*Embodying the Spirit of Banking Excellence.*

# ANNUAL REPORT 2016


Ghana Banking Awards

The Banker Award (Financial Times, London)

EMEA Finance Banking Award

FIDELITY BANK

*Believe with us.*

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the next Annual General Meeting of Fidelity Bank Ghana Limited will be held at **KEMPINSKI HOTEL GOLD COAST CITY, Accra,** on **Friday, April 28, 2017** at **10.00 am** to transact the following business:

1. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December, 2016;

2. To declare a final dividend for the period ended 31st December, 2016;

3. To ratify the Appointment of Directors;

4. To re-elect a Director retiring by rotation;

5. To authorize the Directors to fix the remuneration of the Auditors

**Dated,**
**this 1st day of April, 2017**

**BY ORDER OF THE BOARD**
**MAATAA OPARE**
**(COMPANY SECRETARY)**

A member of the Company entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of him. A Proxy need not be a member. A form of Proxy is attached and for it to be valid for the purpose of the meeting it must be completed and deposited at the offices of the Company Secretary, Fidelity Bank Ghana Limited, 2nd Floor, Ridge Tower, Accra not less than 48 hours before the appointed time of the meeting.

# 2016 ANNUAL GENERAL MEETING

## OF FIDELITY BANK GHANA LIMITED

Friday 28th April, 2017 at Kempinski Hotel Gold Coast City, Accra at 10.00am

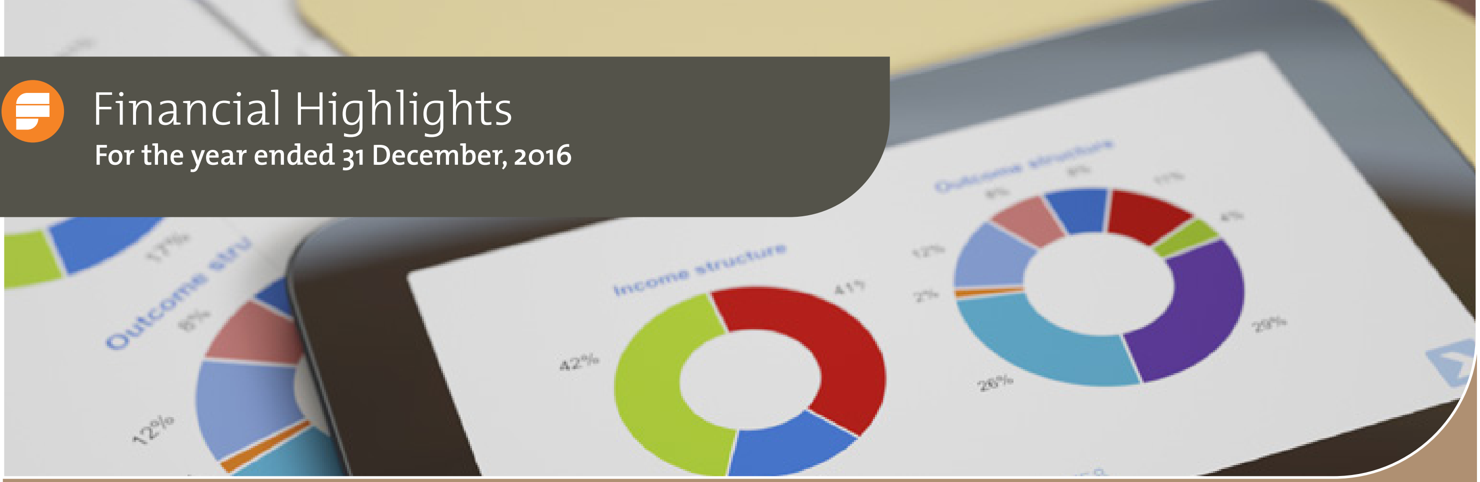
## AGENDA

| | |
|---|---|
| 1. | Adoption of Minutes of AGM of 28th April 2016 |
| 2. | Notice of Meeting |
| 3. | To receive and adopt the Reports of the Directors, Auditors and the Financial Statement for the year ended 31st December, 2016 |
| 4. | To declare a final dividend for the period ended 31st December 2016 |
| 5. | To ratify the appointment of Directors:<br><br>i. Ms. Aliya Shariff (Subject to Bank of Ghana approval) |
| 6. | To re-elect a Director retiring by rotation:<br><br>i. Mr Laurent Demey |
| 7. | To authorize the Directors to fix the remuneration of the Auditors |
| 8. | To transact any other business appropriate to be dealt with at an Annual General Meeting |
| 9. | Closure |

# Contents

# Financial Highlights

## For the year ended 31 December, 2016




[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **At year end** | | | | |
| Total assets | 4,213,460 | 4,089,082 | 4,173,602 | 4,113,812 |
| Loans and advances to customers | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |
| Deposits from customers | 3,136,555 | 3,008,685 | 3,100,614 | 3,003,029 |
| Shareholders equity | 496,311 | 511,879 | 493,347 | 503,943 |
| **For the year ended 31 December** | | | | |
| Operating income | 467,112 | 557,292 | 461,208 | 551,845 |
| Profit before tax | 13,432 | 204,675 | 18,576 | 205,799 |
| Profit after tax | 8,972 | 145,425 | 14,711 | 147,734 |
| Dividend per share | 0.35 | 1.27 | 0.35 | 1.27 |
| Earnings per share | 0.36 | 5.76 | 0.58 | 5.85 |
| Return on average equity (%) | 1.78 | 32 | 2.95 | 33 |
| Return on average assets (%) | 0.22 | 4 | 0.36 | 4 |
| Number of staff | 1,060 | 1,313 | 1,039 | 1,290 |
| Number of branches | 75 | 75 | 75 | 75 |
| Number of ATMs | 117 | 109 | 117 | 109 |

# Corporate Profile

Fidelity Bank was issued with its universal banking license on June 28 2006, making Fidelity Bank Ghana Limited, the 22nd bank to be licensed by the Bank of Ghana under the new Banking Act, 2004 (Act 673). The Bank is owned by Ghanaian individuals, other institutional investors and its senior executives.

The Bank was formerly Fidelity Discount House, the leading discount house in Ghana. After operating profitably for 8 years, the business environment in the country attracted investors to the idea of establishing a bank.

Fidelity Bank has a team of high calibre professionals with diverse skills and experience. The Bank has invested heavily in technology and continues to invest heavily in training to ensure that it is at par with the best in the world. Fidelity Bank offers a comprehensive range of products and services to meet the banking and financial needs of existing and potential customers. To ensure the relevance of our comprehensive range of products and services, we continually review the demographics of our customer segments to ensure that our offerings meet the banking and financial needs of existing and potential customers.

Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders. With people who are professional and proactive, state of the art technology, exceptional corporate governance standards, good knowledge of the local market, financial capital and above all, a customer-centric culture, Fidelity Bank is contributing its quota to the development of the banking industry and by extension, the Ghanaian economy.

On October 1, 2014, the Bank acquired Pro-Credit Savings and Loans Company Limited (PCSL) from Pro-Credit Holding Germany (PCH) and the DOEN Foundation of the Netherlands. Pro-Credit Savings and Loans Limited (PCSL) was a non-bank financial institution that provided savings and lending services to its clients.

Fidelity Bank has two subsidiaries:
- Fidelity Asia Bank Limited
- Fidelity Securities Limited

Fidelity Asia Bank Limited (FABL) was established in July 2012 as a wholly owned Asian subsidiary in Malaysia. FABL carries on the business of offshore banking.

Fidelity Securities Limited (FSL), a fully owned subsidiary of the Bank, is the investment banking arm of the Bank. Formerly known as Fidelity Asset Management, FSL's business involves providing advisory services, issuing of securities, raising of capital and undertaking portfolio investment management for clients.

## Vision

Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders as follows:

**Our customers:** The best place to bank

**Our shareholders:** The best place to invest

**Our employees:** The best place to work

**Our regulators:** The best place to benchmark

## Mission

To be amongst the top three Banks in Ghana by 2018 based on all key performance indicators: deposits, fees, quality of loan book, cost to income ratio, all anchored on three key pillars -
- our people
- our service and processes, and
- return to stakeholders.

This will be premised on exceptional corporate governance standards, knowledge of the local market, professionalism, proactivity, innovation and above all a customer-centric culture. This will contribute positively to the development of the industry and by extension the Ghanaian economy.

# Corporate Information

| | | |
|---|---|---|
| **Board of Directors** | Mr. Edward Effah | - Chairman (Appointed 13 July 2016) |
| | Mr. Jim Baiden | - Managing Director (Appointed 13 July 2016) |
| | Mr. Kwamina Duker | |
| | H. E. Mrs. Johanna Svanikier | |
| | Mr. Emmanuel Barima Manu | |
| | Mr. Laurent Demey | |
| | Mr. Adam Sulley | - (Appointed 16 September 2016) |
| | Mr. Alex Dodoo | - (Resigned 29 April 2016) |
| | Mrs. Akosua M. Nelson-Cofie | - (Resigned 4 August 2016) |
| | Dr. William Panford Bray | - (Resigned 22 August 2016) |
| | Mr. Jacob Hinson | - (Resigned 13 December 2016) |
| **Company Secretary** | Ms. Maataa Opare | |
| **Registered Office** | Fidelity Bank Ghana Limited<br>Ridge Tower- Ridge Accra<br>PMB 43, Cantonments, Accra.<br>Tel: 0302214490<br>Fax: 0302678868<br>Website: www.fidelitybank.com.gh | |
| **Solicitors** | Bari & Co<br>Sethi Plaza<br>Kwame Nkrumah Avenue<br>Adabraka, Accra | |
| **Independent Auditor** | PricewaterhouseCoopers<br>No. 12 Airport City,<br>UNA Home,3rd Floor<br>PMB CT 42, Cantonments,<br>Accra, Ghana | |
| **Bankers** | Ghana International Bank<br>Citibank<br>BHF<br>Bank of China<br>DBS Bank<br>Medicapital Bank | |

## Edward Effah

### Group CEO & Chairman

Edward Effah founded the Fidelity Discount House, which later became Fidelity Bank in October 1998 and served as Managing Director until 2016. He is currently the Chief Executive Officer of the Fidelity Group and Chairman of the Board of Fidelity Bank. Edward has over 30 years experience as a Senior Finance Executive. He served as a Director of Global Emerging Markets (GEM) Ghana Limited from 1995 to 1998, Chief Finance Officer of Inter-Afrique Group from 1994 to 1997, Risk Manager from 1990 to 1994 of Rudolf Wolff, the City of London-based derivatives and foreign exchange trader and an auditor and management consultant with Coopers and Lybrand, London from 1987 to 1990.

Edward is also the Board Chairman of Unilever Ghana and the previous Chairman of the College of Health Sciences, University of Ghana. Other directorships held include Chairman, Jacana Partners Limited; Takoradi International Company Limited and a Council Member of the University of Ghana. He is a Chartered Accountant by profession and is a member of the Institute of Chartered Accountants in England and Wales.

## Jim Baiden

### Managing Director

Jim Baiden is the Managing Director and co-founder of Fidelity Bank. Prior to that, Jim served as Executive Director of Fidelity Discount House from 2002 after serving as the General Manager since the company's inception. He has had an illustrious 20 year career as a leading Treasury Manager and Investment Banker in the Ghanaian money markets. In the mid 1980's, Jim worked with the National Investment Bank in various capacities including Eastern Regional Head, overseeing branch banking and projects.

Jim has also gained extensive international experience as an alumnus of Gerard & National, London and the Darden School of Management, University of Virginia, USA. Jim holds a Masters Degree in Banking & Finance from the Finafrica Foundation, Milan, Italy and a Bachelor's degree in Economics with Statistics from the University of Ghana, Legon.

## Kwamina Duker

### Non Executive Director

Kwamina Duker (K) was the CEO of OANDA Corporation, a leading provider of foreign exchange services. K initially joined OANDA as Managing Director for Asia Pacific and was responsible for overseeing the company's operations in the region. Prior to joining OANDA, Mr. Duker headed Deutsche Bank's eFX business in Asia Pacific originating and implementing dbFX — the first retail online forex trading platform from a major bank. K brings with him over two decades of experience in shaping the global foreign exchange industry and leading major foreign exchange technology platforms in Europe, the Americas and Asia Pacific.

Kwamina Duker is chairman of FX Architects. He obtained his MBA from UCLA Business School.

## Ambassador Johanna Odonkor Svanikier

### Non Executive Director

Ambassador Johanna Odonkor Svanikier is the Founder and President of the Heritage and Cultural Society of Africa. She is also Ghana's former Ambassador to France & Portugal and Permanent Delegate to UNESCO and La Francophonie. During her tour of duty in Paris, she initiated Ghana's membership of the OECD Development Centre.

Mrs. Svanikier is a barrister by profession. She was called to the Bar in England and Wales at the Inner Temple. She is also Solicitor and Advocate of the Supreme Court of Ghana. She has also been a university lecturer and legal and development consultant. She is the founder and was the first Director of the Human Rights Study at the University of Ghana.

She holds Bachelors and Masters Degrees in law from the London School of Economics, UK, a Masters in Public Administration from Harvard University, U.S.A. and a Masters in Political Science from the University of Oxford, U.K. She was a Fulbright Scholar at Harvard University. She is the author of several publications including "Womens' Rights and the Law in Ghana".

## Emmanuel Barima Manu LLB

### Non Executive Director

Emmanuel Barima Manu LLB, is a co-founding member and the Managing Partner of Bari & Co. He has extensive experience in corporate and commercial practice including negotiation of commercial and business contracts and other varied agreements. Mr. Manu was called to the Ghana Bar in October 1989 and has worked with other law firms like Naoferg Chambers and Law Trust Company.

Barry has advised many clients on commercial transactions, contracts, corporate business and oil and gas laws including African Gold Group Inc, Bulk Oil Storage and Transportation Company Ltd, Elmina Beach Resort, Atholl Energy Limited, Allterrain Services Ghana Limited, Coco Palm Limited and ALTROM Ltd, Switzerland. He has also represented Fidelity Bank on numerous occasions as Lead legal adviser.

## Laurent Demey

### Non Executive Director

Laurent Demey co-founded Amethis Finance, a leading African Private Equity firm, in 2011.

He is CEO / Managing Partner of Amethis, and co-heads the Amethis Executive Committee which oversees the firm's operations and investments. Laurent has over 25 years of experience in advising African businesses and in investing in emerging market mid-cap companies.

He started his career with Société Générale in 1992, where he worked in the African M&A Department in Paris and led teams on multi-sectorial privatizations throughout the continent. In 1998, he was appointed to head Société Générale's West African brokerage firm, Sogebourse, based in Abidjan. He then joined Proparco, where he was first in charge of the Banking and Capital Markets Department, before being asked in 2004 to open and manage an office in Thailand, leading Proparco's East Asian activities. In 2006, Laurent Demey returned to Paris where he became Chief Investment Officer for Proparco and Deputy CEO, overseeing the investment teams and the international network.

Laurent is a board member of Amethis management and advisory company for the funds and for Amethis West Africa (Cote d'Ivoire), CDCI (Cote d'Ivoire), Novamed (Cote d'Ivoire), Petroivoire (Cote d'Ivoire), Chase Bank (Kenya) and Ciel Finance (Mauritius).

He holds a degree in Engineering from the Ecole Centrale (Paris) and a degree in Development Economics from the Ecole Normale Supérieure (Paris).

## Adam Sulley

### Non Executive Director

Adam has over 25 years of successful professional business experience across a number of industries in several countries and is a proven trainer having been a resource person in a number of institutions, including the Executive MBA (EMBA) Programme at GIMPA. He is an astute marketing practitioner accredited with both local and international awards.

He is a Certified Retail Banker and Fellow of International Academy of Retail Banking (UK), Fellow of CIM (UK), Fellow of CIMG (Ghana) and also the Institute of Loan and Risk Management, Ghana (ILRMG).

He was awarded Marketing Practitioner of the Year, CIM Ghana in 2010 and International Branch Chairman Recognition, CIM UK in 2005. He is the immediate past President/Chairman of the Governing Council of ILRM, Ghana and also the immediate past Board Chairman of the rejuvenated Savannah Accelerated Development Authority (SADA). He is a panel member of the National Accreditation Board (NAB).

He occupied a number of Senior Management positions at the Agricultural Development Bank (ADB) including Executive Head of Retail Banking before joining the Social Security & National Insurance Trust (SSNIT) as the Deputy Director General (Operations and Benefits) in July, 2016.
Adam has an MSC International Business from the South Bank University, London. He also has a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (UK) and a Bsc. Industrial Management from the University of Petroleum and Minerals, Dhahran, Saudi Arabia.

## Jacob Hinson

### Non Executive Director

Jacob is the Chief Investment Officer (CIO) of KTH which is one of the largest investment holding companies in Africa.

As CIO he is responsible for managing KTH's investment strategy, team and portfolio as well as driving its future growth. In recent years, under Jacob's leadership KTH has expanded beyond South Africa with the conclusion of several substantial investments in West Africa. Jacob has been involved in assessing and concluding transactions across emerging markets, most notably in West Africa, South Africa, Brazil and China.

His career has included previous employment at Deutsche Bank Corporate Finance and Actis Private Equity. Jacob is a qualified chartered accountant CA,(SA) and a Chartered Financial Analyst (CFA) charter holder with the CFA Institute in the USA. Jacob is the chairman of Kagiso Media, a large media business in South Africa and also represents KTH on a number of investee company boards in Nigeria, Ghana and South Africa.

# Executive Committee

## Edward Opare Donkor

### Chief Operating Officer

Edward is a Chartered Accountant with over 19 years experience in the Financial Services Sector.

As the COO of the Bank, he oversees the Finance, Banking Operations, Business Optimization and Corporate Services and Administration Departments, Facilities and Properties management, Brand and Corporate Communications, Internal Control and Customer Experience. Until his appointment as the Chief Operating Officer, he had served in various capacities as Director of Banking Operations and Finance Director. Prior to joining Fidelity as Accounts Officer, he worked at Enterprise Insurance Co. Ltd as a Technical Trainee and at CDH Insurance Ltd as a Senior Accounts Officer.

Edward holds an Executive MBA degree from the University of Ghana Business School and a BA (Hons) in Economics from the same University. He is a member of the Institute of Chartered Accountants, Ghana and has participated in various finance based workshops in both Ghana and overseas including workshops at Harvard and Wharton.

## Julian Kingsley Opuni

### Divisional Director, Retail Banking

Julian has been in the financial services sector for over 20 years. He initially joined Fidelity Bank as the Head, Commercial Banking at the inception of that unit. He has extensive experience in business development, credit analysis, and sales management and has also been involved in various youth entrepreneurship & business mentoring projects.

Prior to joining the Bank, Julian had a successful career with Lloyds Bank in the UK where he worked for over 18 years. He joined Lloyds on their expedited management training program, holding many roles in operations and retail banking which included branch management. Additionally he held several senior positions in both Business & Corporate Banking, finally leaving as a Senior Manager with responsibility for various business centres to the west of London.

He is an Associate of the Institute of Financial Services (AIFS) and holds a Bsc in Banking & Financial Services from the University of Manchester Institute of Science & Technology. Julian is also an accredited specialist in Manufacturing, Legal and Property lending.

## Angela Forson

### Acting Head, Corporate and Investment Banking (CIB)

Angela became the first female director in charge of business and is currently the acting Head of the Corporate and Investment Banking team.

Before she took up this role, she was the Director in charge of the Local and Multinational Corporates within the then Wholesale Banking Unit. She was also Director of Public Sector and Institutional Banking. She has worked in many roles in the Bank, including being the head of the Telecoms and Utilities desk.

Prior to Fidelity, Angela worked as a licensed dealing broker/Investment advisor, with Databank Financial Services and traded on the Ghana Stock Market before joining the Fidelity Group.

She is currently a member of the University of Ghana Business School Corporate Advisory Committee and a member of the Executive Women's Network in Ghana.

She is a product of the University of Ghana, where she acquired both her Executive MBA and Bachelor of Arts degree.

## George Mensah

### Group Chief Information Officer

George has worked in the IT world for the past 25 years in various capacities and management levels. He is an experienced IT professional who has worked with Multinational companies like Deloitte and Touch Consultants, Standard Chartered Bank Ghana Limited and Stanbic Bank Ghana (a member of the Standard Bank Group) where he held various positions within the Technology and Operation units.

He was the Regional Chief Information Officer (West Africa) for the Standard Bank Group prior to joining Fidelity Bank.

He holds a Bachelor of Science degree in Computer Science, an Executive Master of Business Administration Degree (EMBA) in Entrepreneurial Management, a certificate in Corporate Governance and is a member of the Ghana institute of Directors. He brings a wealth of experience to provide strategic vision, IT governance, Operational leadership and Technology Solutions for the Fidelity Bank Group.

## Shirley-Ann Awuletey-Williams

### Chief Risk Officer

Shirley-Ann joined Fidelity Bank in May 2008 as a Corporate Account Manager responsible for the Manufacturing & Distribution Desk in the Corporate Banking Department. She was transferred to the Risk Management Department as the Acting Head in January 2009 and was the Director of Credit Risk Management until February 2015. She is currently the Chief Risk Officer of the Bank.

With over twenty years experience in banking, Shirley-Ann previously worked with Merchant Bank (Ghana) Limited (now UMB) in various departments/roles including Domestic Banking, Foreign Operations and SME Banking. In the Corporate & Institutional Banking Department, she managed the Credit Analysts Unit as well as the Business Support function and was a Senior Relationship Manager responsible for the Light Manufacturing Sector. Her core competencies include Account Relationship Management, Credit Analysis/Monitoring and Risk Management.

Shirley-Ann holds a first degree in Agricultural Economics from the University of Ghana, Legon and an MBA in Finance from the University of Leicester School of Management, UK. She is also an Associate of the Chartered Institute of Bankers, Ghana.

## John Maxwell Addo Jnr

### Director, Human Resources

John is a senior human resources professional with over 15 years Generalist and Specialist HR experience gained mostly with top international banks across the Middle East, Africa and the United Kingdom. He has a breadth and depth of experience across Performance and Rewards Management, Talent and Succession Management, Career Development, Employee Engagement, Industrial Relations, Learning Management, Resourcing, Graduate Programmes, Organizational Development and Executive Coaching.

