LA COMMUNITY BANK LIMITED

ANNUAL REPORT AND FINANCIAL

STATEMENTS

2018 (ABRIDGED)

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NOTICE OF MEETING

Notice is hereby given that the **Thirty-first** Annual General Meeting of **LA COMMUNITY BANK LIMITED** will be held at the **PRESBYTERIAN CHURCH HALL, OSU** on **WEDNESDAY, 26TH June 2019 at 10.00 a.m.** for the following purposes.

AGENDA

1. To receive and consider the Financial Statements for the year ended 31st December 2018, together with the Report of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st December, 2018.
3. To re-elect Director.
4. To authorize the Directors to determine the remuneration of the Auditors.

Dated this 28th Day of May, 2019

L. S. N. AKUETTEH
SECRETARY

NOTE:

1. A copy of the Financial Statements for the year ended 31st December, 2018 together with the Reports of the Directors and Auditors has been published on the Bank's Website www.lacommunitybank.com
   All shareholders are encouraged to visit the website and print copies for their study and necessary action.
2. A member of the Company entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. B. A. Gogo (Chairman)
	Dr. Nii Kwaku Sowa (Vice Chairman)
	Mrs. Helen Koshie Lokko (Member)
	Mr. Amarkai Amarteifio (Member)-Resigned on 31 Dec 2018
	Mr David Emmanuel Anang Oddoye-Appointed on 19 July 2018
	Mr. Benjamin Obodai (Member)
	Mr. Nicholas Okoe Sai (Member)
	Dr. (Mrs.) Matilda Pappoe (Member)
	Prof. (Mrs.) Irene K. Odotei (Member)
	Mr. Peter Tehova (General Manager)
SECRETARY	Mr. L. S. N. Akuetteh
AUDITORS	KPMG 13 Yiyiwa Drive Abelenkpe P.O. Box GP242 Accra
COUNTRY OF INCORPORATION	Ghana
REGISTERED OFFICE	No. G224/1 Lami Jwahe Post Office Box LA 499 La - Accra
BANKERS	Barclays Bank Ghana Limited ARB Apex Bank Limited
SOLICITORS	Nsiah Akuetteh & Co 21 Samura Machel Road Asylum Down, Accra P.O.BOX A 329 La - Accra

FINANCIAL HIGHLIGHTS

	2018 GH¢	2017 GH¢	PERCENTAGE CHANGE (%)
Loans and Advances	2,843,625	3,067,526	(7.30)
Total Assets	52,414,044	50,816,163	3.14
Customers' Deposits	43,154,584	40,573,593	6.36
Shareholders' Funds	6,314,950	7,788,745	(18.92)
For the year ended 31st December			
Profit before Taxation	1,075,600	659,698	63.04
Profit after Taxation	1,665,205	551,148	202.13
Earnings Per Share (EPS)	0.089	0.03	201.60
Proposed Dividend Per Share	0.02	0.02	-

INTRODUCTION

Distinguished Shareholders, Ladies and Gentlemen.

It is with great pleasure that I welcome you to the Bank's 31st Annual General Meeting.

The year 2018 saw some very significant number of changes within the Banking Industry. As you are well aware, the Bank of Ghana began an exercise to raise the minimum capital of Universal Banks effective 31st December 2018, having done same for all Rural and Community Banks which took effect from 31st December 2017. Before this exercise could be completed in the year 2017, the licenses of 2 Universal Banks were withdrawn in July of the same year followed by another 5 Universal Banks losing their license in August 2018 to establish the Ghana Consolidated Bank Ltd. This resulted in some liquidity crunch and put liquid resources of many individuals, companies and banks at risk.

At the close of the year 2018, 2 other Banks were also consolidated leading to panic withdrawals by many customers who did not know which banks were going to follow next. All these created a very challenging economic environment for our banking business as many customers were reluctant to keep money at the Bank. What has not changed however is the unique ability of your Bank to continue to adapt to an environment that remains volatile and challenging in a manner that reflects our qualities and resilience. The dust has however not yet settled as the Central Bank is yet to commence moves to clean up the Microfinance and Rural/Community Banking sectors of the Industry.

