,982	–	2,797	**10,938**
Released on disposal	–	–	(400)	–	–	–	–	–	**(400)**
At 31st December 2017	2,780	6,015	9,671	4,062	10,037	10,142	–	5,559	**48,266**
Net Book Value									
At 31st December 2017	3,578	4,746	4,348	3,089	8,418	5,896	11,878	131,803	**173,756**
At 31st December 2016	3,643	4,702	5,120	2,184	7,645	6,633	12,446	115,150	**157,523**

Profit on Disposal of Property, Plant & Equipment

	2017 GH¢'000	2016 GH¢'000
Gross book value	543	140
Accumulated depreciation	(400	(129)
Net book value	143	11
Sales proceeds	1	–
(Loss)/Gain on disposal	(142)	(11)

18.2(b) PROPERTY, PLANT AND EQUIPMENT – GROUP

Comparative Figures – 2016

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,895	11,550	4,497	12,423	11,839	18,649	103,597	**176,480**
Additions during the year	213	–	1,729	405	1,386	1,231	13,517	430	**18,911**
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	**(140)**
At 31st December 2016	5,695	10,717	13,385	5,343	15,961	13,793	12,446	117,912	**195,251**
Depreciation									
At 1st January 2016	1,455	6,015	6,597	2,391	6,684	4,550	–	736	**28,428**
Charges for the year	596	–	1,797	768	1,632	2,610	–	2,026	**9,429**
Released on disposal	–	–	(129)	–	–	–	–	–	**(129)**
At 31st December 2016	2,051	6,015	8,265	3,159	8,316	7,160	–	2,762	**37,728**
Net book value									
At 31st December 2016	3,644	4,702	5,120	2,184	7,645	6,633	12,446	115,150	**157,523**
At 31st December 2015	2,575	3,880	4,953	2,106	5,739	7,289	18,649	102,861	**148,052**

Profit on Disposal of Property, Plant & Equipment

	2016 GH¢'000	2015 GH¢'000
GrossGross book value	140	626
Accumulated depreciation	(129)	(555)
Net book value	11	71
Sales proceeds	–	161
(Loss)/gain on disposal	(11)	90

18.3 Value of each Class of Assets Carried Under the Cost Model

18.3(a) Property, Plant & Equipment – Bank

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2017	5,695	10,717	13,338	5,329	15,798	13,754	12,452	53,054	**130,137**
Additions during the year	258	44	1,177	670	1,670	1,149	8,751	23,012	**36,731**
Transfers	406	–	–	1,127	824	1,095	(9,319)	5,867	–
Disposal	–	–	(543)	–	–	–	–	–	**(543)**
At 31st December 2017	6,359	10,761	13,972	7,126	18,292	15,998	11,884	81,933	**166,325**
Depreciation									
At 1st January 2017	2,051	7,253	8,223	3,150	8,183	7,070	–	1,519	**37,449**
Charges for the year	729	–	1,805	902	1,720	2,960	–	2,458	**10,574**
Released on disposal	–	–	(400)	–	–	–	–	–	**(400)**
At 31st December 2016	2,780	7,253	9,628	4,052	9,903	10,030	–	3,977	**47,623**
Net Book Value									
At 31st December 2017	3,579	3,508	4,344	3,074	8,389	5,968	11,884	77,956	**118,702**
At 31st December 2016	3,644	3,464	5,115	2,179	7,615	6,684	12,452	51,535	**92,688**

18.3(b) Value of each Class of Assets Carried Under the Cost Model

Comparative Figures – 2016

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,896	11,503	4,483	12,260	11,804	18,674	38,738	**111,388**
Additions during the year	213	–	1,729	405	1,386	1,227	13,498	431	**18,889**
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	**(140)**
At 31st December 2016	5,695	10,717	13,338	5,329	15,798	13,754	12,452	53,054	**130,137**
Depreciation									
At 1st January 2016	1,455	6,016	6,556	2,382	6,552	4,489	–	731	**28,181**
Charges for the year	596	1,237	1,796	768	1,631	2,581	–	788	**9,397**
Released on disposal	–	–	(129)	–	–	–	–	–	**(129)**
At 31st December 2016	2,051	7,253	8,223	3,150	8,183	7,070	–	1,519	**37,449**
Net Book Value									
At 31st December 2016	3,644	3,464	5,115	2,179	7,615	6,684	12,452	51,535	**92,688**
At 31st December 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	38,007	**83,207**

