ANNUAL REPORT 2018

PRUDENTIAL BANK LIMITED

CONTENTS

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.

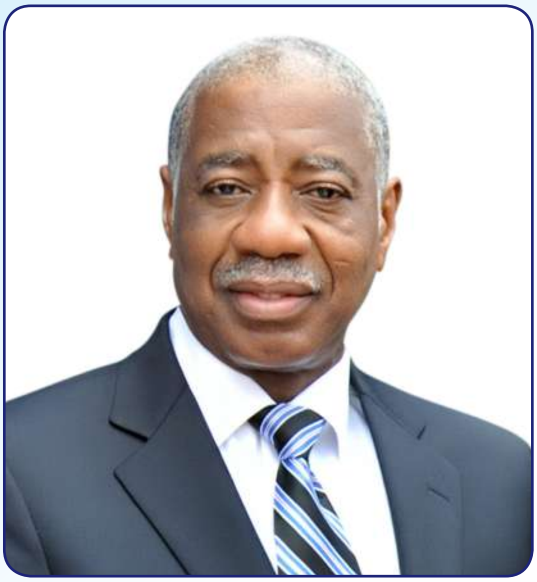
ABOUT US

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 10 previous regions in Ghana, with plans to expand to all the regions in Ghana.

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

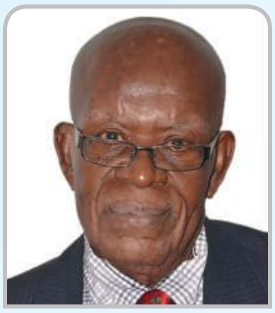
is engaged in fund management, corporate finance and business advisory services.

Prudential Stockbrokers Limited

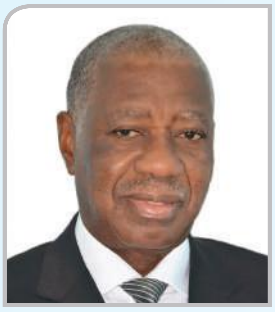
is engaged in stockbrokerage, equity and economic research and advisory services.

www.prudentialbank.com.gh

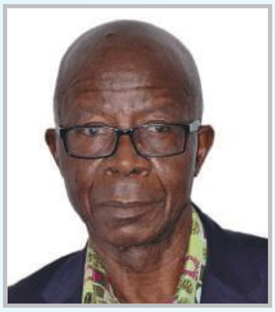
BOARD OF DIRECTORS



Kwaku Agyei-Gyamfi
Acting Chairman



Stephen Sekyere-Abankwa
M. D.

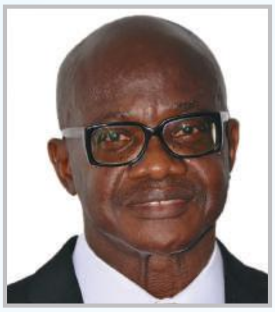


Samuel Nkansa-Boadi
Member

Nortey K. Omaboe
Member

Joana Felicity Dickson
Member

Aretha Duku
Member



Kwame Kwakye-Mintah
Member

Fred Kwasi Boateng
Member

Daniel Asah Kissiedu
Member

Samuel Petterson Larbi
Member

OSEI YAW OSAFO (BOARD SECRETARY)

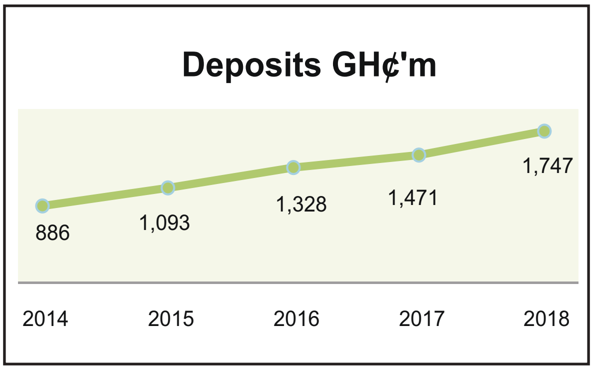
POSTAL ADDRESS:
Private Mail Bag
General Post Office
Accra.

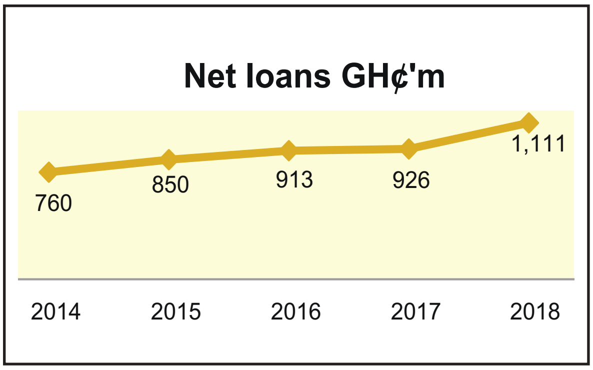
REGISTERED OFFICE:
No. 8 John Harmond Street
Ring Road Central
Accra, Ghana

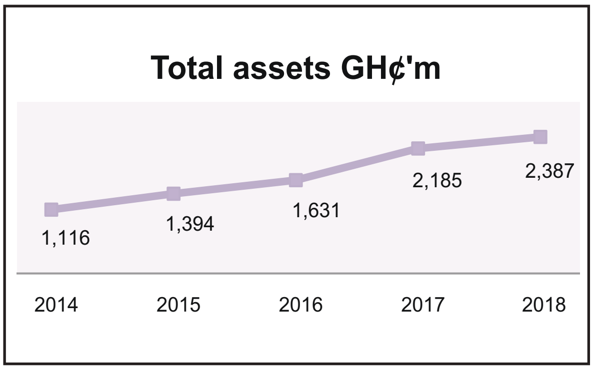
Tel:	233-302-781200-5
Fax:	233-302-781210
TLX:	233-302-2954 PBL GH
	233-302-2087 PBL GH
Cable:	Prubank
Swiftcode:	PUBKGHAC
E-mail:	headoffice@prudentialbank.com.gh
Website:	www.prudentialbank.com.gh

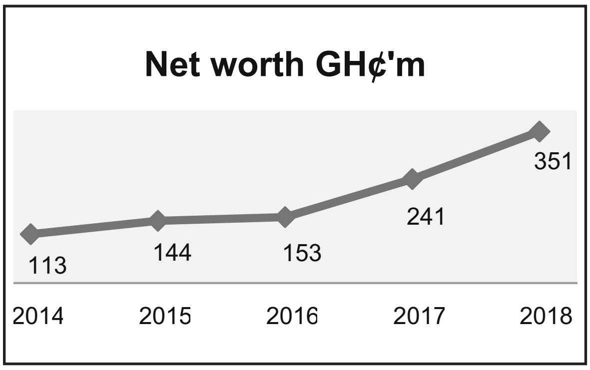
AUDITORS:
Morrison & Associates
Chartered Accountants, Tax & Management Consultants
2nd Floor, Trinity House
Ring Road East
P.O. Box CT 2890
Cantonments, Accra

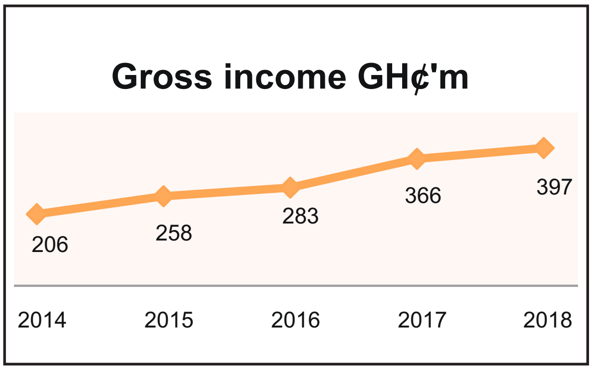
FINANCIAL HIGHLIGHTS

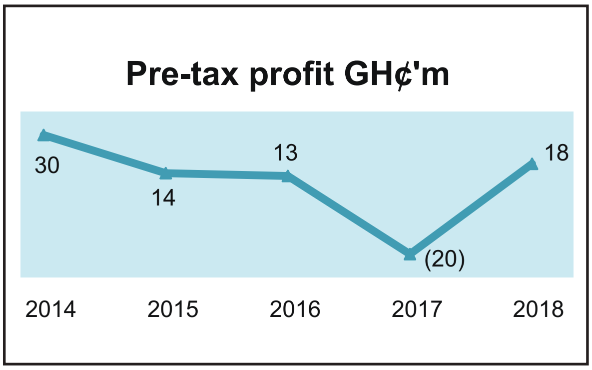


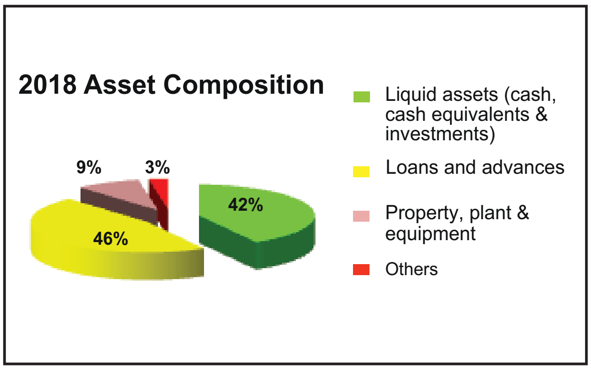


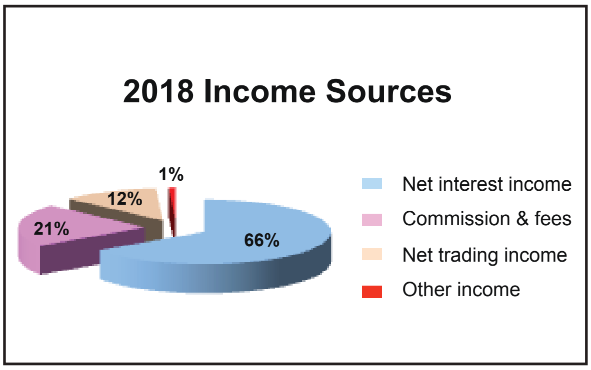












FIVE YEARS SUMMARY OF BANK'S PERFORMANCE (2014 - 2018)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of Ghana cedis					
	2018	**2017**	**2016**	**2015**	**2014**
Interest income	317,694	311,794	235,750	204,560	153,151
Interest expense	(169,737)	(157,962)	(118,462)	(102,297)	(69,732)
Net interest income	**147,957**	**153,832**	**117,288**	**102,263**	**83,419**
Net fee and commission income	47,768	35,477	32,497	35,204	30,316
Net trading and other operating income	29,658	17,221	13,131	17,139	22,958
Operating income	**225,383**	**206,530**	**162,916**	**154,606**	**136,693**
Net impairment loss on financial assets	(28,475)	(67,144)	(17,388)	(30,483)	(15,531)
Operating expenses	(179,183)	(159,470)	(132,648)	(110,063)	(91,004)
Profit/ (loss) before tax	**17,725**	**(20,084)**	**12,880**	**14,060**	**30,158**
Income tax expense	(6,134)	(6,732)	(4,249)	(4,261)	(10,770)
PROFIT/ (LOSS) FOR THE YEAR	**11,591**	**(26,816)**	**8,631**	**9,799**	**19,388**
Other comprehensive income (net of tax)	35,926	–	–	24,059	–
TOTAL COMPREHENSIVE INCOME	**47,517**	**(26,816)**	**8,631**	**33,858**	**19,388**
RETAINED EARNINGS					
Balance at 1st January	(31,790)	23,925	17,452	10,586	4,125
Profit/ (loss) for the year	11,591	(26,816)	8,631	9,799	19,388
	(20,199)	**(2,891)**	**26,083**	**20,385**	**23,513**
Transfer to statutory reserve	(5,796)	–	(2,158)	(2,450)	(9,694)
Transfer to credit risk reserve	2,142	(13,564)	–	2,517	(838)
Dividend paid	–	–	–	(3,000)	(2,395)
Transfer to stated capital	–	(20,000)	–	–	–
Accumulated profit on merger	–	4,665	–	–	–
Balance at 31st December	**(23,852)**	**(31,790)**	**23,925**	**17,452**	**10,586**

FIVE YEARS SUMMARY OF BANK'S PERFORMANCE (2014 - 2018)