ECONOMIC ENVIRONMENT

In 2018, Ghana's economy continued to expand, though the pace of growth was slower than what was achieved in the previous year. The full-year real GDP growth projection was revised from 6.8% to 5.6% due to the rebasing exercise conducted in October 2018.

Ghana's fiscal performance has shown a broad turnaround in the past 24 months. The fiscal deficit, which was 9.3% of GDP in 2016, narrowed to 5.9% in 2017 and declined further to about 3.2% in 2018. This was largely the result of expenditure control measures, as expected revenue inflows remained relatively weak. The government continued with its fiscal consolidation efforts which have become imperative in the last few years.

The inflation rate has stabilized to levels within the Central Bank's target range of 6% to 10%. The moderation in the rate of inflation has created room for policy rate easing as the rate, which was 20% in January 2018 ended the year at 17%.

OPERATING PERFORMANCE

In spite of the turbulence in the financial industry and the challenging economic and business environment, your Bank's operating performance improved in 2018 compared to that of 2017. Net Profit Before Tax increased by about 63% from a figure of GH¢659,698 in 2017 to GHc1,075,600 in 2018 attributable to cost reduction in Personnel expenses and Other Operating costs.

Net Interest Income on the other hand grew marginally from GH¢7.16 million in 2017 to GH¢7.17 million in 2018 due to the consistent decline in Money Market Interest Rates. Total Revenue also grew marginally from Ghc7.86 million in 2017 to Ghc7.99 million in 2018.

Profit After Tax however, saw a significant growth of 202% from a figure of GH¢551,148 in 2017 to GHc1,665,205 in 2018. This was due to an Income Tax expense due to the Bank from the tax computations, which was a credit of Ghc 589,605.

Distinguished Shareholders, despite the challenges in the financial sector in general and the banking industry in particular, your Bank continues to be profitable. I can assure you that the Board and Management will continue to make strenuous efforts to consolidate the gains made, especially in the areas of controlling operating expenses and increasing various income lines through a sizable growth in the Loan Book and increased Investments with minimal risk.

STATEMENT OF FINANCIAL POSITION

I am pleased to inform you that the Stated Capital of your Bank increased from GH¢2.03 million in 2017 to GHc 2.07 million in 2018. Even though the increase was marginal, it is comforting to note that our Bank continues to attract new investors. It is worth noting that our current stated capital of Ghc2,071,305 is more than double the regulatory requirement for Rural and Community Banks. I therefore wish to welcome all new Shareholders to this meeting and also encourage all of us to endeavour to increase your shareholding in the Bank for our mutual benefit.

The Bank's Total Assets grew by 3.1% from GH¢50.8 million in 2017 to GH¢52.4 million in 2018 due mainly to the relative success of our deposit mobilization efforts. Deposits increased by 6.3% from GH¢40.5 million in 2017 to GH¢43.1 million in 2018 while Loans and Advances decreased by about 7.3% from GH¢3.06 million in 2017 to GH¢2.84 million in 2018. We will endeavor to increase the Loan Book by identifying creditworthy and viable businesses to support and also increase our lending to less risky customers especially Salary Loans for Workers on the Government Pay Roll.

APPROPRIATION

Ladies and Gentlemen, the Bank's Net Profit after Tax attributable to equity holders is GH¢1,665,205. Out of this, an amount of GH¢213,776 has been transferred to the Statutory Reserve Fund, while an amount of Ghc 373,848 was set aside for Dividend approved for 2017.

The resulting balance when added to the balance brought forward on 2017 Retained Earnings of Ghc 3,345,322 and other adjustments for IFRS 9 of Ghc2,805,625 has brought the balance remaining on Retained Earnings at the end of the year 2018 to GH¢1,625,090 which is available for appropriation.

A provision of GH¢ 374,516 has therefore been made for the payment of Dividend for the year 2018.