18.4 Value of each Class of Assets Carried Under the Cost Model

18.4a Property, Plant & Equipment – Group

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2017	5,695	10,717	13,385	5,343	15,961	13,793	12,446	39,033	**116,373**
Additions during the year	258	44	1,177	681	1,670	1,150	8,751	13,583	**27,314**
Transfers	406	–	–	1,127	824	1,095	(9,319)	5,867	–
Disposal	–	–	(543)	–	–	–	–	–	**(543)**
At 31st December 2017	6,359	10,761	14,019	7,151	18,455	16,038	11,878	58,483	**143,144**
Depreciation									
At 1st January 2017	2,051	6,015	8,265	3,159	8,316	7,160	–	3,371	**38,337**
Charges for the year	729	–	1,806	903	1,721	2,982	–	1,754	**9,895**
Released on disposal	–	–	(400)	–	–	–	–	–	**(400)**
At 31st December 2017	2,780	6,015	9,671	4,062	10,037	10,142	–	5,125	**47,832**
Net Book Value									
At 31st December 2017	3,579	4,746	4,348	3,089	8,418	5,896	11,878	53,358	**95,312**
At 31st December 2016	3,644	4,702	5,120	2,184	7,645	6,633	12,446	35,662	**78,036**

18.4b Value of each Class of Assets Carried Under the Cost Model

Comparative Figures – 2016

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,895	11,550	4,497	12,423	11,839	18,649	24,718	**97,601**
Additions during the year	213	–	1,729	405	1,386	1,231	13,517	430	**18,911**
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	**(140)**
At 31st December 2016	5,695	10,716	13,385	5,343	15,961	13,793	12,446	39,033	**116,372**
Depreciation									
At 1st January 2016	1,455	6,015	6,597	2,391	6,684	4,550	–	1,345	**29,037**
Charges for the year	596	–	1,797	768	1,632	2,610	–	2,026	**9,429**
Released on disposal	–	–	(129)	–	–	–	–	–	**(129)**
At 31st December 2016	2,051	6,015	8,265	3,159	8,316	7,160	–	3,371	**38,337**
Net Book Value									
At 31st December 2016	3,644	4,702	5,120	2,184	7,645	6,633	12,446	35,662	**78,035**
At 31st December 2015	2,575	3,880	4,953	2,106	5,739	7,289	18,649	23,373	**68,564**

19. INTANGIBLE ASSETS

	Bank GH¢'000	Group GH¢'000
Cost		
Balance at 1st January 2016	17,925	18,026
Acquisitions	259	259
Balance at 31st December 2016	18,184	18,285
Balance at 1st January 2017	18,184	18,285
Acquisitions	420	420
Balance at 31st December 2017	18,604	18,705
Amortisation and impairment		
Balance at 1st January 2016	8,906	8,947
Amortisation for the year	3,497	3,499
Impairment loss	–	–
Balance at 31st December 2016	12,403	12,446
Balance at 1st January 2017	12,403	12,446
Amortisation for the year	3,270	3,271
Impairment loss	–	–
Balance at 31st December 2017	15,673	15,717
Carrying amounts		
Balance at 1st January 2016	9,019	9,079
Balance at 31st December 2016	5,781	5,839
Balance at 31st December 2017	2,931	2,988

Intangible assets for the years 2017 and 2016 were attributable to purchased software.

20. DEFERRED TAX ASSETS AND LIABILITIES

	2017			2016		
	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000
Property, equipment and software	_	2,493	(2,493)	_	2,231	(2,231))
Net tax assets/liabilities	_	2,493	(2,493)	_	2,231	(2,231)

Movements During the Year

	Opening balance GH¢'000	Recognised in Profit or Loss GH¢'000	Recognised in Equity GH¢'000	Closing balance GH¢'000
2017				
Property, equipment and software	(2,231)	262	_	(2,493)
Total	(2,231)	262	_	(2,493)
2016				
Property, equipment and software	(1,975)	256	_	(2,231)
Total	(1,975)	256	_	(2,231)

