Embracing A Digital World

FIDELITY BANK

Believe with us.

Annual Report 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the next Annual General Meeting of Fidelity Bank Ghana Limited will be held at the **KEMPINSKI HOTEL GOLD COAST CITY, Accra,** on **Friday, 20th April, 2018** 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, 2017;
2. To declare a final dividend for the period ended 31st December, 2017;
3. To ratify the Appointment of Directors;
4. To re-elect a Director retiring by rotation;
5. To approve the change of Auditors and authorise the Directors to fix the remuneration of Auditors;
6. By Special Resolution to authorise the Directors as part of the Bank's capitalisation process to:
   a) Transfer GH¢ 20.0 million from Profit & Loss reserves to Stated Capital.
   b) Issue non – redeemable preference shares up to a value of GH¢ 70.0 million through a private placement; notwithstanding Section 22 Subsection 1(b) of the Company's Regulations.

Dated,
this 28th day of March, 2018

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.

2018 ANNUAL GENERAL MEETING

OF FIDELITY BANK GHANA LIMITED

Friday, 20th April, 2018, 10.00am at Kempinski Hotel Gold Coast City, Accra

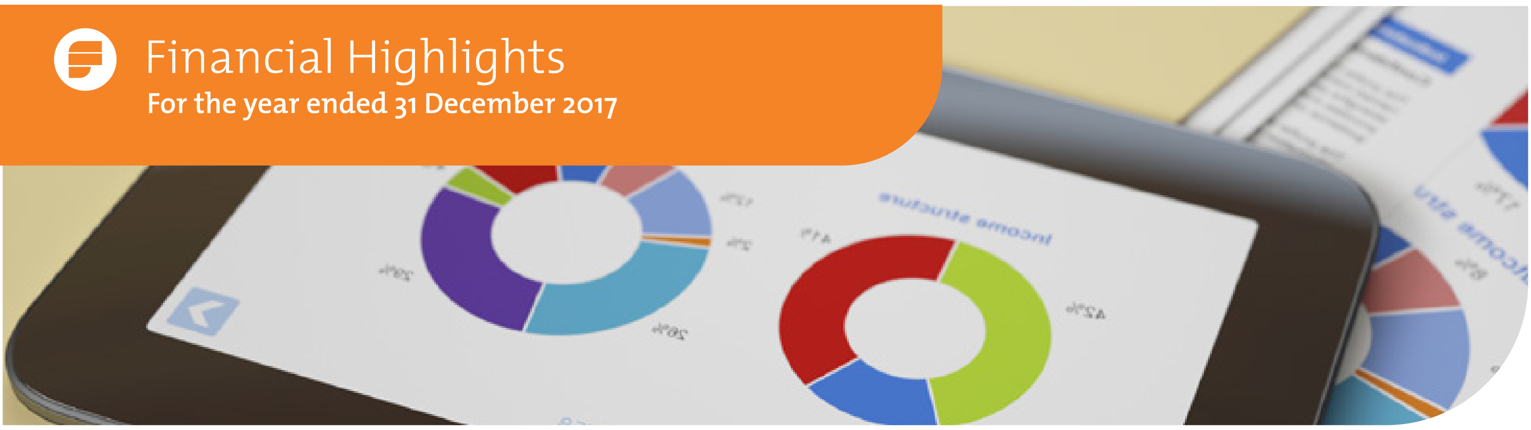
AGENDA

1. Adoption of Minutes of AGM of 28th April, 2017;
2. Notice of Meeting;
3. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December, 2017;
4. To declare a final dividend for the period ended 31st December, 2017;
5. To ratify the Appointment of Directors:
   i. Julian Kingsley Opuni
   ii. Adwoa Nyantakyiwa Annan
   iii. Aliya Shariff (pending BOG approval)
   iv. Laureen Kouassi-Olsson (pending BOG approval);
6. To re-elect Directors:
   i. Ambassador (Mrs.) Johanna Svanikier;
7. To approve the change of Auditors and authorise the Directors to fix the remuneration of Auditors;
8. By Special Resolution to authorise the Directors as part of the Bank's capitalisation process to:
   a) Transfer GH¢ 20.0 million from Profit & Loss reserves to Stated Capital;
   b) Issue non – redeemable preference shares up to a value of GH¢ 70.0 million through a private placement; notwithstanding Section 22 Subsection 1(b) of the Company's Regulations;
9. To transact any other business appropriate to be dealt with at an Annual General Meeting;
10. Closure.

Contents

Financial Highlights

For the year ended 31 December 2017



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

	GROUP		BANK	
	2017	2016	2017	2016
At year end				
Total assets	5,391,850	4,213,460	5,378,048	4,173,602
Loans and advances to customers	1,066,535	1,352,595	1,026,794	1,314,793
Deposits from customers	3,852,721	3,136,555	3,843,312	3,100,614
Shareholders equity	543,010	496,311	534,209	493,347
For the year ended 31 December				
Operating Income	536,465	467,112	522,970	461,208
Profit before tax	141,801	13,432	135,359	18,576
Profit after tax	95,695	8,972	90,434	14,711
Dividend per share (GH¢)	0.70	0.35	0.70	0.35
Earnings per share (GH¢)	3.79	0.36	3.58	0.58
Return on average equity (%)	18.41	1.78	17.60	2.95
Return on average assets (%)	1.99	0.22	1.89	0.36
Number of staff	1,045	1,060	1,027	1,039
Number of branches	75	75	75	75
Number of ATMs	114	117	114	117

Convenience, Speed & Security

are now a standard requirement of the rapidly changing customer-bank relationship.

This is why we are actively ***digitizing*** all our processes and services to meet the expectations of an increasingly more technology-driven customer.

Edward Effah
Board Chairman


FIDELITY Digital Solutions.
Instant, automated banking for a more productive lifestyle.
Internet Banking
Mobile App
USSD *776#
Cards
POS
Cash Collection
Online Payment
FIDELITY BANK
Believe with us.

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.

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 and 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.

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

Corporate Information

Board of Directors	Edward Effah	- Chairman
	Jim Baiden	- Managing Director
	Julian Kingsley Opuni	- Deputy Managing Director (Appointed 28 November, 2017)
	Ambassador (Mrs.) Johanna Svanikier	
	Emmanuel Barima Manu	
	Adwoa Nyantakyiwa Annan	- Appointed 29 November, 2017
	Aliya Shariff	- (Pending Approval from Bank of Ghana)
	Laureen Kouassi-Olsson	- (Pending Approval from Bank of Ghana)
	Adam Sulley	- Resigned 2 May, 2017
	Laurent Demey	- Resigned 19 May, 2017
	Kwamina Duker	- Resigned 31 May, 2017

Company Secretary

Ms. Maataa Opare

Registered Office

Fidelity Bank Ghana Limited
Ridge Tower,
10 Ambassadorial Enclave,
West Ridge, Accra.
Ghana

Solicitors

Bari & Co
No. 27 Castle Road,
Adjacent The Holy Spirit Cathedral,
Opposite the National Archives,
Adabraka, Accra

Independent Auditor

PricewaterhouseCoopers
No. 12 Airport City,
UNA Home,3rd Floor,
PMB CT 42, Cantonments,
Accra, Ghana

Bankers

Ghana International Bank
Citibank
BHF
Bank of China
Medicapital Bank

Edward Effah
Board Chairman

Edward established the Fidelity Group in October 1998 after a successful career as a senior finance executive. Fidelity is a financial services group comprising of Fidelity Bank Ghana Limited, Fidelity Asia Bank Limited and Fidelity Securities Limited. Fidelity Bank has assets of over US$ 1 Billion and was adjudged the best bank in Ghana in 2016 by Corporate Initiative Ghana. Under Edward's leadership Fidelity has been able to establish itself as a leader in its markets in Ghana in terms of reputation, profitability and assets under management.

Edward brought to Fidelity over fifteen years of experience in senior executive positions in finance and treasury management. Previous positions held include: Director of Global Emerging Markets (GEM) Ghana Limited (1995-1998), Chief Finance Officer of Inter-Afrique Group (1994 - 1997), Risk Manager (1990 - 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 (1987 - 1990). Edward is a Chartered Accountant by profession and is a member of the Institute of Chartered Accountants in England and Wales.

Other directorships currently held by Edward are: Unilever Ghana Limited (Board Chairman), Fidelity Equity Fund 1 Limited, Africa Capital LLC.

Previous directorships held by Edward include: Board Chairman of Fidelity Capital Partners Limited, Board Chairman College of Health Sciences; Council Member University of Ghana Council, Board Member of Takoradi International Company Limited (2002 - 2009), Executive Council Member of the Africa Venture Capital Association (2000 - 2005), Council Member of the Ghana Stock Exchange (2006 - 2007), Golden Beach Hotels Limited (2001 - 2004) and Ghana Agro Food Complex (2005 - 2006).

Jim Baiden
Managing Director

Jim Baiden is the Managing Director and Co-founder of Fidelity Bank and a member of the Bank's 3 member Executive Directors team on the Board.

In June 2016, Jim was appointed the Managing Director of Fidelity Bank and succeeded Mr. Edward Effah who had run the Bank for 10 years from 2006 when Fidelity was launched. Edward was, at the same time, appointed as the Group CEO and Chairman of the Bank. Jim Baiden brings to his new role a wealth of experience and business acumen having functioned as the Deputy Managing Director for 10 years during Edward Effah's tenure as Managing Director.

As a key member of the start-up team of Fidelity Discount House in 1998, Jim served as General Manager, running the day-to-day dealing room operations of the Company. In 2002 he was appointed Executive Director to the Board of the Discount House and worked assiduously with the management team that crafted the transition of this highly successful Money Market Intermediary to become a fully-fledged Bank in 2006. Fidelity Bank is a top 5 Bank in Ghana today and is one of the top 7 banks that control 50% of banking business in Ghana.

Jim brings to Fidelity over 25 years of core banking experience and is a specialist in Treasury and Commercial banking. He launched his banking career in the mid-80s at National Investment Bank where he managed various portfolios at the Branch and Head-Office levels. He subsequently joined the start-up team of the then Securities Discount House in 1990 and rose to become the Chief Dealer and established a reputation as one of the best dealers on the Money Markets.

Jim has gained extensive international experience as an alumnus of Gerald & National a leading Money Market Intermediary in the City of London in the 1990s and the Darden School of Management, University of Virginia, USA. Jim also holds a Master's Degree in Banking & Finance from Finafrica Foundation, Italy as well as a Bachelor's degree in Economics with Statistics from the University of Ghana, Legon. Jim serves on a number of Boards including Stallion Trust & Administration. He is the Chairman of the Action Chapel Scholarship Foundation.

Julian Kingsley Opuni
Deputy Managing Director

Julian Opuni 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.

Ambassador Johanna Odonkor Svanikier
Non Executive Director

Ambassador Johanna Odonkor Svanikier is the Founder, President and CEO of the Heritage and Cultural Society of Africa an NGO, non-profit, social enterprise with the mission to preserve, advocate for and promote the use of African heritage and culture for social and economic progress and development. In 2017 she organised the hugely successful African Diaspora Homecoming Conference to celebrate Ghana's 60th independence anniversary in a memorable and meaningful way. She is Ghana's recent past 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 where she represented Ghana on the Governing Board.

Ambassador Svanikier chaired the ECOWAS group at UNESCO from 2014 to 2015 and successfully campaigned to win Ghana a seat on the Executive Board. She has been a non-executive director of Fidelity Bank Ghana and Fidelity Asia Bank from 2008 to the present. In 2012 she was appointed to serve as a Commissioner on the National Development Planning Commission (NDPC). She has served on the Advisory Board of the Ministry of Lands and Natural Resources under two different administrations as well as on the Petroleum Revenue Advisory Commitee of the Ministry of Finance. She currently serves as co-chair of the Board of Trustees of the Duke of Edinburgh International Award/ Head of State Award Scheme. She is also a member of the Board of the Economic Club of Ghana.

Ambassador 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 previously been a university lecturer and legal and development consultant. She is the founder and first Director of the Human Rights Study Centre at the University of Ghana, Legon. She holds Bachelors and Masters Degrees in law from the London School of Economics, UK, a Masters in Public Administration from Harvard Kennedy School, 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.

Mrs. Adwoa Nyantakyiwa Annan
Non Executive Director

Mrs Adwoa Annan is the co-founder of Geothermal Management Services Ltd, a green technology company. Prior to that, Mrs Annan had a successful 30 year career in the financial services sector having worked in both the main stream banking and microfinance sector. She has extensive experience in banking operations, customer service, sales management and strategic management.

She started her career with Barclays as a management trainee where she worked for 23 years, holding various senior management roles in operations, internal audit, branch management and business development. Following a passion to empower women, she joined Women's World Banking in 2007 as the Chief Operations Officer overseeing all aspects of business strategy growth with specific concentration on the banking operations, credits, IT, Human Resources and Administration units. In 2011, she became the CEO and voluntarily retired after 4 years of implementing a successful turnaround program.

She holds an International Baccalaureate diploma from United World College of the Atlantic (U.K), a Bachelor's Degree in Economics from the University of Kent at Canterbury (UK) and a professional graduate diploma in management (International Professional Managers Association). She is also a graduate member of the Chartered Institute of Administration and Management Consultancy.

We are proud of our people.

Our overall management is comprised of prominent Ghanaians & non-Ghanaians with a diverse range of relevant skills to guide and support our vision of becoming a world class financial institution that provides superior returns for all stakeholders.

Executive Committee

[Includes Managing Director and Deputy Managing Director]

Sam Aidoo
Divisional Director, Financial & Capital Markets

Sam has over 14 years' experience in Financial Markets and Treasury Management, with a strong focus and understanding of Sub-Saharan African markets. He has worked in Africa and the UK with structuring, origination, trading and execution experience in several African markets including but not limited to Nigeria, Ghana, Kenya, Tanzania, Uganda, Egypt, Ethiopia and Botswana.

Prior to joining Fidelity Bank where Sam now manages the Bank's Financial Markets, Capital Markets and Treasury businesses, he was the Director, Regional Head, Global Markets- Distribution for Barclays based in Nigeria covering West Africa.