Distinguished Shareholders, I am happy to report that we continue to support our local Community and Institutions with various donations as part of our Corporate Social Responsibility. Our Scholarship Scheme for needy students in our locality also continues to receive our firm and committed support. To further support the continued education of these students, the Board has made an additional allocation of GH¢60,000 to the La Education Fund. These funds will be disbursed to needy students who have excelled in their final examinations and passed a competitive interview organized jointly by the Bank and officials of La Mansaamo Kpee.

DIVIDEND

In spite of the challenging year under review and the uncertainties in the financial industry, the Directors will be proposing a Dividend of GH¢0.02 per Share totalling GH¢ 374,516 for 2018. A resolution to this effect will be tabled in the course of this meeting for your approval to authorise Directors to pay your Dividend. We are convinced that if we continue to work hard with dedication, passion and creativity, and seize the opportunities ahead of us, the future of your Bank will continue to be bright.

STAFF

In line with our 5-Year Strategic Plan, a programme of professional development of our Human Capital through continuous on-the-job training has begun in order to update the knowledge and skills of our staff members with a view to providing first class services to our customers. We will consolidate this process and ensure that our staff are among the best-trained in the industry.

OUTLOOK FOR 2019

We are optimistic about the prospects of a robust growth for our business in 2019 in spite of the apparent liquidity challenges in the system, caused by the residual effects of the clean up of the banking industry.

We plan to embark on a marketing drive to advertise our products and services through a multi-media approach, in order to broaden our customer base. We therefore encourage you to spread the good news about your Bank to enable us attract new business and increase our market share.

Inspite of all the challenges in the year 2018, your Bank managed to construct a new Agency building to replace the Teshie/Nungua rented premises at a cost of nearly Ghc2 million. We also were able to acquire our own Core Banking Software and a new Data Centre at a Cost in excess of $100,000 which now gives us effective control of our Data and flexibity to create our own products for the satisfaction of our customers.

Distinguished Ladies and Gentlemen, we believe your Bank is now very well positioned, as we embark on the first year of implementing our new 5-Year Strategic Plan from 2019 to 2023. We will ensure this new strategy taps into the opportunities in the marketplace and creates sustainable growth for your Bank over the next 5 years.

We will continue to deepen our relationship with our customers as we strive to offer them excellent and memorable customer experiences through the right technology and innovative products and services while maintaining our focus on minimizing and diversifying risks, as well as improving productivity and efficiency. Barring any unforeseen delays, we plan to introduce Mobile Banking and other e-banking services to create convenience and make banking easy, quick and smart for our customers.

Our new Strategic Plan will ensure that your Bank remains competitive and ready to face the challenges in the banking industry while taking advantage of the opportunities that will definitely be available in the midst of the difficulties.

CONCLUSION

On behalf of the Board, I wish to thank all our Stakeholders for the confidence reposed in the Bank. To our Shareholders, in particular, we are grateful for the support and encouragement we continue to receive from you. I am confident that we can continue to count on this support in the years ahead.

My appreciation also goes to my fellow Board members, Management and Staff of the Bank for working tirelessly in gradually returning our business to the performance levels we are noted for, and look forward to improved performance in the coming years.

On a personal note, I wish to inform you that I will be retiring from the Board with effect from the end of this meeting. It has been a priviledge and an honour to serve on the Board for the past 15 years. As I bow out, I wish to thank you for your support during my entire membership and Chairmanship of the Board and wish you and my colleague Directors very good success for the Bank in the future.

I also wish to inform you that Mr. Amarkai Amarteifio, who was a founding Director, and had been on the Board for as long as the Bank has been in existence, retired from the Board in 2018. I am sure Members will join me and the Board in expressing our deepest appreciation to Mr. Amarteifio for the crucial pioneering role he played in the establishment of the Bank and the invaluable services he rendered over a period of 31 years. We owe him a debt of gratitude and we wish him a well-deserved rest.