STATEMENT OF FINANCIAL POSITION

in thousands of Ghana cedis

	2018	2017	2016	2015	2014
Assets					
Cash and cash equivalents	547,431	859,320	230,130	224,985	155,026
Investment securities	450,562	171,359	359,788	203,680	134,983
Loans and advances to customers	1,110,957	925,815	913,471	849,648	760,450
Taxation	12,771	7,243	11,161	8,828	–
Equity investments	1,766	1,766	7,366	7,366	7,366
Intangible assets	6,136	2,931	5,781	9,019	11,635
Property, plant & equipment	214,994	173,792	92,688	83,207	38,957
Other assets	42,877	42,609	10,766	7,202	7,195
Total assets	**2,387,495**	**2,184,835**	**1,631,151**	**1,393,935**	**1,115,612**
LIABILITIES AND SHAREHOLDERS' FUNDS					
Liabilities					
Deposits from banks & other financial institutions	2,907	5,797	2,901	1,779	820
Deposits from customers	1,744,465	1,465,665	1,325,008	1,091,682	884,720
Taxation	14,238	2,493	2,231	1,975	1,430
Borrowings	162,797	403,524	117,273	127,485	97,500
Other liabilities	112,230	66,566	31,057	26,964	17,950
Total liabilities	**2,036,637**	**1,944,045**	**1,478,470**	**1,249,885**	**1,002,420**
Shareholders' Funds					
Stated capital	127,666	127,666	62,453	62,453	62,453
Deposit for shares	24,000	9,618	–	–	–
Retained earnings	(23,852)	(31,790)	23,925	17,452	10,586
Statutory reserve	42,540	36,744	36,744	34,586	32,136
Credit risk reserve	59,590	13,564	–	–	2,517
Revaluation reserve	120,914	84,988	29,559	29,559	5,500
Total equity and reserves	**350,857**	**240,790**	**152,681**	**144,050**	**113,192**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**2,387,495**	**2,184,835**	**1,631,151**	**1,393,935**	**1,115,612**

CHAIRMAN'S STATEMENT

1.0 INTRODUCTION

Distinguished Shareholders, Directors, Ladies and Gentlemen, it is my pleasure to welcome you to the 22nd Annual General Meeting of Prudential Bank Limited and to report on the position and performance of your Bank for the year ended 31st December 2018.

Let me start by giving an overview of the economic environment in which the Bank operated.

2.0 THE GLOBAL ECONOMIC ENVIRONMENT

The cyclical recovery of global economic activities that began in the second half of 2016 continued steadily until the second half of 2018 when global expansion began to show signs of slowdown. According to the IMF's World Economic Outlook (WEO) report for April 2019, the deceleration of global expansion in the second half of 2018 was due to a number of factors that affected major economies. These included the disruption to car manufacturing in Germany due to strict enforcement of automobile fuel emission standards; reduction of investments in Italy due to sovereign and financial risks as well as weakening financial markets; regulatory tightening in China to rein in debt and constrain shadow banking and also tariff hikes due to trade tension with the United States; and the potential risk involved in a 'no-deal' withdrawal of the United Kingdom from the European Union.

Overall, growth in advanced economies reduced from 2.4% in 2017 to 2.2% in 2018. This was mainly due to the country-specific factors already mentioned with respect to Germany, Italy and the U.K. as well as general decline in growth of other G7 economies including Canada, France and Japan. Among the G7 economies, the growth momentum of the United States remained strong and robust in spite of the trade tensions with China. This was mainly as a result of increased fiscal stimulus.

Growth in emerging market and developing economies (EMDEs) declined from 4.8% in 2017 to 4.5% in 2018. The IMF attributed the deceleration to the effects of worsening global financial markets sentiment which compounded country-specific factors.

Overall, the global economic growth for 2018 is estimated at 3.6% compared to a growth of 3.8% in 2017.

3.0 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2018

3.1 Rebased GDP

The Ghana Statistical Service completed a GDP rebasing exercise in September 2018. This involved the rebasing of quarterly GDP estimates for the first quarter of 2013 to the second quarter of 2018 and calculating GDP using 2013 as the base year.

3.2 Overall Performance

According to provisional estimates released by the Ghana Statistical Service in April 2019, rebased real GDP growth for 2018 was 6.3% (including oil) compared to 8.1% in 2017. This was higher than the 2018 end of year GDP growth target of 5.6%. Non-oil GDP growth for the same period was 6.5%, up from 4.6% in 2017. The finance and insurance subsector recorded a contraction of 8.2% in GDP, which could be attributed to factors including the banking sector clean-up exercise during the year under review. The fiscal deficit at the end of 2018 was provisionally estimated at 3.8% of GDP on a cash basis against a target of 3.7% and a deficit of 4.8% in 2017.

3.3 Inflation, Monetary Policy Rates and Interest Rates

The inflation rate continued its steady decline from 11.8% at the end of December 2017 to 9.4% at the end of December 2018. According to the Bank of Ghana, the decline was mainly driven by the reduction in non-food inflation on the back of a relatively tight monetary policy stance. The year-end inflation target of 8.9% was however not achieved.

In line with the downward inflationary trends, the Monetary Policy Committee (MPC) of the Bank of Ghana dropped the Monetary Policy Rate (MPR) cumulatively by 300 basis points from 20% at the end of December 2017 to 17% in May 2018, where it remained up to the end of 2018.

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 19.3% at the end of December 2017 to 16.1% at the end of December 2018 in line with the downward trend of the monetary policy rate. The average lending rates of banks reduced accordingly from 29.3% at the end of December 2017 to 26.9% at the end of December 2018.

The interest rates on government securities however trended upwards due to heavy reliance on domestic sources of financing by government. The 91-day Treasury-bill rate increased from 13.3% in December 2017 to 14.6% at the end of December 2018 whilst the 182-day Treasury bill rate increased from 13.8% to 15.0% within the same period. Similarly, the yields on the secondary bond market increased from an average of 16.7% at the end of 2017 to an average of 21.2% by the end of December 2018.

3.4 Exchange Rates

The cedi recorded a cumulative depreciation of 8.4% against the US dollar from GH¢4.4157 to the dollar at the end of 2017 to GH¢4.8200 at the end of 2018. Within the same period in 2017, the cedi depreciation against the U.S. dollar was 4.9%. The higher rate of depreciation in 2018 was attributable to the adverse impact of global conditions, particularly, the strengthening of the US dollar, which also affected other emerging market and frontier economies negatively.

4.0 THE BANKING SECTOR

4.1 Banking Sector Reforms

Distinguished Ladies and Gentlemen, the Bank of Ghana continued and completed its banking sector reform agenda that began in 2017. According to the Bank of Ghana, the objective of the reform was to clean up the sector and strengthen its regulatory and supervisory framework.

Pursuant to the banking sector reform, the central bank on 1st August 2018 approved a purchase and assumption transaction that saw all deposits and selected assets of five universal banks transferred to Consolidated Bank Ghana Limited, a newly incorporated universal bank owned 100% by the Government of Ghana. Thereafter, the licences of the five banks were revoked and their remaining assets and liabilities placed under receivership.

The central bank had by a directive issued on 11th September 2017 given all universal banks up to 31st December 2018 to increase their paid-up capital to at least GH¢400 million. Following the recapitalisaton exercise, there are now 23 universal banks as at the end of December 2018.

4.2 Other Key Policy Directives

Other key regulatory policy directives by the central bank included the loan-loss write-off policy which directed universal banks to write off loans that still stood in their books two years after they had been fully provisioned for. The central bank also issued the Cyber and Information Security Directive aimed at addressing the growing threats of cyber crimes in the sector.

4.3 Banking Sector Performance

The loan-loss write-off policy of the central bank has to a large extent contributed to the reduction in the nonperforming loan ratio of banks from 21.6% at the end of 2017 to 18.2% at the end of 2018.

According to the Bank of Ghana, gross advances increased by 12.9% from GH¢37.8 billion at the end of 2017 to GH¢42.7 billion at the end of December 2018.

Investments overtook net advances as the largest contributor to the asset portfolio of the banking sector, increasing in proportion from 30.5% in 2017 to 35.6% at the end of 2018. The proportion of net advances in the asset portfolio, which has been reducing since 2015 reduced further to 29.6% at the end of 2018 from 33.3% in 2017.

Total assets grew by 12.3% from GH¢93.6 billion at the end of 2017 to GH¢105.1 billion at the end of December 2018. The asset growth in 2017 was 14.8%. It is expected that the growth in assets will rebound as banks leverage on the increased capital.

The banking sector's total deposits as at the end of December 2018 was GH¢68.3 billion compared to GH¢58.2 billion at the end of December 2017, indicating a growth of 17.3%. The growth in deposits in the previous year was 10.5%.

Borrowings contracted by 12.4% in December 2018 compared with a growth of 23.2% in December 2017, reflecting less reliance by banks on borrowings as a result of increased deposit mobilization and equity injection.

5.0 PRUDENTIAL BANK LIMITED IN YEAR 2018

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

Distinguished Ladies and Gentlemen, as you are already aware, your Bank had met the central bank's Minimum Capital Directive partly through a rights issue and partly through a commitment by the Ghana Amalgamated Trust Plc (GAT), a special purpose entity, to inject GH¢250 million equity into the Bank.

GAT is an initiative by the Government of Ghana to support solvent and well-run indigenous banks that were having difficulties meeting the deadline for the attainment of the central bank's minimum paid-up capital.

Ladies and Gentlemen, your Bank is currently at an advanced stage of negotiations with GAT to complete the capital injection transaction. The additional capital is expected to increase the Bank's capacity to do more business and improve profitability. Shareholders will be invited to pass resolutions to approve the two transaction documents. Shareholders will also be requested to pass other resolutions relating to the agreements to be approved.

5.2 Operational Developments

Distinguished Shareholders and Directors, as part of the Bank's strategy to increase income from money transfer services, the Bank opened additional payment points for international remittance at three branches in Accra and Kumasi.

The Bank also entered into a new agency agreement with Trans-Fast Remittance LLC to bring the number of money transfer institution agencies held by the Bank to six. This is expected to improve the inflow of foreign currency and commission income.

In addition, the Bank successfully enrolled on to the GhIPSS Instant Pay (GIP) platform. This allows customers to make payments to accounts at other banks through internet banking.

5.3 Mobilization of Resources

During the year under review, your Bank mobilized GH¢276 million in deposits to increase its deposit base from GH¢1,471 million at the end of 2017 to GH¢1,747 million at the end of 2018, an increase of 18.7%. A significant proportion of the deposits was mobilized from private entities and individuals.

Shareholders' funds increased by 45.6% from GH¢241 million at the end of December 2017 to GH¢351 million at the end of December 2018. The growth was mainly as a result of additional capital injection by existing shareholders, retained earnings and an increase in the revaluation reserves.

5.4 Allocation of Resources

Distinguished Shareholders and Directors, the total assets of your Bank grew by 9.2% from GH¢2,185 million at the end of 2017 to GH¢2,387 million at the end of December 2018. The growth was funded by deposits, borrowings and shareholders' funds.

Gross loans and advances increased by 11.9% from GH¢1,073 million at the end of 2017 to GH¢1,201 million at the end of December 2018 whilst net loans and advances increased by 20.0% from GH¢926 million to GH¢1,111 million within the same period.

The Bank's portfolio of investment securities stood at GH¢451 million at the end of 2018, reflecting an increase of 163.7% over 2017 end of year position of GH¢171 million. The portfolio mainly comprised Government of Ghana and Bank of Ghana securities.

5.5 Results of Operations

Distinguished Shareholders and Directors, in spite of the turbulent operating environment, your Bank was able to turn the corner and recorded a modest pre-tax profit of GH¢17.7 million compared to the loss of GH¢20.1 million recorded in year 2017. The profit after tax for the year was GH¢11.6 million, giving an average return on assets (ROA) of 0.8% and average return on equity (ROE) of 3.9%.

5.6 Dividend

Distinguished Ladies and Gentlemen, the Directors were unable to recommend the payment of dividend to shareholders due to the recapitalisation process during the year.

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. Support for education and other social needs amounted to GH¢323,494 in year 2018 compared to GH¢791,700 in year 2017. The institutions that received support from your Bank during the year included the following:

- University of Ghana;
- UCC School of Medical Sciences;
- University for Development Studies;
- Institute of African Studies;
- Takoradi Technical University;
- Chartered Institute of Bankers, Ghana;
- Wesley Girls High School;
- Aggrey Memorial A.M.E. Zion SHS;

- Ghana Police Service;
- Ghana Immigration Service;
- Infantry Battalion, Kamina Barracks;
- Accra Metropolitan Assembly;
- Tamale Metropolitan Assembly;
- Sekondi – Takoradi Metropolitan Assembly; and
- National Health Insurance Authority (NHIA).

5.8 Corporate Governance

Distinguished Shareholders and Directors, 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 and ensured that the Bank continued to comply with all relevant laws and regulations.