Sam was also the Director, Regional Head, Global Markets - Distribution, based in Nairobi covering East Africa. Over the years, Sam has also gained strong Treasury Management skills and prior to Fidelity Bank, managed the Treasuries for Barclays Bank Botswana and Ghana. In 2010 and for three years, Sam was responsible for coordinating out of London, Barclays Capitals structured product offering (structured assets, Index products, Access Trades etc) into and out of Sub-Saharan Africa.

Sam is devoted to the continuous growth of businesses and people, with a passion to leaving things better than he found them.

Angela Forson
Divisional Director, CIB 2

Angela became the first female director in charge of business and is currently the Divisional Director for Corporate and Investment Banking 2, which oversees the Public Sector Group, Financial Institutions Group, Local Corporate 2 and the Asian Desk.

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.

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, a member of the Executive Women's Network in Ghana and a board member of the Ghana Railways Development Authority.

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

Kwabena Boateng
Divisional Director, CIB 1

Kwabena joined Fidelity Bank in August 2017 as Divisional Director, Corporate & Investment Banking with 16 years experience in the Banking Industry.

Prior to joining Fidelity, he was Head, Commercial Banking and member of the Executive Committee of Standard Chartered Bank Ghana Ltd. He joined Standard Chartered Bank in 2006 as Senior Relationship Manager, Corporate Banking and rose through the ranks to become General Manager, SME Banking and Head, Local Corporate.

He has vast experience in the industry especially SME and Corporate Banking. He made significant impact on Standard Chartered Bank Ghana's SME business by developing it to be a major part of the SME franchise in Africa.

Prior to joining Standard Chartered Bank, he was with The Trust Bank (now Ecobank) and Amalgamated Bank (now Bank of Africa) where he was Senior Relationship Manager, Corporate Banking.

Kwabena practiced Civil Engineering for 6 years before joining the banking industry.

He holds an MBA (Finance) and BSc Civil Engineering from University of Ghana and University of Science & Technology, Kumasi respectively.

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.

Executive Committee

[Includes Managing Director and Deputy Managing Director]

George Mensah
Group Chief Information Officer

George has worked in the IT world for the past twenty five 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 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 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 Awuletey-Williams joined Fidelity Bank in May 2008 as a Corporate Account Manager in the Corporate Banking Department and was transferred to the Risk Management Department as the Acting Head in January 2009 and later confirmed as the Director of Credit Risk Management. 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 Bank) in several departments including Banking Operations, SME Banking and Corporate & Institutional Banking. She also managed the Credit Analysts & Corporate Support functions and was a Team Leader 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.

Atta Yeboah Gyan
Director, Finance

Atta Gyan has over thirteen years experience in banking 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 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 a Masters (Executive MBA) degree in Finance and a Bachelors (Bsc. Admin) degree in Accounting from the University of Ghana, Legon. Atta also holds a post-chartered diploma certificate in International Financial Reporting Standards (IFRS).

Owusu Boahen
Director, Human Resources

Owusu Boahen is an HR professional with over 12 years HR experience in the Banking industry. He joined Fidelity Bank in 2013 as a Human Resources Business Partner for Retail Banking and later as a Business Partner for our Corporate and Investment Banking department. Owusu was a vital player in the Human Resources team that helped build the required HR infrastructure to support the Bank's growth agenda. Prior to joining Fidelity Bank, Owusu worked with Barclays Bank Ghana in various capacities in the Human Resources Department. He joined Barclays Bank Ghana in 2005 and rose through the ranks to later become an HR Business Partner to nine key departments. He is a Member of the Society for Human Resource Management (SHRM), USA, and an associate member of the Institute of Human Resource Management Practitioners, Ghana. Owusu holds an MPhil in Industrial/Organizational Psychology from the University of Ghana, Legon.

Maataa Opare
Group Head of Legal & Company Secretary

Maataa's career in Fidelity began as a Legal Officer, Legal Counsel, then Head of Legal and Company Secretary. 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. Maataa has had over thirteen 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.

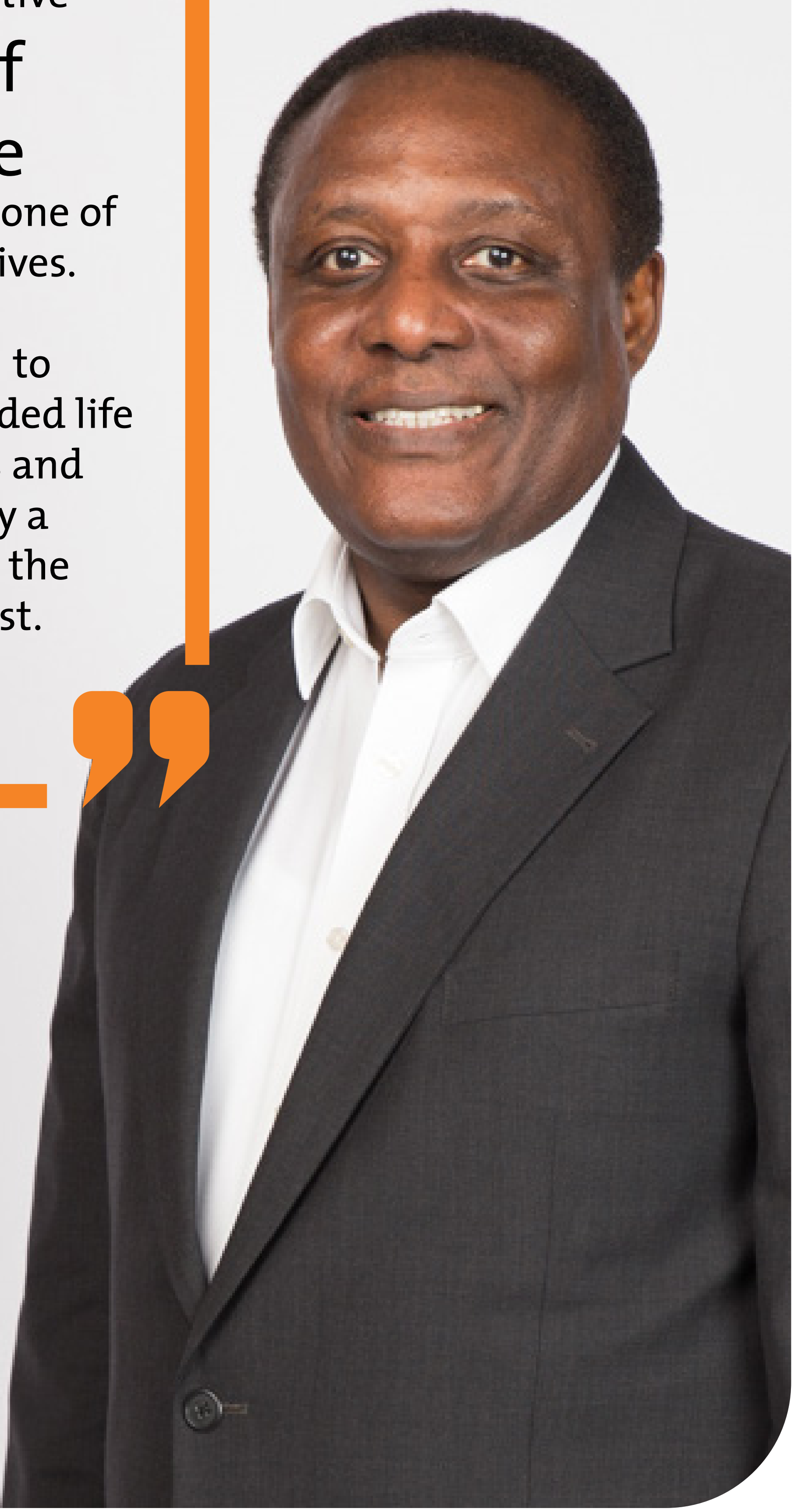
Maataa holds a Bsc in Politics and International Relations from the University of Southampton. She also took the CPE and Legal Practice Course at the College of Law, Store Street. Her Post-Call was completed at the Ghana School of Law.

Establishing an active

Culture of Excellence

amongst our staff is one of our biggest objectives.

We encourage all to maintain a well-rounded life because happiness and contentment play a vital role in giving the customer our best.



Jim Baiden
Managing Director

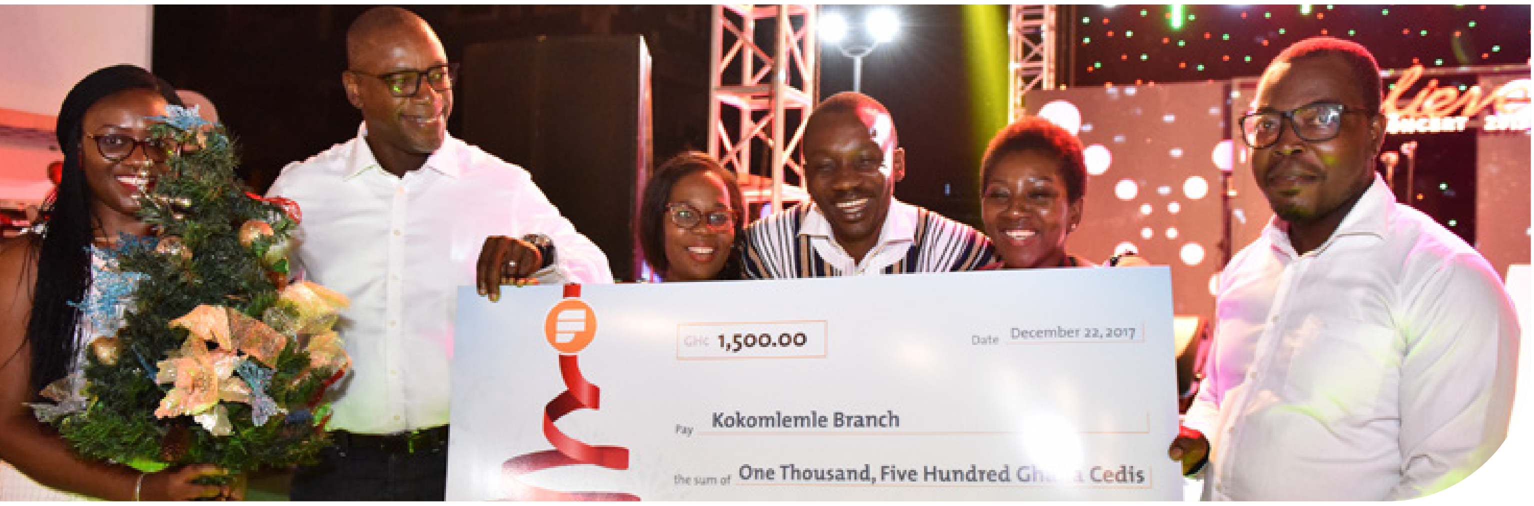
FROM
PROFESSIONAL TRAINING PROGRAMMES

FITNESS AND FUN GAMES

TO

SPECIAL AWARDS & CELEBRATIONS

Fidelity Bank *is truly one of the best places to work.*



Being A beacon of Positive Change

Corporate Social Responsibility (CSR) at Fidelity is more than just caring for the community. It is not only about 'giving back' but also about 'being a part of.' Our responsibility goes beyond providing goods and services and creating jobs. It is about ensuring that we improve the lives of Ghanaians.

Charity@Work

Fidelity Bank embraces the following five key CSR principles:

1. Simple and focused on solving social issues
2. Involve colleagues
3. Aligned to core business
4. Be differentiated from sponsorships
5. Innovative and involving partnerships

Education & Child Development

Official donation and presentation ceremony of 100 mono desks - *St. Maurice R/C A&B JHS, LA*

In 2015, our donation of a 12-seater toilet block for St. Maurice R/C A&B JHS in La contributed to the high performance in their BECE examination. This year, 2017, we built on this support and provided 100 mono desks for their pupils. The support allowed the pupils to sit comfortably in class.. The Bank believed it would similarly have a positive impact. The gesture was in alignment with the Bank's strategic focus area - education and child development.

12-seater "biofil" Lavatory built in 2015 at St Maurice

Official presentation of 100 mono desks to St. Maurice R/C A&B JHS, LA in May 2017

‘YOU*th* Harness’ Job Shadow program

The YOUth Harness program formed part of Fidelity’s Charity @ Work engagement program. The Bank leveraged on its strengths to drive social change in the area of youth development.

Fidelity Bank, in association with JA (Junior Achievement) - an organization dedicated to youth entrepreneurship and the Africa Internship Academy (AIA)- an enterprise that provides opportunity to gain practical work and professional development in professional fields, hosted 20 students, aged 14 to 18 from the following schools: St. Thomas Aquinas and Holy Trinity Cathedral Senior High School (HOTCAS) in Accra for job shadowing at Fidelity Bank.

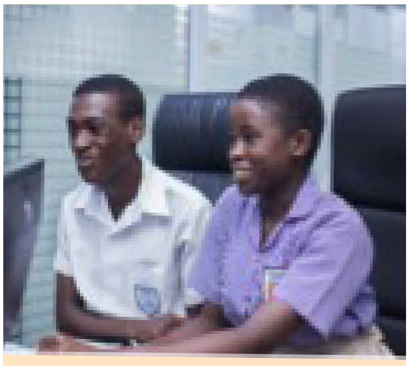
The said program gave students “a-day-at-the-office” experience: a visit to a professional work environment to gain insight into how to find and keep a fulfilling career. The senior high school students were paired with Bank officials, with the goal of helping them acquire and apply the skills needed in demanding and ever-changing work environments.

The Job Shadow initiative offered staff the opportunity to give their time and work spaces to build the futures of students. This had a positive impact on the students. It helped the students have a more focused mind to envision their career possibilities.









USAID Smart Agri Finance project activities

Fidelity Bank partnered with SNV Netherlands Development Organization with funding from USAID under the Smart Agri-Finance Project to build a robust Smart Agent network and provide Smart Accounts to farmers. This is intended to increase access to affordable savings and promote mobile finance while increasing commercial opportunities for women in the SADA northern region.

The following activities took place in 2017 to help achieve the objectives:

- Introduction of Y'ello Save, an instant savings account, to all MTN users in Northern Region. The high interest earning of 12%p.a allows beneficiaries to cultivate the habit of saving with a minimum of GHC5, no documentation required.
- Field visits to Upper East, Upper West and the Northern Region to educate farmers on the benefits of banking and work with local partners and beneficiaries in the communities.
- Launched the "Building Savings Culture Campaign" in the three northern regions to encourage the farmers to save their earnings after their harvest.