		2017		2016	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
21.	**OTHER ASSETS**				
	Accounts receivable and prepayments	13,960	14,025	9,531	9,623
	Assets held for sale	27,329	27,329	_	_
	Other	1,320	1,177	1,235	1,403
		42,609	42,531	10,766	11,026
22.	**DEPOSITS FROM BANKS & OTHER FINANCIAL INSTITUTIONS**				
	Other deposits from banks	5,797	5,797	2,901	2,901
		5,797	5,797	2,901	2,901
23.	**DEPOSIT FROM CUSTOMERS**				
	Retail Customers:				
	Term deposits	348,735	348,735	248,200	248,200
	Current deposits	462,163	462,163	385,770	386,741
		810,898	810,898	633,970	634,941
	Corporate Customers:				
	Term deposits	258,576	258,497	266,218	265,218
	Current deposits	396,191	392,270	424,820	424,492
		654,767	650,767	691,038	689,710
		1,465,665	**1,461,665**	**1,325,008**	**1,324,651**
24.	**OTHER LIABILITIES AND BORROWINGS**				
24.1	**OTHER LIABILITIES**				
	The amounts recognised in the statement of financial position is as follows:				
	Short-term employee benefits	10,102	10,102	7,215	7,215
	Creditors and accruals	51,711	55,879	15,916	17,705
	Other	4,753	4,753	7,926	7,926
		66,566	**70,734**	**31,057**	**32,846**
24.2	**BORROWINGS**				
	Short term:				
	EXIM/EDAIF	_	_	259	259
	Subordinated loans**	_	_	9,436	9,436
	Money market borrowing	167,102	167,102	83,487	83,487
	Repurchase agreements	236,327	236,327	23,990	23,990
	Preference share capital	95	95	101	101
		403,524	**403,524**	**117,273**	**117,273**

**Subordinated loan - this represents amounts contributed by shareholders towards capital.

25. STATEMENT OF CHANGES IN EQUITY

25.1 Stated Capital

The stated capital of the Bank consists of proceeds from issue of shares for cash or other consideration and, transfers from retained earnings to capital.

Number of authorised shares of no par value	**1,000,000,000**

	2017		2016	
ISSUED AND FULLY PAID:	**Number**	**GH¢'000**	**Number**	**GH¢'000**
Issued for cash consideration	261,724,841	83,686	148,690,910	38,472
Issued for consideration other than cash	3,075,000	31	3,075,000	31
Capitalisation issues	155,300,000	43,950	155,300,000	23,950
	420,099,841	**127,667**	**307,065,910**	**62,453**

25.2 Statutory Reserve

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by the Banks and Special Deposit-Taking Institutions Act, 2016 (Act 930).

25.3 Revaluation reserve

The revaluation reserve resulted from revaluation of lands and buildings which was carried out in the year 2015.The increase in the revaluation reserve in the books of the Bank resulted from the merger of the Bank with PBL Properties Limited (PPL) in July 2017.

25.4 Credit Risk Reserve

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances Impairments based on IFRS principles, a charge or credit is made to retained earnings in respect of the difference required to adjust the cumulative provision to the level required under the Bank of Ghana regulations and IAS 39 *Financial Instruments: Recognition and Measurement.*

	2017 GH¢'000	2016 GH¢'000
IFRS impairment	147,561	80,420
Bank of Ghana provision	(161,124)	(77,884)
Credit Risk Reserve	(13,563)	–

An amount of GH¢13.6 million is posted to credit risk reserve for the year in view of the fact that IFRS impairment is lower than BOG provision (2016: GH¢0.0).

Credit risk reserve is not available for distribution as dividend and inclusion in the adjusted capital base for purposes of Capital Adequacy Ratio (CAR) computation.

25.5 Deposit for shares

This represents an amount contributed by an existing shareholder towards equity.

	2017 GH¢'000	2016 GH¢'000
Deposit for shares	9,618	–

26 OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	2017 GH¢'000	2016 GH¢'000
Bonds and guarantees	43,767	24,004
Letters of credit and other documentary credits	124,306	60,436
	168,073	**84,440**

26.1 Nature of Contingent Liabilities

Guarantees are issued to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.

Letters of Credit commit the Group to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

27. GROUP ENTITIES

Significant Subsidiaries of the Bank

	Country of incorporation	Ownership Interest 2017	Ownership Interest 2016
Prudential Securities Limited	Ghana	100%	100%
Prudential Stockbrokers Limited	Ghana	100%	100%

28. RELATED PARTIES

28.1 Transactions with Key Management Personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2017		2016	
	Bank GH¢'000 Maximum Balance	Group GH¢'000 Closing Balance	Bank GH¢'000 Maximum Balance	Group GH¢'000 Closing Balance
Mortgage lending and other secured loans	1,545	1,377	791	703
Other loans	3,227	3,386	1,620	1,268
	4,772	**4,763**	**2,411**	**1,971**

28.2 Key management personnel compensation for the year comprised:

	2017 GH¢'000	2016 GH¢'000
Short-term employee benefits	5,720	3,458
	5,720	**3,458**

The Group does not have any share option policy in place for its executive officers.

The mortgage and secured loans granted are secured over properties of the respective borrowers.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and their immediate relatives at the period end.