5.9 Change of External Auditors

Distinguished Ladies and Gentlemen, at the last Annual General Meeting held in May 2018, we received the Shareholders' authority to appoint a suitable new external auditor. This was in pursuance of the Bank of Ghana's directive of June 2011 and in furtherance of corporate governance best practice to replace external auditors after six years in office. Consequently, the Board of Directors appointed Messrs Morrison & Associates as the Bank and the Group's new external auditor.

6.0 OUTLOOK FOR YEARS 2019 AND 2020

6.1 The Global Economy

According to the IMF, global economic growth will decline from the estimated 3.6% attained in 2018 to 3.3% in 2019 before returning to 3.6% in 2020. However, growth in sub-Saharan Africa is projected to increase from 3.0% in 2018 to 3.5% in 2019 and further to 3.7% in 2020.

6.2 The Ghanaian Economy

The Government's 2019 Budget indicated a number of measures required to sustain the macroeconomic gains arising out of the completion of the IMF Extended Credit Facility (ECF) programme in April 2019. These include the passing of legislation on the fiscal responsibility rule to cap the fiscal deficit to not more than 5% of GDP, the institution of a risk management framework and, the strict enforcement of the Public Financial Management Act to promote efficient and effective public financial management. The government has also declared in its 2019 Budget Statement that it would provide some fiscal impulse to boost economic expansion, especially in the non-oil sector and vigorously pursue revenue mobilization.

The real sector of the economy is also expected to experience an increase in activities spurred by increased credit by banks after the recapitalisation.

Based on these and other factors, the IMF and World Bank have projected that the growth target of 7.6% of GDP in the Government's 2019 Budget is likely to be exceeded.

6.3 The Banking Sector

Distinguished Ladies and Gentlemen, following the conclusion of the banking sector clean-up and the recapitalisation process, banks are now in a better position to support private-sector led growth in the Ghanaian economy. It is also expected that the 23 remaining banks would refocus on improving the efficiency of their operations to make adequate returns to shareholders whilst meeting the needs of other stakeholders.

The recently-enacted Payments System and Services Act, 2019 (Act 987) provides opportunities for innovations that will make the payments system more efficient and in tune with the rapidly changing means of doing business. The Act among other things seeks to ensure that financial services are extended beyond traditional branch-based channels to electronic channels.

6.4 Prudential Bank Limited

Distinguished Ladies and Gentlemen, your Bank's business going forward would be guided by its Five-Year Strategic Plan, 2019–2023 as well as the need to meet shareholders expectations. The Strategic Plan document identified some key operational constraints faced by the Bank and crafted solutions to address them. It is the expectation of Management that the execution of these well-crafted solutions will propel the Bank into a new era of significantly improved and sustainable performance leading to the delivery of good value to shareholders and other stakeholders.

7.0 ACKNOWLEDGEMENTS

Distinguished Ladies and Gentlemen, the central bank's Corporate Governance Directive became effective in March 2018. In line with the Directive, a number of us will be leaving the Board by the end of the year 2019. We however stand ready to continue to offer our loyal support and advice to our dear Bank when called upon to do so and we wish new Board members the best of luck.

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 turbulence that we experienced in this review period.

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 over the past 22 years.

Thank you.

KWAKU AGYEI-GYAMFI
ACTING CHAIRMAN

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 eleven (11) directors comprising nine (9) non-executive directors, one of whom is the acting 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. In addition, the Committee is responsible for reviewing all credit related policies of the Bank and also considers any other credit related matter referred to it by the Board.

Management

To ensure balanced decision-making and active participation of key management staff in the administration of the Bank, the following committees form part of the Bank's governance structure:

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

- Business Strategy & Risk Management Committee;
- Finance and Budget Committee; and
- Disciplinary 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 contents of the Bank's personnel policies, which embody the code of conduct, 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 anti-money laundering (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 system of internal controls is designed to manage or mitigate risk to an acceptable residual level. The system of internal controls provides 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.

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

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 22nd annual report together with the audited financial statements of the Bank and its subsidiaries for the year ended 31st December 2018 as follows:

a. Subsidiaries

The subsidiary companies of the Bank at the reporting date of 31st December 2018 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. 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.

c. Results and Dividend

The results of operations for the year ended 31st December 2018 are set out in the separate and consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the financial statements from pages 38 – 97.

The Directors are unable to recommend the payment of dividend in respect of the year ended 31st December 2018.

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

A summary of the results is as follows:

	2018		2017	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Retained earnings balance as at 1st January	(31,790)	(28,554)	23,925	30,694
Prior year adjustment	–	15		
IFRS 9 transition adjustment	48,168	48,168	–	–
Transfer to credit risk reserve due to IFRS 9	(48,168)	(48,168)	–	–
Restated balance as at 1st January 2018	**(31,790)**	**(28,539)**	**23,925**	**30,694**
Transferred to stated capital	–	–	(20,000)	(20,000)
Net profit/ (loss) for the year	11,591	11,695	(26,816)	(25,800)
	(20,199)	**(16,844)**	**(22,891)**	**(15,106)**
The following transfers have been made:				
Credit risk reserve	2,142	2,142	(13,564)	(13,564)
Accumulated profit in respect of PBL Properties Ltd on merger	–	–	4,665	116
Statutory Reserve	(5,796)	(5,796)	–	–
	(3,654)	**(3,654)**	**(8,899)**	**(13,448)**
Retained earnings as at 31st December	**(23,852)**	**(20,497)**	**(31,790)**	**(28,554)**
TOTAL ASSETS	**2,387,495**	**2,390,870**	**2,184,835**	**2,188,252**

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

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.

The Bank has by the end of 31st December 2018 secured a firm commitment from Ghana Amalgamated Trust Plc (GAT) for equity injection of GH¢250 million to meet the new minimum capital of GH¢400 million as directed by Bank of Ghana.

BY ORDER OF THE BOARD

....

Director
KWAKU AGYEI-GYAMFI

....

Director
STEPHEN SEKYERE-ABANKWA

13TH MARCH
.... **2019**

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 2018, 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 financial statements including a summary of significant accounting policies and other explanatory notes.

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 2018, 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) as amended by the Anti-money Laundering Act, 2014 (Act 874), the Securities Industry Act, 2016 (Act 929) and the International Financial Reporting Standards.

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.

Provision for Loan Impairment Loss

Prudential Bank Limited assesses its loans and advances for impairment using the Expected Credit Loss Method in compliance with IFRS 9 Financial Instruments. In using this method, the bank applies significant judgements and assumptions in determining the amount of impairment loss that is expected to occur. The key assumptions which were used in the calculation of the expected credit losses for 2018 included the use of probabilities of default, loan classification and loss given defaults.

We responded to the risk of material misstatement of the impairment loss provision by evaluating the effectiveness of the Bank's IFRS 9 Impairment Model used in calculating the expected credit loss. We also reviewed the reasonability of the key assumptions used in the computation. Our review of the assumptions resulted in additional IFRS impairment provision and recommended same for adjustment by the Bank

Responsibilities of Management and Directors for the Consolidated Financial Statements

As described on Page 28, the Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), 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 for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated 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 scepticism 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 the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the 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 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 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 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.

Other Matters

The financial statements of Prudential Bank Limited for the year ended 31st December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 14th March 2018.

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 2018 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) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874) and the Anti-Terrorism Act, 2008 (Act 762).

The engagement partner on the audit resulting in this independent auditor's report is: **Samuel Wilfred Yaw Inkoom** (Practising Certificate Number: ICAG/P/1118)

Particulars of the Auditor:

Signature: Morrison & Associates ....

Name: Morrison & Associates
Chartered Accountants

Licence Number: ICAG/F/2019/097

Address: 2nd Floor Trinity House, Ring Road East
P.O. Box CT 2890 Cantonments - Accra, Ghana

13TH MARCH
.... **2019**

Accra, Ghana

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 Bank GH¢'000	2018 Group GH¢'000	2017 Bank GH¢'000	2017 Group GH¢'000
Statement of profit or loss for the year ended 31st December					
Interest income	7.1	317,694	317,381	311,794	311,794
Interest expense	7.2	(169,737)	(169,703)	(157,962)	(157,958)
Net interest income		147,957	147,677	153,832	153,836
Fee and commission income	8.1	49,632	49,632	36,802	36,802
Fee and commission expense	8.2	(1,864)	(1,863)	(1,325)	(1,325)
Net fee and commission income		47,768	47,769	35,477	35,477
Net trading income	9	27,514	27,518	16,904	16,904
Other operating income	10	2,144	3,448	317	2,371
		29,658	30,966	17,221	19,275
Total operating income		225,383	226,412	206,530	208,588
Net impairment loss on financial assets	16.3	(28,475)	(28,475)	(67,144)	(67,144)
Personnel expenses	11	(94,660)	(95,263)	(73,371)	(73,814)
Depreciation and amortisation	18,19	(15,467)	(15,506)	(14,183)	(14,209)
Other expenses	12	(69,056)	(69,339)	(71,916)	(72,118)
		(207,658)	(208,583)	(226,614)	(227,285)
Profit/(loss) before income tax		17,725	17,829	(20,084)	(18,697)
Income tax expense	13	(6,134)	(6,134)	(6,732)	(7,103)
Profit/(loss) for the year		**11,591**	**11,695**	**(26,816)**	**(25,800)**
Other comprehensive income					
Items that will not be reclassified to profit or loss in subsequent periods					
Revaluation of property, plant & equipment (net of tax)		35,926	35,926	–	–
Total other comprehensive income (net of tax)		**35,926**	**35,926**	–	–
Total comprehensive income for the year		**47,517**	**47,621**	**(26,816)**	**(25,800)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 Bank GH¢'000	2018 Group GH¢'000	2017 Bank GH¢'000	2017 Group GH¢'000
ASSETS					
Cash and cash equivalents	14	547,431	547,431	859,320	859,320
Investment securities	15	450,562	450,562	171,359	171,359
Loans and advances to customers	16	1,110,957	1,096,694	925,815	925,815
Equity investments	17	1,766	6,132	1,766	5,252
Current tax asset	13	12,771	12,949	7,243	7,231
Intangible assets	19	6,136	6,186	2,931	2,988
Property, plant & equipment	18	214,994	215,024	173,792	173,756
Other assets	21	42,877	55,892	42,609	42,531
Total assets		**2,387,495**	**2,390,870**	**2,184,835**	**2,188,252**
LIABILITIES					
Deposits from banks & other financial insitutions	22	2,907	2,907	5,797	5,797
Deposits from customers	23	1,744,465	1,741,913	1,465,665	1,461,665
Borrowings	24.2	162,797	162,797	403,524	403,524
Deferred tax liabilities	20	14,238	14,237	2,493	2,506
Other liabilities	24.1	112,230	114,804	66,566	70,734
Total Liabilities		**2,036,638**	**2,036,658**	**1,944,045**	**1,944,226**
EQUITY					
Stated capital*	25.1	127,666	127,666	127,666	127,666
Deposit for shares*	25.5	24,000	24,000	9,618	9,618
Retained earnings		(23,852)	(20,497)	(31,790)	(28,554)
Statutory reserve		42,540	42,540	36,744	36,744
Credit risk reserve		59,590	59,590	13,564	13,564
Revaluation reserve		120,914	120,914	84,988	84,988
Total equity attributable to equity holders of the Bank		**350,857**	**354,2123**	**240,790**	**244,026**
TOTAL LIABILITIES AND EQUITY		**2,387,495**	**2,390,870**	**2,184,835**	**2,188,252**

*Note: The Bank has by the end of 31st December 2018 secured a firm commitment from Ghana Amalgamated Trust Plc (GAT) for equity injection of GH¢250 million to meet the new minimum capital of GH¢400 million as directed by Bank of Ghana.

BY ORDER OF THE BOARD

....)
)
)
) **DIRECTORS**
)
....)