Ladies and Gentlemen, I thank you all for your kind attention. May the Good Lord Bless us all.

Thank you.

B. A. GOGO

CHAIRMAN

REPORT OF THE DIRECTORS TO THE MEMBERS OF LA COMMUNITY BANK LIMITED

Report of the Directors
The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2018 report, as follows:

Directors' Responsibility Statement
The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view of La Community Bank Limited, comprising the statement of financial position at 31 December 2018, and the statements of comprehensive income, changes in equity and 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 (IFRSs), and in the manner required by the Companies Act, 1963 (Act 179), and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the Directors are responsible for the preparation of the Directors' report.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

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.

The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Financial Report and Dividend
The financial results of the Bank for the year ended 31 December 2018 are set out in the attached financial statements, highlights of which are as follows:

31 December	**2018**	**2017**
	GH¢	**GH¢**
Profit before taxation is	1,075,600	659,698
from which is added/(deducted) taxation of	589,605	(108,550)
giving a profit after taxation for the year of	1,665,205	551,148
to which is deducted Other Comprehensive Income, net of tax	7,812	(17,834)
less net transfer to Statutory Reserve Fund and Other Reserves of	(213,776)	(74,012)
out of which was paid/declared dividend of	(373,848)	(827,300)
leaving a balance of	1,085,393	(367,998)
from which when deducted an adjustment on initial application of IFRS 9	(2,805,625)	-
which when added to a balance brought forward on retained earnings of	3,345,322	3,713,320
gives a balance of	1,625,090	3,345,322

As indicated above, in accordance with Section 29(a) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of GH¢213,776 (2017:GH¢74,012) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢2,487,049 at the year end.

The Directors recommend the payment of dividend of GH¢374,516 being GH¢0.02 per share (2017: GH¢373,848, being GH¢0.02 per share).

REPORT OF THE DIRECTORS TO THE MEMBERS OF LA COMMUNITY BANK LIMITED - (CONT'D)

Nature of Business

The principal activities carried out by the Bank include the provision of micro finance facilities in the form of loans to the general public, with the emphasis on lending to those in society with limited incomes who would not ordinarily qualify for a loan from a traditional commercial bank. The Bank also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.

The Bank is licensed to operate the business of a community bank.

There was no change in the nature of the Bank's business during the year.

Majority Shareholder

The majority shareholder of the Bank, La Mansaamo Kpee holds 15.36% of the stated capital of the Bank.

Auditor

The Auditor, KPMG, will continue in office in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179).

Approval of the Financial Statements

The financial statements of the Bank were approved by the board of Directors on 4TH June, 2019 and were signed on their behalf by:

....	....
B.A.Gogo	P. K. Tehova
Chairman.	Director.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LA COMMUNITY BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of La Community Bank Limited ("the Bank"), which comprise the statement of financial position at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 84.

In our opinion, these financial statements give a true and fair view of the financial position of La Community Bank Limited at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179) and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter

Impairment of loans and advances to customers, debt investment securities and cash and cash equivalents:

Refer to Notes 18, 19 and 21 to the financial statements.

At 31 December 2018 the Bank reported total gross loans and advances of GH¢3,014,347, investment debt securities of GH¢33,923,879 and cash and cash equivalents of GH¢10,939,115 with their related Expected Credit Losses (ECLs) of GH¢170,722, GH¢2,832,613 and GH¢491,460 respectively.

Key judgments and estimates in respect of the timing and measurement of expected credit losses (ECLs) include:

- Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard;
- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;
- Completeness and accuracy of data used to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple economic scenarios;
- Measurements of individually assessed provisions including the assessment of multiple scenarios; and
- Accuracy and adequacy of the financial statements disclosures.

Measurement of impairment under IFRS 9 is deemed a key audit matter as the determination of assumptions for the measurement of impairments requires Management to apply judgments about future events.