John joined Fidelity Bank in January 2013 as HR Director from HSBC Bank, where he was the Regional Head of Learning, Talent, Resourcing & Organizational Development (LTROD) for HSBC's global businesses (Corporate Banking, Client Coverage and Advisory, Global Markets and Private Banking) in the Middle East and Global Head of LTROD for HSBC Amanah (the Islamic Finance Business of HSBC). He was also part of the Global Leadership team for the HSBC Business School. Prior to HSBC, John held various HR roles for Standard Chartered in Ghana, the UK and the UAE.

John has a Master of Science degree in Industrial Relations and Human Resources Management from the London School of Economics (LSE), a Bachelor of Law (LLB) degree from the University of Ghana and a Qualifying Certificate in Law from the Ghana School of Law. He was called to the Ghana Bar in 2001.

## Atta Yeboah Gyan

### Director, Finance

Atta Gyan has over 15 years experience in Banking and Finance and comes to his current role with a strong background in control, audit, finance, operations, compliance and financial risk management. Atta joined Fidelity Bank in September 2007 and has since held many senior roles in Audit and Finance.

Prior to joining Fidelity Bank, he worked at the Multimedia Group Ltd as the Finance Manager for Joy FM. In that role, he set up the Finance function at the station, coordinated the station's strategy and budget, and had oversight responsibility for credit control and client service.

Atta began his banking career at SG-SSB Ltd (now Société Generale Ghana) as an Inspector after a stint at Ghana Airways. At SG-SSB, he was a key member of the taskforce of Operations and Control staff that led the bank's transition from a locally controlled bank to a foreign owned entity.

Atta is a certified Financial Risk Manager (FRM®) and a member of the Global Association of Risk Professionals (GARP), USA. He is a Chartered Accountant and a member of the Institute of Chartered Accountants, Ghana. He holds an Executive MBA (Finance) and a Bsc. Admin (Accounting) degrees from the University of Ghana, Legon. Atta also holds a post-chartered diploma certificate in International Financial Reporting Standards (IFRS).

## Maataa Opare

### Head, Legal and Company Secretary

Maataa's career in Fidelity began as a Legal Officer and subsequently Legal Counsel. Prior to joining the Bank she was a Specialist Contract Manager at Santander Private Banking UK where she provided astute legal guidance to its offshore entity, share dealing service and private banking. The previous six years were spent in Bank of Cyprus UK where she was instrumental in effecting changes brought in by the Consumer Credit Act and the Payment Services Directive. She was responsible for ensuring that relevant regulatory and administrative bodies were updated and acted as secretary for the Executive Credit Committee. Maataa has had over twelve years of experience as an in house lawyer in financial institutions and has also worked in Property Litigation and Product Liability in Hogan Lovells, London. As a Solicitor of the Supreme Court of England & Wales and called to the Bar in Ghana, she is dual jurisdiction qualified.

Maataa holds a Bsc in Politics and International Relations from the University of Southampton. She also took the CPE and Legal Practice Course at the College of Law, Store Street. Her Post-Call was completed at the Ghana School of Law.

# Celebrating 10 Years

# of Banking Excellence


FIDELITY
BANK
FIDELITY
BANK

*"From our days as a discount house, we saw the opportunity in the market to create a truly Ghanaian world-class bank, and so we set out to create this bank called Fidelity."*

- Fidelity Bank Ghana Limited is a Ghanaian bank that started operating as a universal bank after being granted a license in June 2006. Prior to this, Fidelity operated as a Discount House and earned a respected position as the leading discount house in the country.

- Our achievement as a Discount House enabled us to enter the industry with a strong capital base, a good portfolio of clients and a robust deposit base. Currently, the Bank continues to harness the goodwill we have built in the market place, the full potential of our highly professional staff and the extensive local and international business contacts we have developed.

- We have a strong Board of Directors chaired by Edward Effah and a management team headed by Jim Baiden.

- We are the largest Ghanaian private sector bank in Ghana.

- We are the 5th largest bank in Ghana in terms of customer deposits.

- We aim to be a top 3 bank by 2018.

*"After only one year of operation, we won at the Ghana banking Awards, 'The Best Growing Bank' and numerous awards since then. But the most significant one is the recent 'Bank of the Year' award at the 2016 Ghana Banking Awards."*


*"It's been a phenomenal journey so far, watching the Bank grow from a small company with one branch to 75 branches, over 700 agents and over 1,000 permanent staff."*

Some of our most recent accolades include:

**2015 / 2016**

- Bank of the Year 2015, 15th Ghana Banking Awards
- Trade Deal of the Year 2015, 15th Ghana Banking Awards
- Best Bank in Corporate Social Responsibility for 2015, 15th Ghana Banking Awards
- Best Bank in Financial Performance for 2015, 1st Runner Up, 15th Ghana Banking Awards
- Best Bank in Customer Care for 2015, 2nd Runner Up, 15th Ghana Banking Awards
- Oil And Gas Financial Services Provider Of The Year, Ghana Oil and Gas Awards (GOGA 2015)
- Best Bank in Ghana, EMEA African Banking awards, 2016
- Best Bank in Ghana, The Banker Award, 2016

**2014 / 2015**

- Oil And Gas Financial Services Provider of The Year, Ghana Oil and Gas Awards (GOGA) 2014
- Global Professional Achievers, Entrepreneur of the year
- Best Strategic Change and Marketing for e-learning in Africa, Skillsoft
- Gold Award, Outdoor (Financial Institutions category), Gong Gong Awards
- Gold Award TV (Financial Institutions category), Gong Gong Awards
- Best Company, Financial Sector Company, AGI Ghana Industry Awards
- Best Bank in Product Innovation, 2nd Runner Up, Ghana Banking Awards
- Best Bank in Product Innovation, First Runner Up, Ghana Banking Awards
- Best Bank in Household Finance, Ghana Banking Awards
- Best Organizational Culture, HR Focus Awards
- Best Organization in Reward Management Practice, HR Focus Awards

**2013 / 2014**

- CIMG Marketing Man of the Year, 2013
- CIMG Bank of the year, 2013
- Best Bank- Mobile Centric Remittance Service in Africa, 6th Kalahari Awards
- Best Financial Inclusion Product of the year, 5th Kalahari Awards
- Oil and Gas Financial Services Provider of the year, Ghana Oil and Gas
- Best Bank in Ghana, EMEA Africa Banking Awards
- Best Bank in Mobile Financial Services, Ghana Telecom Awards
- Best Bank Investment in ICT Infrastructure, Ghana Telecom Awards
- Chief Information Officer of the Year, Ghana Telecom Awards
- Best in Social Media marketing, The Banker Awards
- Most Socially Responsible Bank in Ghana, Ghana Banking Awards

*"Over the last 10 years, our consumer banking space, which covers SMEs, individual and high net worth customers, as well as the unbanked population, has grown to almost one million customers."*

# Still touching Ghanaian Lives.


Over the years, Fidelity Bank has been known for being socially responsible and embracing sustainability as an integral part of our business agenda.

In our quest to make the society and the world at large a more sustainable place to live, we were awarded the Best CSR Bank for the second time running at the 2015 Ghana Banking Awards.

In September 2016, again Fidelity Bank won the best CSR Bank in the Sixth Ghana CSR Excellence Awards (GHACEA).

In the past year, there has been a substantial increase in our strategic partnerships initiatives and has stirred the interest of staff to willingly volunteer and contribute towards achieving one dream.

Our Corporate Responsibility programme is broadly divided into our colleague engagement programme called Charity @ Work and our Strategic Partnerships projects where we leverage our strengths as a bank to drive social change in key focus areas.

## **Charity@Work -** The Power of Volunteering

In 2016, our colleagues continued to make their mark in their communities through our branch network. Many branches continued our support for many community based centers across the country. At Christmas, colleagues provided a variety of goods and cash donations to some facilities across the country. Below is a list of activities embarked upon by some branches:

Tudu, High Street and Ashaiman Market branches have already donated various items to the Accra Psychiatric Hospital, Children's Hospital and Save Them Young Mission Orphanage respectively.

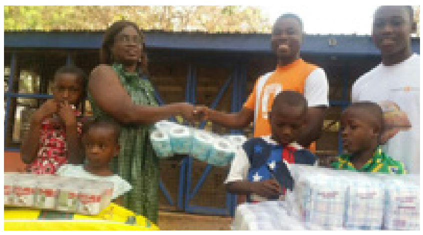
Team Achimota Branch made a donation of assorted items to the Maternity ward-Amasaman General Hospital Accra.

Ring Road Central team donated some items to Assurance of Hope for the needy at the Teshie Estates.

**Adum PZ**

Kumasi Rehabilitation Centre is a Governmental Institution for the disabled located at Edwenase near Kwadaso. The institution with a total enrollment of 75 disabled students relies heavily on donations. The facilities available can only accomodate 300 disabled students and lacked support. As a result, the staff of Adum PZ donated items worth Ghc 1,000.

Tamale branch travelled to Nyoni Children's home to donate some items in cash and kind on behalf of the team.



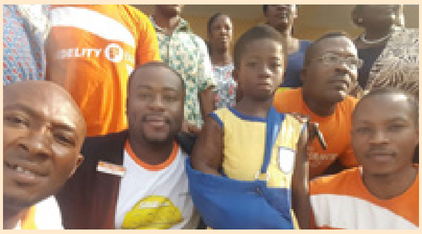
**Dzorwulu Branch**

Linda Sampana is a 6 year old Pupil of the Dzorwulu Methodist School. Linda, who is currently in KG 2, was born with a slightly swollen right hand. However due to financial difficulties her parents could not run any specific medical tests to ascertain the cause of her condition.

She has been in and out of school for a while due to her medical condition. Unfortunately, the swelling/growth on her arm has been enlarging in the last 12 months and she was rushed to the Korle-Bu Teaching Hospital. A comprehensive series of test was run to enable the medical team ascertain the actual cause of the condition.

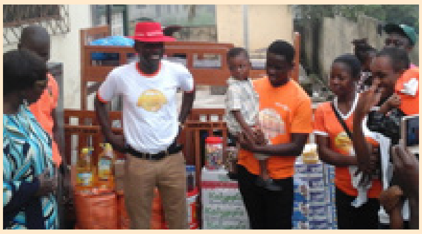
The mother, Josephine Amam, was able to mobilize part of the funds through family, friends and sympathizers and needed an additional GHS1,000.00 to enable her pay for the medical test. The Dzorwulu Branch decided to fund the outstanding balance to help save the little girl's life.

The Branch presented a cash amount of GHS 1,300.00 to Linda's mother to enable them run the test as soon as possible and use the rest for miscellaneous expenses. The school administration and her teachers witnessed the presentation and acknowledged the immense impact it will have on Linda's life. This will enable her lead a normal life.



As part of our CSR, A & C Mall Branch visited Echoing Hills Village (society for the socially disadvantaged) located at Madina-Ogbojo. They made some donations and celebrated Christmas with the children.

the Angels Of Hope Centre at Tarkwa Low Cost Area.



Maamobi branch celebrated with the children at the Maamobi Polyclinic children's ward with gift items. The expression of joy was indeed rewarding.

Techiman branch contributed it's widow's mite in the CSR drive of the Bank by donating to the Paediatric Unit of Holy Family Hospital in Techiman. The donation both in cash and kind was aimed at getting all the children on admission the opportunity to feel the spirit of the Christmas celebration.

# **Strategic Partnerships -** Driving Social Change through Partnerships

## Financing Water, Sanitation And Hygiene (WASH)

### Making Access to Finance for WASH a Reality.

Ghana has one of the poorest sanitation records in Africa. To provide supply side solutions to sanitation, Fidelity Bank partnered with the Embassy for the Kingdom of Netherlands (EKN) and SNV Netherlands Development Organization to improve Water, Sanitation and Hygiene (WASH). In 2016, a total amount of GHS3.67m was made accessible to households and micro, small and medium enterprises). Thirty (30) MSMEs also benefited from the capacity building component of the project. A total of fourteen (14) construction artisans who hitherto remained idle after receiving training from Civil Society Organizations (CSOs) were successfully linked to Microfinance Institutions selected as conduits under the project. Over 500 household toilets were constructed leading to creation of job opportunities and a boost in income of these artisans. Overall, twenty thousand (20,000) lives were impacted positively through the project's implementation plan activities in 2016.


## Innovative Financing For The Health Sector

### Strengthening the health sector through access to finance Partners: USAID and PharmAccess

Being an indigenous bank, the welfare of Ghanaians is of high importance to Fidelity Bank. The financing of health service providers still remains a key challenge faced by the health sector. To this end, Fidelity Bank has partnered with the United States Agency for International Development (USAID) as well as PharmAccess under the Medical Credit Fund (MCF) to provide affordable health financing to health facilities. Technical and financial support (in terms of product variation) was rolled out in 2016 through a well-structured adoption strategy, for the benefit of child/maternal health in rural or deprived areas. On the subject of sustainability of key health systems and active players, a Mutual Guarantee Fund (MGF) was created in collaboration with USAID whiles the very first health franchise model for antenatal care in Ghana was launched in 2016 under the auspices of EKN with PharmAccess/MCF acting as an implementing partner.

## Supporting The Agricultural Sector

**Smart Agri Finance Project: Financing the Agricultural Value Chain**
**Partner: USAID**

Promoting food security, adopting digitized payments and boosting money supply was also a core mandate of the bank in 2016. Led by our agriculture strategy, alternative funding sources/instruments and technical support, we continued to show commitment to rural and agriculture financing. Special focus was dedicated to the northern region as a result of collaborations with USAID under an agric value chain financing scheme. With the support of USAID, the SMART Agri finance project was actively implemented with our field partners, SNV in 2016. This was primarily to raise the awareness of savings culture through the use of digitized payment systems among small holder farmers (especially women). In 2016, we provided over 2,600 farmers financial education, about 65% of them were women.

## Youth in Cocoa Project (MASO)

**Partner: SOLIDARIDAD**

The aim of the MASO project with Solidaridad, with funding from the MasterCard Foundation is to support the youth who are into cocoa farming. Under this project, financial literacy training (ie, Savings, Investments, Entrepreneurship, Book keeping etc) was provided to 50 Cocoa Farmers at Sefwi Asawinso in the Western Region of Ghana during the last quarter of the year.

Participants after the training were better able to manage their finances as well as make better business decisions and keep track of their business activities which hitherto was not the case. Accounts are to be provided for all the youth on the programme.

## Cocoa Food Link Programme

**Partners: GIZ and DIZENGOFF PROJECT**

The aim of the project is to encourage savings among cocoa farmers. 70 Cocoa farmers in Tarkwa and Elubo (Western Region of Ghana) were provided with financial literacy education as well as Smart accounts. Once they have saved, they would be able to receive discounts at Dizengoff input dealers. The input dealers have been set up as Fidelity agents and are available for farmers to save, withdraw and transfer money.

Participants have started weekly and monthly savings in the new Smart Accounts opened for them and the purchasing of more inputs for their farms will hopefully help increase their yield.


## Supporting Women to Save

**Partner: World Bank**

Fidelity Smart Accounts have been opened for about 500 unbanked and under privileged women in some areas of the Greater Accra Region (James town, Chorkor, Nima, Alajo, Darkuman).

These women were educated on the importance of savings and have been encouraged to try and save at least Ghc 160.00 in 6months upon which they will be given a grant of Ghc 500.00 by the World Bank to enhance their personal business. The essence of the project is to examine the role of cash incentives in promoting savings among women.


Region 02
Region 03
Region 04

# Chairman's Statement

## Distinguished Shareholders,

It is my pleasure to welcome you to this year's AGM. I am especially honoured to serve as Chairman of the Board of Directors of your Bank and I take this opportunity to salute my predecessor, Dr. William Panford Bray, and pledge to continue to uphold the strong governance standards required of my position.

## Introduction

2016, the year under review, was quite an eventful one. Your Bank celebrated its 10th anniversary and was adjudged the Bank of the Year at the prestigious Ghana Banking Awards, for its outstanding performance in trade financing and strong financial results in 2015. Fidelity also won the "Trade Deal of the Year" as well as the "Corporate Social Responsibility Bank of the year" at the same Awards. As if to endorse the Ghana Awards, Fidelity was also awarded with the Bank of the Year Award by The Banker, London (a member of the Financial Times of London Group) as well as the EMEA Africa Finance Awards in December 2016. In spite of these achievements, 2016 was challenging for the Bank resulting in a significant loan impairment provision against our Oil Loan Book resulting in a low PBT of GH¢ 18.6 Million for the Bank. Despite these challenges, the Bank still maintained its position as a top tier one (1) bank in the country.

After another year of slow global growth, the global economy is expected to grow marginally in 2017. This is due to weaker conditions in advanced economies, changing policy mix under a new administration in the United States and its global spill overs, including the effects of Brexit. The IMF expects global economic growth to reach 3.4% by end of 2017 and 3.6% by end of 2018.

Locally, growth of the economy is expected to pick up speed in 2017, aided by increased oil and gas production, improving consumer and business confidence, improving investor interest especially after the peaceful elections held in December 2016 as well as the prospect of monetary policy easing. It has been forecasted that real GDP growth will accelerate to 6.3% in 2017 and 9.1% in 2018.

## Governance Developments

In July 2016, the Board took some critical decisions to restructure the governance of the Bank. Dr. William Panford Bray retired as Board Chairman after ten (10) years of meritorious service to the Bank. Subsequently, after running the Bank successfully for 10 years since inception, I was elevated to the position of Group CEO and Chairman of the Bank. Mr. Jim Baiden, the Deputy Managing Director was also promoted to become the substantive Managing Director of the Bank. This rearrangement was to ensure that the original founder and co-founder of the Bank took charge of the next phase of the Bank's development. Within the short term, initiatives will be undertaken to groom the next crop of executive management.

## 2016 Financial Performance

The Bank recorded a low profit due to the difficult macroeconomic environment which resulted in an increased number of non-performing loans (NPLs) and high levels of provisions in the Oil and Gas sector.

The Bank recorded a slight increase in balance sheet size; growing by 1.45% to GH¢ 4.2 billion from GH¢ 4.1 billion in 2015. On the contrary, operating income declined to GH¢ 461.2 million; a 16.42% drop over previous year's figure of GH¢ 551.8 million.

As a result of the aforementioned, the Bank recorded a 91% decline in profit before tax of GH¢ 18.6 million in 2016 compared to GH¢ 205.8 million in 2015.

## Dividends

Despite the significant dip in earnings for the year 2016, the Board has proposed a dividend of GH¢ 0.35 per share for this year.

## Strategy
In line with the Bank's mission to become a Top-3 bank in Ghana by 2018, the Bank undertook several technology initiatives in 2016. We successfully launched the IBM IIB ESB (Enterprise Service Bus), rolled-out our corporate and retail internet banking platform, deployed Point of Sale (POS) terminals, cash collection platforms and commenced the issuance of instant VISA debit cards. In terms of business delivery, the bank has now adopted a collaborative approach to service delivery to ensure our customers are banked "end to end" with our suite of financial services.

These initiatives which were taken to improve our integration and operational efficiency, are expected to provide a superior customer experience and increase business growth through innovation in 2017.

## Corporate Governance
The Bank continued to exhibit exemplary corporate governance standards consistent with the mandatory legal provisions. The Board, through its Risk & Audit, Credit Risk, Technology and Human Resources & Welfare sub-committees and the various management committees worked together to ensure sound business practices throughout the Bank.

Through the regular review of policies and procedures, the Board is satisfied that the systems in place are adequate to manage the risk inherent in the Bank's business.

## Directors
During the 2016 financial year, four directors resigned from the Board. These directors are as follows:

- Dr. William P. Bray
  (Board Chairman)
- Mr. Alex Dodoo
  (Executive Director, Wholesale Banking)
- Mrs. Akosua Nelson-Cofie
  (Non-Executive Director)
- Mr. Jacob Hinson
  (Non-Executive Director)

On behalf of the Board and Management of the Bank, I would like to express my appreciation to them for their contribution to the success and growth of the Bank. We wish them well in their future endeavours.

In the same year, Mr. Jim Baiden was appointed Managing Director of the Bank along with my appointment as Group Chief Executive Officer and Board Chairman. Mr Adam Sulley of SSNIT and Ms. Aliya Shariff of Kagiso Tiso Holdings (KTH) have also been appointed to the Board.

## Conclusion & Outlook for 2017
The Bank has laid a solid foundation to take advantage of new opportunities that will arise from the economic growth expected in 2017. This will be achieved through its Corporate and Retail Banking strategies and use of our e-banking and transaction banking suite of products and services.

In conclusion, I would like to acknowledge the efforts and contributions of our Board, Management and staff to our success story to date. I look forward to their continued collective support as we strive to achieve our strategic initiatives in the coming year and beyond. The past decade has truly seen tremendous growth in our operations as a bank in Ghana and we look forward to another successful decade ahead.

Thank you.

**Edward Effah**
Chairman

# Managing Director's Report

Dear Shareholders,

It is with great pleasure that I present to you my maiden report as Managing Director of your Bank; having been appointed to the position in July 2016. 2016 was a landmark year for the Bank. It marked our 10th year of operation as a Bank and coincidentally Fidelity Bank was also adjudged "Bank of the Year" at the 2016 Ghana Banking Awards.

I am proud of the many successes the Bank has achieved over the ten (10) year period; albeit within very challenging circumstances. The year 2016 in particular was a very challenging business year for the Bank resulting in a one-time materially-low profit of GH¢ 18.6 Million Profit before Tax (PBT) after making a one-off loan provision of GH¢ 135 Million for the oil-related loan portfolio. Despite this, the Bank can boast of a strong capital base, one of top-5 in the banking industry and an asset book of over US$1 billion which is very profitable on an on-going basis.

## Introduction

Globally, growth remained flat at 3.1% as developments in most advanced countries reflected a more subdued outlook. In addition, the United Kingdom voted in favour of leaving the European Union (Brexit). Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact is still unclear as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. Emerging markets and developing economies (EMDEs), on the other hand, remained much more diverse. Whereas the growth rate in China was a bit stronger than expected, growth was weaker than expected in some Latin American countries and in the Sub Saharan African region.