ACCRA

13TH MARCH **2019**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 Bank GH¢'000	2018 Group GH¢'000	2017 Bank GH¢'000	2017 Group GH¢'000
Cash flows from operating activities					
Profit/(loss) before tax		17,725	17,829	(20,084)	(18,697)
Adjustments for:					
Depreciation and amortisation	18,19	15,467	15,506	14,183	14,209
Impairment on financial assets	16.3	28,475	28,475	67,144	67,144
Impairment on contingencies		(1,233)	(1,233)	–	–
Bad debt written off		(36,877)	(36,877)	–	–
Surplus on merger		–	–	4,665	116
(Profit)/loss on disposal of property, plant & equipment	18	(1,854)	(1,854)	142	142
Change in equity investments	17	–	(880)	5,600	(5,020)
Change in loans and advances to customers	16	(128,394)	(114,131)	(79,487)	(79,487)
Change in other assets	21	(268)	(13,360)	(31,843)	(31,505)
Change in deposits from banks & other financial institutions	22	(2,890)	(2,890)	2,896	2,896
Change in deposits from customers	23	278,800	280,248	141,353	136,110
Change in borrowings	24	(240,727)	(240,727)	286,251	286,251
Change in other liabilities	24	46,896	45,282	35,509	39,488
Tax refund received	13	6,291	6,291	–	–
Income tax paid	13	(18,183)	(18,373)	(2,552)	(2,906)
Net cash used in operating activities		**(36,771)**	**(36,693)**	**423,777**	**408,741**
Cash flows from investing activities					
Purchase of investment securities	15	(279,380)	(279,380)	(165,399)	(164,934)
Purchase of property, plant & equipment	18	(7,047)	(7,066)	(36,731)	(27,314)
Proceeds from the sale of property, plant & equipment	18	3,170	3,170	1	1
Purchase of intangible assets	19	(6,243)	(6,302)	(420)	(420)
Net cash used in investing activities		**(289,500)**	**(289,578)**	**(202,549)**	**(192,667)**
Cash flows from financing activities					
Proceeds from rights issue	25.1	–	–	45,213	45,213
Deposit for shares	25.5	24,000	24,000	9,618	9,618
Payment to debt security holders		(9,618)	(9,618)	–	–
Net cash from financing activities		**14,382**	**14,382**	**54,831**	**54,831**
Net increase/(decrease) in cash and cash equivalents		(311,889)	(311,889)	276,059	270,905
Cash and cash equivalents at 1st January		859,320	859,320	583,261	588,415
Cash and cash equivalents at 31st December		**547,431**	**547,431**	**859,320**	**859,320**
Composition of cash and cash equivalents					
Cash in hand		70,393	70,393	48,991	52,739
Balances with Bank of Ghana		311,290	311,290	170,360	170,360
Balances with foreign banks		109,546	109,546	34,351	34,351
Items in the course of collection		10,457	10,457	16,387	12,639
Money at short notice		5,249	5,249	322,170	322,170
Government securities		6,245	6,245	224,248	224,248
Foreign time deposits		34,250	34,250	42,813	42,813
		547,431	**547,431**	**859,320**	**859,320**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – BANK

	Stated Capital GH¢'000	Deposit for Shares GH¢'000	Retained Earnings GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Revaluation Reserve GH¢'000	Total Equity GH¢'000
Balance at 1st January 2018	**127,666**	**9,618**	**(31,790)**	**36,744**	**13,564**	**84,988**	**240,790**
IFRS 9 transition adjustment	–	–	48,168	–	–	–	48,168
(Transfer to credit risk reserve due to IFRS 9	–	–	(48,168)	–	48,168	–	–
Restated balance as at 1st January 2018	**127,666**	**9,618**	**(31,790)**	**36,744**	**61,732**	**84,988**	**288,958**
Total comprehensive income							
Profit/(loss) for the year	–	–	11,591	–	–	–	11,591
Other comprehensive income (net of tax)							
Revaluation surplus	–	–	–	–	–	35,926	35,926
Total comprehensive income for the year	**–**	**–**	**11,591**	**–**	**–**	**35,926**	**47,517**
Transactions with owners recorded directly in equity							
Rights issue	–	24,000	–	–	–	–	24,000
Refund of deposit for shares	–	(9,618)	–	–	–	–	(9,618)
Transfer to statutory reserve	–	–	(5,796)	5,796	–	–	–
Transfer to credit risk reserve	–	–	2,142	–	(2,142)	–	–
Total transactions with owners	**–**	**14,382**	**(3,654)**	**5,796**	**(2,142)**	**–**	**14,382**
Balance at 31st December 2018	**127,666**	**24,000**	**(23,852)**	**42,540**	**59,590**	**120,914**	**350,857**
Comparative figures – 2017							
Balance at 1st January 2017	**62,453**	**–**	**23,925**	**36,744**	**–**	**29,559**	**152,681**
Total comprehensive income,							
Profit/(loss) 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 recorded directly in equity							
Contributions and distributions							
Transfer to stated capital	20,000	–	(20,000)	–	–	–	–
Rights issue	45,213	–	–	–	–	–	45,213
Deposit for shares	–	9,618	–	–	–	–	9,618
Transfer to statutory reserve	–	–	–	–	–	–	–
Transfer to credit risk reserve	–	–	(13,564)	–	13,564	–	–
Total Contributions and distributions	65,213	9,618	(33,564)	–	13,564	-	54,831
Merger of PBL Properties Limited with Bank							
Accumulated profits in respect of PBL Properties Ltd	–	–	4,665	–	–	–	4,665
Revaluation reserve of PBL Properties at 1st August 2017	–	–		–	–	55,429	55,429
Total changes in respect of merger	–	–	4,665	–	–	55,429	60,094
Total transactions with owners	**65,213**	**9,618**	**(28,899)**	**–**	**13,564**	**55,429**	**114,925**
Balance at 31st December 2017	**127,666**	**9,618**	**(31,790)**	**36,744**	**13,564**	**84,988**	**240,790**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – GROUP

	Stated Capital GH¢'000	Deposit for Shares GH¢'000	Retained Earnings GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Revaluation Reserve GH¢'000	Total Equity GH¢'000
Balance at 1st January 2018	**127,666**	**9,618**	**(28,554)**	**36,744**	**13,564**	**84,988**	**244,026**
Prior – Year adjustment on tax	–	–	15	–	–	–	15
IFRS 9 transition adjustment	–	–	48,168	–	–	–	48,168
(Transfer to credit risk reserve due to IFRS 9	–	–	(48,168)	–	48,168	–	–
Restated balance as at 1st January 2018	**127,666**	**9,618**	**(28,539)**	**36,744**	**61,732**	**84,988**	**292,209**
Total comprehensive income							
Profit/(loss) for the year	–	–	11,695	–	–	–	11,695
Other comprehensive income (net of tax)							
Revaluation surplus	–	–	–	–	–	35,926	35,926
Total comprehensive income for the year	**–**	**–**	**11,695**	**–**	**–**	**35,926**	**47,621**
Transactions with owners recorded directly in equity							
Rights issue	–	24,000	–	–	–	–	24,000
Refund of deposit for shares	–	(9,618)	–	–	–	–	(9,618)
Transfer to statutory reserve	–	–	(5,796)	5,796	–	–	–
Transfer to credit risk reserve	–	–	2,142	–	(2,142)	–	–
Total transactions with owners	**–**	**14,382**	**(3,654)**	**5,796**	**(2,142)**	**–**	**14,382**
Balance at 31st December 2018	**127,666**	**24,000**	**(20,497)**	**42,540**	**59,590**	**120,914**	**354,212**
Comparative figures – 2017							
Balance at 1st January 2017	**62,453**	**–**	**30,694**	**36,744**	**–**	**84,988**	**214,879**
Total comprehensive income,							
Profit/(loss) 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 recorded directly in equity							
Contributions and distributions							
Transfer to stated capital	20,000	–	(20,000)	–	–	–	–
Rights issue	45,213	–	–	–	–	–	45,213
Deposit for shares	–	9,618	–	–	–	–	9,618
Transfer to statutory reserve	–	–	–	–	–	–	–
Transfer to credit risk reserve	–	–	(13,564)	–	13,564	–	–
Total Contributions and distributions	65,213	9,618	(33,564)	-	13,564	–	54,831
Merger of PBL Properties Limited with Bank							
Accumulated profits in respect of PBL Properties Ltd	–	–	116	–	–	–	116
Total changes in respect of merger	–	–	116	–	–	–	116
Total transactions with owners	**65,213**	**9,618**	**(33,448)**	**–**	**13,564**	**–**	**54,947**
Balance at 31st December 2017	**127,666**	**9,618**	**(28,554)**	**36,744**	**13,564**	**84,988**	**244,026**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

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 2018 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) and adopted by the Institute of Chartered Accountants, Ghana (ICAG) and in the *Guide for Financial Publications for Banks & BOG Licensed Financial Institutions*. These consolidated financial statements were approved by the Board of Directors on 13th March 2019.

2.2 Basis of Measurement

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

i. Financial instruments at fair value through profit or loss are measured at fair value.

ii. Financial instruments at fair value through other comprehensive income are measured at fair value.

iii. Investment property is measured at fair value.

iv. Property, plant & equipment are re-valued to reflect the fair value option.

2.3 Functional and Presentation Currency

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

2.4 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. Minor discrepancies between some of the sums of constituent figures and the totals shown are due to rounding off of figures.

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 include:

i. Interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.

ii. Interest on securities is computed on 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 Adoption of IFRS 9 *Financial Instruments*

The Group has adopted IFRS 9 *Financial Instruments* with effect from 1st January 2018. The final version of this standard was issued in July 2014 by the International Accounting Standards Board (IASB) to replace IAS 39 *Financial Instruments: Recognition and Measurement*. A key difference between IAS 39 and IFRS 9 is the measurement of impairment losses which has changed from the incurred loss model under IAS 39 to expected credit loss model under IFRS 9.

3.8 Financial Assets and Liabilities

3.8.1 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.

3.8.2 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.

3.8.3 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.

3.8.4 Classification and Measurement

The Group classifies its financial assets based on the business model within which they are managed and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Financial assets whose contractual terms give rise on specified dates to collect cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding are initially measured at fair value and subsequently measured at amortised cost. A greater portion of the Bank's financial assets (loans and advances and debt securities) and financial liabilities (deposits from customers and borrowings) fall into this classification.

3.8.5 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.

3.8.6 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.

3.8.7 Designation of Fair Value through Profit or Loss

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

i. The assets or liabilities are managed, evaluated and reported internally on a fair value basis;

ii. 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.

3.8.8 Identification and Measurement of Impairment

At each reporting date, the Group determines whether there is significant increase in credit risk since initial recognition of the financial asset or no significant increase in credit risk since initial recognition. In assessing whether a significant increase in credit risk has occurred, the Group applies a multifactor approach using quantitative measures (e.g. changes in probability of default or credit score since origination), and qualitative factors such as macro-economic developments and changes in specific business environments. There is a rebuttable presumption that all financial assets that are 30 days past due are considered to have experienced a significant increase in credit risk.

A financial asset will only be considered credit impaired if there is objective evidence of impairment, including financial assets that are defaulted or 90 days past due. Loans are considered defaulted where the borrower is in breach of contract, is bankrupt, or experiences other significant financial difficulties which are expected to have a detrimental impact on their ability to pay interest or principal on the loan.

Where there is significant increase in credit risk since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses. In the case of no significant increase in credit risk, the Group measures the loss allowance for a financial instrument at an amount equal to 12-month expected credit losses.

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.

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.

<u>The Group's Expected Credit Loss Model</u>

The Group follows a three-stage approach to impairment for its financial assets.

i. Stage 1: When a significant increase in credit risk since initial recognition has not occurred, a 12-month expected credit loss (ECL) is recognised for all Stage 1 financial assets. Stage 1 financial assets are considered performing.

ii. Stage 2: When a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised. Stage 2 financial assets are underperforming but not yet defaulted.

iii. Stage 3: There is significant increase in credit risk reflecting 90 days past due and considered credit impaired at the reporting date.

The Group's expected credit loss (ECL) model uses three key input parameters for the calculation of the expected credit losses. These are:

- probability of default (PD),
- exposure at default (EAD), and
- loss given default (LGD).

The probability of default (PD) is the estimate of the likelihood of default over a given time horizon. Key drivers include customer characteristics which are adjusted with forward-looking macroeconomic scenarios which are likely to impact the risk of default.

In estimating our PDs, a historical default analysis was carried out over a six-year period.

Exposure at default (EAD) represents the expected balance at default after taking into account any projected repayment of principal and interest together with any expected draw downs of committed facilities until the default event occurs. The EAD will be discounted back to the reporting date using the effective interest rate (EIR) determined at initial recognition. Discounting is calculated over a 12-month period for Stage 1 loans or over either the behavioural life or the remaining term life, whichever is shorter, for Stage 2 loans.

Loss given default (LGD) represents the expected losses on the EAD after taking into account cash recoveries, including the value of collateral discounted over the time it is expected to be realized. Expected cash recoveries are discounted at the original EIR of the loan, back to the default date.