How the matter was addressed in our audit

As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. Our procedures included:

- We tested management's allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, individual provisions and all journal entries and disclosures.
- We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment.
- We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; this included peer benchmarking to assess staging levels. We tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.
- We tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques in determining the Probability of Default (PDs), Loss Given Default (LGDs) and Exposure at Default (EADs).
- We tested the data used in the ECL calculation by reconciling to source systems.
- We assessed whether forecasted macroeconomic variables were appropriate, such as GDP and inflation.
- We selected a sample (based on quantitative thresholds) of larger clients where impairment indicators had been identified by the Bank to assess the individual exposure of these clients. We also assessed the recoverability of these exposures and challenged whether individual impairment allowance, or lack of, were appropriate.
- We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39.

Other Information

The Directors are responsible for the other information. The other information comprises Report of the Directors as required by the Companies Act, 1963 (Act 179) and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of the Directors for the Financial Statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179) and 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 misstatements whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank'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 or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing (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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Bank 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.

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.

Report on Other Legal and Regulatory Requirements
Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 85 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept and the statements of financial position and comprehensive income are in agreement with the books of account.

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendments and Regulations governing the Acts.

The Engagement Partner on the audit resulting in this Independent Auditor's Report is **Frederick Nyan Dennis (ICAG/P/1426)**.

KPMG
....
For and on behalf of:
KPMG: (ICAG/F/2019/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

4 June
.... **2019**

PROFILE OF DIRECTOR STANDING FOR RE-ELECTION

MR. PETER KOFI TEHOVA

Mr. Tehova is a Professional Banker with over 34 years Banking experience in the financial services industry having worked for Barclays Bank of Ghana Ltd in various capacities in 7 different branches including the Head Office. He later resigned in the year 2010 as the Corporate Relationship Manager for the Western and Central Regions to join the Oil and Gas Industry as General Manager of an Oil Marketing Company.

As a Professional Banker he rejoined the Banking Industry in 2013 as the Branch Manager for the Energy Commercial Bank in Takoradi. He was later transferred to Accra in 2014 to open the Trade Fair branch of the Energy Commercial Bank.

In 2015 he joined La Community Bank Ltd as General Manager where he is also the Managing Director and a member of the Board.

He is an Associate of the Chartered Institute of Bankers, Ghana and also holds a Master of Business Administration degree-MBA, Finance Option from the University of Leicester in the United Kingdom.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

	Note	2018 GH¢	2017 GH¢
Assets			
Cash and cash equivalents	18	10,447,655	31,521,686
Investment securities at amortised cost	19	31,091,266	11,891,650
Investment securities at FVOCI	20	160,889	137,155
Loans and advances to customers	21	2,843,625	3,067,526
Current tax asset	16 (a)	205,398	143,306
Property and equipment	22	4,962,234	3,319,270
Intangible assets	23	452,756	-
Deferred tax assets	24	847,225	78,026
Other assets	25	1,402,996	657,544
Total assets		52,414,044	50,816,163
Liabilities			
Deposits from customers	26	43,154,584	40,573,593
Deferred tax liabilities	24	524,618	480,461
Provisions	28	56,170	-
Employee benefit liability	27	60,283	76,178
Other liabilities	29	2,303,439	1,897,186
Total liabilities		46,099,094	43,027,418
Equity			
Stated capital	30 (a)	2,071,305	2,037,905
Statutory reserve	30 (b)	2,487,049	2,273,273
Fair value reserve	30 (b)	131,506	132,245
Retained earnings	30 (b)	1,625,090	3,345,322
Total Equity		6,314,950	7,788,745
Total equity and liabilities		52,414,044	50,816,163

S. Ahiorto

……………………………………
DIRECTOR

……………………………………..
DIRECTOR

The financial statements of the Bank were approved by the Board of Directors on 04th June, 2019.