28.3 Loans and Advances to Employees

	2017 GH¢'000	2016 GH¢'000
Balance at 1st January	21,740	21,884
Loans advanced during the year	6,388	6,476
Loans repayments received	(5,528)	(6,620)
Balance at 31st December	22,600	21,740

28.4 Loans and Advances to Directors and their Associates

The Group has entered into transactions with its directors and their associates, associate companies or directors as follows:

	2017 GH¢'000	2016 GH¢'000
Gross amount at 1st January	24,166	22,779
Interest charged	2,126	2,908
Loans disbursed	902	2,596
Cash received	(1,361)	(4,117)
Net amount at 31st December	25,833	24,166

Included in loans and advances is GH¢23.8 million (2016: GH¢22.8 million) advanced to companies in which some of the members of the Board of Directors have interest.

28.5 Deposits from Related Parties

Included in deposits is approximately GH¢4.0 million (2016: GH¢1.44 million) due to subsidiary companies. Interest paid on these deposits during the year amounted to GH¢589,836 (2016: GH¢50,406).

The related interest income in 2017 was GH¢2.13 million (2016: GH¢2.91 million).

All the transactions with the related parties are priced at arm's length basis and have been entered into in the normal course of business.

29. VALUE ADDED STATEMENTS

Value Added Statements for the year ended 31st December 2017

	2017		2016	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Interest earned and other operating income	348,596	348,596	269,702	269,702
Direct cost of services	(229,680)	(229,878)	(180,348)	(173,639)
Value added by banking services	118,916	118,718	89,354	96,063
Non-banking income	17,221	19,275	13,131	14,499
Impairments	(67,144)	(67,144)	(17,388)	(17,388)
Value added	**68,993**	**70,849**	**85,097**	**93,174**
Distributed as follows:				
To Employees				
Directors (without executives)	(360)	(360)	(315)	(420)
Executive Directors	(1,163)	(1,163)	(1,035)	(1,035)
Other employees	(73,371)	(73,814)	(57,973)	(64,550)
To Government:				
Income tax	(6,732)	(7,103)	(4,249)	(4,512)
To providers of capital				
Dividends to shareholders	–	–	–	–
To expansion and growth				
Depreciation	(10,913)	(10,938)	(9,397)	(9,429)
Amortisation	(3,270)	(3,271)	(3,497)	(3,499)
Retained earnings	**(26,816)**	**(25,800)**	**8,631**	**9,729**

30. ADDITIONAL DISCLOSURES

	2017		2016	
	Bank	Group	Bank	Group
Capital Adequacy Ratio	10.36%	10.53%	12.20%	15.91%
Non-Performing Loans (Amount and Ratio)				
Gross loans (GH¢'000)	1,073,378	1,073,378	993,891	993,891
Amount (GH¢'000)	191,775	191,775	197,213	197,213
Ratio	17.87%	17.87%	19.84%	19.84%
Amount of loans written-off (GH¢'000)	_	_	_	_
Liquidity ratio	42.75%	42.75%	27.37%	27.37%
Credit risk reserve (if any)	13,564	13,564	_	_
Statutory liquidity breaches and non-compliance with other prudential requirements	None	None	None	None

Year-end mid rates used for foreign exchange translations	**31-Dec-17**	**1-Jan-17**	**31-Dec-16**	**1-Jan-16**
United States Dollar (US$)	4.4157	4.2002	4.2002	3.7950
Great Britain Pound (GB£)	5.9669	5.1965	5.1965	5.6165
Euro (€)	5.2964	4.4367	4.4367	4.1320

31. LIST OF RELATED PARTIES

31.1 Members of the Board

Non-Executive Directors

John Sackah Addo	Chairman
Samuel Nkansah-Boadi	
Nortey Kwashie Omaboe	
Joana Felicity Dickson	
Aretha Duku	
Kwaku Agyei-Gyamfi	
Kwasi Kwakye-Mintah	
Fred Kwasi Boateng	

Executive Directors

Stephen Sekyere-Abankwa	Managing Director
Stephen Adufo Asare	Deputy Managing Director (Finance, Administration & Credit Administration)

31.2 Key Management Personnel

NAME	DESIGNATION	
Stephen Sekyere-Abankwa	Managing Director	
Stephen Adufo Asare	Deputy Managing Director (Finance, Administration & Credit Administration)	
Mary Brown (Mrs.)	Deputy Managing Director (Banking Operations)	Up to 4th May 2017
Richard K.F. Acolatse	Deputy Managing Director (Banking Operations)	Since 14th July 2017
Joyce Abankwa-Degbotse (Mrs.)	Head, Banking Operations	Since 4th July 2017
Osei Yaw Osafo	Head, Loan Recovery/ Board Secretary	
Lily-Love Adusei (Mrs.)	Financial Controller	
Ernest Danquah	Head, Internal Control	
Theodore Bob Senaya	Head, Risk Management	
Thomas Broni	Head, Compliance	