SMART-AGRIC FINANCE: OUR THEORY OF CHANGE

THE ISSUE

- 40 % banked
- Women in rural areas affected
- Low financial literacy
- Poor documentation
- Poor Distribution network

PARTNERSHIP

- USAID - grant
- SNV - Technical Support
- Fidelity Bank - funding & implementation

SOLUTION

- Smart Agri Finance
- Providing tailored financial services to rural agric locations
- Smart Account
- Agency Banking
- Yello Save

IMPACT

- Over 10,000 accounts opened; 80% of which are for women
- 170 agents set up

Possible to Profitable (P2P) Water, Sanitation and Hygiene Projects (WASH)

The P2P programme is a partnership between SNV and Fidelity Bank with funding from the 'Embassy of the Kingdom of the Netherlands'. The purpose of this programme is to provide loans at lower interest rates through a revolving loan fund. The dealer financing product was introduced in 2017 to provide access to finance through affordable loan products for household latrine construction. The constructions are undertaken by artisans who are contracted for the job through non-bank financial institutions. The demand for products are created through the P2P project and other WASH sector players.

Customers now have access to improved latrine which has resulted in job creation for the artisans.

Micro Small and Medium Enterprises who access funds through the WASH project receive technical capacity support through the P2P Business Academy. Businesses have been trained in various capacities such as:

- Business Management
- Financial Management
- WASH services and value Chain
- Business Practices

POSSIBLE TO PROFITABLE (P2P): OUR THEORY OF CHANGE

Strategic Partnerships - Driving Social Change through Partnerships

Supporting the Cocoa Sector

Cocoa is the main stay of the Ghanaian economy, and Fidelity Bank has partnered with Solidaridad, GIZ, Dizengoff and Cocobod to provide financial solutions to farmers.

The partnership with Solidaridad aims to encourage young people (18 yrs - 24yrs), to go into cocoa farming and work in the cocoa value chain. Fidelity Bank is opening accounts and providing financial literacy training to over 200 youth being trained in the Ashanti and Central Regions.

With GIZ and Dizengoff, we are providing an incentive programme for farmers to save through their smart account and receive discounts when they buy inputs from Dizengoff.

SUPPORTING THE COCOA SECTOR: OUR THEORY OF CHANGE

THE ISSUE

- Small holder cocoa farmers not having accounts to save
- Cash heavy value chain
- Distributional network
- Motivation to save formally

PARTNERSHIP

- GIZ/ Solidaridad– grant and training
- Dizengoff– Incentives
- Cocobod – technical assistance
- MTN MM - sales
- Fidelity Bank – funding and implementation

SOLUTION

- Providing YelloSave accounts for farmers
- Access to cash in cash out from Fidelity Agents and MTN MM agents
- Get discounts from Dizengoff products when pay from savings electronically

IMPACT

- 150 accounts opened
- 6 agents
- Pilot areas: Tarkwa,Enchi, Juaboso,
- Elubo,Dunkwa Offin
- Aiyanase

Supporting the Cocoa Sector

THE ISSUE

- Youth in cocoa farmers not having accounts to save
- Cash heavy value chain
- Motivation to save formally

PARTNERSHIP

- GIZ– grant and training
- Dizengoff– Incentives
- Cocobod – technical assistance
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IMPACT

- 150 accounts opened
- 6 agents
- Pilot areas: Tarkwa, Enchi, Juaboso,
- Elubo, Dunkwa Offin
- Aiyanase

The resultant impact of these projects are in the improved socio – economic standing of persons living in rural and often undeserved communities.

The epitome of these projects is the social, environmental and increased financial literacy and inclusion.


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Region 01
Region 02
Region 03
Region 04

Distinguished Shareholders,

It is with great pleasure that I present to you, the performance of your bank for the year ended 31st December, 2017. After a rather challenging 2016, I can proudly report that your bank bounced back quite significantly to record an end-of-year profit before tax of GHS135 million representing a massive growth from the GHS18.6 million recorded in 2016. Most notably, your bank won the mandate as Joint Lead Manager for the Government of Ghana on the issuance of the GHS 10 billion ESLA bond programme. The ESLA bond programme, the largest local currency corporate bond issuance in Sub-Saharan Africa, was successfully executed by raising GHS 4.7 billion for the initial bond tranche issuance and has helped solidify our position as a top Tier one (1) bank in Ghana.

Operating Environment

The global economy rebounded from a downward trend last year to end 2017 with an estimated growth rate of 3.7% on the back of strong growth in the Eurozone, Japan and some emerging markets such as Argentina, Brazil and Russia. According to the International Monetary Fund (IMF), the global economy is expected to continue its upward trajectory to end 2018 with a growth rate of 3.9%.

In line with global economic trends, the Ghanaian economy grew strongly with real GDP growth for 2017 estimated at 7.9%. This compares favourably with the budgeted growth rate of 6.3% and the 3.7% growth rate for 2016. The strong growth performance is largely attributable to larger than planned oil production. The IMF projects Ghana's real GDP growth rate for 2018 at 8.9% compared to 3.4% projected for the Sub-Saharan Africa region. Interest rates generally declined during the year with the Bank of Ghana policy rate reducing from 25.5% in December 2016 to 20% in December 2017. Similarly, the 91-day treasury bill rate closed the year at 13.35% from 16.43% in December 2016 whilst the 182-day treasury bill rate declined by 376 basis points to end the year at 13.88%.

Headline consumer price inflation also declined steadily from 15.4% in December 2016 to 11.8% in December 2017 drawing inflation closer to the Government's medium-term target band of 8±2%. On the currency front, the cedi depreciated by 5%, 13% and 16% against the USD, GBP and EUR respectively in 2017. This compares favourably to the cedi's performance in 2016 where it depreciated by 9.6% to the USD.

2017 performance

In keeping with our stated vision of creating value for all our stakeholders, the Bank recorded an impressive performance in 2017 relative to 2016 on a number of key performance indicators. The Bank recorded a growth in balance sheet size of 29% to GH¢5.38 billion. Operating income increased by GH¢62 million which represented a 13% growth over last year's to end the year at GH¢523 million. Our deposit base also increased by 24% to GH¢3.8 billion. Having made extraordinary loan loss provisions in 2016, loan loss provisions reduced significantly in 2017 by 58% to GH¢ 71 million. As a result of the aforementioned, the Bank recorded a 629% increase in profit before tax of GH¢135 million in 2017 compared to GH¢18.6 million in 2016. The 2017 profit before tax represents 66% of the 2015 profit before tax.

Dividends

The Board has proposed a dividend of GH¢ 0.70 per share for this year. This represents a dividend growth of 100% from the 2016 dividend payment of GH¢ 0.35 per share.

Staff Issues

In pursuit of our strategic priority of increasing our market share in the Corporate and Investment Banking (CIB) business, the Bank made investments in recruiting highly skilled senior management staff and made critical appointments within the CIB division. A number of strategic hires were made in our key business areas which have already started yielding results.

Julian K. Opuni, the Divisional Director of Retail, was also promoted to become Deputy Managing Director of the Bank and further empowered to drive our Retail Banking strategy and lead the division to take a bigger stake in the retail markets.

Overall, we made significant investments in building the capacity of our people to support the Bank's aspirations in 2018. We are making a lot of progress in building a solid leadership pipeline for the Bank. People development will continue to be a key focus for the Bank as we strive to make Fidelity Bank the best place to work.

Strategy

The corporate online banking platform was enhanced with new features which enables us to compete with the Top Tier Corporate and Investment banks.

Within the Retail Banking division, commercial and SME hubs have been created to provide more focused and strategic services to the Commercial and SME market.

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 Remuneration and Staff Welfare sub-committees, and the various management committees worked together to ensure sound business practices throughout the Bank.

A financial crime unit was created to ensure that the Bank is well equipped in terms of systems and people to combat fraud both internally and externally and to ensure that we proactively manage financial crime, income leakages, and respond to the risks of digitization.

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 2017 financial year, three directors resigned from the Board. These directors are as follows:

- Mr. Kwamena Duker (Non-Executive Director)
- Mr. Laurent Demey (Non-Executive Director)
- Mr. Adam Sulley (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. The following were also appointed to the Board of the Bank during the year pending Shareholder ratification at this Annual General Meeting:

- Mrs. Adwoa Nyantakyiwa Annan (Non-Executive Director)
- Mr. Julian Kingsley Opuni (Executive Director, Deputy Managing Director)
  Also appointed to the Board pending Shareholder ratification at this Annual General Meeting and Bank of Ghana approval are:
- Ms. Laureen Kouassi-Olsson
- Ms. Aliya Shariff

Conclusion and outlook for 2018

When we began our journey as a Bank, we set out as our mission "to be amongst the top three banks in Ghana by December 2018, based on all key performance indicators". The year 2018 is upon us now and I can proudly say that our bank is well on track to achieve its mission, thanks to the unrelenting efforts of our Board, Management and staff over the years.

Given the positive outlook for both the global and Ghanaian economic environment for 2018, we look forward to continued growth in the ensuing year. We count on the continued support of our Board, Management and staff to make 2018 another success story.

Edward Effah

Edward Effah
Chairman

Managing Director's Report

The year gone by has been exciting yet challenging, leading to a basket of mixed results at the end of the year. Last year when I reported on our subdued performance, I gave the assurance of our commitment to taking the necessary measures to restore our profits to acceptable levels. I am proud to announce this year that your Bank bounced back as promised with notable successes on the business front culminating in a very good performance on the bottom line. From a low profit before tax of GH¢ 18.6 million in 2016, we recorded a profit before tax of GH¢ 135 million in 2017.

The year began with some uncertainties as the baton to steer the affairs of this country changed hands and a new government was formed. A number of new appointments were made to various public institutions, most of who do business with the financial sector. The change environment thus slowed down banking business considerably in our Bank and elsewhere. By the beginning of the second quarter, however, activity levels had improved rapidly within the Bank and in the economy generally.

After a strong outturn in the global economy in 2017, world economic activity is expected to accelerate in 2018 marked by strong growth in emerging markets and slowing developed markets excluding US. Emerging markets remain broadly in an upswing in terms of real GDP growth, with high frequency indicators such as industrial production and retail sales generally showing an uptick across the board. Growth is being supported by relatively firm demand from developed markets, as well as gradually rising commodity prices, stable exchange rates (compared with recent years) and largely positive investor sentiments towards emerging markets. In its latest World Economic Outlook Update report, the International Monetary Fund (IMF) forecasts global growth to reach 3.9% in both 2018 and 2019. This forecast reflects the expectation that favourable global financial conditions and strong sentiments will help maintain the recent acceleration in demand, especially in investment, with noticeable impact in growth in economies with large exports.

The local economy was largely characterized by strong growth, easing inflation pressures, declining interest rates and a general improvement in macroeconomic fundamentals. Real GDP growth is expected to grow by 6.8% in 2018 mainly driven by the industry sector while end-period inflation and the fiscal deficit are targeted at 8.9% and 4.5% respectively. Interest rates are also expected to be fairly stable inching up and down marginally around 13% at the short end of the market on the back of easing inflation and prudent fiscal management.

In 2017, the cedi was relatively stable and was buoyed by Bank of Ghana interventions in the forex market, as well as rising investor confidence in the economy. In 2018, a strong supply of foreign currency inflows from the ongoing IMF programme, the usual cocoa syndicated loan, foreign direct investments and donor inflows will help Ghana reduce its current account deficit. Furthermore, the tight monetary policy will also help shore up the cedi.

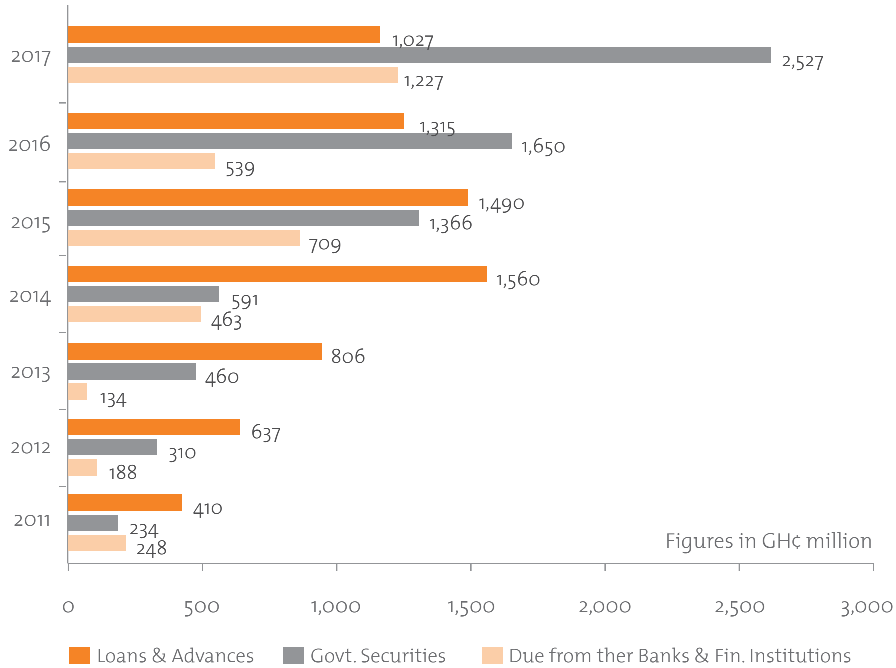
2017 Performance

I am pleased to report that the Bank managed to deliver strong results on key performance indicators, generating additional value for stakeholders.