The notes on pages 15 - 84 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2018 GH¢	2017 GH¢
Interest income calculated using the effective interest method	9	8,617,683	9,132,699
Interest expense	9	(1,443,971)	(1,965,005)
Net interest income		7,173,712	7,167,694
Fees and commission income	10	590,694	565,602
Other operating income	11	132,980	115,745
Other income	12	96,057	19,934
Net trading and other income		819,731	701,281
Revenue		7,993,443	7,868,975
Impairment loss on financial assets	13	(511,124)	(142,623)
Personnel expenses	14	(3,613,221)	(3,947,546)
Depreciation and amortization	22(a)	(417,881)	(351,380)
Other operating expenses	15	(2,375,617)	(2,767,728)
Profit before income tax		1,075,600	659,698
Income tax credit/(expense)	16	589,605	(108,550)
Profit after tax attributable to equity holders of the Bank		1,665,205	551,148
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	27	35,810	(36,878)
Related tax	24(a)	(27,998)	19,044
		7,812	(17,834)
Available for sale financial assets - net change in fair value	20	-	(74,158)
Related tax		-	36,494
Movement in fair value reserve (FVOCI equity investments)		23,734	-
Related tax	24(a)	(24,473)	-
		(739)	(37,664)
Total comprehensive income attributable to equity holders of the Bank		1,672,278	495,650

The notes on pages 15 - 84 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Stated Capital GH¢	Deposit for Share GH¢	Fair value reserve GH¢	Statutory Reserve GH¢	Credit risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as at 1 January 2017	1,527,905	-	169,909	2,199,261	-	3,713,320	7,610,395
Profit for the year	-	-	-	-	-	551,148	551,148
Other comprehensive income:							
Remeasurement of defined benefit liability	-	-	-	-	-	(17,834)	(17,834)
Fair value gain/(loss) on Investments at FVOCI	-	-	(37,664)	-	-	-	(37,664)
Total other comprehensive income	-	-	(37,664)	-	-	(17,834)	(55,498)
Transfer to statutory reserve	-	-	-	74,012	-	(74,012)	-
Net transfers to reserves	-	-	-	74,012	-	(74,012)	-
Transactions with owners of the Bank							
Shares issued	510,000	-	-	-	-	-	510,000
Dividend declared	-	-	-	-	-	(827,300)	(827,300)
Total transactions with owners of the Bank	510,000	-	-	-	-	(827,300)	(317,300)
Balance at 31 December 2017 - Restated	2,037,905	-	132,245	2,273,273	-	3,345,322	7,788,745

The notes on pages 15 - 84 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER (CONT'D)

	Stated Capital GH¢	Deposit for Share GH¢	Fair value reserve GH¢	Statutory Reserve GH¢	Credit risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance at 31 December 2017	2,037,905	-	132,245	2,273,273	-	3,345,322	7,788,745
Adjustment on initial application of IFRS 9	-	-	-	-	-	(2,805,625)	(2,805,625)
Restated balance at 1 January 2018	2,037,905	-	132,245	2,273,273	-	539,697	4,983,120
Profit for the year	-	-	-	-	-	1,665,205	1,665,205
Other comprehensive income, net of tax							
Remeasurement of defined benefit liability	-	-	-	-	-	7,812	7,812
Fair value gain on Investments at FVOCI	-	-	(739)	-	-	-	(739)
Total other comprehensive income	-	-	(739)	-	-	7,812	7,073
Transfer to statutory reserve	-	-	-	213,776	-	(213,776)	-
Net transfers to reserves	-	-	-	213,776	-	(213,776)	-
Transactions with owners of the Bank							
Shares issued	33,400	-	-	-	-	-	33,400
Dividend declared	-	-	-	-	-	(373,848)	(373,848)
Total transactions with owners of the Bank	33,400	-	-	-	-	(373,848)	(340,448)
Balance at 31 December 2018	2,071,305	-	131,506	2,487,049	-	1,625,090	6,314,950