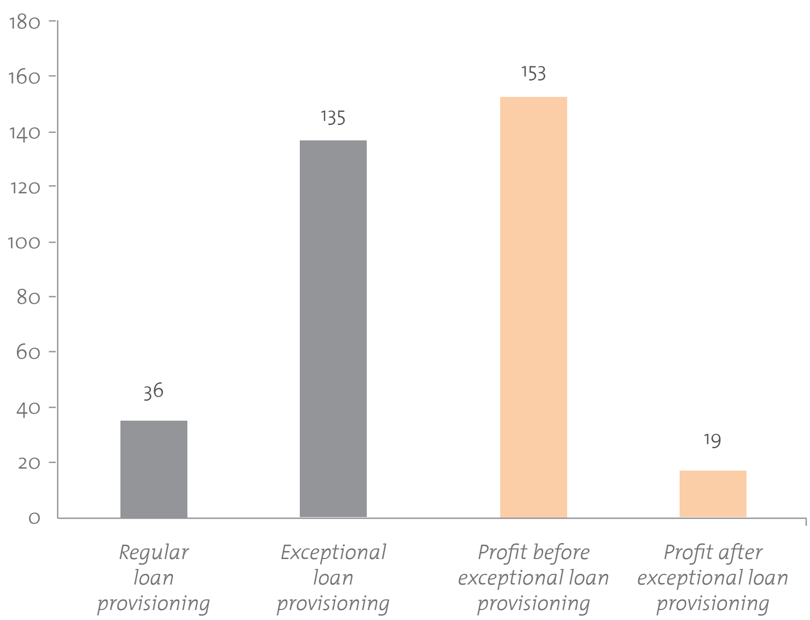
In the local economy, macroeconomic fundamentals remained relatively stable for 2016; with the cedi depreciating by 9.6% and 5.3% to the USD and the EURO respectively but appreciating by 10% against the GBP. Comparatively, in 2015, the cedi depreciated by 15.7%, 11.5% and 6.2% to the USD, GBP and EURO respectively.

Interest rates on the short end of the market were relatively high in the first three quarters of the year but trended downwards significantly in the last quarter, in response to government's fiscal debt management efforts. The overnight interbank market interest rate dropped marginally; ending the year at 25.26% from 25.51% while the Bank of Ghana (BOG) policy rate dropped to 25.5% in November 2016 from 26% and remained unchanged as at December 2016.

## 2016 Financial Performance

Due to the difficult macroeconomic environment which resulted in an increased number of non-performing loans (NPLs) and high levels of loan loss provisions in the Oil and Gas sector, the Bank's overall performance was subdued. We made an extraordinary loss provision of GH¢ 135 million to cater for our exposure to Bulk Oil Distribution Companies (BDC) debt, which was a development most banks in the country had to contend with. Industry exposure stood at GH¢ 2.8 billion due to the non-payment of outstanding subsidies and foreign exchange loss reimbursements by Government.

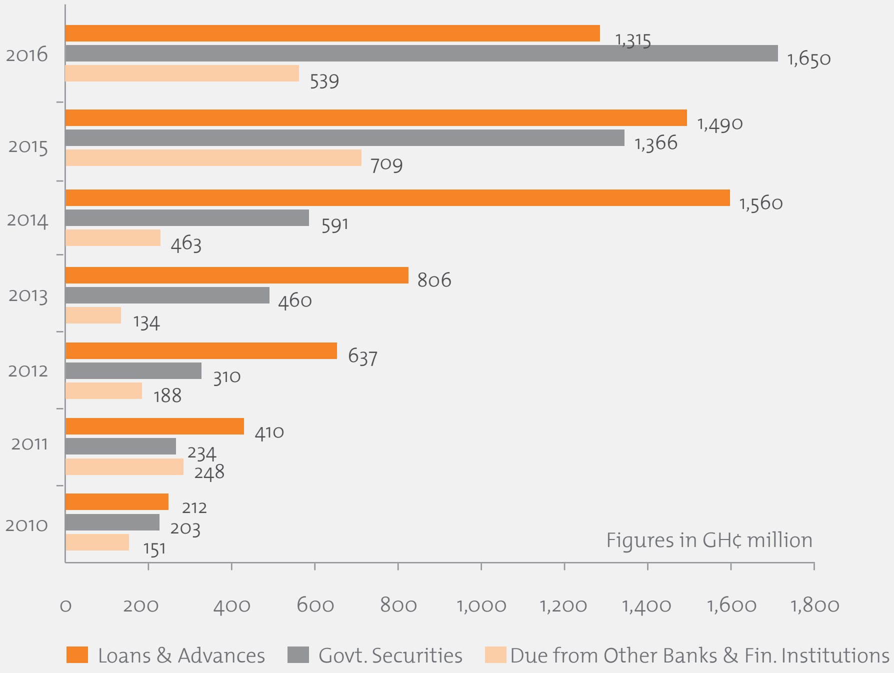
**Impact of Loan Provisioning (GH¢ Million)**



## Balance Sheet Review

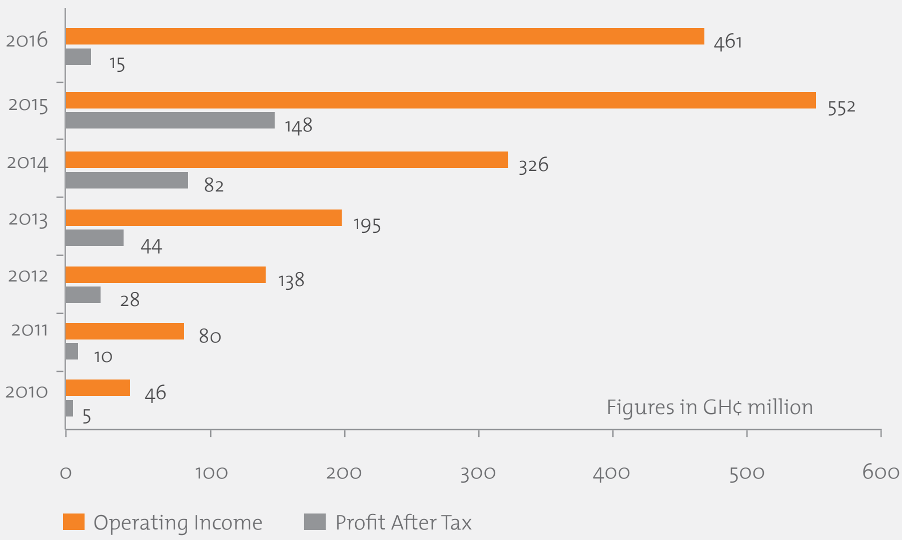
Over the period under review, the Bank grew its balance sheet size marginally by 1.45% to close the year with an asset base of about GH¢ 4.2 billion from GH¢ 4.1 billion in 2015. The growth in the assets of the Bank was propelled by a 20.82% growth in investments in government securities. Customer deposits for 2016 also increased by 3.25% to GH¢ 3.1 billion from GH¢ 3.0 billion in 2015. Interbank placements, on the other hand, decreased by 8.47% to GH¢ 458.7 million from GH¢ 501.2 million in 2015.

### Historic Breakdown of Major Asset Classes




## Income Statement Analysis

Profit declined to GH¢ 18.6 million compared to GH¢ 205.8 million recorded in 2015. Operating income came to GH¢ 461.2 million, representing a 16.42% drop over 2015's figure of GH¢ 551.8 million. Net interest income fell from GH¢ 369.6 million in 2015 to GH¢ 356.2 million in 2016 partly due to the suspension of interest income on some legacy loans. Fees and commission grew by 4.10% to GH¢ 77.0 million compared to GH¢ 74.0 million in 2015 coming in from enhanced service charges. Operating expenses for the year dropped to GH¢ 271.9 million, 6.90% below that of the previous year.




## Notable Events

In 2016, the Bank undertook several initiatives aimed at stabilizing our technology platforms and rationalizing our operations to ensure process efficiency and improved customer service delivery. Some notable developments worth mentioning are as follows:

### Technology

The Bank successfully launched several technology-driven solutions to support our business and product delivery. These included our corporate internet banking platform (Fidelity Online), retail internet banking, cash collection platforms, and Point of Sale (POS) terminals.

### Organizational Restructuring

By the end of 2016, the Bank initiated and completed an organizational restructuring exercise, which sought to better-align its business structures with our clients' needs and the opportunities in the market. The Retail Banking business now has a stronger segmented proposition for Commercial & SME's, Personal Banking as well as Prestige Banking Clients, backed by a structure designed to support the delivery of a superior customer experience. On the wholesale banking front, a new Corporate and Investment Banking (CIB) Division has been created to ensure we provide total financial service solutions to our corporate banking clients. This is premised in a functional Corporate Internet Solution as well as cash collection platforms. Our Transaction Banking solutions are in full deployment now.

### Awards & Recognition

The year 2016 saw the Bank being recognized for its performance with the following awards:

- 2015 Bank of the Year
  - Ghana Banking Awards;
- Trade Finance Deal of the Year
  - Ghana Banking Awards;
- Most Socially Responsible Bank
  - Ghana Banking Awards;
- CSR Bank of the Year
  - Ghana CSR Excellence Awards;
- Bank of the Year
  - EMEA Africa Banking Awards;
- Bank of the Year
  - Banker Awards, London;
- Best Bank (Mobile Centric Remittance Service in Africa) - Kalahari Awards.

## Staff Rationalization

During the year under review, the Bank undertook a right-sizing exercise with the ultimate aim of ensuring that the bank becomes more efficient, productive and competitive. Consequently, for 2016, the permanent staff strength of the bank declined by 14% to 1029 from 1190 whilst our contract staff numbers decreased by 42% to 494 from 858.

The Bank remains committed to the professional growth and development of its people. In line with this, we will ensure the availability of well-structured training courses and modules to aid personal growth and also help staff nurture the right level of skills required to deliver the Bank's strategy.

## 2017 Outlook

Successful elections in 2016 and a smooth transfer of power in January 2017, has re-echoed Ghana's stability and created a new sense of hope for renewed growth. Ghana's economy is expected to expand at a rate of 6.3% as against the 3.6% growth rate in 2016.

Our Bank is well positioned and equipped to take advantage of the opportunities that will emanate from this projected growth for the banking industry. Our strategic focus for 2017 is to pursue revenue growth through multiple business lines, human capital development, and the use of our e-banking and transaction banking suite of products.

## Conclusion

After 10 years of successful operation as a Bank, I would like to express my sincere gratitude to everyone who contributed to our success. To our cherished customers; thank you for remaining loyal to us and entrusting us with your banking needs. To our shareholders and strategic business partners; thank you for trusting us with your resources. To our Board of Directors; thank you for your wise counsel and continued support. To our dedicated staff; thank you for your commitment to our mission and vision as a Bank.

Despite our subdued profit performance in 2016, I wish to assure all stakeholders that we are poised with the necessary measures to restore our profits to acceptable levels and take the Bank to a new level of achievement in 2017 and beyond.

I look forward to another year in which we will collectively contribute towards the achievement of our mission of becoming a top 3 bank in Ghana by 2018.

Thank you.

**Jim Baiden**
Managing Director

The directors submit their report together with the audited financial statements of the Bank and its subsidiaries, together called the Group, for the year ended 31st December 2016.

## Statement of Directors' Responsibility

The Bank's directors are responsible for the preparation and fair presentation of the financial statements comprising the statements of financial position at 31st December 2016, the statements of comprehensive income, the statements of changes in equity, statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 1963 (Act 179), the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

## Principal Activities

The company operates as a Bank under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

## Nature of Business

The Bank is licensed to carry out universal banking business in Ghana, and there was no change in the nature of the Bank's business during the period.

## Holding Company

Fidelity Bank Ghana Limited, a company incorporated in Ghana, wholly owns Fidelity Securities Limited and Fidelity Asia Bank Limited.

Fidelity Securities Limited (FSL), a company incorporated in Ghana, is the investment banking arm of the Bank. FSL's business involves providing advisory services, fund management, issuance of securities and publishing analysis and reports concerning securities for clients.

Fidelity Asia Bank Limited (FABL) is a company incorporated in Malaysia and carries on the business of offshore banking.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## Financial report and dividend

The results for the year are set out below

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Profit after tax (attributable to equity holders) | 8,972 | 145,425 | 14,711 | 147,734 |
| Income surplus account brought forward | 47,428 | 30,966 | 47,748 | 28,977 |
| | 56,400 | 176,391 | 62,459 | 176,711 |
| Transfer to statutory reserve fund | (3,678) | (73,867) | (3,678) | (73,867) |
| Transfer (to)/from credit risk reserve | 5,582 | (22,755) | 5,582 | (22,755) |
| Ordinary share dividend declared in 2015 and paid in 2016 | (31,921) | (20,840) | (31,921) | (20,840) |
| Preference share dividend paid | (11,724) | (11,501) | (11,724) | (11,501) |
| Balance to be carried forward | 14,659 | 47,428 | 20,718 | 47,748 |

The directors recommend the payment of a dividend of GH¢ 0.35 per share (2015: GH¢1.27).

## Auditor

In accordance with Section 134(5) of the Companies Act, 1963 (Act 179), the auditors, Messrs. PricewaterhouseCoopers (PwC), will continue as auditors of the Bank.

The financial statements of the Bank and the Group were approved by the Board of Directors on 27th March 2017 and signed on their behalf by:

BY ORDER OF THE BOARD

Edward Effah
Board Chairman

Jim Baiden
Managing Director

## Commitment to Corporate Governance

Fidelity Bank Ghana Limited and its Subsidiaries operate in accordance with the Fidelity Group principles and practices on corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance which constitutes the best of international practice in this area.

The key guiding principles of the Group's governance practices are:

**i.** good corporate governance enhances shareholder value;

**ii.** the respective roles of shareholders, Boards of Directors and management in the governance architecture should be clearly defined; and

**iii.** the Boards of Directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Group or Company, or who are not affiliated with organisations with significant financial dealings with the Group.

These principles have been articulated in a number of corporate documents, including the company regulations, a corporate governance charter, rules of procedures for Boards, a code of conduct for directors and rules of business ethics for staff.

## The Board of Directors

The Board is responsible for setting the institution's strategic direction, leading and controlling the institution and monitoring activities of the executive management.

As of 31st December 2016, the Board of Directors of Fidelity Bank Ghana Limited consisted of seven members, four of whom are Non Executive Directors. The Board members have wide experience and in-depth knowledge in management, industry and financial and capital markets which enables them to make informed decisions and valuable contributions to the Group's progress. The Board met four times during the year.

The Board has delegated various aspects of its work to its Risk and Audit, Credit Risk Management, Technology, and Human Resource and Staff Welfare Committees in order to strengthen its corporate governance and bring it in line with international best practice with the following membership and functions:

## Risk and Audit Committee

| | |
|---|---|
| Mr. Emmanuel Barima Manu | Chairman |
| Mr. Jacob Hinson | Member |
| Mr. Adam Sulley | Member |
| Mr. Laurent Demey | Member |

The Risk and Audit Committee is made up of non-executive directors and performs the following functions among others:

- nominates the auditors of the Bank for approval by shareholders;
- review of compliance with company policies;
- review of the external auditors report; and
- review of internal controls and systems.

## Credit Risk Management Committee

| | |
|---|---|
| Mr. Laurent Demey | Chairman |
| Mr. Jacob Hinson | Member |
| Mr. Adam Sulley | Member |
| Mr. Kwamina Duker | Member |

The Credit Risk Management Committee is made up of non-executive directors and performs the following functions among others:

- considers and approves credit exposures which exceed the approval limit of the Management Credit Committee;
- sets and reviews lending limits for various levels of authorisation;
- considers and approves inter-bank lending; and
- considers and approves facilities referred to it by the Management Credit Committee.

## Human Resources and Welfare Committee

| | |
|---|---|
| H. E. Mrs. Johanna Svanikier | Chairman |
| Mr. Emmanuel Barima Manu | Member |
| Mr. Jim Baiden | Member |
| Mr. Edward Effah | Member |

The Human Resources and Welfare Committee's main responsibility includes proposing and making recommendations on human resource issues and matters relating to terms and appointment of senior management and staff of the Bank.

The Board has adopted standard evaluation tools to help assess annually the performance of the Board, its committees and individual members.

## Technology Committee

| | |
|---|---|
| Mr. Kwamina Duker | Chairman |
| H. E. Mrs. Johanna Svanikier | Member |
| Mr. Adam Sulley | Member |
| Mr. Edward Effah | Member |

The Technology Committee is mandated to:

- Provide long term strategic guidance on technology;
- Oversee major information technology (IT) related strategies, projects and technology architecture decisions;
- Monitor whether the Bank's IT programs effectively support its business objectives and strategies;
- Confer with the Bank's senior IT management team; and
- inform the Board of Directors on IT related matters.

## Code of Conduct

As part of the Bank's corporate governance practice, management has communicated the principles of the Bank's code of conduct to all employees. The code of conduct provides a basic framework and guidance for behaviours and business conduct. The code of conduct also serves as a reference point in all aspects of employee's working relationships with other employees, customers, suppliers, government officials, regulators, joint venture partners, competitors and the broader community.

## Anti-Money Laundering

The Bank has established an anti-money laundering system in compliance with the requirements of Ghana's Anti-Money Laundering Act 2008, Act 749. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training of staff on money laundering which assist in reducing regulatory and reputational risk to its business.

## To the Members of Fidelity Bank Ghana Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

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

***What we have audited***

We have audited the financial statements of Fidelity Bank Ghana Limited (the "Bank") and its subsidiaries (together the "Group") for the year ended 31 December 2016.

The financial statements on pages 35 to 112 comprise:

- the separate and consolidated statement of comprehensive income for the year then ended;
- the separate and consolidated statement of financial position as at 31 December 2016;
- the separate and consolidated statement of changes in equity for the year ended;
- the separate and consolidated statement of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statement, which include a summary of significant accounting policies.

### Basis for opinion

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

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

***Independence***

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

### Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors, the Corporate Governance Report, the Value Added Statement and the Shareholder Information but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Corporate Social Responsibility, the Chairman's Statement and the Managing Director's Report, which are expected to be made available to us after that date.

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

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

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

When we read the Corporate Social Responsibility, the Chairman's Statement and the Managing Director's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of the directors for the financial statements

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

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

In accordance with section 78(2) of the Banking Act 2004 (Act 673) as amended, we hereby confirm that:

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

**ii)** in our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year ended 31 Dec 2016;

**iii)** in our opinion, the Bank's transactions were within its powers; and

**iv)** the Bank in all material respects complied with the requirements of the Banking Act, 2004 (Act 673) as amended.

The engagement partner on the audit resulting in this independent auditor's report is **Michael Asiedu-Antwi** (ICAG/P/1138).

**PricewaterhouseCoopers**
(ICAG/F/2017/028)
Chartered Accountants
Accra, Ghana
28th March 2017

# Statement of Comprehensive Income

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Year ended 31 December

| | Note | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|---|
| Interest income | 6 | **625,551** | 614,809 | **621,513** | 615,075 |
| Interest expense | 7 | **(265,970)** | (242,168) | **(265,329)** | (245,463) |
| **Net interest income** | | **359,581** | 372,641 | **356,184** | 369,612 |
| Fee and commission income | 8 | **79,526** | 75,538 | **76,985** | 73,972 |
| Fee and commission expense | 9 | **(7,773)** | (5,504) | **(7,742)** | (5,497) |
| **Net fee and commission income** | | **71,753** | 70,034 | **69,243** | 68,475 |
| Other operating income | 10 | **35,778** | 114,617 | **35,781** | 113,758 |
| **Operating income** | | **467,112** | 557,292 | **461,208** | 551,845 |
| Net impairment loss on financial assets | 12 | **(170,744)** | (54,066) | **(170,744)** | (54,066) |
| Personnel expenses | 11 | **(110,508)** | (110,235) | **(105,823)** | (108,193) |
| Depreciation and amortisation | 11 | **(10,810)** | (16,581) | **(10,236)** | (16,229) |
| Other expenses | 11 | **(161,618)** | (171,735) | **(155,829)** | (167,558) |
| **Profit before income tax** | | **13,432** | 204,675 | **18,576** | 205,799 |
| Income tax expense | 13 | **(3,432)** | (48,904) | **(2,936)** | (47,775) |
| National fiscal stabilisation levy | 13 | **(1,028)** | (10,346) | **(929)** | (10,290) |
| **Profit for the year** | | **8,972** | 145,425 | **14,711** | 147,734 |
| **Other comprehensive income:** | | | | | |
| Items that may be reclassified to profit or loss | | | | | |
| Net change in value of available for sale investment securities | 30 | **18,372** | 3,729 | **18,364** | 3,728 |
| Loss on re-measuring to fair value the existing interest in equity investment | 30 | **(26)** | (4) | **(26)** | (4) |
| Currency translation differences on foreign subsidiary | 30 | **759** | 2,391 | **-** | - |
| **Total other comprehensive income** | | **19,105** | 6,116 | **18,338** | 3,724 |
| **Total comprehensive income for the year** | | **28,077** | 151,541 | **33,049** | 151,458 |
| Attributable to owners of Fidelity Bank Ghana Limited | | **28,077** | 151,541 | **33,049** | 151,458 |
| **Total comprehensive income for the year** | | **28,077** | 151,541 | **33,049** | 151,458 |
| **Earnings per share** | | | | | |
| Basic/diluted earnings per share (GH¢) | 27 | **0.36** | 5.76 | **0.58** | 5.85 |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 14.