Anthony Adu	Head, Information Technology
John Kpakpo Addo	Head, Credit Administration
R. Naa Adoley Ankrah	Head, Administration & Human Resources
John M. Davis	Head, Legal Services
Seth Ampaabeng Kyeremeh	Head, Treasury, Trustee & Custodian Services
Samuel Peterson Larbi	Head, Internal Audit

31.3 List of Shareholders

The shareholders of the Bank are:

	No. of Shares	Percentage Holding
Frank Owusu	111,006,472	26.42%
J.S. Addo Consultants Limited	76,208,525	18.14%
Trustees of PBL Staff Provident Fund	51,148,541	12.18%
Kwasi Atuah	38,254,761	9.11%
Ghana Union Assurance Limited	37,510,676	8.93%
Nortey Kwashie Omaboe	32,030,000	7.62%
Stephen Sekyere-Abankwa	30,296,178	7.21%
Kofi O. Esson	18,482,248	4.40%
NTHC Limited	14,560,000	3.47%
John Kpakpo Addo	7,281,000	1.73%
Nana Agyei Duku	3,321,440	0.79%
Total	**420,099,841**	**100.00%**

www.prudentialbank.com.gh

PRUDENTIAL CHILD ADVANTAGE ACCOUNT

Saving for your child's future.

PRUDENTIAL BANK LTD.

8 John Harmond Street, Ring Road Central,
Private Mail Bag,General Post Office, Accra - Ghana.
Tel: (+233 302) 781 200 - 2/6/7. Fax: (+233 302) 781 210

CORPORATE INFORMATION

This section contains branch locations and addresses, details of correspondent banks and notice of Annual General Meeting

BRANCH LOCATIONS AND ADDRESSES

GREATER ACCRA REGION

ABEKA BRANCH
Apugu Tower,
Abeka Lapaz
Accra
Telephone: 233-302-220919/ 220920,
233-540-106755/6
233-289-557914
Fax: 233-302-220929
Email: akb.branch@Prudentialbank.com.gh

ABOSSEY OKAI BRANCH
Cap & May House,
Ring Road West,
Accra
Telephone: 233-302-669107/ 8,
233-540-106765/6
233-289-557939
Fax: 233-302-668126
Email: aob.branch@Prudentialbank.com.gh

ACCRA BRANCH
Swanzy Shopping Arcade
(Former Kingsway Building)
Telephone: 233-302-678982/ 671943 – 5
233-540-106730/1
233-289-557915
Fax: 233-302-678942
Email: bg.branch@Prudentialbank.com.gh

ADENTAN BRANCH
4A Lami Dwaahe Street
Housing Estate Road
Adentan Housing Estate
Telephone: 233-302-501346/ 7,
233-540106732/3
233-289-557912
Fax: 233-302-501345
Email: adt.branch@Prudentialbank.com.gh

BAWALESHIE BRANCH
Parcel No. 980
Adjacent SEL Fuel Station
East Legon, Accra
Telephone: 233-302-522885/7
233-540-106736/ 7
Fax: 233-302-522886
Email: bsb.branch@Prudentialbank.com.gh

EAST LEGON BRANCH
No. 2 Lyndy Street
Near American House
East Legon, Accra
Telephone: 233-302-747269/70
233-540-109480/1
233-289-557956
Fax: 233-302-747271
Email: elb.branch@Prudentialbank.com.gh

GICEL BRANCH
Gicel Estates,
Weija, Accra
Telephone: 233-302-850174 - 6
233-540-109478/9
Fax: 233-302-850173
Email: gb.branch@Prudentialbank.com.gh

KWAME NKRUMAH CIRCLE BRANCH
Oksart Place, Adjacent Ernest Chemist
Ring Road Central
Kwame Nkrumah Circle, Accra
Telephone: 233-302-246513/ 246521,
233-302-246531
233-540-106757/8
233-289-557938
Fax: 233-302-246523
Email: crb.branch@Prudentialbank.com.gh

MADINA BRANCH
Albert House,
Zongo Junction, Madina
Telephone: 233-302-511111/2
233-540-111719/20
233-577-986039
233-289-556861
Fax: 233-302-511485
Email: mab.branch@Prudentialbank.com.gh

MAKOLA BRANCH
31st December Market
Makola, Accra
Telephone: 233-302-676638/9
233-302-677837
233-540-116535/ 116754
233-289-557933
Fax: 233-302-676640
Email: mkb.branch@Prudentialbank.com.gh