Balance Sheet Analysis

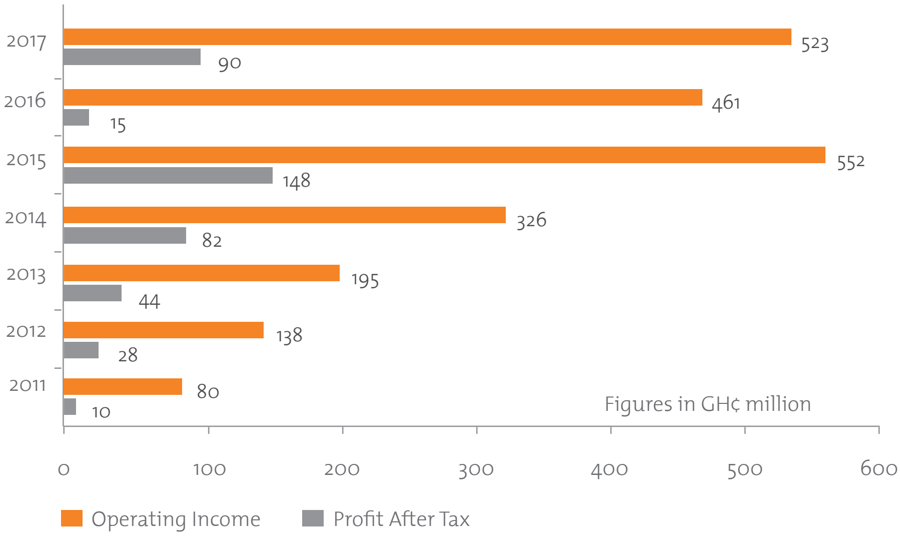
The Bank grew its balance sheet size by GH¢ 1.2 billion to close the year with an asset base of GH¢ 5.38 billion. This represents a 29% increase in the Bank's asset base from the GH¢ 4.17 billion worth of assets held at the end of 2016. The growth was mainly attributable to a 53% growth in investment securities as well as a 61% growth in cash and cash equivalents. This growth was largely funded by a GH¢ 743 million increase in customer deposits representing a 24% growth and a 97% increase in term borrowings. Customer deposits and borrowings reached GH¢ 3.84 billion and GH¢684 million respectively at the end of the 2017, the total of which represents 93% of the Bank's total liabilities.

Historic Breakdown of Major Asset Classes



Income Statement Analysis

The Bank posted a strong performance both at the top line and on the bottom line. Net interest income grew by 15% from GH¢ 356 million in 2016 to GH¢408 million in 2017 whilst net fee and commission income also rose by 25% to end 2017 at GH¢ 86 million. This contributed to a 13% increase in operating income from GH¢461 million in 2016 to GH¢523 million in 2017. There was a significant reduction of 58% in net impairment loss on financial assets in 2017. The increase in operating income, together with the significant reduction in net impairment loss on financial assets, cumulatively led to a 629% increase in profit before tax from GH¢ 18.6 million in 2016 to GH¢ 135 million in 2017. The Bank ended the year with an after-tax profit of GH¢ 90 million, an increase of 515% over last year's.



Notable Events

ESLA Plc Bond Issuance

During the year, the Government of Ghana decided to resolve the legacy debts within the energy sector through the issue of long-term bonds under a GHS 10 billion bond programme to defray the legacy debts. The bonds were issued through E.S.L.A. PLC, a special purpose vehicle, incorporated as a public limited liability company for this sole purpose. Fidelity Bank won the mandate as Joint Lead Manager to the Government on the ESLA bond programme which raised GHS 4.7 billion from local and international investors for the initial bond tranche issuance. The ESLA bond programme is the largest local currency corporate bond issuance in Sub-Saharan Africa.

Technology

The Bank continued to roll out more technology-driven solutions to support our business and product delivery. These included "Single Debit – Multiple Credit" (SDMC) module, Universal Adaptor and the Host-to-Host (h2h) tool on Fidelity Online as well as the Fidelity Mobile App which were all geared towards enhancing the customer experience on our corporate online banking platform and retail mobile banking platform.

SBU Reorganization

Our Corporate & Investment Banking Division was given a complete makeover in 2017. A number of highly skilled senior management staff were recruited and a number of critical appointments were made to reflect the new highly professional look of the division. Today, the capacity and performance of our CIB division is very encouraging and we are satisfied that on an ongoing basis our CIB Division will compete very effectively in the markets and make very good money for the Bank in the coming years.

Financial Crime Unit

The newly created Financial Crime Unit has investigated various cases that has helped expose individuals and groups within and outside the Bank who perpetrated various crimes against the Bank. The unit has also performed creditably well in the area of prevention and detection via staff awareness training, fraud risk assessment, and transactions monitoring. The unit's crime fighting strategy has made it one of the most respected teams within the anti-crime ecosystem in the country evidenced by glowing commendations received from customers, other banks and some key state security institutions.

2018 Outlook

Growth momentums in the local and global economies are projected by the IMF to spill over into 2018 and beyond. This presents a favourable business environment for our Bank to consolidate on our business gains and continue our growth into the world class Bank that we envision to become.

Our strategic focus for 2018 will be anchored on the following key pillars which will enable us achieve our mission "to be amongst the top three banks in Ghana by December 2018, based on all key performance indicators:

- Digitization
- Growth in Business and Revenue
- People

The above key pillars will all be underpinned by the phrase "Execution, Execution, Execution".

Conclusion

My sincere gratitude goes out to all our stakeholders who have supported the Bank throughout our journey, especially to our Board, Management and staff who have worked hard to get our Bank this far.

We are poised to achieving our mission of becoming a top three (3) Bank in Ghana by the end of 2018. It is indeed an ambitious target, but as our mantra goes, we ask all of our stakeholders to ***"believe with us"***.

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 31 December 2017.

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 31 December 2017, 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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

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	
	2017	2016	2017	2016
Profit after tax (attributable to equity holders)	95,695	8,972	90,434	14,711
Income surplus account brought forward	14,659	47,428	20,718	47,748
	110,354	56,400	111,152	62,459
Transfer to statutory reserve fund	(22,608)	(3,678)	(22,608)	(3,678)
Transfer from credit risk reserve	6,279	5,582	6,279	5,582
Ordinary share dividend declared and paid	(8,818)	(31,921)	(8,818)	(31,921)
Preference share dividend paid	(46,661)	(11,724)	(46,661)	(11,724)
Balance to be carried forward	38,546	14,659	39,344	20,718

The directors recommend the payment of a dividend of GH¢ 0.70 per share (2016: GH¢0.35).

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 22nd March, 2018 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 31 December 2017, the Board of Directors of Fidelity Bank Ghana Limited consisted of two Executive Directors with the remaining being 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 five times during the year.

The Board has delegated various aspects of its work to its Risk and Audit, Credit Risk Management, Technology, and Remuneration 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

Emmanuel Barima Manu	Chairman
Aliya Shariff	Member
Laureen Kouassi-Olsson	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

Laureen Kouassi-Olsson	Chairperson
Ms. Aliya Shariff	Member
Adwoa Nyantakyiwa Annan	Member
Jim Baiden	Member

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

- considers and approves credit exposures which exceed the approval limit of management's 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.

Remuneration and Staff Welfare Committee

Amb. (Mrs.) Johanna Svanikier	Chairperson
Emmanuel Barima Manu	Member
Jim Baiden	Member
Edward Effah	Member

The Remuneration and Staff 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

Adwoa Nyantakyiwa Annan	Chairperson
Amb. (Mrs.) Johanna Svanikier	Member
Edward Effah	Member
Julian Kingsley Opuni	Member

The Technology Committee is mandated to:

- 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 its subsidiaries (together the "Group") as at 31 December 2017, and of the financial performance and cash flows of the Bank standing alone and the Group for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

What we have audited

We have audited the financial statements of Fidelity Bank Ghana Limited (the "Bank") and its subsidiaries (together the "Group") for the year ended 31 December 2017.

The financial statements on pages 38 to 114 comprise:

- the separate and consolidated statement of financial position as at 31 December 2017;
- the separate and consolidated statement of comprehensive income for the year then ended;
- 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 statements, which include a summary of significant accounting policies.

Basis for opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment provision on loans and advances to customers – GHS 199 million	
Impairment of loans and advances to customers is a highly subjective area due to the level of judgement and estimate applied by management in the identification and recognition of impairment events and the measurement of impairment provisions.	We obtained an understanding of the key controls within the loan origination, approval, monitoring and recovery processes.
The impairment calculations are made on individually identified loans (specific impairment) and on a portfolio of loans (collective impairment).	We tested management's process for identifying impaired loans and selected a sample of loans that had not been identified as impaired and formed an independent view about the appropriateness of the conclusions reached by management.
Individually identified loans are assessed based on estimates and judgements made by management on the following: • the determination of an impaired loan; • the adequacy and recoverability of collateral; • the expected cash flows to be collected; and • the estimated timing of the future cash flows.	For the individually identified impaired loans, on a sample basis, we considered the latest developments in relation to the borrower; examined the future cash flows prepared by management and the sources of repayment to support the calculation of the impairment.
Impairment provisions for loans assessed on a portfolio basis are determined using models that are based on inputs such as the probability of default, the loss given default and the loss identification period.	We also assessed the competence, independence and objectivity of management's valuation experts used for the valuation of collaterals.
Impairment provisions represent management's best estimate of the losses incurred within the loan portfolio at the reporting date.	For the collective impairment, we assessed the reasonableness of the methodology applied in determining the inputs for the probability of default, the loss given default and key assumptions used in the loss identification period.
The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.5.7, 4b and 17 to the financial statements.	We checked the accuracy of the inputs into the model and recalculated the collective impairment amount based on the incurred loss model.

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 Chairman's statements, Managing Director's report and the Corporate social responsibility 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 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 separate and consolidated 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, 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 Chairman's Statement, Managing Director's report, and the Corporate social responsibility, and 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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the directors are responsible for assessing the Bank 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

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

iv) in our opinion, the Bank has, in all material respect, complied with the provisions of this Act; and

v) in our opinion, the Bank has in all material respect complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments.

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

PricewaterhouseCoopers (ICAG/F/2018/028)
Chartered Accountants
Accra, Ghana
29 March 2018

pwc

Statement of Comprehensive Income

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

Year ended 31 December

	Notes	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Interest income	6	**652,694**	625,551	**649,126**	621,513
Interest expense	7	**(236,958)**	(265,970)	**(241,076)**	(265,329)
Net interest income		**415,736**	359,581	**408,050**	356,184
Fee and commission income	8	**103,326**	79,526	**97,487**	76,985
Fee and commission expense	9	**(11,039)**	(7,773)	**(11,009)**	(7,742)
Net fee and commission income		**92,287**	71,753	**86,478**	69,243
Other operating income	10	**28,442**	35,778	**28,442**	35,781
Operating income		**536,465**	467,112	**522,970**	461,208
Net impairment loss on financial assets	12	**(71,404)**	(170,744)	**(71,404)**	(170,744)
Personnel expenses	11	**(117,703)**	(110,508)	**(114,502)**	(105,823)
Depreciation and amortisation	11	**(10,629)**	(10,810)	**(9,931)**	(10,236)
Other expenses	11	**(194,928)**	(161,618)	**(191,774)**	(155,829)
Profit before income tax		**141,801**	13,432	**135,359**	18,576
Income tax expense	13	**(39,138)**	(3,432)	**(38,157)**	(2,936)
National fiscal stabilisation levy	13	**(6,968)**	(1,028)	**(6,768)**	(929)
Profit for the year		**95,695**	8,972	**90,434**	14,711
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Net change in value of available for sale investment securities	30	**5,926**	18,372	**5,934**	18,364
Loss on re-measuring to fair value the existing interest in equity investment	30	**(27)**	(26)	**(27)**	(26)
Currency translation differences on foreign subsidiary	30	**584**	759	**-**	-
Total other comprehensive income		**6,483**	19,105	**5,907**	18,338
Total comprehensive income for the year		**102,178**	28,077	**96,341**	33,049
Attributable to owners of Fidelity Bank Ghana Limited		**102,178**	28,077	**96,341**	33,049
Total comprehensive income for the year		**102,178**	28,077	**96,341**	33,049
Earnings per share					
Basic/diluted earnings per share (GH¢)	27	**3.79**	0.36	**3.58**	0.58

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 45 to 114 form an integral part of these consolidated financial statements.

Statement of Financial Position

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

Year ended 31 December

		GROUP		BANK	
	Notes	2017	2016	2017	2016
Assets					
Cash and cash equivalents	15	1,540,126	976,971	1,548,520	961,024
Investment securities	16	2,533,899	1,654,207	2,527,479	1,650,277
Loans and advances to customers	17	1,066,535	1,352,595	1,026,794	1,314,793
Investments (other than securities)	18	-	27	12,471	8,291
Other assets	19	117,303	119,314	130,483	130,260
Deferred tax asset	14	2,629	7,357	2,610	7,359
Property plant and equipment	20	111,477	93,185	111,386	93,019
Intangible assets	21	18,870	8,793	17,294	7,568
Non current assets held for sale	22	1,011	1,011	1,011	1,011
Total assets		5,391,850	4,213,460	5,378,048	4,173,602
Liabilities					
Deposits from customers	23	3,852,721	3,136,555	3,843,312	3,100,614
Deposits from banks and other financial institutions	24	111,769	120,377	113,159	120,377
Borrowings	25	683,797	346,849	683,797	346,849
Other liabilities	26	199,978	113,368	203,120	112,415
Current tax liability	13	575	-	451	-
Total liabilities		4,848,840	3,717,149	4,843,839	3,680,255
Equity					
Stated capital	28	264,486	264,486	264,486	264,486
Statutory reserve	29	186,191	163,583	186,191	163,583
Other reserves	30	35,148	28,665	25,549	19,642
Credit risk reserve	31	18,639	24,918	18,639	24,918
Income surplus	32	38,546	14,659	39,344	20,718
Total equity attributable to equity holders		543,010	496,311	534,209	493,347
Total liabilities and equity		5,391,850	4,213,460	5,378,048	4,173,602

The accompanying notes on pages 45 to 114 form an integral part of these consolidated financial statements.

The financial statements on pages 38 to 114 were approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

BY ORDER OF THE BOARD

Edward Effah
Board Chairman

Jim Baiden
Managing Director

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

GROUP

Year ended 31 December, 2016	Stated capital	Statutory reserves	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 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	28,665	24,918	14,659	496,311

The accompanying notes on pages 45 to 114 form an integral part of these consolidated financial statements.