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

# Statement of Financial Position

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Year ended 31 December

| | Note | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 15 | 976,971 | 1,056,332 | 961,024 | 1,067,469 |
| Investment securities | 16 | 1,654,207 | 1,369,355 | 1,650,277 | 1,365,877 |
| Loans and advances to customers | 17 | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |
| Investments (other than securities) | 18 | 27 | 53 | 8,291 | 8,317 |
| Other assets | 19 | 119,314 | 60,758 | 130,260 | 71,159 |
| Deferred tax asset | 14 | 7,357 | 15,312 | 7,359 | 15,314 |
| Property plant and equipment | 20 | 93,185 | 87,667 | 93,019 | 87,553 |
| Intangible assets | 21 | 8,793 | 8,751 | 7,568 | 7,269 |
| Non current assets held for sale | 22 | 1,011 | 1,011 | 1,011 | 1,011 |
| **Total assets** | | 4,213,460 | 4,089,082 | 4,173,602 | 4,113,812 |
| **Liabilities** | | | | | |
| Deposits from customers | 23 | 3,136,555 | 3,008,685 | 3,100,614 | 3,003,029 |
| Deposits from banks and other financial institutions | 24 | 120,377 | 56,756 | 120,377 | 86,722 |
| Borrowings | 25 | 346,849 | 341,096 | 346,849 | 341,096 |
| Other liabilities | 26 | 113,368 | 162,133 | 112,415 | 170,523 |
| Current tax liability | 13 | - | 8,533 | - | 8,499 |
| **Total liabilities** | | 3,717,149 | 3,577,203 | 3,680,255 | 3,609,869 |
| **Equity** | | | | | |
| Stated capital | 28 | 264,486 | 264,486 | 264,486 | 264,486 |
| Statutory reserve | 29 | 163,583 | 159,905 | 163,583 | 159,905 |
| Other reserves | 30 | 28,665 | 9,560 | 19,642 | 1,304 |
| Credit risk reserve | 31 | 24,918 | 30,500 | 24,918 | 30,500 |
| Income surplus | 32 | 14,659 | 47,428 | 20,718 | 47,748 |
| **Total equity attributable to equity holders** | | 496,311 | 511,879 | 493,347 | 503,943 |
| **Total liabilities and equity** | | 4,213,460 | 4,089,082 | 4,173,602 | 4,113,812 |

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

The financial statements on pages 43 to 112 were approved by the Board of Directors on 27th March 2017 and signed on its behalf by:

BY ORDER OF THE BOARD

**Edward Effah**
Chairman

**Jim Baiden**
Managing Director

# Statement of Changes In Equity

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

**GROUP**

| **Year ended 31 December, 2015** | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Income surplus | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2015 | 264,486 | 86,038 | 3,444 | 7,745 | 30,966 | 392,679 |
| Profit for the year | - | - | - | - | 145,425 | 145,425 |
| Change in fair value of available for sale investment securities after tax | - | - | 3,729 | - | - | 3,729 |
| Net change in fair value of equity instruments | - | - | (4) | - | - | (4) |
| Foreign currency translation differences for foreign subsidiary | - | - | 2,391 | - | - | 2,391 |
| **Total Comprehensive income** | - | - | 6,116 | - | 145,425 | 151,541 |
| Transfer to statutory reserve | - | 73,867 | - | - | (73,867) | - |
| Transfer to credit risk reserve | - | - | - | 22,755 | (22,755) | - |
| Dividend paid (ordinary shares) | - | - | - | - | (20,840) | (20,840) |
| Dividend paid (preference shares) | - | - | - | - | (11,501) | (11,501) |
| **Total transactions with owners** | - | 73,867 | - | 22,755 | (128,963) | (32,341) |
| **Balance at 31 December 2015** | 264,486 | 159,905 | 9,560 | 30,500 | 47,428 | 511,879 |

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

GROUP

| Year ended 31 December, 2016 | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Income surplus | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | 264,486 | 159,905 | 9,560 | 30,500 | 47,428 | 511,879 |
| Profit for the year | - | - | - | - | 8,972 | 8,972 |
| Change in fair value of available for sale investment securities after tax | - | - | 18,372 | - | - | 18,372 |
| Net change in fair value of equity instruments | - | - | (26) | - | - | (26) |
| Foreign currency translation differences for foreign subsidiary | - | - | 759 | - | - | 759 |
| **Total Comprehensive income** | - | - | 19,105 | - | 8,972 | 28,077 |
| Transfer to statutory reserve | - | 3,678 | - | - | (3,678) | - |
| Transfer to credit risk reserve | - | - | | (5,582) | 5,582 | |
| Dividend paid (ordinary shares) | - | - | | | (31,921) | (31,921) |
| Dividend paid (preference shares) | - | - | | | (11,724) | (11,724) |
| **Total transactions with owners** | - | 3,678 | | (5,582) | (41,741) | (43,645) |
| **Balance at 31 December 2016** | 264,486 | 163,583 | 28,665 | 24,918 | 14,659 | 496,311 |

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

# Statement of Changes In Equity

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

**BANK**

| **Year ended 31 December, 2015** | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Income surplus | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2015 | 264,486 | 86,038 | (2,420) | 7,745 | 28,977 | 384,826 |
| Profit for the year | - | - | - | - | 147,734 | 147,734 |
| Change in fair value of available for sale investment securities after tax | - | - | 3,728 | - | - | 3,728 |
| Net change in fair value of equity instruments | - | - | (4) | - | - | (4) |
| **Total comprehensive income** | - | - | 3,724 | - | 147,734 | 151,458 |
| Transfer to statutory reserve | - | 73,867 | - | - | (73,867) | - |
| Transfer from credit risk reserve | - | - | - | 22,755 | (22,755) | - |
| Dividend paid (ordinary shares) | - | - | - | - | (20,840) | (20,840) |
| Dividend paid (preference shares) | - | - | - | - | (11,501) | (11,501) |
| **Total transactions with owners** | | 73,867 | - | 22,755 | (128,963) | (32,341) |
| **Balance at 31 December 2015** | 264,486 | 159,905 | 1,304 | 30,500 | 47,748 | 503,943 |

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

**BANK**

| **Year ended 31 December, 2016** | Stated capital | Statutory reserve | Other reserves | Credit risk reserve | Income surplus | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | 264,486 | 159,905 | 1,304 | 30,500 | 47,748 | 503,943 |
| Profit for the year | - | - | - | - | 14,711 | 14,711 |
| Change in fair value of available for sale investment securities after tax | - | - | 18,364 | - | - | 18,364 |
| Net change in fair value of equity instruments | - | - | (26) | - | - | (26) |
| Total comprehensive income | - | - | 18,338 | - | 14,711 | 33,049 |
| Transfer to statutory reserve | - | 3,678 | - | - | (3,678) | - |
| Transfer from credit risk reserve | - | - | - | (5,582) | 5,582 | - |
| Dividend paid (ordinary shares) | - | - | - | - | (31,921) | (31,921) |
| Dividend paid (preference shares) | - | - | - | - | (11,724) | (11,724) |
| Total transactions with owners | - | 3,678 | - | (5,582) | (41,741) | (43,645) |
| Balance at 31 December 2016 | 264,486 | 163,583 | 19,642 | 24,918 | 20,718 | 493,347 |

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

# Statement of Cash Flows

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

| | Note | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before income tax | | 13,432 | 204,675 | 18,576 | 205,799 |
| **Adjustments**: | | | | | |
| Depreciation | 20 | 9,081 | 9,603 | 9,007 | 9,518 |
| Amortisation | 21 | 1,729 | 6,979 | 1,229 | 6,711 |
| Impairment on financial assets | 12 | 179,083 | 54,629 | 179,083 | 54,629 |
| Profit on disposal of property and equipment | 20 | (2,486) | (1,181) | (2,486) | (1,181) |
| Repossessed asset of ProCredit Ghana | | - | - | - | (1,011) |
| Exchange difference on borrowings | 25 | 33,091 | 57,439 | 33,091 | 57,439 |
| **Operating cash flow before investment in working capital** | | 233,930 | 332,144 | 238,500 | 331,904 |
| Changes in loans and advances to customers | 17 | (41,836) | 116,532 | (4,034) | 15,058 |
| Changes in other assets | 19 | (47,517) | (2,408) | (47,878) | (13,833) |
| Changes in deposits from customers | 23 | 127,870 | 1,116,034 | 97,585 | 1,225,716 |
| Changes in deposits from banks and other financial institutions | 24 | 63,621 | (318,672) | 33,655 | (317,507) |
| Changes in other liabilities | 26 | (48,765) | 5,025 | (58,108) | 19,268 |
| Income tax paid | 13 | (22,200) | (50,233) | (21,753) | (49,902) |
| **Increase in operating assets and liabilities** | | 31,173 | 866,278 | (533) | 878,800 |
| **Net cash flow generated from/(used in) operating activities** | | 265,103 | 1,198,422 | 237,967 | 1,210,704 |
| | | | | | |
| **Cash flow from investing activities** | | | | | |
| Purchase of property and equipment | 20 | (20,607) | (15,513) | (20,481) | (6,134) |
| Purchase of intangible assets | 21 | (1,771) | (3,606) | (1,528) | (5,897) |
| Proceeds on asset disposal | 20 | 8,494 | 2,042 | 8,494 | 2,042 |
| Purchase of investment securities | 16 | (260,356) | (770,537) | (259,914) | (770,054) |
| **Net cash flow used in investing activities** | | (274,240) | (787,614) | (273,429) | (780,043) |
| | | | | | |
| **Cash flow from financing activities** | | | | | |
| Dividends paid | | (43,645) | (32,341) | (43,645) | (32,341) |
| Repayment of borrowings | 25 | (28,385) | (41,618) | (28,385) | (41,618) |
| Drawdown on borrowings | 25 | 1,047 | - | 1,047 | - |
| **Net cash flow used in financing activities** | | (70,983) | (73,959) | (70,983) | (73,959) |
| **Net increase/(decrease) in cash and cash equivalents** | | (80,120) | 336,849 | (106,445) | 356,702 |
| | | | | | |
| **Analysis of changes in cash and cash equivalents** | | | | | |
| Cash and cash equivalents at 1 January | | 1,056,332 | 717,092 | 1,067,469 | 710,767 |
| Gain on currency translation of foreign subsidiary | 30 | 759 | 2,391 | - | - |
| Net increase/(decrease) in cash and cash equivalents | | (80,120) | 336,849 | (106,445) | 356,702 |
| **Cash and cash equivalents at 31 December** | 15 | 976,971 | 1,056,332 | 961,024 | 1,067,469 |

The accompanying notes on pages 43 to 112 form an integral part of these financial statements.

# Notes to the 2016 Financial Statement

## 1. GENERAL INFORMATION

Fidelity Bank Ghana Limited (FBGL) is a limited liability company, incorporated and domiciled in Ghana. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. FBGL operates under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738). The financial statements of FBGL for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27th March 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy.

The financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flow and related notes. The financial statements of the Bank standing alone comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and related notes.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ghana cedis, which is the Bank's functional and presentation currency. The figures shown in the financial statements are stated in thousands of Ghana cedis.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### 2.1.1 Changes in accounting policy and disclosures

**(i)** New and amended standards adopted by the Bank

A number of new or amended standards became applicable for the current reporting period. However, the Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting the standards.

**(ii)** New and amended standards not yet adopted by the Bank

A number of new standards and amendments to standards and interpretations are available for early adoption for annual periods beginning after 1 January 2016, but have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following:

**IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Directors' are yet to assess IFRS 9's full impact.

**IFRS 15, 'Revenue from contracts with customers'**

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Directors are assessing the impact of IFRS 15.

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

• Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

• Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

• Notes – confirmation that the notes do not need to be presented in a particular order.

• OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments. The amendments are effective 1 January 2016.

**IFRS 16 - Leases (effective annual periods beginning on or after 1 January 2019)**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The bank is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of Fidelity Bank Ghana Limited and its subsidiaries as at 31 December 2016.

**(a) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Bank. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis at fair value. However, non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are recognised at either fair value or proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Bank's accounting policies.

**(b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(c) Disposal of subsidiaries**

When the Bank ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(d) Investment in associate**

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Bank's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Bank's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount.

Profits and losses resulting from upstream and downstream transactions between the Bank and the associates are recognised in the Bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

**2.3 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The financial statements are presented in 'Ghana cedi' (GH¢), rounded to the nearest thousand.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within `finance income or costs'. All other foreign exchange gains and losses are presented within `Other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

**(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

**(i)** assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
**(ii)** income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
**(iii)** all resulting exchange differences are recognised in other comprehensive income.

### 2.4 Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognised on an accrual basis in the period in which it accrues.

#### 2.4.1 Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

#### 2.4.2 Fee and commission income

The Bank earns fees and commission income from services it provides to its customers. Fee income is divided into the following two categories:

**(a) Fee income earned from services provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

**(b) Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fee and commission expense relates mainly to transaction and service fees which are expensed as the services are rendered.

#### 2.4.3 Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

#### 2.4.4 Net trading income

This comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

### 2.5 Financial assets and liabilities

#### 2.5.1 Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date i.e. the date that the Bank commits to purchase or sell the asset.

#### 2.5.2 Initial recognition of financial instruments

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The directors determine the classification of financial assets at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

**(i) Financial assets and liabilities held for trading**

Financial assets or financial liabilities held for trading other than derivatives are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income' according to the terms of the contract or when the right to the payment has been established.
Included in this classification are debt securities, equities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the future.

**(ii) Held to maturity financial instruments**

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

**(iii) Loans and advances**

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

**(iv) Available for sale financial investments**

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

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

**(v) Financial liabilities**

The Bank's holding in financial liabilities represents mainly deposits from banks and customers, and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

**2.5.3 Determination of fair value**

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

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

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

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

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

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

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

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

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

### 2.5.4 De-recognition of financial assets and financial liabilities

**(i) Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

• the rights to receive cash flows from the asset have expired; or

• the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

• either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

**(ii) Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

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

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed, and if necessary separately accounted for.

**2.5.6 Repurchase and reverse repurchase agreements**

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

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

**2.5.7 Impairment of financial assets**

The Bank assesses at each reporting date whether objective evidence of impairment exists for any financial asset. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. 2

**(i) Due from banks and loans and advances to customers**

For amounts due from banks and loans and advances to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (identified impairment). If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (unidentified impairment). Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Grou[ and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate.

**(ii) Held-to-maturity financial instruments**

For held-to-maturity instruments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

**(iii) Available-for-sale financial instruments**

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

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of Interest Income. Reversals of impairment of debt securities are recognised in the statement of comprehensive income if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**2.5.8 Offsetting financial instruments**

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

## 2.6 Collateral

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

## 2.7 Leases

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

**(i) The Bank as a lessor**

**Finance leases**
Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are

held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

**Operating leases**
Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. The leased assets are included within property, plant and equipment on the statement of financial position and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight line basis over the period of the lease unless another systematic basis is more appropriate.

**(ii) The Bank as a Lessee**

Finance leases which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with corresponding liability to the lessor included in 'Other liability'. Lease payments are apportioned between the finance charges and reduction on the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expense'.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Operating lease payments are not recognised in the statement of financial position. Rentals payable are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term unless another systematic basis is more appropriate, and included in 'Other operating expenses'.

### 2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the cash flow statement cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana, other eligible bills and amounts due from other banks and dealing securities.

### 2.9 Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

**Subsequent costs**
The cost of replacing part of an item of property 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 Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**Depreciation**
Depreciation is charged to profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of ten years, the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5.

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

| | |
|---|---|
| Leasehold buildings and improvements | shorter of 10 years and the unexpired lease period |
| Land | Over the lease term |
| Motor vehicles | 4 years |
| Computers : hardware | 4 years |
| Furniture and equipment | 4 years |
| Machinery | 4 years |

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

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

### 2.10 Intangible assets

**(a) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

**(b) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### 2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### 2.12 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Such financial guarantees are given to banks, other financial institutions and bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and payment of import duties. These financial guarantees are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

The fee and commission income receivable on these financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in 'Other liabilities' and recognised in the statement of comprehensive income in 'Fees and commission income' on a straight line basis over the life of the guarantee.

### 2.13 Provisions

A provision is recognised if, as a result of a past event, the Bank 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 onerous contracts is recognised when the expected benefits to be derived by the Bank 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 Bank recognises any impairment loss on the assets associated with that contract.

### 2.14 Borrowings

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

### 2.15 Employee benefits

**i. Defined contribution plans**

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

**ii. Termination benefits**

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

**iii. Short-term benefits**

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

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

### 2.16 Income tax

**Current income tax**

Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

**Deferred tax**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except;

- where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in the statement of changes in equity and not in the statement of comprehensive income.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting entity and the same taxation authority, and where there is both the legal right to set off current tax assets against current tax liabilities and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.17 Stated capital

i. Ordinary shares
Ordinary shares are classified as 'stated capital' in equity.

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

### 2.18 Preference shares

**i.** Preference shares
Preference shares are classified as equity. These are non-voting, irredeemable and non-cumulative. The holders have the option of converting into ordinary shares as stated in the agreement.

**ii.** Dividend on preference shares
Dividends on the Bank's preference shares are recognised in equity in the period in which they are paid.

## 3. FINANCIAL RISK AGEMENT

### (a) Introduction and overview

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

### (b) Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (CC), Management Risk and Control Committee (MRCC), Asset and Liability Management Committee (ALCO) and Risk Management Department, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Through its risk management structure, the Bank seeks to manage efficiently the core risks to which it is exposed: credit, liquidity and market risks, which arise directly through the Bank's commercial activities; and compliance, regulatory, and operational risks, which are normal consequences of any business undertaking.

### 3.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancements, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team headed by the Chief Risk Officer, which reports to the Board of Directors and head of each business unit regularly.

The Bank has well documented policies and procedures for managing credit risk. The policies are based on the principle of: Management responsibility; Defined credit approval authorities; Set standards for risk management; Consistent approach to origination of credit, documentation and problem recognition; and Portfolio management strategies.

The risk that counterparties might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the bank deals with counterparties of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the counterparty.

**3.1.1 Risk limit control and mitigation policies**

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

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

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

**(a) Collateral**

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

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

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

**(b) Lending limits**
**(for derivatives and loan books)**

The Bank maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

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

**(c) Master netting arrangements**

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

**(d) Financial covenants (for credit related commitments and loan books)**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**(e) Impairment and provisioning policies**

Loans are designated as impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of provisions, the bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is also held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. The provision is estimated by using the historical loss rate, the migration or incident rate and the balance of the performing loan portfolio. The portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

**(f) Write-off policy**

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

### 3.1.2 Maximum exposure to credit risk before collateral held

| | GROUP | | BANK | |
|---|---|---|---|---|
| **Maximum exposure** | 2016 | 2015 | 2016 | 2015 |
| Credit risk exposures relating to on balance sheet assets are as follows: | | | | |
| Balances with Bank of Ghana | 299,573 | 256,863 | 299,573 | 256,863 |
| Investment securities | 1,654,207 | 1,369,355 | 1,650,277 | 1,365,877 |
| Cash and balances with banks | 82,960 | 188,092 | 80,259 | 208,218 |
| Money market placements | 471,952 | 510,164 | 458,706 | 501,175 |
| Loans and advances to customers | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |
| Other assets (excluding prepayments) | 80,651 | 27,736 | 91,598 | 38,137 |
| | 3,941,938 | 3,842,053 | 3,895,206 | 3,860,113 |
| Credit risk exposures relating to off balance sheet items are as follows: | | | | |
| Financial guarantees | 286,691 | 384,723 | 286,691 | 384,723 |
| **At 31 December** | 4,228,629 | 4,226,776 | 4,181,897 | 4,244,836 |

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2016, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Group, 32% (2015: 35%) of the total maximum exposure is derived from loans and advances and investment securities represents 39% (2015: 32%).

At 31 December 2016, the Group's credit exposures were categorised as follows:

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

The balances for each category have been analysed below:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| GROUP | Loans & advances to customers | Due from banks & financial institutions | Loans & advances to customers | Due from banks & financial institutions |
| Neither past due nor impaired | 705,525 | 554,912 | 1,254,133 | 698,256 |
| Past due but not impaired | 397,640 | - | 210,102 | - |
| Individually impaired | 381,344 | - | 90,693 | - |
| Gross | 1,484,509 | 554,912 | 1,554,928 | 698,256 |
| Less allowance for impairment | (131,914) | - | (65,085) | - |
| Net amount | 1,352,595 | 554,912 | 1,489,843 | 698,256 |

| BANK | 2016 Loans & advances to customers | 2016 Due from banks & financial institutions | 2015 Loans & advances to customers | 2015 Due from banks & financial institutions |
|---|---|---|---|---|
| Neither past due nor impaired | 705,525 | 538,965 | 1,254,133 | 709,393 |
| Past due but not impaired | 359,838 | - | 210,102 | - |
| Individually impaired | 381,344 | - | 90,693 | - |
| Gross | 1,446,707 | 538,965 | 1,554,928 | 709,393 |
| Less allowance for impairment | (131,914) | - | (65,085) | - |
| Net amount | 1,314,793 | 538,965 | 1,489,843 | 709,393 |

### Neither past due nor impaired

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

### Loans and advances

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

This category is made up as follows:

GROUP

| 2016 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 636,245 | 48,508 | 20,772 | 705,525 |

| 2015 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 1,056,105 | 181,718 | 16,310 | 1,254,133 |

BANK

| 2016 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 636,245 | 48,508 | 20,772 | 705,525 |

| 2015 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 1,056,105 | 181,718 | 16,310 | 1,254,133 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

3.1.2 Maximum exposure to credit risk before collateral held (continued)

Due from banks and other financial institutions

Based on the Bank's internal assessment, the credit exposure to banks and other financial institutions are not impaired.

(i) Loans and advances past due but not impaired

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

GROUP

| 2016 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Past due up to 30 days | 252,355 | 1,690 | - | 254,045 |
| Past due 30 to 60 days | 102,199 | 51 | - | 102,250 |
| Past due 60 to 90 days | 41,339 | 6 | - | 41,345 |
| Total | 395,893 | 1,747 | - | 397,640 |

| 2015 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Past due up to 30 days | 97,075 | 71,824 | - | 168,899 |
| Past due 30 to 60 days | 24,772 | - | - | 24,772 |
| Past due 60 to 90 days | 15,902 | 529 | - | 16,431 |
| Total | 137,749 | 72,353 | - | 210,102 |

BANK

| 2016 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Past due up to 30 days | 252,355 | 1,690 | - | 254,045 |
| Past due 30 to 60 days | 64,397 | 51 | - | 64,448 |
| Past due 60 to 90 days | 41,339 | 6 | - | 41,345 |
| Total | 358,091 | 1,747 | - | 359,838 |

| 2015 | Term loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Past due up to 30 days | 97,075 | 71,824 | - | 168,899 |
| Past due 30 to 60 days | 24,772 | - | - | 24,772 |
| Past due 60 to 90 days | 15,902 | 529 | - | 16,431 |
| Total | 137,749 | 72,353 | - | 210,102 |

### 3.1.2 Maximum exposure to credit risk before collateral held (continued)

#### (ii) Individually impaired loans

The breakdown of the gross amount of loans and advances individually impaired by class, along with the fair value of related collateral held by the bank as security, are as follows:

GROUP

| 2016 | Term loans | Overdrafts | Staff loans | Total |
| --- | --- | --- | --- | --- |
| Individually impaired loans | 200,562 | 180,782 | - | 381,344 |
| Specific impairment allowance | (75,184) | (31,480) | - | (106,664) |
| Net amount | 125,378 | 149,302 | - | 274,680 |
| | | | - | |
| Fair value of collateral | 125,690 | 149,391 | | 275,081 |

| 2015 | Term loans | Overdrafts | Staff loans | Total |
| --- | --- | --- | --- | --- |
| Individually impaired loans | 66,090 | 24,603 | - | 90,693 |
| Specific impairment allowance | (23,651) | (8,135) | - | (31,786) |
| Net amount | 42,439 | 16,468 | - | 58,907 |
| | | | - | |
| Fair value of collateral | 6,622 | 71,392 | | 78,014 |

BANK

| 2016 | Term loans | Overdrafts | Staff loans | Total |
| --- | --- | --- | --- | --- |
| Individually impaired loans | 200,562 | 180,782 | - | 381,344 |
| Specific impairment allowance | (75,184) | (31,480) | - | (106,664) |
| Net amount | 125,378 | 149,302 | - | 274,680 |
| | | | - | |
| Fair value of collateral | 125,690 | 149,391 | | 275,081 |

BANK

| 2015 | Term loans | Overdrafts | Staff loans | Total |
| --- | --- | --- | --- | --- |
| Individually impaired loans | 66,090 | 24,603 | - | 90,693 |
| Specific impairment allowance | (23,651) | (8,135) | - | (31,786) |
| Net amount | 42,439 | 16,468 | - | 58,907 |
| | | | - | |
| Fair value of collateral | 6,622 | 71,392 | | 78,014 |

### 3.1.2 Maximum exposure to credit risk before collateral held (continued)

**(ii)** Individually impaired loans (continued)
Loans and advances to customers in Ghana analysed by industry, as well as by customer type are shown in note 17(b) & (c).