MATAHEKO BRANCH
No. B439/15
The Ground Floor, IRS Building
Mataheko, Accra
Telephone: 233-540-106761/ 2
Fax: 233-577-900081
Email: mhb.branch@Prudentialbank.com.gh

METHODIST UNIVERSITY COLLEGE AGENCY
Methodist University College Campus
Dansoman, Accra
Telephone: 233-302-302484/ 5
233-289-557937
Fax: 233-302-302486
Email: mua.agency@Prudentialbank.com.gh

NORTH INDUSTRIAL AREA BRANCH
Melcom Plus
No. 3 Otublohum Street
North Industrial Area, Accra
Telephone: 233-302-221856/ 7
233-302-221880
233-540-106767/8
233-289-557932
Fax: 233-302-221875
Email: nia.branch@Prudentialbank.com.gh

NUNGUA BRANCH
Unnumbered Property
Nungua Sokpoti
Adjacent Electricity Company of Ghana
Nungua Office, Accra

Telephone: 233-302-719369 /719466
233-243-400270/1
Fax: 233-302-719458
Email: ngb.branch@Prudentialbank.com.gh

ODORKOR BRANCH
Off Accra-Winneba Road
Odorkor Traffic Light, Accra
Telephone: 233-302-311710/ 12
233-540-109482
233-263-778526
233-289-557941
Fax: 233-302-311716
Email: odb.branch@Prudentialbank.com.gh

OKAISHIE BRANCH
No. 657/4, Knutsford Avenue
Okaishie, Accra
Telephone: 233-302-664144/ 664154
233-540-116537/8
233-289-557946
Fax: 233-302-664174
Email: okb.branch@Prudentialbank.com.gh

RING ROAD CENTRAL BRANCH
(8 John Harmond Street)
Ring Road Central, Accra
Telephone: 233-302-781179/ 781162
233-302-781207
233-540-111746/7
Fax: 233-302-768421
Email: rrc.branch@Prudentialbank.com.gh

SPINTEX ROAD BRANCH
(Adjacent CCTC, Near the Coca-Cola Roundabout)
Spintex Road, Accra
Telephone: 233-302-814399/ 814409
233-302-813830
233-540-116530/1
233-289-557942
Fax: 233-302-812934
Email: srb.branch@Prudentialbank.com.gh

TAIFA BRANCH
Adjacent Goil Filling Station
Taifa Junction
Telephone: 233-302-425826
233-544-336754
Fax: 233-302-425825
Email: tfb.branch@Prudentialbank.com.gh

TEMA COMMUNITY ONE BRANCH
Prudential House,
Off Krakue Road, Commercial Area,
Tema Community One
Telephone: 233-303-217160-2/ 217140
233-540-111717/8
233-289-557935
Fax: 233-303-217137
Email: tcb.branch@Prudentialbank.com.gh

TEMA FISHING HARBOUR BRANCH
Hillpok Yard
Tema Fishing Harbour
Telephone: 233-303-207352/ 3
233-303-207345/ 9
233-540-111715/6
233-289-557916
Fax: 233-303-207357
Email: tfh.branch@Prudentialbank.com.gh

TESANO BRANCH
No. C111A/19, Nsawam Road, Tesano
Near Tesano Police Station
Telephone: 233-302-258170/ 258172
233-540-109474/7
233-289-557934
Fax: 233-302-258173
Email: tsb.branch@Prudentialbank.com.gh

UNIVERSITY OF GHANA BRANCH
The Banking Square
Opposite All Needs Supermarket
Telephone: 233-303-974467/8
233-243-900604/5
Fax: 233-303-974453
Email: ugb.branch@Prudentialbank.com.gh

VALLEY VIEW UNIVERSITY BRANCH
Valley View University Campus, Oyibi
Telephone: 233-243-400265/6, 233-277-759333
233-289-557930
Fax: 233-277-900090
Email: vvb.branch@Prudentialbank.com.gh

WEIJA BRANCH
(Opposite Phastor Contrete Works)
Accra-Winneba Road,
Weija, Accra
Telephone: 233-302-853494/ 5
233-540-106759/60
233-289-557913
Fax: 233-302-853496
Email: wb.branch@Prudentialbank.com.gh

ZONGO JUNCTION BRANCH
Link Road,
Opposite the Total Filling Station
Zongo Junction, Accra
Telephone: 233-302-678781/ 678819
233-302-678824
233-540-106763/4
233-289-557931
Fax: 233-302-678830
Email: zjb.branch@Prudentialbank.com.gh

ASHANTI REGION

ABOABO BRANCH
Near the Traffic Light, along the
Aboabo-Airport Dual Carriageway,
Kumasi
Telephone: 233-3220-47350 - 2
233-3220-98892/ 3
233-540-111721/2
233-289-557919
Fax: 233-3220-47357
Email: abb.branch@Prudentialbank.com.gh