Statement of Changes In Equity

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

GROUP

Year ended 31 December, 2017	**Stated capital**	**Statutory reserves**	**Other reserves**	**Credit risk reserve**	**Income surplus**	**Total equity**
Balance at 1 January 2017	**264,486**	**163,583**	**28,665**	**24,918**	**14,659**	**496,311**
Profit for the year	-	-	-	-	95,695	**95,695**
Change in fair value of available for sale investment securities after tax	-	-	5,926	-	-	**5,926**
Net change in fair value of equity instruments	-	-	(27)	-	-	**(27)**
Foreign currency translation differences for foreign subsidiary	-	-	584	-	-	**584**
Total comprehensive income	-	-	**6,483**	-	**95,695**	**102,178**
Transfer to statutory reserve	-	22,608	-		(22,608)	-
Transfer from credit risk reserve	-	-	-	(6,279)	6,279	-
Dividend paid (ordinary shares)	-	-	-	-	(8,818)	**(8,818)**
Dividend paid (preference shares)	-	-	-	-	(46,661)	**(46,661)**
Total transactions with owners	-	22,608	-	(6,279)	(71,808)	**(55,479)**
Balance at 31 December 2017	**264,486**	**186,191**	**35,148**	**18,639**	**38,546**	**543,010**

The accompanying notes on pages 45 to 114 form an integral part of these consolidated financial statements.

Statement of Changes In Equity

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

BANK

Year ended 31 December, 2016	Stated capital	Statutory reserves	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 45 to 114 form an integral part of these consolidated financial statements.

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

BANK

Year ended 31 December, 2017	Stated capital	Statutory reserves	Other reserves	Credit risk reserve	Income surplus	Total equity
Balance at 1 January 2017	**264,486**	**163,583**	**19,642**	**24,918**	**20,718**	**493,347**
Profit for the year	-	-	-	-	90,434	**90,434**
Change in fair value of available for sale investment securities after tax	-	-	5,934	-	-	**5,934**
Net change in fair value of equity instruments	-	-	(27)	-	-	**(27)**
Total comprehensive income	-	-	**5,907**	-	**90,434**	**96,341**
Transfer to statutory reserve	-	22,608	-	-	(22,608)	**-**
Transfer from credit risk reserve	-	-	-	(6,279)	6,279	**-**
Dividend paid (ordinary shares)	-	-	-	-	(8,818)	**(8,818)**
Dividend paid (preference shares)	-	-	-	-	(46,661)	**(46,661)**
Total transactions with owners	-	**22,608**	-	**(6,279)**	**(71,808)**	**(55,479)**
Balance at 31 December 2017	**264,486**	**186,191**	**25,549**	**18,639**	**39,344**	**534,209**

The accompanying notes on pages 45 to 114 form an integral part of these consolidated financial statements.

Statement of Cash Flows

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

	Note	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Cash flows from operating activities					
Profit before income tax		141,801	13,432	135,359	18,576
Adjustments:					
Depreciation	20	9,485	9,081	9,409	9,007
Amortisation	21	1,144	1,729	522	1,229
Impairment on financial assets	12	84,931	179,083	84,931	179,083
Profit on disposal of property and equipment	20	(479)	(2,486)	(479)	(2,486)
Exchange difference on borrowings	25	21,054	33,091	21,054	33,091
Operating cash flow before investment in working capital		257,936	233,930	250,796	238,500
Changes in loans and advances to customers	17	87,781	(41,836)	89,721	(4,034)
Changes in other assets	19	7,652	(47,517)	5,205	(47,878)
Changes in deposits from customers	23	716,166	127,870	742,698	97,585
Changes in deposits from banks and other financial institutions	24	(8,608)	63,621	(7,218)	33,655
Changes in other liabilities	26	140,310	(48,765)	144,406	(58,108)
Income tax paid	13	(28,454)	(22,200)	(27,167)	(21,753)
Increase in operating assets and liabilities		914,847	31,173	947,645	(533)
Net cash flow generated from operating activities		1,172,783	265,103	1,198,441	237,967
Cash flow from investing activities					
Purchase of property and equipment	20	(27,777)	(20,607)	(27,776)	(20,481)
Purchase of intangible assets	21	(11,221)	(1,771)	(10,248)	(1,528)
Proceeds on asset disposal	20	479	8,494	479	8,494
Purchase of investment securities	16	(778,405)	(260,356)	(775,905)	(259,914)
Changes in investments (other than securities)	18	-	-	(4,207)	-
Net cash flow used in investing activities		(816,924)	(274,240)	(817,657)	(273,429)
Cash flow from financing activities					
Dividends paid		(55,479)	(43,645)	(55,479)	(43,645)
Repayment of borrowings	25	(85,935)	(28,385)	(85,935)	(28,385)
Drawdown on borrowings	25	348,126	1,047	348,126	1,047
Net cash flow from/(used in) financing activities		206,712	(70,983)	206,712	(70,983)
Net increase/(decrease) in cash and cash equivalents		562,571	(80,120)	587,496	(106,445)
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at 1 January		976,971	1,056,332	961,024	1,067,469
Gain on currency translation of foreign subsidiary	30	584	759	-	-
Net increase/(decrease) in cash and cash equivalents		562,571	(80,120)	587,496	(106,445)
Cash and cash equivalents at 31 December	15	1,540,126	976,971	1,548,520	961,024

The accompanying notes on pages 45 to 114 form an integral part of these consolidated financial statements.

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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements of FBGL for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 22nd March, 2018.

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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy.
The Group's 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 flows 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 unless otherwise stated.

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

(a) New standards, amendments and interpretations adopted by the Bank

Amendments to IAS 7, Statement of Cash Flows: Disclosure Initiative

The IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities are required to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g. gains and losses due to foreign currency movements). The adoption of this amendment did not have a material impact on the Bank's financial statements.

(b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective as at 31 December 2017 are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, as well as new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

In 2017, the Bank set up a multidisciplinary implementation team with members from its Risk Management, Finance and Operations teams to prepare for IFRS 9 implementation. The initial gap analysis and financial impact assessment was completed in September 2017. The Bank has also carried out an impact assessment using its audited numbers as at 31 December 2017. Based on the assessment carried out, the impact of the application of IFRS 9 is as follows:

Classification and Measurement
From a classification and measurement perspective, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment for classification and measurement under IFRS 9, the Bank has concluded that except for the change in name of the classes of financial assets and liabilities, there were no changes in the measurement basis of these financial assets and liabilities as indicated below.

Financial assets and liabilities	IAS 39 classification	IFRS 9 classification	Measurement under IAS 39 & IFRS 9
Cash and cash equivalents	Loans and receivables	Loans and receivables	Amortised cost
Available for sale financial assets	Fair value through other comprehensive income	Fair value through other comprehensive income	Fair value
Held to maturity investments	Held to maturity	Held to maturity	Amortised cost
Loans and advances	Loans and receivables	Loans and receivables	Amortised cost
Other assets	Loans and receivables	Loans and receivables	Amortised cost
Deposits from banks	Financial liabilities - other	Financial liabilities - other	Amortised cost
Deposits from customers	Financial liabilities - other	Financial liabilities - other	Amortised cost
Borrowings	Financial liabilities - other	Financial liabilities - other	Amortised cost
Other liabilities	Financial liabilities - other	Financial liabilities - other	Amortised cost

Impairment of Financial Assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

In preparation for implementation of IFRS 9, the Bank has established a policy to perform an assessment at the end of each reporting period to determine whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan. In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances. The Bank will categorise its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1 – Performing loans

When loans are first recognised, the Bank will recognise an allowance based on 12-month expected credit losses. This will also be applicable to financial assets that are not considered to have suffered a significant increase in their credit risk since the end of the previous reporting period.

Stage 2 – Underperforming loans

When a loan shows a significant increase in credit risk, the Bank will record an allowance for the lifetime expected credit loss. The Bank will consider whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment will be based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk will be assumed if the borrower falls more than 30 days past due in making its contractual payments.

When estimating lifetime ECLs for undrawn loan commitments, the Bank will estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down. For financial guarantee contracts, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

Stage 3 – Impaired loans

The Bank will recognise the lifetime expected credit losses for these loans. Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. The criteria of such objective evidence are the same as under the current IAS 39 methodology. Accordingly, the Bank expects the population to be generally the same under both standards. The impairment calculation will be the same as for Stage 2 loans with the probability of default set to 100%. When forbearance results in the derecognition of the original loan, the new loan will be classified as originated credit-impaired. Other than originated credit-impaired loans, loans will be transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of not more than two years.

Other financial assets

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For ‘low risk’ FVOCI debt securities, the Bank will apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 above. Such instruments will generally include traded, investment grade securities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank will not consider instruments to have low credit risk simply because of the value of collateral. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank’s other financial instruments.

Forward-looking information

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs. Forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth and interest rates) and economic forecasts will be considered. To evaluate a range of possible outcomes, the Bank intends to formulate three scenarios: a base case, a worse case and a better case. The base case scenario represents the more likely outcome resulting from the Bank’s normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Bank will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

Description	**IFRS 9** **GH¢**	**IAS 39** **GH¢**	**Difference** **GH¢**
Loans and advances	205,634	199,676	5,958
Letters of credit, guarantees and undrawn commitments	1,346	-	1,346
Investment securities	-	-	-
Other assets	11,662	11,662	-
Total	**218,641**	**211,338**	**7,303**

The above impact assessment indicates that under IFRS 9 the Bank’s profit before tax would have reduced by GH¢ 7.3 million and the capital adequacy ratio would have reduced from 26.97% to 26.63%.

IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. Management assessed the impact of IFRS 15 and given the revenue streams and type of operations of the Bank, concluded that IFRS 15 will not have any material impact its results and financial position of the Bank.

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 2017.

(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 acquiree 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 on 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.
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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.

2.5.5 Reclassification of financial assets

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.

(i) Money market placements and loans and advances to customers

For money market placements 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 group 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. The Bank did not reclassify any renegotiated loan during the period.

(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, money market placements 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	over the lease term
Land	over the lease term
Motor vehicles	4 years
Computers : hardware & software	2-4 years
Furniture and equipment	4 years
Machinery	4 years

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 MANAGEMENT

(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.

(c) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but excludes reputational & strategic risk. Operational risk exists in all products and business activities and the effective management of operational risk has always been a fundamental element of the Bank's risk management programme. The Bank has a broad operational risk management framework which defines the set of activities designed to proactively identify, assess and manage all operational risks by aligning the people, technology and processes with best risk management practices towards sustaining financial performance and enhancing stakeholder's value.

The Operational Risk, Internal Control and Compliance units with oversight responsibility of the MRCC as well as the Audit Unit constantly carry out reviews to identify and assess the operational risk inherent in all products, activities, processes and sytems. These units also ensure that all business units within the Bank monitor their operational risk using set standards and indicators. Significant issues and exceptions are reported to the MRCC for discussion and resolution.

Disaster recovery procedures, business continuity planning, self compliance assurance and internal audit also form an integral part of our operational risk management process. There was no significant financial loss resulting from operational risk incidence during the period across the Bank.

The Bank's strict enforcement of ethical code of conduct for all employees, operational risk management policies, risk awareness training and other deliberate operational risk control activities have significantly reduced operational risk related incidents during the past three years.

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	2017	2016	2017	2016
Credit risk exposures relating to on balance sheet assets are as follows:				
Balances with Bank of Ghana	321,251	310,061	321,251	310,061
Investment securities	2,533,899	1,654,207	2,527,479	1,650,277
Cash and balances with banks	259,293	82,960	247,817	80,259
Money market placements	959,582	471,952	979,452	458,706
Loans and advances to customers	1,066,535	1,352,595	1,026,794	1,314,793
Other assets (excluding prepayments)	71,205	80,651	84,385	91,598
	5,211,765	3,952,426	5,187,178	3,905,694
Credit risk exposures relating to off balance sheet items are as follows:				
Financial guarantees	158,577	286,691	158,557	286,691
At 31 December	5,370,342	4,239,117	5,345,735	4,192,385

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2017, 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, 20% (2016: 32%) of the total maximum exposure is derived from loans and advances and investment securities represents 47% (2016: 39%).

At 31 December 2017, 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:

	2017		2016	
GROUP	Loans & advances to customers	Money market placements	Loans & advances to customers	Money market placements
Neither past due nor impaired	538,971	959,582	705,525	471,952
Past due but not impaired	388,266	-	397,640	-
Individually impaired	338,974	-	381,344	-
Gross	1,266,211	959,582	1,484,509	471,952
Less allowance for impairment	(199,676)	-	(131,914)	-
Net amount	1,066,535	959,582	1,352,595	471,952

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

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

BANK	2017 Loans & advances to customers	2017 Money market placements	2016 Loans & advances to customers	2016 Money market placements
Neither past due nor impaired	538,971	979,452	705,525	458,706
Past due but not impaired	348,525	-	359,838	-
Individually impaired	338,974	-	381,344	-
Gross	1,226,470	979,452	1,446,707	458,706
Less allowance for impairment	(199,676)	-	(131,914)	-
Net amount	1,026,794	979,452	1,314,793	458,706

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 prudential 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

2017	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	444,893	65,325	28,753	538,971

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

BANK

2017	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	444,893	65,325	28,753	538,971

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

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

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

Money market placements
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

2017	Term loans	Overdrafts	Staff loans	Total
Past due up to 30 days	272,943	961	-	273,904
Past due 30 to 60 days	69,651	-	-	69,651
Past due 60 to 90 days	44,711	-	-	44,711
Total	387,305	961	-	388,266

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

BANK

2017	Term loans	Overdrafts	Staff loans	Total
Past due up to 30 days	244,937	961	-	245,898
Past due 30 to 60 days	62,504		-	62,504
Past due 60 to 90 days	40,123		-	40,123
Total	347,564	961	-	348,525

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

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

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

2017	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	190,627	148,347	-	338,974
Specific impairment allowance	(88,853)	(80,857)	-	(169,710)
Net amount	101,774	67,490	-	169,264
Fair value of collateral	112,967	67,489	-	180,456

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

2017	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	190,627	148,347	-	338,974
Specific impairment allowance	(88,853)	(80,857)	-	(169,710)
Net amount	101,774	67,490	-	169,264
Fair value of collateral	112,967	67,489	-	180,456

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

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 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.