### 3.2 Market risk
The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury and monitored by both Treasury and Risk Management departments separately. Regular reports are submitted to the Board of Directors and heads of each business unit.
Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and wholesale banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale financial assets.

### 3.2.1 Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank's Chief Risk Officer is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

The Group identifies market risk through daily monitoring of levels and profit and loss balances of trading and non trading positions. The Risk Management department monitors daily trading activities to ensure that risk exposures taken are within the approved price limits and the overall risk tolerance levels set by the Board. In addition, Assets and Liabilities Committee (ALCO) members, the Treasurer and the Risk Manager monitor market risk factors that affect the value of trading and non trading positions as well as income streams on non trading portfolios on a daily basis. They also track the liquidity indicators to ensure that the Group meets its financial obligations at all times.

### 3.2.2 Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The Bank has adopted the revised Bank of Ghana requirement that banks maintain a total open position which is equal to 10% of their net own funds. Within this limit, banks are also required to maintain single currency open positions equal to 5% of net own funds.

### 3.2.2 Foreign exchange risk (continued)

Included in the table are the assets and liabilities at carrying amounts categorised by currency:

Group

| 31 December 2016 | EUR | GDP | USD | GHC | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 34,604 | 26,935 | 384,359 | 531,073 | **976,971** |
| Investment securities | - | - | - | 1,654,207 | **1,654,207** |
| Loans and advances to customers | 3,634 | 12 | 787,639 | 561,310 | **1,352,595** |
| Investments (other than securities) | - | - | - | 27 | **27** |
| Non current assets held for sale | - | - | - | 1,011 | **1,011** |
| Other assets | 68 | 39 | 24,966 | 94,241 | **119,314** |
| Deferred tax asset | - | - | - | 7,357 | **7,357** |
| Property plant and equipment | - | - | 137 | 93,048 | **93,185** |
| Intangible assets | - | - | 453 | 8,340 | **8,793** |
| **Total assets** | **38,306** | **26,986** | **1,197,554** | **2,950,614** | **4,213,460** |
| **Liabilities** | | | | | |
| Deposits from customers | 27,410 | 26,024 | 707,502 | 2,375,619 | **3,136,555** |
| Deposits from banks and other financial institutions | 10,204 | - | 110,173 | - | **120,377** |
| Borrowings | - | - | 337,671 | 9,178 | **346,849** |
| Other liabilities | 88 | 253 | 12,353 | 100,674 | **113,368** |
| **Total liabilities** | **37,702** | **26,277** | **1,167,699** | **2,485,471** | **3,717,149** |
| | | | | | |
| **Net on balance sheet position** | **604** | **709** | **29,855** | | |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

3.2.2 Foreign exchange risk (continued)

Group

| 31 December 2015 | | | | | |
|---|---|---|---|---|---|
| **Assets** | EUR<br>GH¢ | GBP<br>GH¢ | USD<br>GH¢ | GHC<br>GH¢ | **Total**<br>GH¢ |
| Cash and cash equivalents | 18,022 | 32,516 | 383,309 | 622,485 | **1,056,332** |
| Investment securities | - | - | - | 1,369,355 | **1,369,355** |
| Loans and advances to customers | 5,146 | - | 890,903 | 593,794 | **1,489,843** |
| Investments (other than securities) | - | - | - | 53 | **53** |
| Non current assets held for sale | - | - | - | 1,011 | **1,011** |
| Deferred tax asset | 422 | 880 | 9,333 | 50,123 | **60,758** |
| Property plant and equipment | - | - | - | 15,312 | **15,312** |
| Intangible assets | - | - | 70 | 87,597 | **87,667** |
| Other assets | - | - | 668 | 8,083 | **8,751** |
| **Total assets** | 23,590 | 33,396 | 1,284,283 | 2,747,813 | **4,089,082** |
| **Liabilities** | | | | | |
| Deposits from customers | 21,306 | 27,301 | 878,551 | 2,081,527 | **3,008,685** |
| Deposits from banks and other financial institutions | - | 977 | 15,981 | 39,798 | **56,756** |
| Borrowings | - | - | 332,871 | 8,225 | **341,096** |
| Other liabilities | 146 | 96 | 19,189 | 142,702 | **162,133** |
| Current tax liability | - | - | 1 | 8,532 | **8,533** |
| **Total liabilities** | **21,452** | **28,374** | **1,246,593** | **2,280,784** | **3,577,203** |
| **Net on balance sheet position** | **2,138** | **5,022** | **37,690** | | |

### Foreign currency sensitivity analysis

The Group's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of reported profit to a 15% (2015: 15%) decrease in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the directors' assessment of a reasonably possible change, based on historic volatility.

| | Impact on statement of comprehensive income | |
|---|---|---|
| **Cedi weakens by 15%** | **2016** | 2015 |
| US Dollar | **4,478** | 5,654 |
| Euro | **91** | 321 |
| Pound Sterling | **106** | 753 |

Year end exchange rates applied in the above analysis are GH¢4.2002 (2015: GH¢3.7950) to the US dollar, GH¢4.4367 (2015: GH¢4.1320) to the Euro, and GH¢5.1965 (2015: GH¢5.6165) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

3.2.2 Foreign exchange risk (continued)

Bank

| 31 December 2016 | EUR | GDP | USD | GHC | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 34,604 | 26,935 | 368,411 | 531,074 | **961,024** |
| Investment securities | - | - | - | 1,650,277 | **1,650,277** |
| Loans and advances to customers | 3,634 | 12 | 749,837 | 561,310 | **1,314,793** |
| Investments (other than securities) | - | - | 8,163 | 128 | **8,291** |
| Non current assets held for sale | - | - | - | 1,011 | **1,011** |
| Other assets | 68 | 39 | 22,575 | 107,578 | **130,260** |
| Deferred tax asset | - | - | - | 7,359 | **7,359** |
| Property plant and equipment | - | - | - | 93,019 | **93,019** |
| Intangible assets | - | - | - | 7,568 | **7,568** |
| Total assets | 38,306 | 26,986 | 1,148,986 | 2,959,324 | **4,173,602** |
| Liabilities | | | | | |
| Deposits from customers | 27,410 | 26,024 | 671,561 | 2,375,619 | **3,100,614** |
| Deposits from banks and other financial institutions | 10,204 | - | 110,173 | - | **120,377** |
| Borrowings | - | - | 337,671 | 9,178 | **346,849** |
| Other liabilities | 88 | 253 | 12,326 | 99,748 | **112,415** |
| Total liabilities | 37,702 | 26,277 | 1,131,731 | 2,484,545 | **3,680,255** |
| | | | | | |
| Net on balance sheet position | 604 | 709 | 17,255 | | |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

### 3.2.2 Foreign exchange risk (continued)

**Bank**

| 31 December 2015 | EUR | GBP | USD | GHC | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 18,022 | 32,516 | 369,796 | 647,135 | **1,067,469** |
| Investment securities | - | - | - | 1,365,877 | **1,365,877** |
| Loans and advances to customers | 5,146 | - | 890,903 | 593,794 | **1,489,843** |
| Investments (other than securities) | - | - | 8,163 | 154 | **8,317** |
| Non current assets held for sale | - | - | - | 1011 | **1,011** |
| Other assets | 422 | 880 | 9,031 | 60,826 | **71,159** |
| Deferred tax asset | - | - | - | 15,314 | **15,314** |
| Property plant and equipment | - | - | - | 87,553 | **87,553** |
| Intangible assets | - | - | - | 7,269 | **7,269** |
| **Total assets** | 23,590 | 33,396 | 1,277,893 | 2,778,933 | **4,113,812** |
| **Liabilities** | | | | | |
| Deposits from customers | 21,306 | 27,301 | 868,394 | 2,086,028 | **3,003,029** |
| Deposits from banks and other financial institutons | - | 977 | 45,947 | 39,798 | **86,722** |
| Borrowings | - | - | 332,871 | 8,225 | **341,096** |
| Other liabilities | 146 | 96 | 13,756 | 156,525 | **170,523** |
| Current tax liability | - | - | - | 8,499 | **8,499** |
| **Total liabilities** | 21,452 | 28,374 | 1,260,968 | 2,299,075 | **3,609,869** |
| | | | | | |
| **Net on balance sheet position** | 2,138 | 5,022 | 16,925 | | |

**Foreign currency sensitivity analysis**

The Bank's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of reported profit to a 15% (2015: 15%) decrease in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the directors' assessment of a reasonably possible change, based on historic volatility.

| | Impact on statement of comprehensive income | |
|---|---|---|
| **Cedi weakens by 15%** | **2016** | 2015 |
| US Dollar | **2,588** | 2,539 |
| Euro | **91** | 321 |
| Pound Sterling | **106** | 753 |

Year end exchange rates applied in the above analysis are GH¢4.2002 (2015: GH¢3.7950) to the US dollar, GH¢4.4367 (2015: GH¢4.1320) to the Euro, and GH¢5.1965 (2015: GH¢5.6165) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

### 3.2.3. Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

- differences between the timing of market interest rate changes and the timing of cash flows (re-pricing risk)
- changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The Group uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future. The Group may make judgemental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

The table below summarises the re-pricing profiles of financial instruments and other assets and liabilities as at 31 December 2016 and 31 December 2015 respectively. Items are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

Group

| At 31 December 2016 | Up-1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 114,096 | 217,894 | 119,561 | 23,102 | 502,318 | **976,971** |
| Investment securities | 464,841 | 315,426 | 599,258 | 274,682 | - | **1,654,207** |
| Loans and advances to customers | 143,449 | 117,382 | 473,999 | 617,765 | - | **1,352,595** |
| Investments (other than securities) | - | - | - | - | 27 | **27** |
| **Financial assets** | **722,386** | **650,702** | **1,192,818** | **915,549** | **502,345** | **3,983,800** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Deposits from customers | 688,477 | 431,749 | 826,737 | - | 1,189,592 | **3,136,555** |
| Deposits from banks and other financial institutions | 46,347 | 21,672 | 52,358 | - | - | **120,377** |
| Borrowings | 7,253 | 286,404 | 53,192 | - | - | **346,849** |
| Other liabilities | - | - | - | - | 113,368 | **113,368** |
| **Financial liabilities** | **742,077** | **739,825** | **932,287** | - | **1,302,960** | **3,717,149** |
| **Total interest re-pricing gap** | **(19,691)** | **(89,123)** | **260,531** | **915,549** | | |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

3.2.3. Interest rate risk (continued)

Group

| At 31 December 2015 | Up to 1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 693,963 | 3,590 | 6,359 | - | 352,420 | 1,056,332 |
| Investment securities | 377,802 | 285,865 | 637,026 | 68,203 | 459 | 1,369,355 |
| Loans and advances to customers | 162,064 | 132,615 | 535,508 | 658,987 | 669 | 1,489,843 |
| Investments (other than securities) | - | - | - | - | 53 | 53 |
| **Financial assets** | 1,233,829 | 422,070 | 1,178,893 | 727,190 | 353,601 | 3,915,583 |
| | | | | | | |
| **Liabilities** | | | | | | |
| Deposits from customers | 372,699 | 440,134 | 870,425 | - | 1,325,427 | 3,008,685 |
| Deposits from banks and other financial institutions | 1,734 | 49,818 | 5,204 | - | - | 56,756 |
| Borrowings | 18,974 | 260,716 | 53,181 | 8,225 | - | 341,096 |
| Other liabilities | - | - | - | - | 162,133 | 162,133 |
| **Financial liabilities** | 393,407 | 750,668 | 928,810 | 8,225 | 1,487,560 | 3,568,670 |
| **Total interest re-pricing gap** | 840,422 | (328,598) | 250,083 | 718,965 | | |

**Interest rate sensitivity analysis**

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

| | | Possible interest rate movements | | |
|---|---|---|---|---|
| | Total interest re-pricing gap | +100bps | +200bps | +300bps |
| Up to 1 month | | | | |
| 1-3 months | (19,691) | (189) | (378) | (566) |
| 3-12 months | (89,123) | (745) | (1,489) | (2,234) |
| over 1 year | 260,531 | 1,642 | 3,283 | 4,925 |
| | 915,549 | 2,308 | 4,615 | 6,923 |
| **Total** | | 3,016 | 6,031 | 9,048 |
| **Impact on net interest income (2016)** | | 1.62% | 3.24% | 4.86% |
| Impact on net interest income (2015) | | 4.74% | 9.49% | 14.23% |

3.2.3. Interest rate risk (continued)

**BANK**

| At 31 December 2016 | Up-1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 130,152 | 196,247 | 109,205 | 23,102 | 502,318 | 961,024 |
| Investment securities | 464,430 | 313,079 | 598,285 | 274,483 | - | 1,650,277 |
| Loans and advances to customers | 143,449 | 117,382 | 473,998 | 579,964 | - | 1,314,793 |
| Investments (other than securities) | - | - | - | - | 8,291 | 8,291 |
| **Financial assets** | 738,031 | 626,708 | 1,181,488 | 877,549 | 510,609 | 3,934,385 |
| **Liabilities** | | | | | | |
| Deposits from customers | 658,596 | 411,027 | 816,519 | - | 1,214,472 | 3,100,614 |
| Deposits from banks and other financial institutions | 46,347 | 21,673 | 52,357 | - | - | 120,377 |
| Borrowings | 7,253 | 286,404 | 53,192 | - | - | 346,849 |
| Other liabilities | - | - | - | - | 112,415 | 112,415 |
| **Financial liabilities** | 712,196 | 719,104 | 922,068 | - | 1,326,886 | 3,680,255 |
| **Total interest re-pricing gap** | 25,835 | (92,396) | 259,420 | 877,549 | | |

**BANK**

| At 31 December 2015 | Up-1 month | 1-3 months | 3-12 months | Over 1 year | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 709,393 | - | - | - | 358,076 | 1,067,469 |
| Investment securities | 375,544 | 284,685 | 637,153 | 68,036 | 459 | 1,365,877 |
| Loans and advances to customers | 162,064 | 132,615 | 535,508 | 659,656 | - | 1,489,843 |
| Investments (other than securities) | - | - | - | - | 53 | 53 |
| **Financial assets** | 1,247,001 | 417,300 | 1,172,661 | 727,692 | 358,588 | 3,923,242 |
| **Liabilities** | | | | | | |
| Deposits from customers | 369,973 | 437,842 | 869,787 | - | 1,325,427 | 3,003,029 |
| Deposits from banks and other financial institutions | 1,734 | 79,784 | 5,204 | - | - | 86,722 |
| Borrowings | 18,974 | 260,716 | 53,181 | 8,225 | - | 341,096 |
| Other liabilities | - | - | - | - | 170,523 | 170,523 |
| **Financial liabilities** | 390,681 | 778,342 | 928,172 | 8,225 | 1,495,950 | 3,601,370 |
| **Total interest re-pricing gap** | 856,320 | (361,042) | 244,489 | 719,467 | | |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

**Interest rate sensitivity analysis**

An analysis of assets and total liabilities of the Bank held inside and outside Ghana is analysed below: The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

| | Possible interest rate movements | | | |
|---|---|---|---|---|
| | Total interest re-pricing gap | +100bps | +200bps | +300bps |
| Up to 1 month | | | | |
| 1-3 months | 25,835 | 248 | 495 | 743 |
| 3-12 months | (92,396) | (772) | (1,544) | (2,316) |
| over 1 year | 259,420 | 1,635 | 3,269 | 4,904 |
| | 877,549 | 2,212 | 4,424 | 6,636 |
| **Total** | | 3,323 | 6,644 | 9,967 |
| **Impact on net interest income (2016)** | | 1.78% | 3.57% | 5.35% |
| Impact on net interest income (2015) | | 4.58% | 9.17% | 13.75% |

### 3.3. Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

#### 3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Treasury Department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the money market to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements and ;
- managing the concentration and profile of debt maturities.

Finally, the Bank is statutorily required to maintain a reserve of 10% of the local currency equivalent of foreign currency customer deposits held as well as 10% of local currency customer deposits in one account with the Bank of Ghana. These balances are used to support all inter-bank transactions.

#### 3.3.2 Liquidity risk measurement

The Bank prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralised with a treasury bill or bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

### 3.3.2 Liquidity risk measurement (continued)

In addition to the above, the Bank observes an internally defined volatile liability dependency ratio which is measured as (volatile funds – liquid assets) / long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. (Volatile funds are short term wholesale funds e.g. call accounts).

### 3.3.3 Liquidity crisis management

Liquidity crisis is defined as a condition where the Bank is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the Bank resulting in substantial withdrawal of funds by depositors.

This is deemed to have occurred when any of the following conditions exist:

• Liquidity guidelines/ratios have been breached for four consecutive weeks.
• Bank of Ghana (BoG) support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

### 3.3.4 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the liquidity risk based on a different basis not resulting in a significantly different analysis.

**GROUP**

| At 31 December 2016 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits from customers | 1,120,226 | 457,251 | 369,486 | 1,189,592 | **3,136,555** |
| Deposits from banks and other financial institutions | 68,020 | 52,357 | - | - | **120,377** |
| Borrowings | 14,735 | 5,563 | 18,075 | 414,363 | **452,736** |
| Other liabilities | 953 | 112,415 | - | - | **113,368** |
| **Total Liabilities (Contractual Maturity Date)** | 1,203,934 | 627,586 | 387,561 | 1,603,955 | **3,823,036** |
| **Assets** | | | | | |
| Cash and cash equivalents | 834,309 | - | 119,561 | 23,101 | **976,971** |
| Investment securities | 755,204 | 254,885 | 343,400 | 274,484 | **1,627,973** |
| Loans and advances to customers | 260,831 | 208,896 | 265,102 | 617,766 | **1,352,595** |
| Other assets | 655 | 118,659 | - | - | **119,314** |
| **Total assets held for managing liquidity risk (contractual maturity date)** | 1,850,999 | 582,440 | 728,063 | 915,351 | **4,076,853** |

3.3.4 Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

GROUP

| At 31 December 2015 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| Liabilities | | | | | |
| Deposits from customers | 812,833 | 420,424 | 450,001 | 1,325,427 | 3,008,685 |
| Deposits from banks and other financial instituions | 51,552 | 4,245 | 959 | - | 56,756 |
| Borrowings | 9,584 | 16,342 | 26,920 | 394,866 | 447,712 |
| Other liabilities | - | 162,133 | - | - | 162,133 |
| Current tax liability | - | 8,533 | - | - | 8,533 |
| Total Liabilities (Contractual Maturity Date) | 873,969 | 611,677 | 477,880 | 1,720,293 | 3,683,819 |
| Assets | | | | | |
| Cash and cash equivalents | 1,049,973 | 6,359 | - | - | 1,056,332 |
| Investment securities | 664,049 | 623,924 | 12,883 | 66,751 | 1,367,607 |
| Loans and advances to customers | 294,679 | 257,349 | 278,158 | 659,657 | 1,489,843 |
| Other assets | - | 60,758 | - | - | 60,758 |
| Total assets held for managing liquidity risk (contractual maturity date) | 2,008,701 | 948,390 | 291,041 | 726,408 | 3,974,540 |

BANK

| At 31 December 2016 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| Liabilities | | | | | |
| Deposits from customers | 1,069,623 | 457,251 | 359,268 | 1,214,472 | 3,100,614 |
| Deposits from banks and other financial institutions | 68,020 | 52,357 | - | - | 120,377 |
| Borrowings | 14,735 | 5,563 | 18,075 | 414,363 | 452,736 |
| Other liabilities | - | 112,415 | - | - | 112,415 |
| Total liabilities (contractual maturity date) | 1,152,378 | 627,586 | 377,343 | 1,628,835 | 3,786,142 |
| Assets | | | | | |
| Cash and cash equivalents | 828,360 | - | 109,205 | 23,459 | 961,024 |
| Investment securities | 751,274 | 254,885 | 343,400 | 274,484 | 1,624,043 |
| Loans and advances to customers | 260,831 | 208,896 | 246,201 | 598,865 | 1,314,793 |
| Other assets | - | 130,260 | - | - | 130,260 |
| Total assets held for managing liquidity risk (contractual maturity date) | 1,840,465 | 594,041 | 698,806 | 896,808 | 4,030,120 |

All amounts are expressed in thousands of Ghana cedis unless otherwise stated

### 3.3.4 Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

**BANK**

| At 31 December 2015 | 0-3 months GH¢ | 3-6 months GH¢ | 6-12 months GH¢ | Over 12 months GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits from customers | 1,201,212 | 420,424 | 90,091 | 1,291302 | 3,003,029 |
| Deposits from banks and other financial instituions | 81,501 | 4,262 | 959 | - | 86,722 |
| Borrowings | 9,584 | 16,342 | 26,920 | 394,866 | 447,712 |
| Other liabilities | - | 170,523 | - | - | 170,523 |
| Current tax liability | - | 8,499 | - | - | 8,499 |
| Total Liabilities (Contractual Maturity Date) | 1,292,297 | 620,050 | 117,970 | 1,686,168 | 3,716,485 |
| **Assets** | | | | | |
| Cash and cash equivalents | 1,067,469 | - | - | - | 1,067,469 |
| Investment securities | 660,571 | 623,924 | 12,883 | 66,751 | 1,364,129 |
| Loans and advances to customers | 294,679 | 257,349 | 278,159 | 724,741 | 1,554,928 |
| Other assets | - | 71,159 | - | - | 71,159 |
| Total assets held for managing liquidity risk (contractual maturity date) | 2,022,719 | 952,432 | 291,042 | 791,492 | 4,057,685 |

### 3.3.5 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with Bank of Ghana;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

## 3.4 Off balance sheet items

### (a) Loan commitments

Contractual amounts of the Bank's off-balance sheet financial instruments that it commits to extend to customers at the reporting date are summarised in the table below.

| At 31 December 2016 | No later than 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| Loan commitments | | | | |
| **Total** | 6,250 | - | | 6,250 |
| **At 31 December 2015** | **No later than 1 year** | **1-5 years** | **Over 5 years** | **Total** |
| Loan commitments | 37,950 | - | - | 37,950 |
| **Total** | 37,950 | - | - | 37,950 |

### (b) Guarantees and indemnities

The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢214.7m (2015: GH¢246.7m).