The notes on pages 15 - 84 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Note	2018	2017
		GH¢	**GH¢**
Profit after tax		1,665,205	551,148
Adjustments for:			
Depreciation and amortisation	22(a)	417,881	351,380
Net impairment loss on financial assets	13	511,124	142,623
Net interest income	9	(7,173,712)	(7,167,694)
Gain on disposal of property and equipment	22(b)	-	(600)
Income tax expense	16	(589,605)	108,550
		(5,169,107)	(6,014,593)
Changes in:			
Investment securities		(21,825,000)	(2,137,410)
Loans and advances to customers		(447,549)	(170,210)
Other assets		(745,452)	493,810
Provisions		56,170	4,105
Deposits from Customers		2,580,991	7,243,913
Employee benefit liability*		-	(32,500)
Other liabilities		32,405	(1,113,592)
		(25,517,542)	(1,726,477)
Interest received		8,617,683	9,132,699
Interest paid		(1,443,971)	(1,965,005)
Taxes paid	16(a)	(250,000)	(606,010)
Net cash flow (used in)/from operating activities		(18,593,830)	4,835,207
Cash flows from investing activities			
Acquisition of property and equipment	22	(2,028,492)	(424,097)
Proceeds from disposal of property and equipment	22(b)	-	600
Acquisition of intangible assets	23	(485,109)	-
Net cash flow used in investing activities		(2,513,601)	(423,497)
Cash flows from financing activities			
Proceeds from issue of shares		33,400	510,000
Net cash flows from financing activities		33,400	510,000
Net (decrease)/increase in cash and cash equivalents		(21,074,031)	4,921,710
Balance at beginning		31,521,686	26,599,976
Cash and cash equivalents at 31 December		10,447,655	31,521,686

The notes on pages 15 - 84 are an integral part of these financial statements.

1. Reporting entity

La Community Bank Limited (the Bank) is a limited liability company incorporated in Ghana. The address of the Bank's registered office is G224/1 Lami Jwahe, P. O. Box LA 499, La, Accra. The financial statements of the Bank as at, and for the year ended 31 December 2018 are as stated in this report. The principal activities carried out by the Bank include the provision of micro finance facilities in the form of loans to the general public. The Bank also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit or loss account by part of the statement of comprehensive income in these financial statements. The financial statements were authorised for issue by the Board of Directors on .... 2019.

2. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). This is the first set of the Bank's annual financial statements in which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 5.

Details of the Bank's accounting policies are included in Note 38.

3. Functional and presentation currency

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency. All amounts have been rounded to the nearest one, except when otherwise stated.

4. Use of judgements and estimates

The Preparation of financial statements, in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.
– Applicable to 2018 only:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principal and Interests (SPPI) on the principal amount outstanding. See Note 38.(e)(xi).
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL. See Note 38.(e)(xvi).

4. Use of judgements and estimates cont'd

4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 are set out below in relation to the impairment of financial assets and in the following notes:
– Applicable to 2018 only:
Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information. See Note 38.(e)(xvi).
– Applicable to 2018 and 2017:
Determination of the fair value of financial instruments with significant unobservable inputs. See Note 7.

5. Changes in accounting policies

The Bank has initially adopted IFRS 9 (see "5.1") and IFRS 15 (see "5.2") from 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements.

Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:
– an increase in impairment losses recognised on financial assets; and
– additional disclosures related to IFRS 9
Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 38. to all periods presented in these financial statements.

5.1 IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.* The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements.

Additionally, the Bank has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information.

5 Changes in accounting policies cont'd

5.1 IFRS 9*Financial Instruments cont'd*

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 17.1.

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for- sale. For an explanation of how the Bank classifies financial assets under IFRS 9, see Note 38.(e)(ii).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. For an explanation of how the Bank classifies financial liabilities under IFRS 9, see Note 38.(e)(ii).

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 38.(e)(xvi).

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. To provide comparability to IAS 39 the Bank compares the total of stage 1 and stage 2 Expected Credit Loss (ECL) against IAS 39 portfolio provisions. Stage 3 is based on Bank's definition of default, which remains unchanged. Therefore, stage 3 ECLs is comparable with specific impairments raised under IAS 39.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

– If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 17.1.