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

3.2.2 Foreign exchange risk (continued)

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

GROUP

At 31 December 2017	EUR	GDP	USD	GHC	Total
Assets					
Cash and cash equivalents	38,637	34,860	391,228	1,075,401	**1,540,126**
Investment securities			13,247	2,520,652	**2,533,899**
Loans and advances to customers	3,199	101	628,568	434,667	**1,066,535**
Non-current assets held for sale	-	-	-	1,011	**1,011**
Other assets	14	31	4,283	112,975	**117,303**
Deferred tax asset	-	-	-	2,629	**2,629**
Property plant and equipment	-	-	-	111,477	**111,477**
Intangible assets	-	-	-	18,870	**18,870**
Total assets	41,850	34,992	1,037,326	4,277,682	**5,391,850**
Liabilities					
Deposits from customers	38,442	33,462	859,126	2,921,691	**3,852,721**
Deposits from banks and other financial institutions	-	-	110,393	1,376	**111,769**
Borrowings	-	-	683,073	724	**683,797**
Other liabilities	143	344	1,342	198,149	**199,978**
Total liabilities	38,585	33,806	1,653,934	3,121,940	**4,848,265**
Net on balance sheet position	3,265	1,186	(616,608)		

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

3.2.2 Foreign exchange risk (continued)

GROUP

At 31 December 2016	EUR	GBP	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		

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% (2016: 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.

Cedi weakens by 15%	**Impact on statement of comprehensive income**	
	2017	2016
US Dollar	**21,602 ***	4,478
Euro	**490**	91
Pound Sterling	**178**	106

Year end exchange rates applied in the above analysis are GH¢4.4157 (2016: GH¢4.2002) to the US dollar, GH¢ 5.2964 (2016: GH¢4.4367) to the Euro, and GH¢5.9669 (2016: GH¢5.1965) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

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

3.2.2 Foreign exchange risk (continued)

BANK

At 31 December 2017	EUR	GDP	USD	GHC	Total
Assets					
Cash and cash equivalents	35,822	34,365	358,725	1,119,608	**1,548,520**
Investment securities	-	-	13,247	2,514,232	**2,527,479**
Loans and advances to customers	3,199	101	588,827	434,667	**1,026,794**
Investments (other than securities)	-	-	12,370	101	**12,471**
Non-current assets held for sale	-	-	-	1,011	**1,011**
Other assets	18	50	8,628	121,787	**130,483**
Deferred tax asset	-	-	-	2,610	**2,610**
Property plant and equipment	-	-	-	111,386	**111,386**
Intangible assets	-	-	-	17,294	**17,294**
Total assets	39,039	34,516	981,797	4,322,696	**5,378,048**
Liabilities					
Deposits from customers	38,317	32,212	849,716	2,923,067	**3,843,312**
Deposits from banks and other financial institutions	-	-	111,783	1,376	**113,159**
Borrowings	-	-	683,073	724	**683,797**
Other liabilities	143	344	2,842	199,791	**203,120**
Total liabilities	38,460	32,556	1,647,414	3,124,958	**4,843,388**
Net on balance sheet position	579	1,960	(665,617)*		

* The Bank has entered into currency swap agreements that effectively hedge the on-balance sheet position for the US dollar. Under the agreements, the potential impact on profit of a 15% decrease in the value of the Ghana Cedi against the US Dollar on the Bank is capped at GH¢ 23,319 (Group: GH¢ 21,602).

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

3.2.2 Foreign exchange risk (continued)

BANK

At 31 December 2016	EUR	GBP	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		

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% (2016: 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.

Cedi weakens by 15%	**Impact on statement of comprehensive income**	
	2017	2016
US Dollar	**23,319 ***	2,588
Euro	**87**	91
Pound Sterling	**294**	106

Year end exchange rates applied in the above analysis are GH¢4.4157 (2016: GH¢4.2002) to the US dollar, GH¢ 5.2964 (2016: GH¢4.4367) to the Euro, and GH¢5.9669 (2016: GH¢5.1965) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

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

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 2017 and 31 December 2016 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 2017 Assets	Up-1 months	1-3 months	3-12 months	Over 1 year	Non interest bearing	Total
Cash and cash equivalents	813,179	48,667	112,010	-	566,270	**1,540,126**
Investment securities	556,982	230,173	627,050	1,119,694	-	**2,533,899**
Loans and advances to customers	185,500	26,715	441,604	412,716	-	**1,066,535**
Financial assets	1,555,661	305,555	1,180,664	1,532,410	566,270	**5,140,560**
Liabilities						
Deposits from customers	144,472	393,642	713,609	1,185,364	1,415,634	**3,852,721**
Deposits from banks and other financial institutions	24,403	87,366	-	-	-	**111,769**
Borrowings	1,140	12,306	45,382	624,969	-	**683,797**
Other liabilities	-	-	-	-	199,978	**199,978**
Financial liabilities	170,015	493,314	758,991	1,810,333	1,615,612	**4,848,265**
Total interest re-pricing gap	1,385,646	(187,759)	421,673	(277,923)		

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

3.2.3. Interest rate risk (continued)

GROUP

At 31 December 2016 Assets	Up-1 months	1-3 months	3-12 months	Over 1 year	Non interest bearing	Total
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		

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:

	Total interest re-pricing gap	Possible interest rate movements		
		+100bps	+200bps	+300bps
Up to 1 month	1,385,646	13,287	26,574	39,861
1-3 months	(187,759)	(1,569)	(3,138)	(4,707)
3-12 months	421,673	2,657	5,314	7,971
over 1 year	(277,923)	(701)	(1,401)	(2,102)
Total		13,675	27,349	41,024
Impact on net interest income (2017)		3.29%	6.57%	9.86%
Impact on net interest income (2016)		1.62%	3.24%	4.86%

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

3.2.3. Interest rate risk (continued)

BANK

At 31 December 2017						
Assets	Up-1 months	1-3 months	3-12 months	Over 1 year	Non interest bearing	Total
Cash and cash equivalents	813,179	51,465	114,808	-	569,068	**1,548,520**
Investment securities	556,982	230,173	627,050	1,113,274	-	**2,527,479**
Loans and advances to customers	185,500	26,715	401,863	412,716	-	**1,026,794**
Investments (other than securities)	-	-	-	-	12,471	**12,471**
Financial assets	1,555,661	308,353	1,143,721	1,525,990	581,539	**5,115,264**
Liabilities						
Deposits from customers	144,472	393,642	704,200	1,185,364	1,415,634	**3,843,312**
Deposits from banks and other financial institutions	24,403	88,756	-	-	-	**113,159**
Borrowings	1,140	12,306	45,382	624,969	-	**683,797**
Other liabilities	-	-	-	-	203,120	**203,120**
Financial liabilities	170,015	494,704	749,582	1,810,333	1,618,754	**4,843,388**
Total interest re-pricing gap	1,385,646	(186,351)	394,139	(284,343)		

BANK

At 31 December 2016						
Assets	Up-1 months	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	-	1,326,887	3,680,255
Total interest re-pricing gap	25,835	(92,396)	259,420	877,549		

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

3.2.3. Interest rate risk (continued)

Interest rate sensitivity analysis

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	1,385,646	13,287	26,574	39,861
1-3 months	(186,351)	(1,557)	(3,114)	(4,672)
3-12 months	394,139	2,484	4,967	7,451
over 1 year	(284,343)	(717)	(1,433)	(2,150)
Total		13,497	26,994	40,490
Impact on net interest income (2017)		3.30%	6.62%	9.92%
Impact on net interest income (2016)		1.78%	3.57%	5.35%

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.

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).

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

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 2017	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
Liabilities					
Deposits from customers	1,309,635	448,254	684,164	1,410,668	**3,852,721**
Deposits from banks and other financial institutions	111,769	-	-	-	**111,769**
Borrowings	13,446	5,817	39,565	740,853	**799,681**
Other liabilities		199,978			**199,978**
Total liabilities (Contractual maturity date)	1,434,850	654,049	723,729	2,151,521	**4,964,149**
Assets					
Cash and cash equivalents	950,004	115,236	161,899	312,987	**1,540,126**
Investment securities	790,365	219,022	410,938	1,079,428	**2,499,753**
Loans and advances to customers	212,214	133,954	307,651	412,716	**1,066,535**
Other assets	-	117,303	-	-	**117,303**
Total assets held for managing liquidity risk (Contractual maturity date)	1,952,583	585,515	880,488	1,805,131	**5,223,717**

[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)

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	274,474	1,627,963
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	915,341	4,076,843

BANK

At 31 December 2017	**0-3 months GH¢**	**3-6 months GH¢**	**6-12 months GH¢**	**Over 12 months GH¢**	**Total GH¢**
Liabilities					
Deposits from customers	1,308,459	447,078	681,812	1,405,963	**3,843,312**
Deposits from banks and other financial institutions	113,159	-	-	-	**113,159**
Borrowings	13,446	5,817	39,565	740,853	**799,681**
Other liabilities	-	203,120	-	-	**203,120**
Total liabilities (Contractual maturity date)	1,435,064	656,015	721,377	2,146,816	**4,959,272**
Assets					
Cash and cash equivalents	950,004	123,630	161,899	312,987	**1,548,520**
Investment securities	787,155	216,112	410,938	1,079,128	**2,493,333**
Loans and advances to customers	212,214	133,954	267,910	412,716	**1,026,794**
Other assets	-	130,483	-	-	**130,483**
Total assets held for managing liquidity risk (Contractual maturity date)	1,949,373	604,179	840,747	1,804,831	**5,199,130**

[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 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

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.

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

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 2017	No later than 1 year	1-5 years	Over 5 years	Total
Loan commitments			-	
Total	**167,900**	-		**167,900**
At 31 December 2016	No later than 1 year	1-5 years	Over 5 years	Total
			-	
Loan commitments	6,250	-	-	6,250
Total	6,250	-		6,250

(b) Guarantees and indemnities

The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢158.5m (2016: GH¢214.7m).

(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 - Bank

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

BANK	2017		2016	
	Ghana GH¢	Outside GH¢	Ghana GH¢	Outside GH¢
Assets				
Cash and cash equivalents	1,284,244	264,276	767,970	193,054
Investment Securities	2,527,479	-	1,650,277	-
Loans and advances to customers	1,026,794	-	1,314,793	-
Investments (other than securities)	101	12,370	128	8,163
Other assets	130,483	-	130,260	-
Non-current assets held for sale	1,011	-	1,011	-
Deferred tax asset	2,610	-	7,359	-
Property plant and equipment	111,386	-	93,019	-
Intangible assets	17,294	-	7,568	-
	5,101,402	276,646	3,972,385	201,217
Liabilities				
Deposits from customers	3,697,572	145,740	3,100,614	-
Deposits from banks and other financial institutions	89,690	23,469	43,558	76,819
Borrowings	724	683,073	-	346,849
Other liabilities	203,120	-	112,415	-
Current tax liability	451	-	-	-
	3,991,557	852,282	3,256,587	423,668

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

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	
	2017	2016	2017	2016
Financial assets				
Loans and advances to customers	1,077,009	1,528,158	1,066,535	1,352,595
Financial liabilities				
Desposits from customers	3,852,721	3,136,555	3,852,721	3,136,555

BANK	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Loans and advances to customers	1,037,268	1,490,356	1,026,794	1,314,793
Financial liabilities				
Desposits from customers	3,843,312	3,100,614	3,843,312	3,100,614

(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.

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

3.6.3 Assets and liabilities measured at fair value

GROUP	LEVEL 1	LEVEL 2	LEVEL 3
2017			
Investment securities (available for sale)	-	2,533,899	-
Investments (other than securities)	-	-	-
	-	2,533,899	-
2016			
Investment securities (available for sale)	-	1,651,681	-
Investments (other than securities)	-	-	27
	-	1,651,681	27

BANK	LEVEL 1	LEVEL 2	LEVEL 3
2017			
Investment securities (available for sale)	-	2,527,479	-
Investments (other than securities)	-	-	-
	-	2,527,479	-
2016			
Investment securities (available for sale)	-	1,650,277	-
Investments (other than securities)	-	-	27
	-	1,650,277	27

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 assets and ;
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.

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

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 2017 and 2016.

	2017	2016
Paid-up capital	**264,486**	264,486
Statutory reserves	**186,191**	163,583
Income surplus / other reserves	**64,893**	20,718
Total disclosed reserves	**251,084**	184,301
Other adjustments		
Goodwill/intangible	**(77,754)**	(53,396)
Connected lending	**(19,871)**	(23,101)
Losses not provided for		-
Investments in unconslidated subsidiaries	**(101)**	(101)
Investments in the capital of other banks & financial institutions	**(12,397)**	(8,163)
Total adjustments	**(110,123)**	(84,761)
Tier I capital	**405,447**	364,026
Tier II capital	**169,563**	182,013
Total capital	**575,010**	546,039
Risk weighted assets	**2,131,646**	2,061,425
Tier 1 capital adequacy ratio	**19.02%**	17.66%
Total capital adequacy ratio	**26.97%**	26.49%

The directors have recommended an ordinary dividend of GH¢0.70 per share. When approved, this will translate into a total payout of GH¢17.68 million. This will reduce the Tier 1 and total capital adequacy ratios to 18.19% and 26.15% 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.

(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.

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

(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 customer's 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 Bank recognises 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.