### (c) Operating lease commitments

The Bank currently has no long term operating lease. All operating lease payments made during the year relate to lease periods less than one year and are recorded in operating expenses.

### (d) Capital commitments

The Bank had no capital commitments at year end.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

### 3.5 Country analysis

The assets and liabilities of the Bank held inside and outside Ghana are analysed below:

| BANK | 2016 | | 2015 | |
|---|---|---|---|---|
| | Ghana GH¢ | Outside GH¢ | Ghana GH¢ | Outside GH¢ |
| **Assets** | | | | |
| Cash and cash equivalents | 767,970 | 193,054 | 947,926 | 119,543 |
| Investment Securities | 1,650,277 | - | 1,365,877 | - |
| Loans and advances to customers | 1,314,793 | - | 1,489,843 | - |
| Investments(other than securities) | 128 | 8,163 | 154 | 8,163 |
| Other assets | 130,260 | - | 71,159 | - |
| Non current assets held for sale | 1,011 | - | 1,011 | - |
| Deferred tax asset | 7,359 | - | 15,314 | - |
| Property plant and equipment | 93,019 | - | 87,553 | - |
| Intangible assets | 7,568 | - | 7,269 | - |
| | 3,972,385 | 201,217 | 3,986,106 | 127,706 |
| **Liabilities** | | | | |
| Deposits from customers | 3,100,614 | - | 3,003,029 | - |
| Deposits from banks and other financial institutions | 43,558 | 76,819 | 86,722 | - |
| Borrowings | - | 346,849 | - | 341,096 |
| Other liabilities | 112,415 | - | 170,523 | - |
| Current tax liability | - | - | 8,499 | - |
| | 3,256,587 | 423,668 | 3,268,773 | 341,096 |

### 3.6 Fair value of financial instruments

### 3.6.1 Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value:

| GROUP | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Financial assets | | | | |
| Loans and advances to customers | 1,528,158 | 1,559,966 | 1,352,595 | 1,484,786 |
| Financial liabilities | | | | |
| Desposits from customers | 3,136,555 | 3,008,685 | 3,136,555 | 3,008,685 |

| BANK | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Financial assets | | | | |
| Loans and advances to customers | 1,490,356 | 1,559,966 | 1,314,793 | 1,484,786 |
| Financial liabilities | | | | |
| Desposits from customers | 3,100,614 | 3,003,029 | 3,100,614 | 3,003,029 |

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

**(ii) Investment securities**
The estimated fair value of held to maturity investment securities represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

**(iii) Deposits from customers**
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

### 3.6.2 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq).

- Level 2 – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

### 3.6.3 Assets and liabilities measured at fair value

| GROUP | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|
| 2016 | | | |
| Investment securities (available for sale) | - | 1,651,681 | - |
| Investments (other than securities) | | - | 27 |
| | | 1,651,681 | 27 |
| 2015 | | | |
| Investment securities (available for sale) | - | 1,343,052 | - |
| Investments (other than securities) | - | - | 53 |
| | | 1,343,052 | 53 |

| BANK | LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|
| 2016 | | | |
| Investment securities (available for sale) | - | 1,650,277 | - |
| Investments (other than securities) | - | - | 27 |
| | | 1,650,277 | 27 |
| 2015 | | | |
| Investment securities (available for sale) | - | 1,341,774 | - |
| Investments (other than securities) | - | - | 53 |
| | | 1,341,774 | 53 |

### 3.7 Capital management

The Bank's objectives when managing capital are:

**(i)** to comply with the capital requirements set by the Bank of Ghana;
**(ii)** to safeguard the Bank's ability to continue as a going concern and ;
**(iii)** to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximise shareholder value.

Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Finance Director.
Under the current capital requirements set by the Bank of Ghana, banks have to maintain a ratio of regulatory capital to risk weighted assets ("capital adequacy ratio") above 10%.

Regulatory capital as defined by the Bank of Ghana has two (2) components:

• Tier 1 capital: this constitutes –
**i.** equity which is made up of (a) issued and fully paid ordinary shares, (b) perpetual non-cumulative preference shares;
**ii.** disclosed reserves created or increased by appropriation of after tax retained earnings or surplus and ;
**iii**. minority interest which refers to that part of the net result of operations and net assets of the subsidiary attributable to interests, which are not owned, directly or indirectly through subsidiaries of the bank.

• Tier 2 capital: this is made up of –
**i.** revaluation reserves, which are reserves created out of occasional revaluation of fixed assetsand ;
**ii.** qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

For an instrument to qualify as subordinated loan capital, it should possess the following attributes:
• should be unsecured;
• repayment is subordinated to other debt instruments;
• should have a minimum original fixed term to maturity of over 5 years and;
• not available to absorb the losses of a bank which continues trading.
The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier I capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

### 3.7 Capital management (continued)

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the years ended 31 December 2016 and 2015.

| | 2016 | 2015 |
|---|---|---|
| **Paid-up capital** | 264,486 | 264,486 |
| Statutory reserves | 163,583 | 159,863 |
| Income surplus | 20,718 | 47,705 |
| **Total disclosed reserves** | 184,301 | 207,568 |
| Other adjustments | | |
| Goodwill/intangible | (53,396) | (43,476) |
| Connected lending | (23,101) | (20,873) |
| Losses not provided for | - | - |
| Investments in unconslidated subsidiaries | (101) | (101) |
| Investments in the capital of other banks & financial institutions | (8,163) | (8,163) |
| **Total adjustments** | (84,761) | (72,613) |
| **Tier I capital** | 364,026 | 399,441 |
| **Tier II capital** | 182,013 | 199,721 |
| **Total capital** | 546,039 | 599,162 |
| | | |
| **Risk weighted assets** | 2,061,425 | 2,033,371 |
| Tier 1 capital adequacy ratio | 17.66% | 19.64% |
| Total capital adequacy ratio | 26.49% | 29.46% |

The directors have recommended an ordinary dividend of GH¢ 0.35 per share. When approved, this will translate into a total payout of GH¢8.84 million. This will reduce the Tier 1 and total capital adequacy ratios to 17.23% and 25.85% respectively.

## 4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

(b) Impairment losses on loans and advances
The Bank reviews its loan portfolios to assess whether an allowance for impairment should be recorded in the statements of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

(c) Held-to-maturity instruments
In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(d) Impairment of available-for-sale equity investments
The Bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exits. The Bank treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months. In addition, The Bank evaluates other factors such as the share price volatility.

(e) Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**(f) Estimated impairment of goodwill**

The Bank tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on incremental cash flows and related revenues from the acquired customers base.

**(g) Income tax**

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

## 5. SEGMENT INFORMATION

For management purposes, the Group is organised into five operating segments as described below based on products offered, market segment and customer turnover.

**Corporate Banking**: Principally responsible for providing banking services and products to multinationals, large regional and domestic clients and other institutional clients.

**Treasury:** Undertakes the Bank's funding, ALM and centralised risk management activities through borrowing and investment in liquid assets such as short-term placements and government debt securities.

**Retail Banking**: Provides financial products and services to individuals (personal, private and inclusive segments) and small and medium scale enterprises. The unit provides financial solutions across various channels (ATM, mobile banking, agents etc) and platforms.

**Investment Banking:** Investment banking services cover activities such as the provision of business advisory services, issuance of securities and arranging financing for short, medium and long term funding needs of clients.

**Offshore banking:** Principally responsible for providing banking services to offshore customers in the Asia Pacific region.

Management monitors the operating results of these business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties. For the purposes of segment reporting, interest is allocated to the business units based on a pool rate determined by Treasury using the Bank's cost of funds.

The following shows an analysis of the performance of the various business units across the Group.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

5. SEGMENT INFORMATION (continued)

| 2016 | Bank | | | FSL | FAB | |
|---|---|---|---|---|---|---|
| | Corporate Banking | Treasury | Retail Banking | Investment Banking | Offshore Banking | Group |
| External revenue | | | | | | |
| - Net interest income | 159,503 | 251,727 | (55,054) | 904 | 2,501 | **359,581** |
| - Net fee and commission income | 24,350 | 1,110 | 43,786 | 2,132 | 375 | **71,753** |
| - Net trading income | 7,547 | 18,456 | 9,775 | - | - | **35,778** |
| Inter-segment revenue | (71,720) | (141,601) | 213,321 | - | - | **-** |
| Total Segment revenue | 119,680 | 129,692 | 211,828 | 3,036 | 2,876 | **467,112** |
| Direct cost | (24,045) | (6,370) | (73,694) | (2,132) | (8,922) | **(115,163)** |
| Net impairment charges | (164,098) | - | (6,646) | - | - | **(170,744)** |
| Allocated cost | (62,066) | (21,840) | (83,867) | - | - | **(167,773)** |
| Segment profit | (130,529) | 101,482 | 47,621 | 904 | (6,046) | **13,432** |
| Reportable segement assets (loans and advances) | 1,113,530 | - | 201,263 | - | 37,802 | **1,352,595** |
| Reportable segement liabilities (customer deposits) | 1,405,001 | - | 1,695,118 | - | 36,436 | **3,136,555** |

| 2015 | Bank | | | FSL | FAB | |
|---|---|---|---|---|---|---|
| | Corporate Banking | Treasury | Retail Banking | Investment Banking | Offshore Banking | Group |
| External revenue | | | | | | |
| - Net interest income | 233,962 | 145,018 | (9,368) | 893 | 2,136 | **372,641** |
| - Net fee and commission income | 20,718 | 1,481 | 46,146 | 1,672 | 17 | **70,034** |
| - Net trading income | 18,343 | 82,215 | 14,059 | - | - | **114,617** |
| Inter-segment revenue | (77,912) | (67,643) | 145,555 | - | - | **-** |
| Total Segment revenue | 195,111 | 161,071 | 196,392 | 2,565 | 2,153 | **557,292** |
| Direct cost | (19,581) | (8,208) | (72,459) | (1,456) | (5,301) | **(107,005)** |
| Net impairment charges | (43,701) | - | (10,365) | - | - | **(54,066)** |
| Allocated cost | (100,582) | (36,512) | (54,452) | - | - | **(191,546)** |
| Segment profit | 31,247 | 116,351 | 59,116 | 1,109 | (3,148) | **204,675** |
| Reportable segement assets (loans and advances) | 1,191,812 | - | 259,305 | - | 38,726 | **1,489,843** |
| Reportable segement liabilities (customer deposits) | 1,512,862 | - | 1,485,666 | - | 10,157 | **3,008,685** |

5. SEGMENT INFORMATION (continued)

The Group operates in two geographic markets: Ghana (Fidelity Bank Ghana Limited & Fidelity Securities Limited) and Malaysia (Fidelity Asia Bank Limited). The following tables show the distribution of operating profit and non-current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2016 and 2015:

2016

| | Ghana | Malaysia | Total |
|---|---|---|---|
| Interest income | 621,060 | 4,491 | 625,551 |
| Interest expense | (263,980) | (1,990) | (265,970) |
| **Net interest income** | 357,080 | 2,501 | 359,581 |
| Non interest income | 107,156 | 375 | 107,531 |
| **Operating income** | 464,236 | 2,876 | 467,112 |
| Operating expenses | (274,014) | (8,922) | (282,936) |
| Net impairment charge on financial assets | (170,744) | - | (170,744) |
| **Operating profit/(loss)** | 19,478 | (6,046) | 13,432 |

2015

| | Ghana | Malaysia | Total |
|---|---|---|---|
| Interest income | 611,350 | 3,459 | 614,809 |
| Interest expense | (240,845) | (1,323) | (242,168) |
| Net interest income | 370,505 | 2,136 | 372,641 |
| Non interest income | 184,634 | 17 | 184,651 |
| Operating income | 555,139 | 2,153 | 557,292 |
| Operating expenses | (293,250) | (5,301) | (298,551) |
| Net impairment charge on financial assets | (54,066) | - | (54,066) |
| Operating profit/(loss) | 207,823 | (3,148) | 204,675 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 6. INTEREST INCOME

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Cash and short term funds | 47,543 | 30,697 | 47,976 | 30,895 |
| Investment securities | 311,145 | 212,432 | 311,145 | 212,499 |
| Loans and advances | 266,863 | 371,680 | 262,392 | 371,681 |
| | 625,551 | 614,809 | 621,513 | 615,075 |

## 7. INTEREST EXPENSE

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Savings accounts | 50,038 | 31,402 | 50,038 | 31,402 |
| Time and other deposits | 145,709 | 143,020 | 145,031 | 146,315 |
| Overnight and call accounts | 32,013 | 38,851 | 32,050 | 38,851 |
| Current accounts | 10,034 | 944 | 10,034 | 944 |
| Borrowings | 28,176 | 27,951 | 28,176 | 27,951 |
| | 265,970 | 242,168 | 265,329 | 245,463 |

## 8. FEE AND COMMISSION INCOME

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Trade finance fees | 7,143 | 11,638 | 7,143 | 11,638 |
| Credit related fees and commission | 13,612 | 15,539 | 13,612 | 15,540 |
| Cash management | 52,951 | 43,927 | 52,655 | 43,927 |
| Other fees and commission | 5,820 | 4,434 | 3,575 | 2,867 |
| | 79,526 | 75,538 | 76,985 | 73,972 |

## 9. FEE AND COMMISSION EXPENSE

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Direct charges for services | 7,773 | 5,504 | 7,742 | 5,497 |

## 10. OTHER OPERATING INCOME

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Foreign exchange: | | | | |
| transaction gains less losses | 32,858 | 42,106 | 32,858 | 42,106 |
| translation gains less losses | (2,125) | 69,025 | (2,122) | 69,025 |
| Sundry income | 5,045 | 3,486 | 5,045 | 2,627 |
| | 35,778 | 114,617 | 35,781 | 113,758 |

## 11. OPERATING EXPENSES

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **(a)** Staff expenses comprise: | | | | |
| Wages, salaries, bonus and allowances | 58,860 | 60,094 | 55,037 | 58,937 |
| Social security fund contribution | 6,275 | 4,862 | 6,187 | 4,795 |
| Provident fund contribution | 4,330 | 3,631 | 4,263 | 3,530 |
| Other employee cost | 41,043 | 41,648 | 40,336 | 40,931 |
| | 110,508 | 110,235 | 105,823 | 108,193 |

The number of persons employed by the Group and the bank at the end of the year was 1,060 (2015: 1,313) and 1,039 (2015: 1,290) respectively.

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **(b)** Depreciation and amortisation expenses comprise: | | | | |
| Depreciation (Note 20) | 9,081 | 9,602 | 9,007 | 9,518 |
| Amortisation (Note 21) | 1,729 | 6,979 | 1,229 | 6,711 |
| | 10,810 | 16,581 | 10,236 | 16,229 |
| **(c)** Other expenses comprise: | | | | |
| Advertising and marketing | 9,817 | 10,196 | 8,670 | 10,124 |
| Audit fees | 568 | 717 | 516 | 690 |
| Directors'emoluments | 1,565 | 2,718 | 994 | 2,562 |
| Utilities | 13,972 | 8,877 | 13,663 | 8,877 |
| Repairs and maintenance | 75,213 | 96,532 | 74,996 | 96,532 |
| Stationery and print expenses | 5,273 | 6,402 | 5,260 | 6,396 |
| Outsourced services | 14,674 | 7,188 | 14,674 | 7,188 |
| Other operating expenses | 28,993 | 30,706 | 28,493 | 28,829 |
| Legal and consultancy fees | 8,488 | 5,342 | 5,572 | 3,310 |
| Training | 2,724 | 2,663 | 2,665 | 2,654 |
| Donations and sponsorship | 331 | 394 | 326 | 396 |
| | 161,618 | 171,735 | 155,829 | 167,558 |

## 12. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

| | GROUP | | BANK | |
|---|---|---|---|---|
| **(a)** Breakdown of impairment losses | 2016 | 2015 | 2016 | 2015 |
| Impairment losses on loans and advances | 179,083 | 54,629 | 179,083 | 54,629 |
| Recoveries | (8,339) | (563) | (8,339) | (563) |
| | 170,744 | 54,066 | 170,744 | 54,066 |

Movement in impairment losses on loans and advances is as follows:

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| At 1 January | 65,085 | 50,940 | 65,085 | 39,368 |
| Impairment stock migrated from ProCredit | | - | - | 11,572 |
| Increase in impairment | 179,083 | 54,628 | 179,083 | 54,628 |
| Amounts written off as uncollectible | (112,254) | (40,483) | (112,254) | (40,483) |
| At 31 December | 131,914 | 65,085 | 131,914 | 65,085 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 12 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS (CONTINUED)

**(b)** Exceptional impairment losses

Included in the total impairment charge on loans and advances of GH¢ 179.08 million is an amount of GH¢134.8 million attributable to the Bank's exposure to the legacy debts. The "legacy debts" resulted from unpaid subsidies on energy prices and foreign exchange under recoveries in relation to organizations in the energy sector such as Tema Oil Refinery (TOR), Volta River Authority (VRA), Ghana Grid Company (GRIDCo), Electricity Company of Ghana (ECG) and the Bulk Oil Distribution Companies (BDCs), preventing these institutions from repaying their loans on schedule.

An Inter-Stakeholder Committee has been set up to resolve the legacy debt issue. The Committee has concluded the first phase of the exercise which resulted in a resolution of the power sector debt owed to banks and the FX losses component of the BDCs legacy debt. It emerged from the resolution exercise that Fidelity Bank's share of the BDCs' entitlement from the Government in respect of the FX losses was not enough to pay off its FX loss exposure, signalling the possibility of some significant haircuts on these exposures. This development was not anticipated at the beginning of the year. In October 2016, the Board approved Management's proposal to make an exceptional loan impairment provision of GH¢ 134.8 million in respect of these loans. The decision to make this exceptional provision in respect of these exposures is based on prudence and will not in any way affect the Bank's ongoing recovery efforts.

## 13. INCOME TAX EXPENSE

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Current income tax | 1,601 | 56,558 | 1,102 | 56,277 |
| Deferred tax (Note 14) | 1,831 | (7,654) | 1,834 | (8,502) |
| Income tax expense | 3,432 | 48,904 | 2,936 | 47,775 |
| National fiscal stabilisation levy | 1,028 | 10,346 | 929 | 10,290 |
| | 4,460 | 59,250 | 3,865 | 58,065 |

The tax on the Group and Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Profit before tax | 13,432 | 204,675 | 18,576 | 205,799 |
| Corporate tax rate at 25% (2015: 25%) | | | | |
| Tax calculated at corporate tax rate | 3,358 | 51,169 | 4,644 | 51,450 |
| Net tax impact of items deductible/not deductible for tax purposes | 74 | (2,265) | (1,708) | (3,675) |
| National fiscal stabilisation levy at 5% (2015: 5%) | 1,028 | 10,346 | 929 | 10,290 |
| Income tax expense | 4,460 | 59,250 | 3,865 | 58,065 |

## 13. INCOME TAX EXPENSE (CONTINUED)

**Current tax liability**
The movement on current income tax is as follows

| Group | At 1 January | Paid during the year | Charge /reversal | At 31 December |
|---|---|---|---|---|
| Year of assessment | | | | |
| **Current income tax** | | | - | |
| Up to 2015 | 8,533 | (6,315) | (2,183) | 35 |
| 2016 | - | (15,885) | 3,784 | (12,101) |
| | 8,533 | (22,200) | 1,601 | (12,066) |
| **National fiscal stabilisation levy** | | | | |
| Up to 2015 | 780 | (754) | - | 26 |
| 2016 | - | (3,312) | 1,028 | (2,284) |
| | 780 | (4,066) | 1,028 | (2,258) |

| Bank | At 1 January | Paid during the year | Charge /reversal | At 31 December |
|---|---|---|---|---|
| Year of assessment | | | | |
| **Current income tax** | | | | |
| Up to 2015 | 8,499 | (6,315) | (2,184) | - |
| 2016 | - | (15,438) | 3,286 | (12,152) |
| | 8,499 | (21,753) | 1,102 | (12,152) |
| **National fiscal stabilisation levy** | | | | |
| Up to 2015 | 737 | (737) | - | - |
| 2016 | - | (3,313) | 929 | (2,384) |
| | 737 | (4,050) | 929 | (2,384) |

The National Fiscal Stabilisation Levy Act, 2013, (Act 785), became effective from 15 July 2013. Under the Act, a 5% levy is charged on profit before tax and is payable on a quarterly basis.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 14. DEFERRED TAX

**Deferred tax assets and liabilities are attributable to the following:**

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| GROUP | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Property and equipment | (1) | 342 | 341 | - | 522 | 522 |
| Impairment allowances for loan losses | (14,259) | - | (14,259) | (16,271) | - | (16,271) |
| Gains on available for sale investments | - | 6,561 | 6,561 | 437 | - | 437 |
| Net tax (assets)/liabilities | (14,260) | 6,903 | (7,357) | (15,834) | 522 | (15,312) |
| BANK | | | | | | |
| Property and equipment | - | 342 | 342 | - | 520 | 520 |
| Impairment allowances for loan losses | (14,259) | - | (14,259) | (16,271) | - | (16,271) |
| Gains on available for sale investments | - | 6,558 | 6,558 | 437 | - | 437 |
| Net tax (assets)/liabilities | (14,259) | 6,900 | (7,359) | (15,834) | 520 | (15,314) |

Deferred tax is calculated using the enacted income tax rate of 25% (2015: 25%). Deferred tax liabilities and deferred tax charges in the statement of comprehensive income are attributable to the following items:

GROUP

| 2016 | At 1 January | movement | At 31 December |
|---|---|---|---|
| Property and equipment | 522 | (181) | 341 |
| Impairment allowance for loan losses | (16,271) | 2,012 | (14,259) |
| Deferred tax expense through comprehensive income | (15,749) | 1,831 | (13,918) |
| Deferred tax expense through equity (gains on available for sale investments) | 437 | 6,124 | 6,561 |
| Total | (15,312) | 7,955 | (7,357) |