ADUM BRANCH
Prudential Plaza,
(Formerly Unicorn House)
Adum, Kumasi
Telephone: 233-3220-83811/ 2
233-3220-83814
233-540-111723/4
233-289-557917
Fax: 233-3220-83815
Email: kab.branch@Prudentialbank.com.gh

AFFUL NKWANTA BRANCH
Near Kumasi Children's Park
Telephone: 233-3220-49450 - 2
233-540-106747/8
233-289-557920
Fax: 233-3220-49455
Email: anb.branch@Prudentialbank.com.gh

ATONSU BRANCH
91 Block "A"
Within Unity Oil Commercial Complex,
Atonsu
Telephone: 233-3220-83750/ 1
233-3220-80741
233-540-106743/4
233-289-557922
Fax: 233-3220-80635
Email: atb.branch@Prudentialbank.com.gh

KUMASI BRANCH
Cocobod Jubilee House
Adum, Kumasi
Telephone 233-3220-25667
233-540-106745/ 6
233-289-557918
Fax: 233-3220-25917
Email: kmb.branch@Prudentialbank.com.gh

SANTASI ROUNDABOUT BRANCH
Unity Oil Filling Station
Near Santasi Roundabout
Telephone: 233-3220-25888/25909
233-544-336750/1
Fax: 233-3220-25909
Email: sab.branch@Prudentialbank.com.gh

SUAME MAAKRO BRANCH
Tarkwa Maakro, New Road
Kumasi,
Telephone: 233-3220 46717/46727/46851
233-540-106740/1
233-289-557921
Fax: 233-3220-46897
Email: smb.branch@Prudentialbank.com.gh

CENTRAL REGION

CAPE COAST BRANCH
Palm House,
101/3 Commercial Street
Cape Coast
Telephone: 233-3321-31575/ 35393
233-540-116532/3
233-289-557923
Fax: 233-3321-31576
Email: ccb.branch@Prudentialbank.com.gh

UNIVERSITY OF CAPE COAST AGENCY
Oye Inn, Behind the Science Block
University of Cape Coast
Telephone: 233-3321-35653/ 4
233-289-557924
Fax: 233-3321-35643
Email: uca.agency@Prudentialbank.com.gh

UNIVERSITY OF CAPE COAST BRANCH
Ground Floor, Old Cafeteria Building
Telephone: 233-3321-36000
233-540-110933/110539
Fax: 233-3321-36005
Email: ucb.branch@Prudentialbank.com.gh

WESTERN REGION

TAKORADI HARBOUR BRANCH
Takoradi Harbour
Harbour Area
Telephone: 233-3120-21300/ 21909
233-3120-21616/ 31317
233-540-106750/1
233-289-557926
Fax: 233-3120-31371
Email: thb.branch@Prudentialbank.com.gh

TAKORADI MARKET CIRCLE BRANCH
62 Liberation Road
Market Circle, Takoradi
Telephone: 233-3120-27415/ 27452/ 27479
233-540-106752/ 111749
233-289-557925
Fax: 233-3120-27504
Email: tmc.branch@Prudentialbank.com.gh

BRONG AHAFO REGION

TECHIMAN BRANCH
Ground Floor of House No. 186
Block B, Sector 4S
Techiman-Tamale Main Road, Techiman
Telephone: 233-3525-22915/6
233-540-106738/9
Fax: 233-3525-22917
Email: teb.branch@Prudentialbank.com.gh

NORTHERN REGION

TAMALE BRANCH
Quality First Building (1st Floor)
Opposite Main Taxi Rank, Tamale
Telephone: 233-3720 27740 – 2
233-540-106734/5
233-289-557927
Fax: 233-3720-27744
Email: tab.branch@Prudentialbank.com.gh

EASTERN REGION

KOFORIDUA BRANCH
Property No. OBG 16, Sector 1
Central Area
Opposite the Jackson Park, Koforidua
Telephone: 233-3420-23134
233-556-489964/5
233-289-557927
Fax: 233-3420-20782
Email: kfb.branch@Prudentialbank.com.gh

All our branches are networked and customers can withdraw or pay in at any of them.

CORRESPONDENT BANKS

CITIBANK N.A.
111 WALL STREET
19TH FLOOR
NEW YORK, N.Y. 10043
U.S.A.