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

5. SEGMENT INFORMATION (continued)

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

	BANK			FSL	FAB	
2017	Corporate Banking	Treasury	Retail Banking	Investment Banking	Offshore Banking	**Group**
External revenue						
- Net interest income	85,553	378,006	(55,509)	988	6,698	**415,736**
- Net fee and commission income	19,664	8,856	57,958	5,177	632	**92,287**
- Other operating income	8,960	1,297	18,185	-	-	**28,442**
Inter-segment revenue	(34,444)	(156,479)	190,923	-	-	-
Total Segment revenue	79,733	231,680	211,557	6,165	7,330	**536,465**
Direct cost	(22,724)	(7,470)	(71,014)	(2,245)	(4,808)	**(108,261)**
Net impairment charges	(67,848)	-	(3,556)	-	-	**(71,404)**
Allocated cost	(83,758)	(30,829)	(100,412)	-	-	**(214,999)**
Segment profit	(94,597)	193,381	36,575	3,920	2,522	**141,801**
Reportable segment assets (loans and advances)	790,946	-	235,848	-	39,741	**1,066,535**
Reportable segment liabilities (customer deposits)	1,260,987	363,466	2,218,859	-	9,409	**3,852,721**

	BANK			FSL	FAB	
2016	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 segment assets (loans and advances)	1,113,530	-	201,263	-	37,802	1,352,595
Reportable segment liabilities (customer deposits)	1,405,001	-	1,695,118	-	36,436	3,136,555

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

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 2017 and 2016:

2017

	Ghana	Malaysia	Total
Interest income	643,450	9,244	652,694
Interest expense	(234,412)	(2,546)	(236,958)
Net interest income	409,038	6,698	415,736
Non interest income	120,097	632	120,729
Operating income	529,135	7,330	536,465
Operating expenses	(318,452)	(4,808)	(323,260)
Net impairment charge on financial assets	(71,404)	-	(71,404)
Operating profit/(loss)	139,279	2,522	141,801

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

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

6. Interest income

	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Cash and short term funds	59,514	47,543	60,705	47,976
Investment securities	436,515	311,145	435,725	311,145
Loans and advances	156,665	266,863	152,696	262,392
	652,694	625,551	649,126	621,513

7. Interest expense

	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Savings accounts	49,030	50,038	49,030	50,038
Time and other deposits	100,114	145,709	98,898	145,031
Overnight and call accounts	32,060	32,013	37,394	32,050
Current accounts	12,151	10,034	12,151	10,034
Borrowings	43,603	28,176	43,603	28,176
	236,958	265,970	241,076	265,329

8. Fee and commission income

	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Trade finance fees	9,787	7,143	9,788	7,143
Credit related fees and commission	20,476	13,612	20,476	13,612
Cash management	63,603	52,951	63,004	52,655
Other fees and commission	9,460	5,820	4,219	3,575
	103,326	79,526	97,487	76,985

9. Fee and commission expense

	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Direct charges for services	11,039	7,773	11,009	7,742

10. Other operating income

	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Foreign exchange:	41,097	32,858	41,097	32,858
transaction gains less losses	(14,265)	(2,125)	(14,265)	(2,122)
translation gains less losses	1,610	5,045	1,610	5,045
Sundry income	28,442	35,778	28,442	35,781

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

11. Operating expenses

	GROUP		BANK	
	2017	2016	2017	2016
(a) Personnel expenses comprise:				
Wages, salaries, bonus and allowances	62,944	58,860	61,398	55,037
Social security fund contribution	7,366	6,275	7,278	6,187
Provident fund contribution	4,764	4,330	4,697	4,263
Other employee cost	42,629	41,043	41,129	40,336
	117,703	110,508	114,502	105,823

The number of persons employed by the Group and the Bank at the end of the year was 1,045 (2016: 1,060) and 1,027 (2016: 1,039) respectively.

	GROUP		BANK	
	2017	2016	2017	2016
(B) Depreciation and amortisation expenses comprise:				
Depreciation (Note 20)	9,485	9,081	9,409	9,007
Amortisation (Note 21)	1,144	1,729	522	1,229
	10,629	10,810	9,931	10,236
(c) Other expenses comprise:				
Advertising and marketing	16,080	9,817	15,688	8,670
Audit fees	618	568	551	516
Directors' emoluments	929	1,565	777	994
Utilities	15,035	13,972	14,726	13,663
Repairs and maintenance	3,077	75,213	1,787	74,996
Stationery and print expenses	4,930	5,273	4,922	5,260
Outsourced services	16,791	14,674	16,791	14,674
Other operating expenses	128,812	28,993	128,342	28,493
Legal and consultancy fees	6,096	8,488	5,637	5,572
Training	2,195	2,724	2,188	2,665
Donations and sponsorship	365	331	365	326
	194,928	161,618	191,774	155,829

12. Net impairment loss on financial assets

Breakdown of impairment losses

	GROUP		BANK	
	2017	2016	2017	2016
Impairment losses on loans and advances	73,269	179,083	73,269	179,083
Impairment losses on other assets	11,662	-	11,662	-
	84,931	179,083	84,931	179,083
Recoveries	(13,527)	(8,339)	(13,527)	(8,339)
	71,404	170,744	71,404	170,744

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

12. Net impairment loss on financial assets (continued)

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

	GROUP		BANK	
	2017	2016	2017	2016
At 1 January	131,914	65,085	131,914	65,085
Increase in impairment charges	73,269	179,083	73,269	179,083
Amounts written off as uncollectible	(5,507)	(112,254)	(5,507)	(112,254)
At 31 December	199,676	131,914	199,676	131,914

The impairment losses on other assets relates to an asset under receivership against which the Bank has a specific charge. The impairment charge is recognised for the difference between the recoverable amount and the carrying amount of the asset at the end of the reporting period.

13. Income tax expense

	GROUP		BANK	
	2017	2016	2017	2016
Current income tax	36,385	1,601	35,386	1,102
Deferred tax (Note 14)	2,753	1,831	2,771	1,834
Income tax expense	39,138	3,432	38,157	2,936
National fiscal stabilisation levy	6,968	1,028	6,768	929
	46,106	4,460	44,925	3,865

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 2017	GROUP 2016	BANK 2017	BANK 2016
Profit before tax	141,801	13,432	135,359	18,576
Corporate tax rate at 25% (2016: 25%)				
Tax calculated at corporate tax rate	34,819	3,358	33,840	4,644
Net impact of items deductible/not deductible for tax purposes	4,319	74	4,317	(1,708)
National fiscal stabilisation levy at 5% (2016: 5%)	6,968	1,028	6,768	929
Income tax expense	46,106	4,460	44,925	3,865

Fidelity Asia Bank operates under a different tax regime and was not considered for the group corporate tax computation.

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

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	At 31 December
Year of assessment				
Current income tax				
Up to 2016	(12,066)	-	-	(12,066)
2017	-	(21,466)	36,385	14,919
	(12,066)	(21,466)	36,385	2,853
National fiscal stabilisation levy				
Up to 2016	(2,258)	-	-	(2,258)
2017	-	(6,988)	6,968	(20)
	(2,258)	(6,988)	6,968	(2,278)
Bank				
Year of assessment				
Current income tax				
Up to 2016	(12,152)	-	-	(12,152)
2017	-	(20,457)	35,386	14,929
	(12,152)	(20,457)	35,386	2,777
National fiscal stabilisation levy				
Up to 2016	(2,384)	-	-	(2,384)
2017	-	(6,710)	6,768	58
	(2,384)	(6,710)	6,768	(2,326)

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:

	2017			2016		
GROUP	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	(19)	4,292	4,273	(1)	342	341
Impairment allowances for loan losses	(15,438)	-	(15,438)	(14,259)	-	(14,259)
Gains on available for sale investments	-	8,536	8,536	-	6,561	6,561
Net tax (assets)/liabilities	(15,457)	12,828	(2,629)	(14,260)	6,903	(7,357)
BANK						
Property and equipment	-	4,292	4,292	-	342	342
Impairment allowances for loan losses	(15,438)	-	(15,438)	(14,259)	-	(14,259)
Gains on available for sale investments	-	8,536	8,536	-	6,558	6,558
Net tax (assets)/liabilities	(15,438)	12,828	(2,610)	(14,259)	6,900	(7,359)

Deferred tax is calculated using the enacted income tax rate of 25% (2016: 25%). Deferred tax liabilities and deferred tax charges in the statement of comprehensive income are attributable to the following items:

GROUP

2017	At 1 January	movement	At 31 December
Property and equipment	341	3,932	4,273
Impairment allowance for loan losses	(14,259)	(1,179)	(15,438)
Deferred tax expense through comprehensive income	(13,918)	2,753	(11,165)
Deferred tax expense through equity (gains on available for sale investments)	6,561	1,975	8,536
Total	(7,357)	4,728	(2,629)

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

14. Deferred tax (continued)

BANK

2017	At 1 January	movement	At 31 December
Property and equipment	342	3,950	4,292
Impairment allowance for loan losses	(14,259)	(1,179)	(15,438)
Deferred tax expense through comprehensive income	(13,917)	2,771	(11,146)
Deferred tax expense through equity (gains on available for sale investments)	6,558	1,978	8,536
Total	(7,359)	4,749	(2,610)

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)

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)

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

15. Cash and cash equivalents

	GROUP		BANK	
	2017	2016	2017	2016
Cash and balances with banks	259,293	82,960	247,817	80,259
Unrestricted balances with the Central Bank	-	111,998	-	111,998
Restricted balances with the Central Bank	321,251	310,061	321,251	310,061
Money market placements	959,582	471,952	979,452	458,706
Total	1,540,126	976,971	1,548,520	961,024

16. Investment Securities

	GROUP		BANK	
	2017	2016	2017	2016
At 1 January	1,654,207	1,369,355	1,650,277	1,365,877
Additions	11,174,471	6,600,098	11,161,431	6,591,289
Redeemed on maturity	(10,328,925)	(6,341,490)	(10,318,375)	(6,333,123)
Gain/(losses) from changes in fair value	34,146	26,244	34,146	26,234
At 31 December	2,533,899	1,654,207	2,527,479	1,650,277
Maturing within 91 days of acquisition	330,062	380,461	330,062	380,288
Maturing after 91 days but within 182 days	188,042	582,851	181,821	579,294
Maturing after 182 days of acquisition	579,275	426,959	579,275	426,959
Maturing after 1 year of acquisition	1,436,520	263,936	1,436,321	263,736
Total	2,533,899	1,654,207	2,527,479	1,650,277

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 2017	GROUP 2016	BANK 2017	BANK 2016
Available-for-sale	2,493,333	1,625,437	2,493,333	1,624,043
Gains/(losses) from changes in fair value	34,146	26,244	34,146	26,234
	2,527,479	1,651,681	2,527,479	1,650,277
Held to maturity	6,420	2,526	-	-
	2,533,899	1,654,207	2,527,479	1,650,277

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

17. Loans and advances to customers

	GROUP		BANK	
(a) Analysis by type:	2017	2016	2017	2016
Term loans	1,022,824	1,232,700	983,084	1,194,898
Overdrafts	214,634	230,980	214,633	230,980
Staff	28,753	20,829	28,753	20,829
Gross loans and advances to customers	1,266,211	1,484,509	1,226,470	1,446,707
Impairment allowance (Note 12)	(199,676)	(131,914)	(199,676)	(131,914)
Net loans and advances to customers	1,066,535	1,352,595	1,026,794	1,314,793
Current	653,819	776,836	614,078	776,836
Non current	412,716	575,759	412,716	537,957
	1,066,535	1,352,595	1,026,794	1,314,793

(b) Analysis by type of customer:				
Individuals	116,513	99,569	116,513	99,569
Private enterprises	1,043,540	1,148,868	1,003,799	1,111,066
State enterprise and public institutions	77,405	215,243	77,405	215,243
Staff	28,753	20,829	28,753	20,829
	1,266,211	1,484,509	1,226,470	1,446,707
Impairment allowance (Note 12)	(199,676)	(131,914)	(199,676)	(131,914)
Net loans and advances to customers	1,066,535	1,352,595	1,026,794	1,314,793

(c) Analysis by business segment				
Agriculture, forestry and fishing	5,859	48,511	5,859	48,511
Mining	14,864	94,311	14,864	94,311
Manufacturing	120,463	80,054	120,463	80,054
Construction	242,868	90,234	242,868	90,234
Electricity, gas and water	243,887	344,602	243,887	344,602
Commerce and finance	174,559	382,641	174,559	344,839
Transport, storage and communication	228,961	166,263	228,961	166,263
Services	234,393	277,746	194,652	277,746
Miscellaneous	357	147	357	147
	1,266,211	1,484,509	1,226,470	1,446,707
Impairment allowance (Note 12)	(199,676)	(131,914)	(199,676)	(131,914)
Net loans and advances to customers	1,066,535	1,352,595	1,026,794	1,314,793

[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	
	2017	2016	2017	2016
Loan loss provision ratio	15.77%	8.89%	16.28%	9.12%
50 largest exposures to total exposures	85%	74%	85%	74%

18. Investments (other than securities)

	GROUP		BANK	
	2017	2016	2017	2016
Mustard Capital Partners Limited	-	27	-	27
Fidelity Securities Limited	-	-	101	101
Fidelity Asia Bank Limited	-	-	12,370	8,163
Total	-	27	12,471	8,291
Movement in investments (other than securities):				
At 1 January	27	53	8,291	8,317
Additional investments	-	-	4,207	-
Fair value adjustment	(27)	(26)	(27)	(26)
At 31 December	-	27	12,471	8,291

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.

The Bank's Board in 2017 passed a resolution to increase the share capital of Fidelity Asia Bank by USD 1 million. This constitutes "Additional investments" as indicated in note 18.