## 14. DEFERRED TAX (CONTINUED)

BANK

| 2016 | At 1 January | movement | At 31 December |
|---|---|---|---|
| Property and equipment | 520 | (178) | 342 |
| Impairment allowance for loan losses | (16,271) | 2,012 | (14,259) |
| Deferred tax expense through comprehensive income | (15,751) | 1,834 | (13,917) |
| Deferred tax expense through equity (gains on available for sale investments) | 437 | 6,121 | 6,558 |
| Total | (15,314) | 7,955 | (7,359) |

GROUP

| 2015 | At 1 January | movement | At 31 December |
|---|---|---|---|
| Property and equipment | 2,699 | (2,177) | 522 |
| Impairment allowance for loan losses | (10,808) | (5,463) | (16,271) |
| Other provisions | 14 | (14) | - |
| Deferred tax expense through comprehensive income | (8,095) | (7,654) | (15,749) |
| Deferred tax expense through equity (gains on available for sale investments) | (806) | 1,243 | 437 |
| Total | (8,901) | (6,411) | (15,312) |

BANK

| 2015 | At 1 January | movement | At 31 December |
|---|---|---|---|
| Property and equipment | 2,593 | (2,073) | 520 |
| Impairment allowance for loan losses | (9,842) | (6,429) | (16,271) |
| Deferred tax expense through comprehensive income | (7,249) | (8,502) | (15,751) |
| Deferred tax expense through equity (gains on available for sale investments) | (806) | 1,243 | 437 |
| Total | (8,055) | (7,259) | (15,314) |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

| 15. CASH AND CASH EQUIVALENTS | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Cash and balances with banks | 82,960 | 188,092 | 80,259 | 208,218 |
| Unrestricted balances with the central bank | 111,998 | 27,743 | 111,998 | 27,743 |
| Restricted balances with the Central Bank | 310,061 | 330,333 | 310,061 | 330,333 |
| Money market placements | 471,952 | 510,164 | 458,706 | 501,175 |
| Total | 976,971 | 1,056,332 | 961,024 | 1,067,469 |

| 16. INVESTMENT SECURITIES | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| At 1 January | 1,369,355 | 593,846 | 1,365,877 | 590,852 |
| Additions | 6,600,098 | 3,918,631 | 6,591,289 | 3,910,411 |
| Redeemed on maturity | (6,341,490) | (3,144,872) | (6,333,123) | (3,137,134) |
| Gain/(losses) from changes in fair value | 26,244 | 1,750 | 26,234 | 1,748 |
| At 31 December | 1,654,207 | 1,369,355 | 1,650,277 | 1,365,877 |
| maturing within 91 days of acquisition | 380,461 | 374,385 | 380,288 | 374,204 |
| maturing after 91 days but within 182 days | 582,851 | 888,689 | 579,294 | 885,572 |
| maturing after 182 days of acquisition | 426,959 | 19,827 | 426,959 | 19,827 |
| maturing after 1 year of acquisition | 263,936 | 86,454 | 263,736 | 86,274 |
| Total | 1,654,207 | 1,369,355 | 1,650,277 | 1,365,877 |

Investment securities are financial assets classified as available-for-sale or held to maturity, and are carried at fair value and amortised cost respectively as shown below:

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Available-for-sale | 1,625,437 | 1,365,405 | 1,624,043 | 1,364,129 |
| (Losses)/gains from changes in fair value | 26,244 | 1,750 | 26,234 | 1,748 |
| | 1,651,681 | 1,367,155 | 1,650,277 | 1,365,877 |
| Held to maturity | 2,526 | 2,200 | - | - |
| | 1,654,207 | 1,369,355 | 1,650,277 | 1,365,877 |

## 17. LOANS AND ADVANCES TO CUSTOMERS

| | GROUP | | BANK | |
|---|---|---|---|---|
| **(a)** Analysis by type: | 2016 | 2015 | 2016 | 2015 |
| Term loans | 1,232,700 | 1,188,054 | 1,194,898 | 1,188,054 |
| Overdrafts | 230,980 | 350,564 | 230,980 | 350,564 |
| Staff | 20,829 | 16,310 | 20,829 | 16,310 |
| Gross loans and advances to customers | 1,484,509 | 1,554,928 | 1,446,707 | 1,554,928 |
| Impairment allowance (Note 12) | (131,914) | (65,085) | (131,914) | (65,085) |
| Net loans and advances to customers | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |
| Current | 776,836 | 625,625 | 776,836 | 625,625 |
| Non current | 575,759 | 864,218 | 537,957 | 864,218 |
| | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |
| **(b)** Analysis by type of customer: | | | | |
| Individuals | 99,569 | 112,053 | 99,569 | 112,053 |
| Private enterprises | 1,148,868 | 1,127,545 | 1,111,066 | 1,127,545 |
| State enterprise and public institutions | 215,243 | 299,020 | 215,243 | 299,020 |
| Staff | 20,829 | 16,310 | 20,829 | 16,310 |
| | 1,484,509 | 1,554,928 | 1,446,707 | 1,554,928 |
| Impairment allowance (Note 12) | (131,914) | (65,085) | (131,914) | (65,085) |
| Net loans and advances to customers | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |
| **(c)** Analysis by business segment | | | | |
| Agriculture, forestry and fishing | 48,511 | 6,767 | 48,511 | 6,767 |
| Mining | 94,311 | 192,912 | 94,311 | 192,912 |
| Manufacturing | 80,054 | 150,949 | 80,054 | 150,949 |
| Construction | 90,234 | 143,894 | 90,234 | 143,894 |
| Electricity, gas and water | 344,602 | 382,671 | 344,602 | 382,671 |
| Commerce and finance | 382,641 | 285,421 | 344,839 | 285,421 |
| Transport, storage and communication | 166,263 | 55,797 | 166,263 | 55,797 |
| Services | 277,746 | 336,091 | 277,746 | 336,091 |
| Miscellaneous | 147 | 426 | 147 | 426 |
| | 1,484,509 | 1,554,928 | 1,446,707 | 1,554,928 |
| Impairment allowance (Note 12) | (131,914) | (65,085) | (131,914) | (65,085) |
| **Net loans and advances to customers** | 1,352,595 | 1,489,843 | 1,314,793 | 1,489,843 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

**(d)** Key ratios on loans and advances

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Loan loss provision ratio | 9.12% | 4.19% | 9.12% | 4.19% |
| 50 largest exposures to total exposures | 74% | 81% | 74% | 81% |

## 18. INVESTMENTS (OTHER THAN SECURITIES)

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Mustard Capital Partners Limited | 27 | 53 | 27 | 53 |
| Fidelity Securities Limited | - | - | 101 | 101 |
| Fidelity Asia Bank Limited | - | - | 8,163 | 8,163 |
| **Total** | 27 | 53 | 8,291 | 8,317 |
| Movement in investments (other than securities): | | | | |
| At 1 January | 53 | 104 | 8,317 | 8,368 |
| Fair value adjustment | (26) | (51) | (26) | (51) |
| **At 31 December** | 27 | 53 | 8,291 | 8,317 |

The Bank holds an 18.67% stake in Mustard Capital Partners Limited and a 100% stake in both Fidelity Asia Bank and Fidelity Securities Limited.

## 19. OTHER ASSETS

| | GROUP 2016 | GROUP 2015 | BANK 2016 | BANK 2015 |
|---|---|---|---|---|
| Prepayments | 38,663 | 33,022 | 38,662 | 33,022 |
| Interest earned not collected | 39,743 | 11,608 | 46,602 | 16,464 |
| Sundry assets | 26,537 | 16,081 | 24,557 | 15,105 |
| Income tax expense | 12,066 | - | 12,152 | - |
| National fiscal stabilisation levy | 2,258 | - | 2,384 | - |
| Amounts due from associated companies | 47 | 47 | 5,903 | 6,568 |
| | 119,314 | 60,758 | 130,260 | 71,159 |

## 20. PROPERTY PLANT AND EQUIPMENT

GROUP

Year ended December 2016

| Cost | At 1 January | Additions | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Motor vehicles | 6,223 | 2,132 | - | (224) | 8,131 |
| Computers – Hardware | 16,443 | 4,095 | 1929 | - | 22,467 |
| Equipment | 11,855 | 2,760 | 310 | - | 14,925 |
| Furniture and fittings | 5,070 | 464 | 146 | - | 5,680 |
| Leasehold improvement | 12,166 | 205 | 2,172 | - | 14,543 |
| Building | 2,127 | - | - | - | 2,127 |
| Land | 18,454 | - | - | (6,000) | 12,454 |
| Capital work-in-progress | 49,572 | 10,951 | (4,557) | - | 55,966 |
| Total | 121,910 | 20,607 | - | (6,224) | 136,293 |

| Accumulated depreciation | At 1 January | Charge for the year | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Motor vehicles | 4,803 | 1,534 | - | (216) | 6,121 |
| Computers – Hardware | 12,971 | 2,933 | - | - | 15,904 |
| Equipment | 8,110 | 2,314 | - | - | 10,424 |
| Furniture and fittings | 3,622 | 883 | - | - | 4,505 |
| Leasehold improvement | 4,721 | 1,417 | - | - | 6,138 |
| Building | 16 | - | - | - | 16 |
| Total | 34,243 | 9,081 | - | (216) | 43,108 |
| Carrying value: | | | | | |
| At 31 December 2016 | | | | | 93,185 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

20. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

BANK

| Year ended December 2016 | At 1 January | Additions | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Cost | | | | | |
| Motor vehicles | 5,974 | 2,132 | - | (224) | 7,882 |
| Computers – hardware | 16,278 | 4,083 | 1,929 | - | 22,290 |
| Equipment | 11,691 | 2,760 | 310 | - | 14,761 |
| Furniture and fittings | 5,069 | 462 | 146 | - | 5,677 |
| Leasehold improvement | 12,051 | 93 | 2,172 | - | 14,316 |
| Land | 20,565 | - | - | (6,000) | 14,565 |
| Capital work-in-progress | 49,627 | 10,951 | (4,557) | - | 56,021 |
| Total | 121,255 | 20,481 | - | (6,224) | 135,512 |

| Accumulated depreciation | At 1 January | Charge for the year | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Motor vehicles | 4,639 | 1,519 | - | (216) | 5,942 |
| Computers – Hardware | 12,865 | 2,909 | - | - | 15,774 |
| Equipment | 7,953 | 2,314 | - | - | 10,267 |
| Furniture and fittings | 3,636 | 878 | - | - | 4,514 |
| Leasehold improvement | 4,609 | 1,387 | - | - | 5,996 |
| Total | 33,702 | 9,007 | - | (216) | 42,493 |
| Carrying value: | | | | | |
| At 31 December 2016 | | | | | 93,019 |

BANK

Movement on disposal of assets

| | 2016 | 2015 |
|---|---|---|
| Cost | 6,224 | 3,115 |
| Accumulated depreciation | (216) | (2,254) |
| Carrying value | 6,008 | 861 |
| Proceeds on disposaL | (8,494) | (2,042) |
| Profit on disposal | (2,486) | (1,181) |

## 20. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

GROUP

| Year ended December 2015 | At 1 January | Additions | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Cost | | | | | |
| Motor vehicles | 9,338 | - | - | (3,115) | 6,223 |
| Computers – Hardware | 15,531 | 817 | 95 | - | 16,443 |
| Equipment | 9,724 | 1,736 | 395 | - | 11,855 |
| Furniture and fittings | 4,451 | 390 | 229 | - | 5,070 |
| Leasehold improvement | 11,883 | 27 | 256 | - | 12,166 |
| Building | 2,127 | - | - | - | 2,127 |
| Land | 18,454 | - | - | - | 18,454 |
| Capital work-in-progress | 38,004 | 12,543 | (975) | - | 49,572 |
| Total | 109,512 | 15,513 | - | (3,115) | 121,910 |

| Accumulated depreciation | At 1 January | Charge for the year | | Disposal | At 31 December |
|---|---|---|---|---|---|
| Motor vehicles | | | | | |
| Computers – Hardware | 5,012 | 2,045 | | (2,254) | 4,803 |
| Equipment | 10,006 | 2,965 | | - | 12,971 |
| Furniture and fittings | 5,784 | 2,326 | | - | 8,110 |
| Leasehold improvement | 2,674 | 948 | | - | 3,622 |
| Building | 3,402 | 1,319 | | - | 4,721 |
| | 16 | - | | - | 16 |
| Total | 26,894 | 9,603 | | (2,254) | 34,243 |
| Carrying value: | | | | | |
| At 31 December 2015 | | | | | 87,667 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

20. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

BANK

| Year ended December 2015 | At 1 January | Additions | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Cost | | | | | |
| Motor vehicles | 7,630 | 1,459 | - | (3,115) | 5,974 |
| Computers – hardware | 14,589 | 1,594 | 95 | - | 16,278 |
| Equipment | 7,509 | 3,787 | 395 | - | 11,691 |
| Furniture and fittings | 3,958 | 882 | 229 | - | 5,069 |
| Leasehold improvement | 10,687 | 1,108 | 256 | - | 12,051 |
| Land | 18,454 | 2,111 | - | - | 20,565 |
| Capital work-in-progress | 4,217 | 46,385 | (975) | | 49,627 |
| Total | 67,044 | 57,326 | - | (3,115) | 121,255 |

| Accumulated depreciation | At 1 January | Charge for the year | Transfers | Disposals | At 31 December |
|---|---|---|---|---|---|
| Motor vehicles | | | | | |
| Computers – Hardware | 4,862 | 2,031 | - | (2,254) | 4,639 |
| Equipment | 9,929 | 2,936 | - | - | 12,865 |
| Furniture and fittings | 5,642 | 2,311 | - | - | 7,953 |
| Leasehold improvement | 2,701 | 935 | - | - | 3,636 |
| | 3,304 | 1,305 | - | - | 4,609 |
| Total | 26,438 | 9,518 | - | (2,254) | 33,702 |
| Carrying value: | | | | | |
| At 31 December 2015 | | | | | 87,553 |

## 21. INTANGIBLE ASSETS

Year ended December 2016

GROUP

| | At 1 January | Additions | Transfers | At 31 December |
|---|---|---|---|---|
| **Cost** | | | | |
| Computer software | 21,334 | 28 | 1,030 | 22,392 |
| Capital work in progress | 4,469 | 1,743 | (1,030) | 5,182 |
| Goodwill | 2,338 | - | - | 2,338 |
| | 28,141 | 1,771 | - | 29,912 |

| Accumulated amortisation | At 1 January | Charge for the year | | At 31 December |
|---|---|---|---|---|
| Computer software | 19,390 | 1,729 | | 21,119 |
| Carrying value: | | | | |
| At 31 December 2016 | 8,751 | | | 8,793 |

BANK

| | At 1 January | Additions | Transfers | At 31 December |
|---|---|---|---|---|
| **Cost** | | | | |
| Computer software | 20,240 | - | - | 20,240 |
| Capital work in progress | 3,656 | 1,528 | - | 5,184 |
| Goodwill | 2,338 | - | - | 2,338 |
| | 26,234 | 1,528 | - | 27,762 |

| Accumulated amortisation | At 1 January | Charge for the year | | At 31 December |
|---|---|---|---|---|
| Computer software | 18,965 | 1,229 | | 20,194 |
| Carrying value: | | | | |
| At 31 December 2016 | 7,269 | | | 7,568 |

for the year ended 31 December 2016 [ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

21. INTANGIBLE ASSETS (CONTINUED)

Year ended December 2015

| GROUP | At 1 January | Additions | Transfers | At 31 December |
|---|---|---|---|---|
| **Cost** | | | | |
| Computer software | 20,179 | 980 | 175 | 21,334 |
| Capital work in progress | 2,018 | 2,626 | (175) | 4,469 |
| Goodwill | 2,338 | - | - | 2,338 |
| | 24,535 | 3,606 | - | 28,141 |

| Accumulated amortisation | At 1 January | Charge for the year | | At 31 December |
|---|---|---|---|---|
| Computer software | 12,411 | 6,979 | | 19,390 |
| Carrying value: | | | | |
| At 31 December 2015 | 12,124 | | | 8,751 |

| BANK | At 1 January | Additions | Transfers | At 31 December |
|---|---|---|---|---|
| **Cost** | | | | |
| Computer software | 18,319 | 1,746 | 175 | 20,240 |
| Capital work in progress | 2,018 | 1,813 | (175) | 3,656 |
| Goodwill | - | 2,338 | - | 2,338 |
| | 20,337 | 5,897 | - | 26,234 |

| Accumulated amortisation | At 1 January | Charge for the year | | At 31 December |
|---|---|---|---|---|
| Computer software | 12,254 | 6,711 | | 18,965 |
| Carrying value: | | | | |
| At 31 December 2015 | 8,083 | | | 7,269 |

## 21. INTANGIBLE ASSETS (CONTINUED)

The Bank reviews business performance based on a number of indicators, a key measure being the increase in the customer base and the growth in deposits. The Bank continues to recognise goodwill on the acquisition of ProCredit Ghana and this is attributed to the business growth and synergies arising from the acquisition. Goodwill is monitored by management at the retail segment level.

The following table outlines the growth registered for the business acquired from ProCredit Ghana for the year under review:

| Description | 2015 | 2016 | % Growth |
|---|---|---|---|
| Deposits (GH¢'000) | 175,802 | **221,745** | 26.13 |
| Net Revenue (GH¢'000) | 20,733 | **25,027** | 20.71 |
| Number of customers ('000) | 127 | **159** | 25.20 |

## 22. NON CURRENT ASSETS HELD FOR SALE

These represent the carrying value of various assets brought into the Bank's books from ProCredit Ghana following the integration of the two entities in 2015. The Bank is in the process of selling these assets.

The major class of collateral repossessed and classified as held for sale is as follows:

| | Collateral repossessed 2016 |
|---|---|
| Property and equipment | 1,011 |
| Total assets classified as held for sale | 1,011 |

There is no cumulative income or expense in other comprehensive income relating to assets held for sale.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 23. DEPOSITS FROM CUSTOMERS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Current accounts | 1,215,185 | 1,180,295 | 1,214,473 | 1,182,712 |
| Call accounts | 321,713 | 259,200 | 321,711 | 259,200 |
| Savings accounts | 658,596 | 516,540 | 658,596 | 516,540 |
| Time deposits | 941,061 | 1,052,650 | 905,834 | 1,044,577 |
| Total | 3,136,555 | 3,008,685 | 3,100,614 | 3,003,029 |
| | | | | |
| Current | 1,922,083 | 1,717,383 | 1,886,142 | 1,711,727 |
| Non -current | 1,214,472 | 1,291,302 | 1,214,472 | 1,291,302 |
| Total | 3,136,555 | 3,008,685 | 3,100,614 | 3,003,029 |
| | | | | |
| Analysis by type of depositor: | | | | |
| | | | | |
| Individuals and other private enterprises | 2,838,212 | 2,695,125 | 2,802,271 | 2,689,469 |
| Government departments and agencies | 298,343 | 313,560 | 298,343 | 313,560 |
| Total | 3,136,555 | 3,008,685 | 3,100,614 | 3,003,029 |
| | | | | |
| 20 largest depositors to total deposit ratio | 21.73% | 24.26% | 21.98% | 24.30% |

## 24. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Other deposits from banks | 120,377 | 56,756 | 120,377 | 86,722 |
| Total | 120,377 | 56,756 | 120,377 | 86,722 |

Deposits from banks and other financial instituitions consist of short-term deposits from various banks with maturity period of less than one year.

## 25. BORROWINGS (THE GROUP AND THE BANK)

Movement in borrowings is shown as follows:

| 2016 | At 1 January | Draw-downs | Repayments | Exchange difference | At 31 December |
|---|---|---|---|---|---|
| DEG (a) | 9,487 | - | (9,711) | 224 | - |
| GHIB (b) | 9,487 | - | (3,882) | 695 | 6,300 |
| PROPARCO (d) | 53,181 | - | (12,679) | 4,466 | 44,968 |
| SHELTER AFRIQUE (e) | 33,017 | - | (2,019) | 3,394 | 34,392 |
| DEG, FMO and SWEDFUND (TIER II CAPITAL) (f) | 227,699 | - | - | 24,312 | 252,011 |
| KfW (h) | 8,225 | 1,047 | (94) | - | 9,178 |
| **Total Group/Bank** | 341,096 | 1,047 | (28,385) | 33,091 | 346,849 |
| Current | | | | | 15,185 |
| Non -current | | | | | 331,664 |
| **Total Group/Bank** | | | | | 346,849 |

| 2015 | At 1 January | Draw-downs | Repayments | Exchange difference | At 31 December |
|---|---|---|---|---|---|
| DEG (a) | 16,000 | | (8,820) | 2,307 | 9,487 |
| GHIB (b) | 11,200 | | (3,659) | 1,946 | 9,487 |
| FMO (c) | 10,800 | | (12,992) | 2,192 | - |
| PROPARCO (d) | 52,980 | | (9,924) | 10,125 | 53,181 |
| SHELTER AFRIQUE (e) | 27,841 | | - | 5,176 | 33,017 |
| DEG, FMO and SWEDFUND (TIER II CAPITAL) (f) | 192,006 | | - | 35,693 | 227,699 |
| SOCIETE GENERALE GHANA (g) | 6,223 | | (6,223) | - | - |
| KfW (h) | 8,225 | | - | - | 8,225 |
| Total Group/Bank | 325,275 | | (41,618) | 57,439 | 341,096 |
| Current | | | | | 28,724 |
| Non -current | | | | | 312,372 |
| Total Group/Bank | | | | | 341,096 |

25. BORROWINGS (THE GROUP AND THE BANK) (CONTINUED)

**(a)** Deutsche Investitions-und entwicklungsgesellschaftmbh (DEG)

Deutsche Investitions-und entwicklungsgesellschaftmbh (DEG) made available to the Bank a loan of US$10 million by an agreement dated 25 November, 2011, to exclusively finance eligible projects by means of sub-loans to local small and medium scale enterprises over a period of 4 years. Interest on the loan is at an aggregate interest rate of 3 months USD LIBOR rate plus 4.5% p.a. The facility was fully paid off during the year.

**(b)** Ghana International Bank Plc (GHIB)

Ghana International Bank Plc (GHIB) made available to the Bank a loan amount of US$5million by an agreement dated 3 April, 2014, for on-lending to the Bank's customers or for general corporate purposes. Interest rate applicable to the loan was the sum of the applicable US prime rate and the margin of 2.75% per annum over a 5 year period.