3.8.9 Initial Application of IFRS 9 Disclosures – IFRS 9 Transition Adjustment

The Group has chosen not to restate comparatives on initial application of IFRS 9. Instead the classification and measurement and impairment requirements have been applied retrospectively by adjusting the opening retained earnings as at 1st January 2018.

3.9 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.

3.10 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.

3.11 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 is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, the financial asset is recognized within loans and advances.

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.

3.12 Investments

These are initially measured at fair value plus incremental direct transaction costs. They are subsequently accounted for depending on their classification as either fair value through profit or loss, or fair value through other comprehensive income.

3.12.1 Fair Value through Profit or Loss

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

3.12.2 Fair Value through Other Comprehensive Income

The Group carries its investments (other than securities) at fair value through other comprehensive income, with fair value changes recognized immediately in other comprehensive income.

3.13 Property, Plant & Equipment

3.13.1 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.

3.13.2 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.

3.13.3 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. The Group's policy is to revalue its properties, plants and equipment between three to five years depending on the economic conditions.

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.

3.13.4 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.

3.14 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.

3.14.1 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.

3.15 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.

3.16 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.

3.17 Employee Benefits

3.17.1 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 Tier 1, 2, and 3 of the National Pensions Scheme are also charged as expenses.

3.17.2 Social Security and National Insurance Trust (SSNIT)

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.

3.17.3 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.

3.18 Share Capital and Reserves

3.18.1 Perpetual Bonds/Irredeemable Preference Shares

The Group 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.

3.18.2 Share Issue Costs

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

3.19 Dividends

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

3.20 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.

3.21 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.

3.22 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.

3.23 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.

3.24 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.

3.25 New Standards and Interpretations

3.25.1 *IFRS 9 Financial Instruments*

Summary of the Requirements

IFRS 9 *Financial Instruments* published in July 2014 has replaced 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.

IFRS 9 is effective for annual reporting periods on or after 1st January 2018 and has been adopted for these financial statements ending 31st December 2018.

Impact on the Consolidated Financial Statements

The adoption of IFRS 9 had a significant impact on the Group's consolidated financial statements for the year ended 31st December 2018. In particular, calculation of impairment of financial Instruments on an expected credit loss basis resulted in an increase in the overall level of impairment allowances.

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.

3.25.2 *IFRS 15 Revenue from Contract with Customers*

Summary of the Requirements

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 is effective for annual reporting periods on or after 1st January 2018 and has been adopted for these financial statements ending 31st December 2018.

IFRS 15 has replaced the 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 *Financial Instruments* and IFRS 16 *l*.

Impact on the Consolidated Financial Statements

The Group does not foresee a significant impact on its financial statements since its main source of revenue is from financial instruments which are regulated by IFRS 9.

3.25.3 Other Standards

The following new or amended standards which became effective on 1st January 2018 have been adopted by the Group. Given the nature of treatments, these standards did not have any significant impact on the Group's financial statements:

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

b. Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*.

c. Transfers of Investment Property (Amendments to IAS 40 *Investment Property*).

d. Annual Improvements to IFRSs 2015 – 2017 Cycle – various standards.

3.25.4 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.

a. 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. IFRIC 23 is effective for annual reporting periods beginning on or after 1st January 2019, with early adoption permitted.

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.

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.

b. 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 Statements

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.

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

d. Other Standards issued but not yet effective

Other new or amended standards effective for periods on or after 1st January 2019 with earlier application permitted are:

i. Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28); and

ii. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 Employee Benefits).

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	
	2018	2017
	GH¢'000	GH¢'000
Individually Impaired		
Grade 3	54,719	40,204
Grade 4	71,631	45,346
Grade 5	79,441	102,934
Gross Amount	205,791	188,484
Allowance for Impairment	(69,973)	(127,829)
Carrying Amount	135,818	60,655
Collectively Impaired		
Grade 1	877,634	760,205
Grade 2	118,347	124,688
Gross amount	995,981	884,893
Allowance for Impairment	(20,842)	(19,734)
Carrying amount	975,139	865,159
Total Carrying Amount	**1,110,957**	**925,814**
Past due but not impaired comprises:		
Grade 3	2,580	–
Grade 4	–	16,130
Grade 5	16,351	6,622
Gross/Carrying amount	18,931	22,752
Past due comprises:		
Grade 3	49,107	2,635
Grade 4	66,826	11,641
Grade 5	–	23,627
Carrying amount	115,933	37,903
Neither past due nor impaired comprises:		
Grade 1	892,764	752,940
Grade 2	83,329	112,219
Carrying amount	976,093	865,159
Total Carrying Amount	**1,110,957**	**925,814**

The loans and advances portfolio for years 2018 and 2017 are further analyzed in terms of quality as shown on charts 1 and 2.

Chart 1: Analysis of loans and advances portfolio of GH¢1,111m for 2018

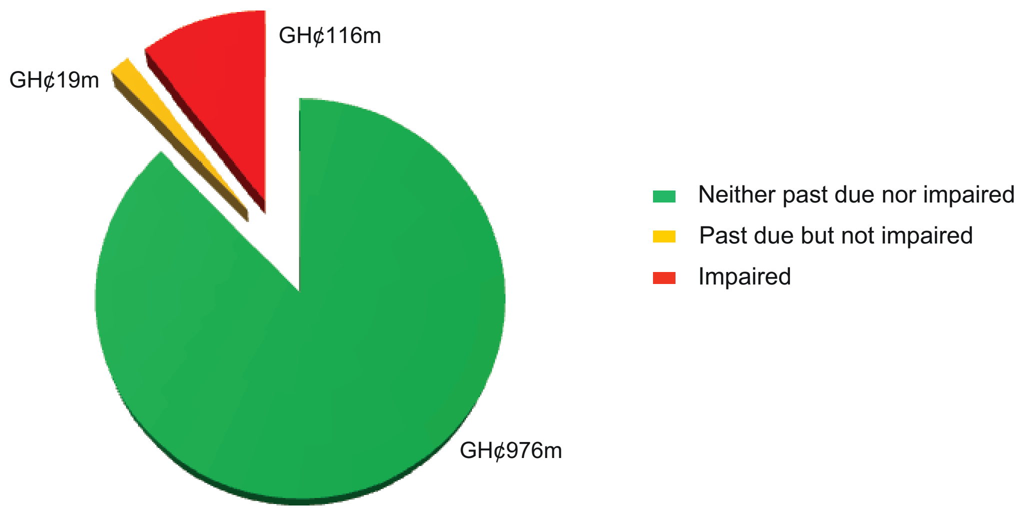
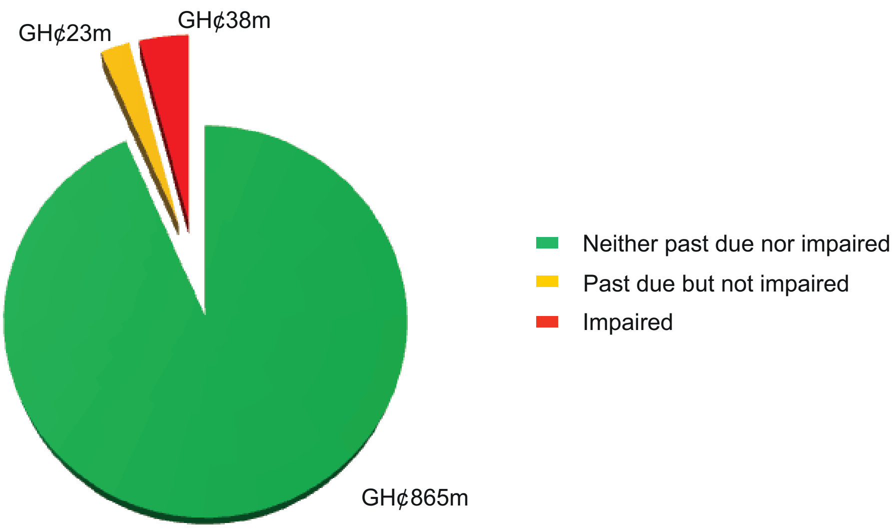


Chart 2: Analysis of loans and advances portfolio of GH¢926m for 2017



4.3.2 Impaired Loans and Advances

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.

4.3.3. 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.

4.3.4 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.

4.3.5 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.

4.3.6 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-18		
Grade 3	54,719	52,052
Grade 4	71,631	67,299
Grade 5	79,441	16,467
Total	205,791	135,818
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

4.3.7 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	
	2018 GH¢'000	2017 GH¢'000
Against 'Individually impaired'		
Property	52,057	37,756
Against 'Past due but not impaired'		
Property	81,834	37,546
Against 'Neither past due nor impaired'		
Property	1,720,654	1,339,481
Other (Cash securities)	63,349	44,074
Total	1,917,894	1,458,857

4.3.8 Repossessed Assets

	Loans and Advances to Customers	
	2018 GH¢'000	2017 GH¢'000
Against 'Individually impaired'		
Property	24,288	27,329

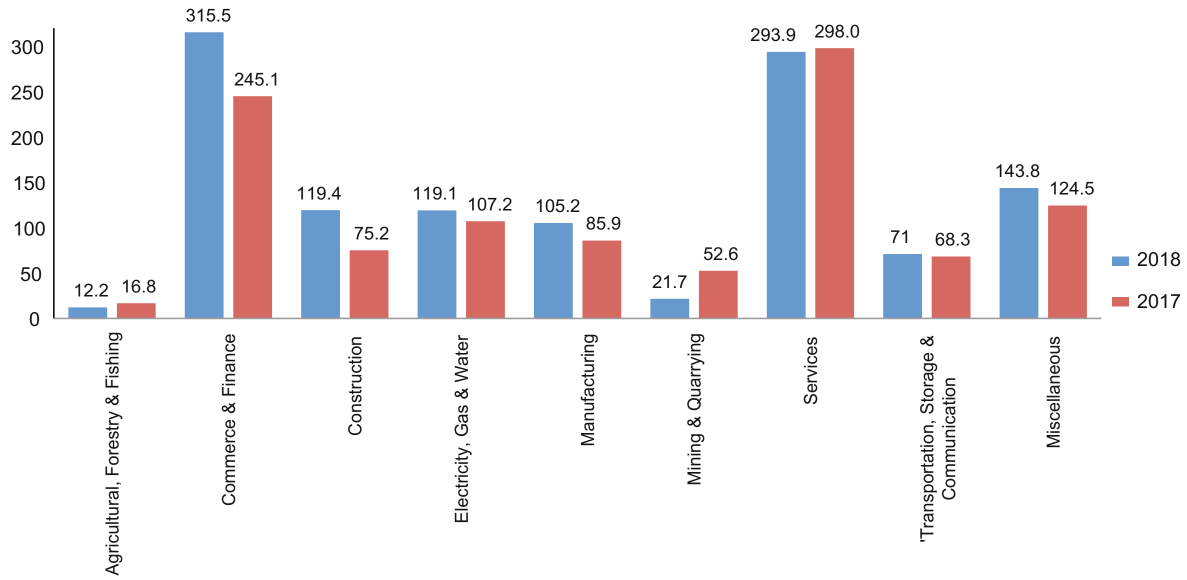
4.3.9 Investments

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

4.3.10 Credit Concentration Risk

The Group monitors credit concentration risks by sector. The analysis of credit risk concentration as at 31st December 2018 is shown in the chart below:

Chart 3: Concentration of Loans and Advances by Sector (GH¢'m)



4.3.11 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.

4.4.2 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¢1,745 million and GH¢1,467 million at 31st December 2018 and 2017, 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¢434 million at the end of December 2018;

- 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.

4.4.3 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.

4.4.4 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 2018.

4.4.5 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-18						
ASSETS						
Cash and cash equivalents	**547,431**	451,718	93,570	2,143	–	–
Investment securities	**456,694**	–	–	4,078	2,444	450,173
Loans and advances to customers	**1,096,694**	375,915	189,128	160,682	137,271	233,698
Property, equipment & intangibles	**221,210**	–	–	–	–	221,210
Other assets	**68,840**	–	–	–	–	68,840
Total assets	**2,390,870**	827,633	282,698	166,903	139,715	973,921
LIABILITIES						
Deposits from banks & other financial institutions	**2,907**	2,907	–	–	–	–
Deposits from customers	**1,741,913**	112,244	214,558	203,403	249,389	962,319
Borrowings	**162,797**	47,633	–	–	115,164	–
Other liabilities	**129,041**	3,633	780	10,738	10,196	103,693
Total liabilities	**2,036,659**	166,418	215,338	214,142	374,749	1,066,012
Liquidity gap (before contingencies)	**354,211**	661,215	67,360	(47,238)	(235,035)	(92,091)
Contingent liabilities	**90,667**	9,327	12,024	12,171	11,146	45,998
Liquidity gap (after contingencies)	**263,545**	**651,888**	**55,337**	**(59,409)**	**(246,181)**	**(138,089)**
31-Dec-17						
ASSETS						
Cash and cash equivalents	**859,320**	340,089	123,983	264,248	131,000	–
Investment securities	**176,611**	–	5,454	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**	448,766	570,550	415,766	259,995	493,175
LIABILITIES						
Deposits from banks & other financial institutions	**5,797**	5,797	–	–	–	–
Deposit from customers	**1,461,665**	122,282	189,420	191,765	185,339	772,859
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**	190,571	302,208	(43,725)	74,656	(279,684)
Contingent liabilities	**168,073**	65,773	64,744	24,534	9,895	3,127
Liquidity gap (after contingencies)	**75,953**	**124,798**	**237,464**	**(68,259)**	**64,761**	**(282,811)**

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.