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

19. Other assets

	GROUP		BANK	
	2017	2016	2017	2016
Prepayments	46,098	38,663	46,098	38,662
Sundry assets	71,146	66,280	71,315	71,159
Income tax expense	-	12,066	-	12,152
National fiscal stabilisation levy	-	2,258	-	2,384
Amounts due from associated companies	59	47	13,070	5,903
	117,303	119,314	130,483	130,260

20. Property plant and equipment

GROUP

Year ended December 2017

Cost	At 1 January	Additions	Transfers	Disposals	At 31 December
Motor vehicles	8,131	7,336	-	(1,777)	13,690
Computers – Hardware	22,467	2,805	3,054	-	28,326
Equipment	14,925	9,900	1,848	-	26,673
Furniture and fittings	5,680	618	588	-	6,886
Leasehold improvement	14,543	5,953	48,597	-	69,093
Building	2,127	-	-	-	2,127
Land	12,454	-	-	-	12,454
Capital work-in-progress	55,966	1,165	(54,087)	-	3,044
Total	136,293	27,777	-	(1,777)	162,293

Accumulated depreciation	At 1 January	Charge for the year	Transfers	Disposals	At 31 December
Motor vehicles	6,121	1,111	-	(1,777)	5,455
Computers – Hardware	15,904	2,769	-	-	18,673
Equipment	10,424	2,352	-	-	12,776
Furniture and fittings	4,505	654	-	-	5,159
Leasehold improvement	6,138	2,599	-	-	8,737
Building	16	-	-	-	16
Total	43,108	9,485	-	(1,777)	50,816
Carrying value:					
At 31 December 2017					111,477

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

20. Property plant and equipment (continued)

BANK

Year ended December 2017	At 1 January	Additions	Transfers	Disposals	At 31 December
Cost					
Motor vehicles	7,882	7,336	-	(1,777)	13,441
Computers – hardware	22,290	2,805	3,054	-	28,149
Equipment	14,761	9,900	1,848	-	26,509
Furniture and fittings	5,677	618	588	-	6,883
Leasehold improvement	14,316	5,952	48,597	-	68,865
Land	14,565	-	-	-	14,565
Capital work-in-progress	56,021	1,165	(54,087)	-	3,099
Total	135,512	27,776	-	(1,777)	161,511

Accumulated depreciation	At 1 January	Charge for the year	Transfers	Disposals	At 31 December
Motor vehicles	5,942	1,101	-	(1,777)	5,266
Computers – Hardware	15,774	2,751	-	-	18,525
Equipment	10,267	2,340		-	12,607
Furniture and fittings	4,514	649	-	-	5,163
Leasehold improvement	5,996	2,568	-	-	8,564
Total	42,493	9,409	-	(1,777)	50,125
Carrying value:					
At 31 December 2017	93,019	-	-	-	111,386

Bank and Group

Movement on disposal of assets

	2017	2016
Cost	1,777	6,224
Accumulated depreciation	(1,777)	(216)
Carrying value	-	6,008
Proceeds on disposaL	(479)	(8,494)
Profit on disposal	(479)	(2,486)

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

20. Property plant and equipment (continued)

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		Disposal	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					
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

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

21. Intangible assets

Year ended December 2017

GROUP	At 1 January	Additions	Transfers	At 31 December
Cost				
Computer software	22,392	2,022	12,805	37,219
Capital work in progress	5,182	9,199	(12,805)	1,576
Goodwill	2,338	-	-	2,338
	29,912	11,221	-	41,133
Accumulated amortisation	At 1 January	Charge for the year		At 31 December
Computer software	21,119	1,144		22,263
Carrying value:				
At 31 December 2017				18,870

BANK	At 1 January	Additions	Transfers	At 31 December
Cost				
Computer software	20,240	1,055	12,805	34,100
Capital work in progress	5,184	9,193	(12,805)	1,572
Goodwill	2,338	-	-	2,338
	27,762	10,248	-	38,010
Accumulated amortisation	At 1 January	Charge for the year		At 31 December
Computer software	20,194	522		20,716
Carrying value:				
At 31 December 2017				17,294

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

21. Intangible assets (continued)

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				8,793

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				7,568

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

21. Intangible assets (continued)

The Bank reviews its 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	2017	2016	% Growth
Deposits (GH¢'000)	**263,911**	221,745	19
Net Revenue (GH¢'000)	**36,954**	25,027	48
Number of customers ('000)	**185**	159	16

22. Non current assets held for sale

This represents the carrying value of assets repossessed by the Bank due to loan default. The Bank is in the process of selling these assets.

The major class of assets classified as held for sale are as follows:

	Collateral repossessed	
	2017	2016
Property and equipment	1,011	1,011
Total assets classified as held for sale	1,011	1,011

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

23. Deposits from customers

	GROUP		BANK	
	2017	2016	2017	2016
Current accounts	1,660,874	1,215,185	1,684,810	1,214,473
Call accounts	438,795	321,713	438,795	321,711
Savings accounts	746,569	658,596	746,569	658,596
Time deposits	1,006,483	941,061	973,138	905,834
Total	3,852,721	3,136,555	3,843,312	3,100,614
Current	2,442,053	1,922,083	2,437,349	1,886,142
Non -current	1,410,668	1,214,472	1,405,963	1,214,472
Total	3,852,721	3,136,555	3,843,312	3,100,614
Analysis by type of depositor:				
Individuals and other private enterprises	2,248,180	2,838,212	2,238,771	2,802,271
Government departments and agencies	1,604,541	298,343	1,604,541	298,343
Total	3,852,721	3,136,555	3,843,312	3,100,614
20 largest depositors to total deposit ratio	34.77%	21.73%	34.85%	21.98%

24. Deposits from banks and other financial institutions

	GROUP		BANK	
	2017	2016	2017	2016
Other deposits from banks	111,769	120,377	113,159	120,377
Total	111,769	120,377	113,159	120,377

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

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

25. Borrowings (The Group and The Bank)

Movement in borrowings is shown as follows:

2017	At 1 January	Drawdown	Interest	Repayments	Exchange differences	At 31 December
GHIB (a)	6,300	-	358	(4,676)	261	2,243
PROPARCO (b)	44,968	-	2,864	(9,304)	2,218	40,746
SHELTER AFRIQUE (c)	34,392	-	1,438	(35,830)	-	-
DEG, FMO and SWEDFUND (TIER II CAPITAL) (d)	252,011	-	29,320	(22,733)	13,262	271,860
KfW (e)	9,178	-	5,061	(286)	-	13,953
DEV. BANK OF AUSTRIA (h)	-	43,496	1,825	(1,597)	664	44,388
FMO (g)	-	234,878	10,795	(10,074)	3,580	239,179
EUROPEAN INVESTMENT BANK (f)	-	69,752	2,042	(1,435)	1,069	71,428
Total	346,849	348,126	53,703	(85,935)	21,054	683,797
Current						58,829
Non -current						624,968
Total						683,797

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

25. Borrowings (The Group and The Bank) (continued)

(a) 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 is the sum of the applicable US prime rate and a margin of 2.75% per annum over a 5 year period.

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

A loan of 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.

(c) 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. The facility was fully paid off during the year.

(d) 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 and supporting the growth strategy of the Bank. The rate of interest on the loan is 6 month LIBOR plus a margin 7.25%. 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.

(e) 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 2016 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%.

25. Borrowings (The Group and The Bank) (continued)

(f) European Investment Bank

On 14 October 2016, an EUR 15million loan agreement was signed between European Investment Bank and Fidelity Bank for the purpose of on lending to customers. Repayment is agreed to be on a half yearly basis at an interest rate of the sum of 6 months LIBOR USD rate and the applicable margin of 2.20% p.a. over a period of nine (9) years and expected to be fully paid off in April, 2025.

(g) NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO)

NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO) together with the Belgian Investment Company for Developing Countries NV/SA lent to the bank under a syndicated loan agreement dated 20th December, 2016 a facility amounting to US$54 million. The facility is expected to last for a period of 5 years at an aggregate interest rate of the 6 months USD LIBOR plus 4.75% p.a. The purpose of the facility is for on-lending to the Bank's customers.

(h) Development Bank of Austria

Fidelity Bank Ghana Ltd obtained a US$10 million loan facility from the Development Bank of Austria to be used purposely for on- lending to customers. The facility was obtained at a rate of the sum of 6 months LIBOR USD and the applicable margin of 4.25% p.a. The agreed tenure is for a period of 5 years and repayments are scheduled semi-annually.

(i) 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 has been fully paid off.

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

26. Other liabilities

	GROUP		BANK	
	2017	2016	2017	2016
Accrued interest payable	16	14,489	16	14,489
Other creditors and accruals	199,962	98,879	203,104	97,926
	199,978	113,368	203,120	112,415

27. Earnings per share

The calculation of basic earnings per share as at 31 December 2017 was based on the profit attributable to ordinary shareholders of GH¢90.43 million (2016; GH¢14.71 million) and a weighted average number of ordinary shares outstanding of 25.25 million (2016: 25.25 million), calculated as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Profit attributable to ordinary shareholders				
Net profit for the year	95,695	8,972	90,434	14,711
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¢)	3.79	0.36	3.58	0.58
Diluted earnings per share (GH¢)	3.79	0.36	3.58	0.58

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

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

28. Stated capital

Group and Bank

a. Summary

	2017	2016
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

	2017	2016
Authorised		
Ordinary shares of no par value (‘000)	1,000,000	1,000,000
Issued and fully paid:		
At 1 January	25,250	25,250
Issued during the year	-	-
At 31 December	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.

c. Preference shares

	2017	2016
Authorised		
Preference shares (‘000)	50,000	50,000
Issued and fully paid:		
At 1 January	10,400	10,400
Issued during the year	-	-
At 31 December	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.

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

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 34 of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

30. Other reserves

GROUP

Year ended 31 December, 2017	Available for sale reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2017	19,683	(149)	9,131	28,665
Change in fair value of available for sale investment securities - gross	7,901	-	-	7,901
Change in fair value of available for sale investment securities - tax	(1,975)	-	-	(1,975)
Change in fair value of equity security				
Foreign currency translation differences of foreign subsidiary	-	(27)	584	557
	5,926	(27)	584	6,483
At 31 December 2017	25,609	(176)	9,715	35,148
Year ended 31 December, 2016				
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 for foreign subsidiary	-	-	759	759
	18,372	(26)	759	19,105
At 31 December 2016	19,683	(149)	9,131	28,665

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

30. Other reserves (continued)

BANK

Year ended 31 December 2017	Available for sale reserve	Revaluation reserve	Total
At 1 January 2017	19,675	(33)	19,642
Change in fair value of available for sale investment securities - gross	7,912	-	7,912
Change in fair value of available for sale investment securities - tax	(1,978)	-	(1,978)
Change in fair value of equity security	-	(27)	(27)
	5,934	(27)	5,907
At 31 December 2017	25,609	(60)	25,549
Year ended 31 December, 2016			
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

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:

	2017	2016
Balance as at 1 January	24,918	30,500
Movement (to)/from income surplus	(6,279)	(5,582)
Balance as at 31 December	18,639	24,918

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

At 31 December	2017	2016
Bank of Ghana Provisioning	229,977	156,832
Credit Risk Reserve	(18,639)	(24,918)
IFRS Impairment	211,338	131,914

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

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

All transactions with related partied with the exception of key management personnel and other employees are priced on an arm's length basis and have been entered into in the normal course of business.

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

The following transactions were carried out with subsidiaries:

	2017	2016
Interest income	1,191	1,312
Interest expense	5,474	37
Fee and commission income	4	9

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

	2017	2016
Placement with subsidiaries	19,871	23,101
Deposits from subsidiaries	146,200	25,341
Amount due to subsidiaries	(2,452)	(1,591)

[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:

	2017	2016
Executive directors	1,150	1,826
Non executive directors	1,011	1,553
Officers and other employees	38,077	21,317
Total	40,238	24,696

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

	2017	2016
Salaries and short-term employee benefits	4,652	4,312
Social security fund contribution	466	458
Provident fund contribution	362	356
	5,480	5,126

(vi) Connected lending:

Included in loans and advances is GH¢ 73.1 million (2016: GH¢58.3 million) being advances to companies where a relationship exists by virtue of shareholding. The advances are at arms length and entered into in the ordinary course of business.

34. Contingencies and commitments

(a) Guarantees and indemnities
The Bank had outstanding guarantees, indemnities and endorsements at the year end of **GH¢ 158.5 million** (2016: GH¢214.7 million).

(b) Documentary credit
The Bank had established documentary credits at year end of **GH¢ 133.9 million** (2016: GH¢72 million).

(c) Commitments
The Bank had loan commitments amounting to **GH¢167.9 million** at the end of the year (2016: GH¢ 6.3 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 **16.02%** (2016: 12.02%).

(ii) Amount of loans written-off
The Bank wrote off a total amount of **GH¢ 5.51 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 2017 was **26.97%** (2016: 26.49%).

(v) Liquid Ratio
The Bank's liquid ratio at the end of 2017 was **2.15** (2016: 1.40).

Value Added Statement for the year ended 31 December 2017

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

Value Added Statement for the year ended 31 December

	GROUP		BANK	
	2017	2016	**2017**	2016
Interest earned and other operating income	**535,559**	464,627	**522,064**	458,723
Direct cost of services	**(193,999)**	(160,053)	**(190,997)**	(154,837)
Value added by banking services	**341,560**	304,574	**331,067**	303,886
Non-banking income	**906**	2,485	**906**	2,485
Impairment loss on financial assets	**(71,404)**	(170,744)	**(71,404)**	(170,744)
Value added	**271,062**	136,315	**260,569**	135,627
Distributed as follows :				
To Employees				
Directors	**(929)**	(1,565)	**(777)**	(994)
Executive Directors	**(5,480)**	(4,013)	**(3,031)**	(2,075)
Other employees	**(112,223)**	(106,495)	**(111,471)**	(103,748)
To Government				
Income tax	**(46,106)**	(4,460)	**(44,925)**	(3,865)
To expansion and growth				
Depreciation	**(9,485)**	(9,081)	**(9,409)**	(9,005)
Amortisation	**(1,144)**	(1,729)	**(522)**	(1,229)
To retained earnings	**95,695**	8,972	**90,434**	14,711

Top 20 Ordinary Shareholders as at 31 December 2017

	Name of shareholder	2017 Shareholding	
		No. of Shares	% Holding
1	Africa Capital LLC	8,879,187	35.17%
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. Edward Effah	375,000	1.49%
10	Mr. Bernard Lind	287,500	1.14%
11	PAL Trustees Limited/ Kwamina Duker	282,313	1.12%
12	Ambassador (Mrs.) Johanna Svanikier	258,970	1.03%
13	Mr. Philip Addison	150,000	0.59%
14	Mr. Jonathan Adjetey	125,000	0.50%
15	GCB Bank Limited	125,000	0.50%
16	Business Development Consultancy	125,000	0.50%
17	Mr. Jim Baiden	85,000	0.34%
18	Mr. Alex Dodoo	82,424	0.33%
19	Prof. John & Dr.(Mrs.) Magaret Gyapong	60,000	0.24%
20	Fidelity Trust	55,000	0.22%
	Total	24,366,212	96.50%
	Others	883,788	3.50%
	Grand Total	**25,250,000**	**100%**

Analysis of shareholding as at 31 December 2017

Category	Number of Shareholders	Number of Shares	% Holding
1 - 50,000	32	631,364	2.50%
50,001 - 500,000	14	2,263,631	8.96%
500,001 - 1,000,000	2	1,455,000	5.76%
Over 1,000,000	6	20,900,005	82.78%
Total	**54**	**25,250,000**	**100.00%**

Directors who held office at any time during the year

Directors	Number of Shares	% Holding
Edward Effah	**375,000**	1.49%
Johanna Svanikier	**258,970**	1.03%
Jim Baiden	**85,000**	0.34%
Total	**718,970**	2.86%

Preference Shareholders as at 31 December, 2017

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%

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