**(c)** NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO)

NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO) made available to the Bank a USD term facility in an aggregate amount of US$ 15 million, by an agreement dated 8 September 2010, in two phases; Phase 1 to the maximum aggregate amount of US$ 10 million and Phase 2 to the maximum aggregate amount of US$5 million. The purpose of the loan is to finance SME's in Ghana that generate USD or EUR revenues. The facility is for a period of 5 years at an aggregate interest rate of the 3 months USD LIBOR plus 4.35% p.a. This facility matured and was paid in 2015.

**(d)** Societe de Promotion et de Participation Pour la Cooperation Economique (PROPARCO)

A loan of US$ 8 million was granted the Bank by Societe de Promotion et de Participation Pour la Cooperation Economique (PROPARCO) by an agreement dated on 13 July, 2011. The loan facility is for the purposes of on-lending to the Bank's customers over a period of 5 years. The interest rate is the sum of 6 months LIBOR USD rate, the basis swap rate on the determination date and the applicable margin of 4.35%. A further US$ 13 million was granted to the Bank on 31 December 2014 for the purposes of on-lending to its customers. The facility is for a period of ten (10) years at an interest rate of the sum of 6 months LIBOR USD rate, the basis swap rate on the determination date of 0.175% p.a. and the applicable margin of 4.475% p.a.

**(e)** Shelter Afrique

On 11 March 2014, Shelter Afrique extended a term loan of US$8.7million to the Bank for on-lending to mortgage seekers for home purchase, home completion, home improvement and home extension in Ghana at an interest rate of 6 month LIBOR plus a margin of 5.5% per annum over a period of 10 years. Repayment is on half-yearly basis.

**(f)** Tier II Capital

On 1 August 2014, at the Bank's request, DEG, FMO and SWEDFUND INTERNATIONAL AKTIEBOLAG ("SWEDFUND"), provided a seven-year subordinated term loan facility of US$60 million for the purpose of increasing the Bank's Tier II Capital under the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738), and supporting the growth strategy of the Bank. The rate of interest on the loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and LIBOR, the current rate being 8.56%. The facility is unsecured and repayment is subordinated to other debt instruments. It is also not available to absorb the losses of the Bank while it continues trading.

25. BORROWINGS (THE GROUP AND THE BANK) (CONTINUED)

**(g)** SocieteGenerale Ghana (SG Ghana)

On 4 July 2013, ProCredit Ghana, a subsidiary of the Bank acquired in 2014 and integrated in 2015, entered into a four year loan agreement with SG Ghana to partly finance the construction of the borrower's head office building. The total approved amount advanced was GH¢ 7 million with an interest rate of 19% per annum. The Bank paid off the outstanding balance on the loan on 30 April 2015, following the integration of ProCredit Ghana into the Bank's operations.

**(h)** KfW

On 29 August 2013, ProCredit Ghana, obtained a six (6) year subordinated loan of GH¢ 8,225,090 from KfW at a rate of 14% per annum to support its rural finance programme. Repayment of principal and interest will be in a bullet at the end of the term. The Bank took over the principal and interest payment obligations on 11 April 2015 following the merger of operations of both entities.

On 21 August 2016, KfW extended a 4 year credit facility of GH¢1,046,557 to the Bank to facilitate the purchase of POS terminals in line with the Bank's commitment to offer technology based solutions to drive the transaction banking business. The facility runs for 4 years at an interest rate of 6%.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 26. OTHER LIABILITIES

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Accrued interest payable | 14,489 | 33,985 | 14,489 | 33,985 |
| Other creditors and accruals | 98,879 | 127,368 | 97,926 | 135,801 |
| National fiscal stabilisation levy (note13) | - | 780 | - | 737 |
| | 113,368 | 162,133 | 112,415 | 170,523 |

## 27. EARNINGS PER SHARE

The calculation of basic earnings per share as at 31 December 2016 was based on the profit attributable to ordinary shareholders of GH¢14.71 million (2015; GH¢147.73 million) and a weighted average number of ordinary shares outstanding of 25.25 million (2015: 25.25 million), calculated as follows:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Profit attributable to ordinary shareholders | | | | |
| Net profit for the year | 8,972 | 145,425 | 14,711 | 147,734 |
| Weighted average number of ordinary shares (000' of shares) | | | | |
| Issued ordinary shares at 1 January | 25,250 | 25,250 | 25,250 | 25,250 |
| Effect of additional issue of shares | - | - | - | - |
| Weighted average number of ordinary shares at 31 December | 25,250 | 25,250 | 25,250 | 25,250 |
| Basic earnings per share (GH¢) | 0.36 | 5.76 | 0.58 | 5.85 |
| Diluted earnings per share (GH¢) | 0.36 | 5.76 | 0.58 | 5.85 |

There were no potentially dilutive instruments outstanding as at the reporting date.

## 28. STATED CAPITAL

a. Summary

| | 2016 | 2015 |
|---|---|---|
| **Ordinary shares** | | |
| At 1 January | 160,551 | 160,551 |
| Issued for cash | - | - |
| At 31 December | 160,551 | 160,551 |
| **Preference shares** | | |
| At 1 January | 103,935 | 103,935 |
| Issued for cash | - | - |
| At 31 December | 103,935 | 103,935 |
| Total stated capital | 264,486 | 264,486 |

b. Ordinary shares

| | 2016 | 2015 |
|---|---|---|
| Ordinary shares of no par value ('000) | 1,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 January ('000) | 25,250 | 25,250 |
| Issued during the year | - | - |
| At 31 December ('000) | 25,250 | 25,250 |

There was no movement in the outstanding number of ordinary shares during the year. There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid. There are no treasury shares.

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## 28. STATED CAPITAL (CONTINUED)

**c.** Preference shares

| | 2016 | 2015 |
|---|---|---|
| Authorised | | |
| Preference shares ('000) | 50,000 | 50,000 |
| Issued and fully paid: | | |
| At 1 January ('000) | 10,400 | 10,400 |
| Issued during the year | - | - |
| At 31 December ('000) | 10,400 | 10,400 |

There was no movement in the outstanding number of preference shares during the year.The preference shares are perpetual securities and have no maturity date. Holders have the option of converting into ordinary shares as stated in the agreement.

## 29. STATUTORY RESERVE

This is a non-distributable reserve representing transfer of 25% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 29 of The Banking Act, 2004 (Act 673) as amended by the Banking Act, 2007 (Act 738). The movement is included in the statement of changes in equity.

## 30. OTHER RESERVES

GROUP

| Year ended 31 December, 2016 | Available for sale reserve | Revaluation reserve | Translation reserve | Total |
|---|---|---|---|---|
| At 1 January 2016 | 1,311 | (123) | 8,372 | 9,560 |
| Change in fair value of available for sale investment securities - gross | 24,496 | - | - | 24,496 |
| Change in fair value of available for sale investment securities - tax | (6,124) | - | - | (6,124) |
| Change in fair value of equity security | - | (26) | - | (26) |
| Foreign currency translation differences of foreign subsidiary | - | - | 759 | 759 |
| | 18,372 | (26) | 759 | 19,105 |
| At 31 December 2016 | 19,683 | (149) | 9,131 | 28,665 |
| Year ended 31 December, 2015 | | | | |
| At 1 January 2015 | (2,418) | (119) | 5,981 | 3,444 |
| Change in fair value of available for sale investment securities - gross | 4,972 | - | - | 4,972 |
| Change in fair value of available for sale investment securities - tax | (1,243) | - | - | (1,243) |
| Change in fair value of equity security | - | (4) | - | (4) |
| Foreign currency translation differences for foreign subsidiary | - | - | 2,391 | 2,391 |
| | 3,729 | (4) | 2,391 | 6,116 |
| At 31 December 2015 | 1,311 | (123) | 8,372 | 9,560 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

### 30. OTHER RESERVES (CONTINUED)

BANK

| Year ended 31 December 2016 | Available for sale reserve | Revaluation reserve | Total |
|---|---|---|---|
| At 1 January 2016 | 1,311 | (7) | 1,304 |
| Change in fair value of available for sale investment securities - gross | 24,486 | - | 24,486 |
| Change in fair value of available for sale investment securities - tax | (6,122) | - | (6,122) |
| Change in fair value of equity security | - | (26) | (26) |
| | 18,364 | (26) | 18,338 |
| At 31 December 2016 | 19,675 | (33) | 19,642 |
| Year ended 31 December, 2015 | | | |
| At 1 January 2015 | (2,417) | (3) | (2,420) |
| Change in fair value of available for sale investment securities - gross | 4,971 | - | 4,971 |
| Change in fair value of available for sale investment securities - tax | (1,243) | - | (1,243) |
| Change in fair value of equity security | - | (4) | (4) |
| | 3,728 | (4) | 3,724 |
| At 31 December 2015 | 1,311 | (7) | 1,304 |

### 31. CREDIT RISK RESERVE

This is an accumulation of transfers from the income surplus account to meet the minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances. The movement is included in the statement of changes in equity.

The movement in the Bank's credit risk reserve is as follows:

| | 2016 | 2015 |
|---|---|---|
| Balance as at 1 January | 30,500 | 7,745 |
| Movement (to)/from income surplus | (5,582) | 22,755 |
| Balance as at 31 December | 24,918 | 30,500 |

The table below reconciles the IFRS impairment allowances to that required by the Bank of Ghana guideline:

| At 31 December | | |
|---|---|---|
| Bank of Ghana Provisioning | 156,832 | 95,585 |
| Credit Risk Reserve | (24,918) | (30,500) |
| IFRS Impairment | 131,914 | 65,085 |

## 32. INCOME SURPLUS

This represents the accumulated profits over the years after appropriations. The balance is available for distribution to shareholders.

## 33. RELATED PARTY DISCLOSURES

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions with subsidiaries, key management personnel and officers and other employees.

**(i)** Transactions with subsidiaries

Transactions between Fidelity Bank Ghana Limited and its subsidiaries meet the definition of related party transactions.

The following transactions were carried out with subsidiaries:

| | 2016 | 2015 |
|---|---|---|
| Interest income | 1,312 | 1,289 |
| Interest expense | 37 | 3,330 |
| Fee and commission income | 9 | 111 |
| Other expenses | - | 9 |

**(ii)** Year end balances resulting from transactions with subsidiaries

| | 2016 | 2015 |
|---|---|---|
| Placement with subsidiaries | 23,101 | 20,873 |
| Deposits from subsidiaries | 25,341 | 4,501 |
| Amount due from subsidiaries | (1,591) | 921 |

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

33. RELATED PARTY DISCLOSURES (CONTINUED)

**(iii)** Transactions with key management personnel
Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Fidelity Bank Ghana Limited and comprise the Directors and officers of Fidelity Bank Ghana Limited.

Loan balances due from key management personnel are as follows

| | 2016 | 2015 |
|---|---|---|
| Executive directors | 1,826 | 1,907 |
| Non executive directors | 1,553 | 1,541 |
| Officers and other employees | 21,317 | 23,570 |
| Total | 24,696 | 27,018 |

Interest rates charged on balances outstanding on staff loans are based on agreed terms and conditions. Secured loans granted are secured over property of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management and therefore no specific allowances have been made for impairment losses on balances with key management.

**(iv)** Non executive directors' emoluments
Remuneration paid to non executive directors in the form of fees, allowances and related expenses are disclosed in Note 11.

**(v)** Key management personnel remuneration

| | 2016 | 2015 |
|---|---|---|
| Salaries and short-term employee benefits | 4,312 | 4,044 |
| Social security fund contribution | 458 | 417 |
| Provident fund contribution | 356 | 331 |
| | 5,126 | 4,792 |

**(vi)** Connected lending:
Loans and advances to the bank's subsidiaries amounted to GH¢23.10 million.

## 34. CONTINGENCIES AND COMMITMENTS

**(a)** Guarantees and indemnities
The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢214.7 million (2015: GH¢246.7million).

**(b)** Documentary credit
The Bank had established documentary credits at year end of GH¢72 million (2015: GH¢138 million).

**(c)** Commitments
The Bank had loan commitments amounting to GH¢6.3 million at the end of the year (2015: GH¢37.9 million).

## 35. REGULATORY DISCLOSURES

**(i)** Non-performing loans ratio
Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 12.02% (2015: 2.27%).

**(ii)** Amount of loans written-off
The Bank wrote off a total amount of GH¢143 million (in principal and unpaid interest) on loans and advances assessed and found to be uncollectible.

**(iii)** Breaches in statutory liquidity
The Bank complied with all requirements with respect to statutory liquidity.

**(iv)** Capital Adequacy Ratio
The Bank's capital adequacy ratio at the end of 2016 was 26.49% (2015: 29.46%).

**(v)** Liquidity Ratio
The Bank's liquidity ratio at the end of 2016 was 1.60 (2015: 1.57).

[ All amounts are expressed in thousands of Ghana cedis unless otherwise stated ]

## Value Added Statement for the year ended 31 December

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Interest earned and other operating Income | 464,627 | 556,111 | 458,723 | 550,664 |
| Direct cost of services | (160,053) | (169,017) | (154,837) | (164,996) |
| Value added by banking services | 304,574 | 387,094 | 303,886 | 385,668 |
| Non banking income | 2,485 | 1,181 | 2,485 | 1,181 |
| Impairment charge on loans and advances | (170,744) | (54,066) | (170,744) | (54,066) |
| **Value added** | 136,315 | 334,209 | 135,627 | 332,783 |
| Distributed as follows : | | | | |
| **To Employees** | | | | |
| Directors | (1,565) | (2,718) | (994) | (2,562) |
| Executive Directors | (4,013) | (4,081) | (2,075) | (4,081) |
| Other employees | (106,495) | (106,154) | (103,748) | (104,112) |
| **To Government** | | | | |
| Income tax | (4,460) | (59,250) | (3,865) | (58,065) |
| **To providers of capital** | | | | |
| Dividends to shareholders | - | (43,645) | - | (43,645) |
| **To expansion and growth** | | | | |
| Depreciation | (9,081) | (9,602) | (9,005) | (9,518) |
| Amortisation | (1,729) | (6,979) | (1,229) | (6,711) |
| **To Retained Earnings** | 8,972 | 101,780 | 14,711 | 104,089 |

### Top 20 Ordinary Shareholders as at 31 December 2016

| | Name of shareholder | 2016 Shareholding | |
|---|---|---|---|
| | | No. of Shares | Percentage |
| 1 | Africa Capital LLC | 8,700,250 | 34.46% |
| 2 | KTH Africa Investments | 4,277,500 | 16.94% |
| 3 | Social Security & National Insurance Trust | 2,400,000 | 9.50% |
| 4 | Amethis Finance Netherlands B. V. | 2,138,750 | 8.47% |
| 5 | ERES Invest Coöperatief U. A. | 2,138,750 | 8.47% |
| 6 | SIC Life Company Limited | 1,065,818 | 4.22% |
| 7 | ENO International LLC | 765,000 | 3.03% |
| 8 | Lifeforms Limited | 690,000 | 2.73% |
| 9 | Mr. Kwamina Duker | 511,250 | 2.02% |
| 10 | Mr. Edward Effah | 395,000 | 1.56% |
| 11 | H.E. Mrs. Johanna Svanikier | 258,970 | 1.03% |
| 12 | Mr. Bernard Lind | 237,500 | 0.94% |
| 13 | Fidelity Trust | 194,394 | 0.77% |
| 14 | Mr. Philip Addison | 150,000 | 0.59% |
| 15 | Mr. Jonathan Adjetey | 125,000 | 0.50% |
| 16 | Ghana Commercial Bank | 125,000 | 0.50% |
| 17 | Business Development Consultancy | 125,000 | 0.50% |
| 18 | Mr. Jim Baiden | 85,000 | 0.34% |
| 19 | Mr. Alex Dodoo | 82,424 | 0.33% |
| 20 | Prof. John & Dr.(Mrs.) Margaret Gyapong | 60,000 | 0.24% |
| | Total | 24,525,606 | 97.13% |
| | Others | 724,394 | 2.87% |
| | **Grand Total** | **25,250,000** | **100%** |

Analysis of shareholding as at 31 December 2016

| Category | Number of Shareholders | Number of Shares | % Holding |
|---|---|---|---|
| 1 - 50,000 | 25 | 471,970 | 1.87% |
| 50,001 - 500,000 | 13 | 2,090,712 | 8.28% |
| 500,001 - 1,000,000 | 3 | 1,966,250 | 7.78% |
| Over 1,000,000 | 6 | 20,721,068 | 82.07% |
| Total | 47 | 25,250,000 | 100.00% |

Directors who held office at any time in the year.

| Directors | Number of Shares | % Holding |
|---|---|---|
| William Panford Bray | **52,424** | 0.21% |
| Edward Effah | **395,000** | 1.56% |
| Kwamina Duker | **511,250** | 2.02% |
| Johanna Svanikier | **258,970** | 1.03% |
| Jim Baiden | **85,000** | 0.34% |
| Alex Dodoo | **82,424** | 0.33% |
| Total | **1,385,068** | 5.49% |

Preference Shareholders as at 31 December, 2016

| Shareholder | No. of Pref shares | % Holding |
|---|---|---|
| AIAK | **4,000,000** | 38.46% |
| KTH Africa Investments | **2,000,000** | 19.23% |
| SSNIT | **1,400,000** | 13.45% |
| SIC Life | **1,000,000** | 9.62% |
| Amethis Finance Netherlands B.V. | **1,000,000** | 9.62% |
| ERES Invest Coöperatief U. A. | **1,000,000** | 9.62% |
| Total | **10,400,000** | 100.00% |

FIDELITY BANK

*Believe with us.*

Proxy Form for use at the Annual General Meeting to be held at **Kempinski Hotel Gold Coast City, Accra** on **Friday, April 28, 2017** at **10.00 am**.

I/We.........................................................................................................of.........................................................................................................................

being a Member of the above-named Company hereby appoint.........................................................................................................

or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Members to be held on **Friday, April 28, 2017** and at any adjournment thereof. Please indicate with an **"X"** in the spaces below how you wish your votes to be cast.

**RESOLUTIONS FOR THE AGM**

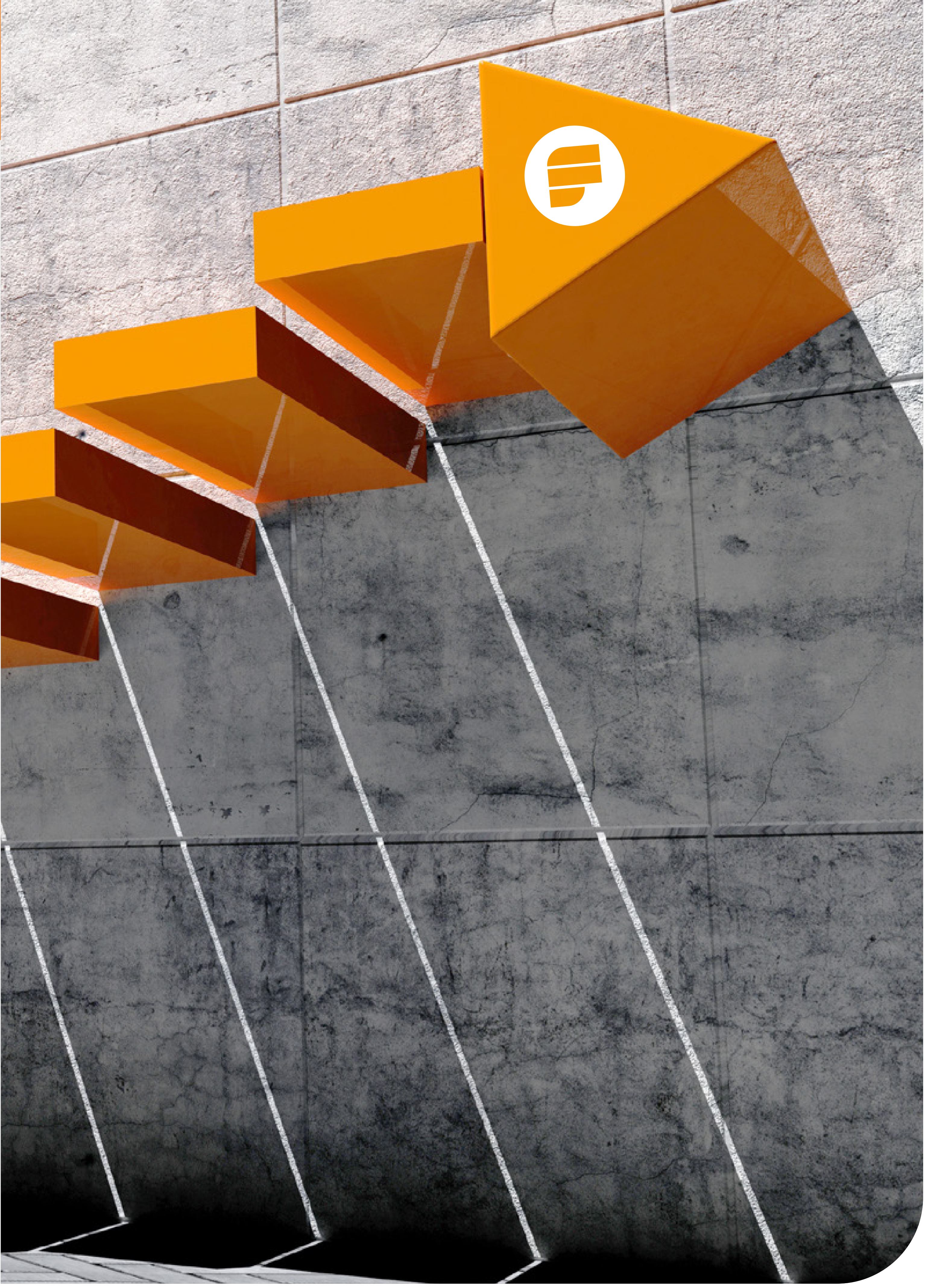
| | | FOR | AGAINST |
|---|---|---|---|
| 1. | To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December 2016; | | |
| 2. | To declare the final dividend for the period ended 31st December 2016; | | |
| 3. | To ratify the appointment of Ms Aliya Shariff as a director (subject to Bank of Ghana approval) | | |
| 4. | To re-elect Mr. Laurent Demey as a director | | |
| 5. | To authorize the Directors to fix the remuneration of the Auditors; | | |

Dated this....................... day of............................... 2017

Shareholder's Signature/Seal...............................................................

***This proxy form should not be sent to the Company Secretary if the member will be attending the meeting.***

**Notes:** If executed by a Company the Proxy Form should bear its common seal or be signed on its behalf by a Director. Please sign and deliver Proxy Form to reach the Company Secretary at the registered office not later than 10.00am on Wednesday, April 26, 2017.



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