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 2018 and during the year were as follow:

At 31st December	**2018**	**2017**
Average for the year	19.94%	22.83%
Maximum for the year	27.99%	35.30%
Minimum for the year	14.79%	10.19%

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-18						
ASSETS						
Cash and cash equivalents	**547,431**	91,970	2,143	–	–	453,318
Investment securities	**456,694**	–	4,078	2,444	450,173	–
Loans and advances to customers	**1,096,694**	565,043	160,682	137,271	233,698	–
Total assets	**2,100,819**	657,013	166,904	139,715	683,871	453,318
LIABILITIES						
Deposits from banks & other financial institutions	**2,907**	2,907	–	–	–	–
Deposits from customers	**1,741,913**	326,802	203,403	249,389	962,319	–
Borrowings	**162,797**	47,633	–	115,164	–	–
Total liabilities	**1,907,617**	377,342	203,403	364,553	962,319	–
Interest Sensitive Gap	**193,203**	**279,671**	**(36,500)**	**(224,839)**	**(278,448)**	**453,318**
31-Dec-17						
Assets						
Cash and cash equivalents	**859,320**	375,418	82,813	131,000	–	270,089
Investment securities	**176,611**	5,454	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**	932,262	239,176	259,995	260,224	270,089
Liabilities						
Deposits from banks & other financial institutions	**5,797**	5,797	–	–	–	–
Deposits from customers	**1,461,665**	311,702	191,765	185,339	376,886	395,973
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**	**478,088**	**(219,438)**	**74,656**	**(116,662)**	**(125,884)**

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 Group assumed that the cedi will depreciate against the USD, GBP and Euro by 8%, 4% and 10%, respectively based on the three average depreciation rate of the respective currencies.

The table below summarises the Group's exposure to foreign exchange risk (in Ghana cedis) as at 31st December 2018 and also shows the sensitivity of profit before tax to assumed changes in exchanges rates.

Foreign currency exposure (in Ghana cedis)

	2018 USD GH¢'000	2018 GBP GH¢'000	2018 EURO GH¢'000	2017 USD GH¢'000	2017 GBP GH¢'000	2017 EURO GH¢'000
Assets						
Cash in till and in vault	11,668	3,208	4,546	11,204	3,068	3,542
Bank of Ghana	31,137	10,373	6,036	20,807	9,140	1,405
Nostro balances	86,993	10,460	12,094	15,625	3,062	15,664
Foreign time deposits	34,165	3	82	35,540	7,195	80
Loans & advances	350,385	161	1,282	331,643	78	993
Other assets	–	–	–	355	–	–
Total assets	514,347	24,205	24,040	415,174	22,543	21,684
Liabilities						
Deposits from customers	408,245	17,946	23,148	400,715	16,750	21,853
Borrowings	23,189	–	–	47,645	–	–
Other liabilities/margins	73,626	6,204	47	33,904	6,012	68
Total liabilities	505,060	24,149	23,195	482,264	22,762	21,921
Net open position	9,287	56	845	(67,090)	(219)	(237)
Contingent liabilities	(59,739)	–	(241)	(127,199)	–	–
Net position (including contingent liabilities)	**(50,452)**	**56**	**604**	**(194,289)**	**(219)**	**(237)**
Assumed depreciation rate of the cedi	8.32%	3.59%	10.28%	10.07%	5.33%	9.72%
Projected effect on profits (with contingent liabilities)	(4,198)	2	62	(19,565)	(12)	(23)
Projected effect on profits (without contingent liabilities)	773	2	87	(6,756)	(12)	(23)

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 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 the Compliance Department to be responsible for managing the compliance risks inherent in the operations of the Group. The head of the 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 by 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 reserve. Total Tier 2 capital is limited to 100% of the net Tier 1 capital.

The Group's regulatory capital position as at 31st December 2018 is summarised below:

	2018		**2017**	
	Bank GH¢'000	**Group GH¢'000**	**Bank GH¢'000**	**Group GH¢'000**
Tier 1 Capital				
Ordinary share capital	127,666	127,666	127,666	127,666
Disclosed reserves	78,278	81,632	18,518	21,754
Less intangible assets	(10,170)	(10,170)	(10,871)	(10,871)
Other regulatory adjustments	(61,404)	(59,590)	(15,295)	(15,142)
Total	134,371	139,539	120,019	123,408
Tier 2 Capital				
Revaluation reserve	60,457	60,457	42,494	42,494
Qualifying subordinated liabilities	24,000	24,000	–	–
Total	84,457	84,457	42,494	42,494
Total regulatory capital	**218,828**	**223,996**	**162,513**	**165,902**
Total adjusted assets	1,430,153	1,435,163	1,246,208	1,252,290
Net contingent liabilities	77,190	77,190	136,674	136,674
Operational risk	174,684	176,370	151,388	152,981
Market risk	5,094	5,094	33,773	33,773
Total risk weighted assets	**1,687,121**	**1,693,817**	**1,568,043**	**1,575,718**
Capital Ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	12.97%	13.22%	10.36%	10.53%
Total Tier 1 Capital expressed as a percentage of risk weighted assets	7.96%	8.24%	7.65%	7.83%

The Bank has by the end of 31st December 2018 secured firm commitment from Ghana Amalgamated Trust Plc (GAT) for equity injection of GH¢250 million to meet the minimum capital of GH¢400 million as directed by Bank of Ghana.

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 the accounting policy. 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 3.8.6. 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 measured at amortised cost, the Group has determined that it meets the description of financial asset or liability set out in accounting policy 3.8.
- In designating financial assets or liabilities at fair value through profit or loss (FVTPL), the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3.8.
- In classifying financial assets measured at fair value through other comprehensive income (FVOCI), the Group has determined that it meets both of the following conditions and is not designated at FVTPL:
  - The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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 -- Bank

31-Dec-2018

	Note	Measured at amortised cost GH¢'000	Measured at fair value through profit or loss GH¢'000	Measured at fair value through OCI** GH¢'000	Carrying amount GH¢'000	Fair value GH¢'000
Financial Assets						
Loans and advances to customers	16	1,201,772	–	–	1,201,772	1,110,957
Investment securities	15	–	450,562	–	450,562	437,282
Cash and cash equivalents	14	–	547,431	–	547,431	547,623
Equity investments	17	–	–	1,766	1,766	1,766
		1,201,772	997,993	1,766	2,201,532	2,097,628
Financial Liabilities						
Deposits from banks & other financial institutions	22	2,907	–	–	2,907	2,907
Deposits from customers	23	1,744,465	–	–	1,744,465	1,723,344
Borrowings	24.2	162,797	–	–	162,797	159,476
		1,910,170	–	–	1,910,170	1,885,727
31-Dec-17						
Financial Assets						
Loans and advances to customers	16	1,073,378	–	–	1,073,378	925,815
Investment securities	15	–	171,359	–	171,359	165,917
Cash and cash equivalents	14	–	859,320	–	859,320	811,798
Equity investments	17	–	–	1,766	1,766	1,766
		1,073,378	1,030,679	1,766	2,105,823	1,905,296
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

** Note: OCI means "other comprehensive income"

Financial Assets and Liabilities -- Group

31-Dec-2018

	Note	Measured at amortised cost GH¢'000	Measured at fair value through profit or loss GH¢'000	Measured at fair value through OCI* GH¢'000	Carrying amount GH¢'000	Fair value GH¢'000
Financial Assets						
Loans and advances to customers	16	1,187,509	–	–	1,187,509	1,096,694
Investment securities	15	450,562	–	–	450,562	437,282
Cash and cash equivalents	14	–	547,431	–	547,431	547,623
Equity investments	17	–	–	6,132	6,132	5,652
		1,638,071	547,431	6,132	2,191,635	2,087,251
Financial Liabilities						
Deposits from banks & other financial institutions	22	2,907	–	–	2,907	2,907
Deposits from customers	23	1,741,913	–	–	1,741,913	1,720,792
Borrowings	24.2	162,797	–	–	162,797	159,476
		1,907,617	–	–	1,907,617	1,883,175
31-Dec-17						
Financial Assets						
Loans and advances to customers	16	1,073,378	–	–	1,073,378	925,815
Investment securities	15	171,359	–	–	171,359	165,917
Cash and cash equivalents	14	–	859,320	–	859,320	811,798
Equity investments	17	–	–	5,252	5,252	5,252
		1,244,737	859,320	5,252	2,109,309	1,908,782
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
		1,870,986	**–**	**–**	**1,870,986**	**1,848,181**

7. INTEREST INCOME AND INTEREST EXPENSES

		2018		2017	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
7.1	**Interest Income**				
	Loans and advances to customers	176,112	175,799	171,314	171,314
	Investment securities and short-term investment	41,412	41,412	7,992	7,992
	Cash and cash equivalents	100,169	100,169	132,488	132,488
	Total interest income	317,694	317,381	311,794	311,794
7.2	**Interest Expense**				
	Deposits from banks & other financial institutions	117,907	117,874	115,581	115,577
	Deposits from customers	32	32	63	63
	Borrowings	51,798	51,798	42,318	42,318
	Total interest expense	169,737	169,703	157,962	157,958
7.3	**Net Interest Income**	**147,957**	**147,677**	**153,832**	**153,836**

Included within various captions under interest income for the year ended 31st December 2018 is a total of GH¢ Nil (2017:GH¢ Nil) accrued on impaired financial assets.

Included within interest income on investment securities for the year ended 31st December 2018 is GH¢Nil (2017:GH¢Nil) relating to debt securities.

8. COMMISSIONS AND FEES

8.1	**Fee and commission income**				
	Retail Banking	11,703	11,703	20,207	20,207
	Corporate Banking	37,929	37,928	16,595	16,595
		49,632	49,632	36,802	36,802
8.2	**Fee and commission expense**				
	IInter-bank transaction fees	1,864	1,863	1,325	1,325
	Total fee and commission expense	1,864	1,863	1,325	1,325
8.3	**Net fee and commission income**	**47,768**	**47,769**	**35,477**	**35,477**

9. NET TRADING INCOME

Foreign exchange	27,514	27,518	16,904	16,904
Net Trading Income	27,514	27,518	16,904	16,904

10. OTHER OPERATING INCOME

Rental Income	12	–	68	56
Other	2,132	3,448	249	2,315
	2,144	3,448	317	2,371

		2018		2017	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
11.	**PERSONNEL EXPENSES**				
	Salaries and allowances	82,812	83,359	62,687	63,093
	Contributions to defined contribution plans	5,146	5,192	3,913	3,947
	Medical expenses	3,570	3,570	3,221	3,221
	Training	835	844	1,510	1,513
	Retirement benefit	2,297	2,297	2,040	2,040
		94,660	**95,263**	**73,371**	**73,814**
12.	**OTHER EXPENSES**				
	Software licensing and other information technology cost	9,523	9,542	8,609	8,629
	Auditors' remuneration	189	221	212	244
	Administrative expenses	12,406	12,554	13,959	14,058
	Advertising and marketing	5,366	5,366	6,586	6,586
	Directors' emoluments	1,674	1,674	1,523	1,523
	Occupancy	15,341	15,353	19,872	19,881
	Other	24,558	24,630	21,155	21,197
		69,056	**69,339**	**71,916**	**72,118**