CITIBANK N.A.
CITIGROUP CENTRE
P.O. BOX 78
33 CANADA SQUARE, CANARY WHARF
LONDON E14 5LB
UNITED KINGDOM

CITIBANK A.G.
NEUE MAINZER STRASSE 75
60311 FRANKFURT MAIN
GERMANY

ODDO BHF BANK
AKTIENGESSELLSCHAFT
BOCKENHEIMER LANDSTRASSE 10
60323 FRANKFURT AM MAIN
GERMANY

GHANA INTERNATIONAL BANK PLC
67 CHEAPSIDE
1ST FLOOR
LONDON, EC2V 6AZ
UNITED KINGDOM

BANK OF BEIRUT (UK) LIMITED
17A CURZON STREET
LONDON W1J 5HS
UNITED KINGDOM

NON -TRADTIONAL EXPORT FINANCE

Let's go global!

TO: ALL MEMBERS
DIRECTORS
AUDITORS

NOTICE OF ANNUAL GENERAL MEETING

We are pleased to give you notice of, and invite you to the twenty-first (21st) Annual General Meeting of Prudential Bank Limited to be held at the Boardroom of the Head Office, 8 John Harmond Street, Ring Road Central, Accra, on **WEDNESDAY, 16TH MAY, 2018, at 11am** to transact the following business:

Agenda

1. To receive and consider the report of the Directors for the financial year ended 31st December, 2017.
2. To receive and consider the Auditors Report for the financial year ended 31st December, 2017.
3. To receive, consider and approve the Annual Accounts.
4. To elect the Auditors.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. Any other matter.

Dated this 23rd day of April, 2018.

By Order of the Board

OSEI YAW OSAFO
BOARD SECRETARY

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in place of that Member. A Proxy need not be a Member. A Proxy Form is attached.
2. The Proxy Form must be delivered by hand or post to The Secretary, Prudential Bank Limited, PMB, G.P.O, 8 John Harmond Street, Ring Road Central, Accra at least 24 hours before the appointed time for the Meeting.
3. A copy of the Audited Financial Statement is attached.

PRUDENTIAL BANK LIMITED

PROXY FORM

FOR USE AT THE 21ST ANNUAL GENERAL MEETING TO BE HELD ON
WEDNESDAY, 16TH MAY, 2018, AT THE BOARDROOM, OF
PRUDENTIAL BANK LIMITED
8 JOHN HARMOND STREET, RING ROAD CENTRAL, ACCRA

I/We ……………………………………………………………………………………………………

(Block capitals)

being a member(s) of Prudential Bank Limited hereby appoint *……………………………………

or failing him, the duly appointed Chairman of the meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held on Wednesday, **16th May, 2018 at 11.00am** and at any and every adjournment thereof.

<table>
<tr><th>ITEM</th><th>RESOLUTIONS</th><th>FOR</th><th>AGAINST</th><th></th></tr>
<tr><td>1.</td><td>To receive and consider the report of the Directors for the financial year ended 31st December, 2017.</td><td></td><td></td><td rowspan="5">Within the appropriate square provided “FOR” or “AGAINST” each Resolution hereof, you are to indicate with an “X” how your votes are to be cast. Failing to so instruct, the Proxy will vote or abstain from voting at the said Proxy’s discretion.</td></tr>
<tr><td>2.</td><td>To receive and consider the Auditors’Report for the financial year ended 31st December, 2017.</td><td></td><td></td></tr>
<tr><td>3.</td><td>To receive, consider and approve the Annual Accounts.</td><td></td><td></td></tr>
<tr><td>4.</td><td>To elect the Auditors.</td><td></td><td></td></tr>
<tr><td>5.</td><td>To authorize the Directors to fix the remuneration of the Auditors.</td><td></td><td></td></tr>
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NOTES:

1. A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you exercise your vote, if you cannot attend personally.

2. Provision has been made on the form for the Chairman of the Meeting to act as your proxy but, if you wish, you may insert in the blank space supra marked *, the name of any person, whether a member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman of the Meeting.

3. In the case of joint holders, each holder should sign.

4. If executed by a company/corporation, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director.

5. Please sign the above Proxy Form and deliver or post it so as to reach **The Secretary, Prudential Bank Limited, 8 John Harmond Street, Ring Road Central, Accra not later than 11am on 15th May, 2018.**

Dated .... For: ....

Signature of Shareholder

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE MEMBER WOULD BE ATTENDING THE MEETING

PBL STUDENT ACCOUNTS

PRUDENTIAL BANK LTD.

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0289557936, 0540111746/7. Fax: (+233 302) 781 210
E-mail: headoffice@prudentialbank.com.gh
Website: www.prudentialbank.com.gh

Koforidua Branch opening (insert) Mr. Stephen Adufo Asare, Deputy Managing Director (Finance, Administration & Credit Administration) cutting the tape to officially open the Koforidua Branch