13. TAXATION

13.1 Bank

Tax Years	Balance 1-Jan-17 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-17 GH¢'000	Charge for year GH¢'000	Other adjustment GH¢'000	Payments GH¢'000	Balance 31-Dec-18 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	(2,216)	1,742	–	(474)	–	5,304	–	4,830
2017	-	4,611	(2,223)	2,388	–	–	–	2,388
	(10,072)	6,353	(2,223)	(5,942)	–	5,304	–	(638)
2018	–	–	–	–	5,477	–	(11,662)	(6,184)
2019	–	–	–	–	–	–	(3,953)	(3,953
	(10,072)	6,353	(2,223)	(5,942)	5,477	5,304	(15,615)	(10,775)
National Fiscal Stabilisation Levy								
2017	(1,089)	117	(329)	(1,301)	–	–	–	(1,301)
2018	–	–	–	–	886	987	(1,822)	52
2019	–	–	–	–	–	–	(747)	(747)
	(1,089)	117	(329)	(1,301)	886	987	(2,569)	(1,996)
Deferred Tax								
2017	2,231	262	–	2,493	(230)	11,975	–	14,238
	(8,930)	**6,732**	**(2,552)**	**(4,750)**	**6,134**	**18,266**	**(18,183)**	**1,467**

13.2 Group

Tax Years	Balance 1-Jan-17 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-17 GH¢'000	Charge for year GH¢'000	Other adjustment GH¢'000	Payments GH¢'000	Balance 31-Dec-18 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	(2,216)	1,742	–	(474)	–	5,304	–	4,830
2017	–	4,978	(2,577)	2,401	–	–	–	2,401
	(10,059)	6,720	(2,577)	(5,916)	–	5,304	–	(612)
2018	–	–	–	–	5,477	–	(15,805)	(10,327)
2019	–	–	–	–	–	–	(747)	(747)
	(10,059)	6,720	(2,577)	(5,916)	5,477	5,304	(16,551)	(11,686)
National Fiscal Stabilisation Levy								
2017	(1,103)	117	(329)	(1,315)	–	–	–	(1,315)
2018	–	–	–	–	886	987	(1,822)	52
2019	–	–	–	–	–	–	–	–
	(1,103)	117	(329)	(1,315)	886	987	(1,822)	(1,263)
Deferred Tax								
2017	2,240	266	–	2,506	(230)	11,961	–	14,237
	(8,922)	**7,103**	**(2,906)**	**(4,724)**	**6,133**	**18,252**	**(18,373)**	**1,288**

13.3 Reconciliation/ Computation of Effective Tax Rate

	2018		2017	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Profit/(loss) before tax	**17,725**	**17,829**	**(20,084)**	**(18,697)**
Income tax using applicable tax rate 25%	4,431	4,457	(5,021)	(4,674)
Other income taxes	886	886	117	117
Tax effect of non-deductible expenses	7,623	7,615	18,317	18,317
Tax effect of capital allowance	(5,438)	(5,442)	(4,145)	(4,145)
Origination (reversal) of taxable temporary differences	(230)	(231)	(4,752)	(4,836)
Tax effect of other deductions	(1,139)	(1,150)	(267)	(267)
Current income tax charge	**6,134**	**6,134**	**4,249**	**4,512**
Effective tax rate	**34.60%**	**34.41%**	**-21.16%**	**-24.13%**

14. CASH AND CASH EQUIVALENTS

Cash and balances with banks	190,397	190,397	99,729	99,729
Unrestricted balances with central bank	136,553	136,553	31,352	31,352
Restricted balances with central bank	174,737	174,737	139,008	139,008
Bills discounted	6,245	6,245	224,248	224,248
Foreign short-term deposits	34,250	34,250	42,813	42,813
Money market placements	5,249	5,249	322,170	322,170
	547,431	**547,431**	**859,320**	**859,320**

15. INVESTMENT SECURITIES

1-Year Treasury notes	82,292	82,292	349	349
Other investments	368,269	368,269	171,010	171,010
	450,562	**450,562**	**171,359**	**171,359**

16. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers and financial institutions at amortised cost	1,201,772	1,187,509	1,073,378	1,073,378
Cumulative impairment allowance	(90,815)	(90,815)	(147,564)	(147,564)
	1,110,957	**1,096,694**	**925,814**	**925,814**

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

	2018			2017		
	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	25,261	257	25,004	24,925	255	24,670
Personal loans	147,879	19,859	128,020	171,801	26,790	145,011
	173,140	20,116	153,024	196,726	27,045	169,681
Corporate Customers:						
Secured lending	1,028,169	70,694	957,476	876,099	120,512	755,587
Unsecured lending	463	5	457	553	6	547
	1,028,631	70,699	957,933	876,652	120,518	756,134
	1,201,772	**90,815**	**1,110,957**	**1,073,378**	**147,563**	**925,815**

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

	2018			2017		
	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	25,261	257	25,004	24,925	255	24,670
Personal loans	147,879	19,859	128,020	171,801	26,790	145,011
	173,140	20,116	153,024	196,726	27,045	169,681
Corporate Customers:						
Secured lending	1,013,906	70,694	943,212	876,099	120,512	755,587
Unsecured lending	463	5	458	553	6	547
	1,014,369	70,699	943,670	876,652	120,518	756,134
	1,187,509	**90,815**	**1,096,694**	**1,073,378**	**147,563**	**925,815**

16.3 Allowances for Impairment

	2018		2017	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Individual Allowances for Impairment				
Balance at 1st January	127,827	127,827	69,980	69,980
Prior-year adjustment	(48,168)	(48,168)	–	–
Impairment loss for the year				
Charge for the year	27,191	27,191	57,847	57,847
Write-offs	(36,877)	(36,877)	–	–
Balance at 31st December	69,973	69,973	127,827	127,827
Collective Allowances for Impairment				
Balance at 1st January	19,737	19,737	10,440	10,440
Impairment loss for the year Charge for the year	1,105	1,105	9,297	9,297
Balance at 31st December	20,842	20,842	19,737	19,737
Total Allowance for Impairment on Loans	**90,815**	**90,815**	**147,564**	**147,564**
Impairment charge for the year on other financial assets	179	179	–	–
Total allowances for impairment	**90,994**	**90,994**	**147,564**	**147,564**
Total impairment charged for the year	**28,475**	**28,475**	**67,144**	**67,144**

17. INVESTMENT (OTHER THAN SECURITIES)

	2018 Bank	2018 Group	2017 Bank	2017 Group
Equity investments	1,766	6,132	1,766	5,252
	1,766	**6,132**	**1,766**	**5,252**

18. PROPERTY, PLANT & EQUIPMENT

18.1 Property, Plant & Equipment – Bank

18.1.1

	2018			2017		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plant & machinery	6,403	(3,441)	2,962	6,360	(2,780)	3,580
Branch development	12,978	(9,765)	3,214	10,147	(7,253)	2,894
Motor vehicles	11,948	(7,897)	4,051	13,971	(9,628)	4,344
Furniture & fittings	8,276	(5,199)	3,077	7,126	(4,052)	3,074
Office equipment	19,955	(11,665)	8,290	18,291	(9,903)	8,388
Computer hardware	20,126	(13,455)	6,671	15,997	(10,030)	5,967
Capital work in progress	7,989	–	7,989	11,883	–	11,883
Land & buildings	184,215	(5,475)	178,740	137,978	(4,316)	133,662
	271,890	**(56,897)**	**214,994**	**221,754**	**(47,962)**	**173,792**

18.1.2 Reconciliation of opening carrying value with closing carrying value

2018

	Opening Balance	Additions	Revaluation/ elimination of depreciation on disposal	Transfer/ disposal	Depreciation charged for the year	Closing Balance
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plant & machinery	3,580	43	–	–	(661)	2,962
Branch development	2,894	1,495	–	–	(1,175)	3,214
Motor vehicles	4,344	1,943	3,495	(3,967)	(1,763)	4,051
Furniture & fittings	3,074	1,151	–	–	(1,148)	3,077
Office equipment	8,388	1,664	–	–	(1,762)	8,290
Computer hardware	5,967	4,129	–	–	(3,425)	6,671
Capital work in progress	11,883	(3,894)	–	–	–	7,989
Land & buildings	133,662	516	47,901	(845)	(2,495)	178,740
	173,792	**7,047**	**51,396**	**(4,811)**	**(12,429)**	**214,994**

2017

	Opening Balance	Additions	Revaluation/ elimination of depreciation on disposal	Transfer/ disposal	Depreciation charged for the year	Closing Balance
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plant & machinery	3,645	258	–	406	(729)	3,580
Branch development	2,850	44	–	–	–	2,894
Motor vehicles	5,115	1,177	(143)	–	(1,805)	4,344
Furniture & fittings	2,179	670	–	1,127	(902)	3,074
Office equipment	7,614	1,670	–	824	(1,720)	8,388
Computer hardware	6,683	1,149	–	1,095	(2,960)	5,967
Capital work in progress	12,451	8,751	–	(9,319)	–	11,883
Land & buildings	52,151	78,441	–	5,867	(2,797)	133,662
	92,688	**92,160**	**(143)**	–	**(10,913)**	**173,792**

18.1.3 Profit on Disposal of Property, Plant & Equipment

	2018	2017
	GH¢'000	GH¢'000
Gross book value	4,811	543
Accumulated depreciation	(3,495)	(400)
Net book value	1,317	143
Sales proceeds	3,170	1
Gain/(Loss) on disposal (net)	1,854	(142)

18.2 Property, Plant & Equipment – Group

18.2.1

	2018			2017		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plant & machinery	6,403	(3,441)	2,962	6,358	(2,780)	3,578
Branch development	12,979	(9,765)	3,215	10,761	(6,015)	4,746
Motor vehicles	11,996	(7,942)	4,053	14,019	(9,672)	4,347
Furniture & fittings	8,303	(5,214)	3,089	7,152	(4,063)	3,089
Office equipment	19,972	(11,680)	8,292	18,455	(10,037)	8,418
Computer hardware	20,182	(13,498)	6,684	16,038	(10,142)	5,896
Capital work in progress	7,989	–	7,989	11,878	–	11,878
Land & buildings	184,215	(5,475)	178,740	137,362	(5,559)	131,803
	272,040	**(57,015)**	**215,024**	**222,024**	**(48,268)**	**173,756**

18.2.2 Reconciliation of opening carrying value with closing carrying value

2018

	Opening Balance (Restated)	Additions	Revaluation/ elimination of depreciation on disposal	Transfer/ disposal	Depreciation charged for the year	Closing Balance
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plant & machinery	3,580	43	–	–	(661)	2,962
Branch development	4,748	(358)	–	–	(1,175)	3,215
Motor vehicles	4,348	1,943	3,495	(3,967)	(1,765)	4,053
Furniture & fittings	3,085	1,155	–	–	(1,151)	3,089
Office equipment	8,390	1,665	–	–	(1,763)	8,392
Computer hardware	5,971	4,143	–	–	(3,430)	6,684
Capital work in progress	11,883	(3,894)	–	–	–	7,989
Land & buildings	131,809	2,369	47,901	(845)	(2,495)	178,740
	173,814	**7,066**	**51,396**	**(4,811)**	**(12,440)**	**215,024**

2017

	Opening Balance	Additions	Revaluation/ elimination of depreciation on disposal	Transfer/ disposal	Depreciation charged for the year	Closing Balance
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plant & machinery	3,643	258	–	406	(729)	3,578
Branch development	4,702	44	–	–	–	4,746
Motor vehicles	5,120	1,177	(143)	–	(1,806)	4,348
Furniture & fittings	2,184	681	–	1,127	(903)	3,089
Office equipment	7,645	1,670	–	824	(1,721)	8,418
Computer hardware	6,633	1,150	–	1,095	(2,982)	5,896
Capital work in progress	12,446	8,751	–	(9,319)	–	11,878
Land & buildings	115,150	13,583	–	5,867	(2,797)	131,803
	157,523	**27,314**	**(143)**	–	**(10,938)**	**173,756**

18.2.3 Profit on Disposal of Property, Plant & Equipment

	2018	2017
	GH¢'000	GH¢'000
Gross book value	4,811	543
Accumulated depreciation	(3,495)	(400)
Net book value	1,317	143
Sales proceeds	3,170	1
Gain/(Loss) on disposal (net)	1,854	(142)

19. INTANGIBLE ASSETS

19.1 Intangble asset - Bank

	2018			2017		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Compurter software	24,847	(18,711)	6,136	18,604	(15,673)	2,931

Reconciliation of opening carrying value with closing carrying value

2018

	Opening balance	Additions	Disposal	Amortisation	Closing balance
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Compurter software	2,931	6,243	–	(3,038)	6,136

19.2 Intangble asset - Group

	2018			2017		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Compurter software	25,006	(18,820)	6,186	18,705	(15,717)	2,988

Reconciliation of opening carrying value with closing carrying value

2018

	Opening balance	Additions	Disposal	Amortisation	Closing balance
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Compurter software	2,950	6,302	–	(3,066)	6,186

20. DEFERRED TAX ASSETS AND LIABILITIES

	2018			2017		
	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000
Property, equipment and software	–	14,238	(14,238)	–	2,493	(2,493)
Net tax assets/liabilities	–	14,238	(14,238)	–	2,493	(2,493)

Movements During the Year

	Opening balance GH¢'000	Recognised in Profit or Loss GH¢'000	Recognised in Equity GH¢'000	Closing balance GH¢'000
2018				
Property, equipment and software	(2,493)	230	(11,975)	(14,238)
Total	(2,493)	230	(11,975)	(14,238)
2017				
Property, equipment and software	(2,231)	262	–	(2,493)
Total	(2,231)	262	–	(2,493)

	2018		2017	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
21. OTHER ASSETS				
Accounts receivable and prepayments	17,046	30,281	13,960	14,025
Assets held for sale	24,287	24,287	27,329	27,329
Other	1,544	1,324	1,320	1,177
	42,877	55,892	42,609	42,531
22. DEPOSITS FROM BANKS & OTHER FINANCIAL INSTITUTIONS				
Money market deposits	–	–	–	–
Other deposits from banks	2,907	2,907	5,797	5,797
	2,907	2,907	5,797	5,797
23. DEPOSIT FROM CUSTOMERS				
Retail Customers:				
Term deposits	377,787	377,787	348,735	348,735
Current deposits	487,567	487,567	462,163	462,163
	865,354	865,354	810,898	810,898
Corporate Customers:				
Term deposits	275,649	275,649	258,576	258,497
Current deposits	603,462	600,909	396,191	392,270
	879,111	876,558	654,767	650,767
	1,744,465	**1,741,913**	**1,465,665**	**1,461,665**

		2018		2017	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
24.	**OTHER LIABILITIES AND BORROWINGS**				
24.1	The amounts recognised in the statement of financial position are as follows:				
	Short-term employee benefits	11,440	11,440	10,102	10,102
	Payables and accruals	83,589	86,142	51,711	55,879
	Other	17,201	17,222	4,753	4,753
		112,230	**114,804**	**66,566**	**70,734**
24.2	**BORROWINGS**				
	Short term:				
	Money market borrowing	57,637	57,637	167,102	167,102
	Repurchase agreements	105,065	105,065	236,327	236,327
	Preference share capital	95	95	95	95
		162,797	**162,797**	**403,524**	**403,524**

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**

	2018		2017	
ISSUED AND FULLY PAID:	**Number**	**GH¢'000**	**Number**	**GH¢'000**
Issued for cash consideration	261,724,841	127,666	261,724,841	83,686
Issued for consideration other than cash	3,075,000	30	3,075,000	30
Capitalisation issues	155,300,000	43,950	155,300,000	43,950
	420,099,841	**127,666**	**420,099,841**	**127,666**

25.2 Statutory Reserve

Statutory Reserve represents the cumulative amount set aside from annual net profit after tax as required by the Bank 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 2018.

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 bring up the cumulative provision to the level required under the Bank of Ghana Regulations and IFRS 9 *Financial Instruments: Recognition and Measurement*.

	2018 GH¢'000	2017 GH¢'000
IFRS impairment	90,816	147,561
Bank of Ghana provision	(150,405)	(161,124)
Credit risk reserve	(59,590)	(13,563)

An amount of GH¢2.14 million was posted to credit risk reserve for the year(2017: GH¢13.56 million).

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 existing shareholders towards equity.

	2018 GH¢'000	2017 GH¢'000
Deposit for shares	24,000	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:

	2018 GH¢'000	2017 GH¢'000
Bonds and guarantees	51,513	43,767
Letters of credit and other documentary credits	39,154	124,306
	90,667	**168,073**

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 2018	Ownership Interest 2017
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 period as follows:

	2018		2017	
	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	1,930	1,552	1,545	1,377
Other loans	2,302	2,022	3,227	3,466
	4,232	**3,573**	**4,772**	**4,843**

28.2 Key management personnel compensation for the year comprised:

	2018 GH¢'000	**2017 GH¢'000**
Short-term employee benefits	9,268	5,720
	9,268	**5,720**

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 no specific allowance has been made for impairment on balances with key management personnel and their immediate relatives at the year end.

28.3 Loans and Advances to Employees

	2018 GH¢'000	**2017 GH¢'000**
Balance at 1st January	22,600	21,740
Loans advanced during the year	9,041	6,388
Loans repayments received	(4,690)	(5,528)
Balance at 31st December	26,951	22,600

28.4 Loans and Advances to Directors and their Associates

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

	2018 GH¢'000	2017 GH¢'000
Gross amount at 1st January	25,833	24,166
Interest charged	2,127	2,126
Loans disbursed	–	902
Cash received	(27,013)	(1,361)
Net amount at 31st December	946	25,833

Included in loans and advances is nil (2017: GH¢23.8 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¢2.6 million (2017: GH¢4.0 million) due to subsidiary companies. Interest paid on these deposits during the year amounted to GH¢33,280 (2017: GH¢3,325).

The related interest income in 2018 was GH¢2,126,904 (2017: GH¢2,126,000).

29. VALUE ADDED STATEMENTS

Value Added Statements for the year ended 31st December 2018

	2018		2017	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Interest earned and other operating income	367,326	367,013	348,596	348,596
Direct cost of services	(238,982)	(239,232)	(229,680)	(229,878)
Value added by banking services	128,343	127,781	118,916	118,718
Non-banking income	29,658	30,966	17,221	19,275
Impairments	(28,475)	(28,475)	(67,144)	(67,144)
Value added	**129,527**	**130,272**	**68,993**	**70,849**
Distributed as follows:				
To Employees				
Directors (without executives)	(360)	(360)	(360)	(360)
Executive Directors	(1,314)	(1,314)	(1,163)	(1,163)
Other employees	(94,660)	(95,263)	(73,371)	(73,814)
To Government:				
Income tax	(6,134)	(6,134)	(6,732)	(7,103)
To providers of capital				
Dividends to shareholders	–	–	–	–
To expansion and growth				
Depreciation	(12,429)	(12,440)	(10,913)	(10,938)
Amortisation	(3,038)	(3,066)	(3,270)	(3,271)
Retained earnings	**11,592**	**11,696**	**(26,816)**	**(25,800)**

30. ADDITIONAL DISCLOSURES

	2018 Bank	2017 Group
Capital Adequacy Ratio	12.97%	10.36%
Nonperforming loans (amount and ratio)		
Gross loans (GH¢'000)	1,201,772	1,073,378
Amount (GH¢'000)	205,791	191,775
Ratio	17.12%	17.87%
Amount of loans written-off (GH¢'000)	36,877	–
Liquidity Ratio	126.00%	144.00%
Credit risk reserve (if any)	59,590	13,564
Statutory liquidity breaches and non-compliance with other prudential requirements	None	None

Year-end mid rates used for foreign exchange translations:	**31-Dec-18**	**31-Dec-17**
United States dollar (US$)	4.8200	4.2002
Great Britain pound sterling (GB£)	6.1711	5.1965
Euro (€)	5.5131	4.4367

31. LIST OF RELATED PARTIES

31.1 Members of the Board

Non-Executive Directors

John Sackah Addo	Chairman	Retired on 31st January 2018
Kwaku Agyei-Gyamfi	Acting Chairman	
Samuel Nkansah-Boadi		
Nortey Kwashie Omaboe		
Joana Felicity Dickson		
Aretha Duku		
Kwame Kwakye-Mintah		
Fred Kwasi Boateng		
Daniel Asah Kissiedu		Appointed on 28th June 2018
Nana Kwaku Duah		

Executive Directors

Stephen Sekyere-Abankwa	Managing Director	
Stephen Adufo Asare		Retired on 15th October 2018
Samuel Petterson Larbi		Appointed on 15th October 2018

31.2 Key Management Personnel

NAME	DESIGNATION	
Stephen Sekyere-Abankwa	Managing Director	
Richard K.F. Acolatse	Deputy Managing Director (Banking Operations)	
Stephen Adufo Asare	Deputy Managing Director (Finance, Administration & Credit Administration)	Retired on 15th October 2018
John Kpakpo Addo	Acting Deputy Managing Director (Finance, Administration & Credit Administration)	
Osei Yaw Osafo	Head, Loan Recovery/ Board Secretary	
Ernest Danquah	Head, Internal Control	
Samuel Petterson Larbi	Head, Internal Audit	

Joyce Abankwa-Degbotse (Mrs.)	Head, Banking Operations
Lily-Love Adusei (Mrs.)	Financial Controller
Theodore Bob Senaya	Head, Risk Management
Thomas Broni	Head, Compliance
Anthony Adu	Head, Information Technology
R. Naa Adoley Ankrah	Head, Administration & Human Resources
John M. Davis	Head, Legal Services
Seth Ampaabeng Kyeremeh	Head, Treasury, Trustee & Custodian Services
George A. Adjei	Head, Credit Administration

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 Company 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%**

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: 233-302-313470
233-540-106761/ 2
Fax: 233-302-313469
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
Accra-Winneba Road,
(Opposite Phastor Contrete Works)
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

BONO EAST 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,
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.


NON -TRADTIONAL
EXPORT FINANCE
Let's go global!

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

TO: ALL MEMBERS
DIRECTORS
AUDITORS

NOTICE OF ANNUAL GENERAL MEETING

We are pleased to give you notice of, and invite you to the twenty-second (22nd) 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, 26TH JUNE, 2019, at 11.30am to transact the following business:

Agenda

1. To waive the statutory notice of 21 days.
2. To receive and consider the report of the Directors for the financial year ended 31st December, 2018.
3. To receive and consider the Auditors Report for the financial year ended 31st December, 2018.
4. To receive, consider and approve the Annual Accounts.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. Any other matter.

Special Business

To consider and if thought fit to pass the following resolutions:

a) To approve the terms and conditions of the Ordinary Share Subscription Agreement between Ghana Amalgamated Trust PLC and Prudential Bank Limited.

b) To approve the terms and conditions of the Shareholders Agreement between Ghana Amalgamated Trust PLC, Prudential Bank Limited and the existing Shareholders.

c) To approve the waiver of the pre-emptive rights in respect of the Subscriber Shares to Ghana Amalgamated Trust PLC.

d) To approve the issuance of 415,107,406 shares (47%) to Ghana Amalgamated Trust PLC.

e) That Regulation 60 of the Company's Regulation be amended to fix the minimum number of Directors on the Board to five (5) and a maximum number of thirteen (13) however until so determined shall be eleven (11).

f) To approve the issuance of shares to cover the additional contribution from Messrs Frank Owusu, S. Sekyere-Abankwa and PBL Staff Provident Fund.

g) To approve the reduction of the Bank's Stated Capital from GH¢137,284,491.01 to GH¢127,666,754.46.

h) To approve an increase in the Stated Capital from GH¢127,666,754.46 to GH¢151,666,754.46 and thereafter to GH¢402,430,752.46.

Dated this 19th day of June, 2019

By Order of the Board

OSEI YAW OSAFO
COMPANY 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 22ND ANNUAL GENERAL MEETING TO BE HELD ON
WEDNESDAY, 26TH JUNE, 2019, 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, 26th June, 2019 at 11.30am** 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 waive notice of 21 days</td><td></td><td></td><td rowspan="6">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 report of the Directors for the financial year ended 31st December, 2018.</td><td></td><td></td></tr>
<tr><td>3.</td><td>To receive and consider the Auditors Report for the financial year ended 31st December, 2018.</td><td></td><td></td></tr>
<tr><td>4.</td><td>To receive, consider and approve the Annual Accounts.</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>
<tr><td>6.</td><td>To approve the Ordinary Share Subscription Agreement.</td><td></td><td></td></tr>
</table>

7.	To approve Shareholders Agreement			
8.	To approve waiver of Pre-emptive rights			
9.	To approve the issuance of shares to Ghana Amalgamated Trust PLC.			

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

www.prudentialbank.com.gh

PBL STUDENT ACCOUNTS

Tailor-made banking solutions for today's student with no monthly account maintenance charges and free mobile banking.

Call or walk into any of our branches nationwide to sign up now!

Smart Banking

8 John Harmond Street, Ring Road Central,
Private Mail Bag, General Post Office, Accra - Ghana.
Tel: (+233 302) 781 200 - 2/6/7, 0289556862, 0289557936, 0540111746/7, 03420 23134, 0556489964/5
Fax: (+233 302) 781 210
E-mail: headoffice@prudentialbank.com.gh

PRUDENTIAL BANK LTD.