5. Changes in accounting policies cont'd

5.2 IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirements.

6. Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital. For information on the Bank's financial risk management framework, See Note 36.

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6. Financial risk review cont'd

A. Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, See Note 36(B).

(i) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI equity investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit risk exposures relating to on-balance sheet assets was as follows:

		2018				**2017**
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Maximum exposure to credit risk		**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Loans and advances to customers	21	2,582,524	197,642	234,181	3,014,347	3,067,526
Investment securities	19	2,425,710	31,498,169	-	33,923,879	11,891,650
Cash and cash equivalents	18	6,186,514	4,752,601	-	10,939,115	31,521,686
		11,194,748	36,448,412	234,181	47,877,341	46,480,862
Loans and advances to customers						
Grade 6: Substandard		-	-	-	-	96,193
Grade 7: Doubtful		-	-	233,683	233,683	81,027
Grade 8: Loss		-	-	-	-	1,566,524
Total gross amount		-	-	233,683	233,683	1,743,744
Allowance for ECL		-	-	(105,897)	(105,897)	(1,616,730)
Carrying amount		-	-	127,786	127,786	127,014
Grade 1–3: Low–fair risk		2,583,022	-	-	2,583,022	3,102,279
Grade 4–5: Watch list		-	197,642	-	197,642	-
Total gross amount		2,583,022	197,642	-	2,780,664	3,102,279
Allowance for ECL		(58,136)	(6,689)	-	(64,825)	(161,767)
Carrying amount		2,524,886	190,953	-	2,715,839	2,940,512
Total carrying amount		2,524,886	190,953	127,786	2,843,625	3,067,526

6. Financial risk review cont'd

A. Credit risk cont'd

***(i) Credit quality analysis* (cont'd)**

	2018				2017
Investments securities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Grade 1–3: Low–fair risk	2,425,710	-	-	2,425,710	11,891,650
Grade 4-5: Watchlist	-	31,498,169	-	31,498,169	-
Loss allowance	-	(2,832,613)	-	(2,832,613)	-
	2,425,710	28,665,556	-	31,091,266	11,891,650
Cash and cash equivalents					
Grade 1–3: Low–fair risk	6,186,514	-	-	6,186,514	31,521,686
Grade 4-5: Watchlist	-	4,752,601	-	4,752,601	-
Loss allowance	(43)	(491,417)	-	(491,460)	-
	6,186,471	4,261,184	-	10,447,655	31,521,686

The above represents the maximum exposure to credit risk at 31 December 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts reported in the statement of financial position.
The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Loans and advances -gross carrying amount					
Current	-	-	-	-	-
Overdue < 30days	2,583,022	-	-	2,583,022	3,102,279
Overdue > 30days	-	197,642	233,683	431,325	1,743,744
Loss allowance	(58,137)	(6,689)	(105,896)	(170,722)	(1,778,497)
	2,524,885	190,953	127,787	2,843,625	3,067,526

6. Financial risk review cont'd

A. Credit risk cont'd

***(i) Credit quality analysis* (cont'd)**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 38. (e) (xvi).

The Bank renegotiates loans with customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Cash and cash equivalents

The Bank held cash and cash equivalents of GH¢10,447,655 at 31 December 2018 (2017:GH¢31,521,686). The cash and cash equivalents are held with ARB Apex Bank and other reputable financial institution counterparties.

(ii) Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The information below sets out the principal types of collateral held against different types of financial assets.

		Percentage of exposure that is subject to collateral requirements		
Type of credit exposure	**Note**	**2018 GH¢**	**2017 GH¢**	**Principal type of collateral held**
Investment securities at amortised cost	19	Nil	Nil	None
Loans and advances to customers	21	100%	100%	Compulsory savings (cash collateral) and other short term investments

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 36 (B)). However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of compulsory savings.

Other types of collateral

In addition to the compulsory savings used as collateral for loans and advances to customers, the Bank also holds other types of collateral such as investments (ie treasury bills).

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.

6. Financial risk review cont'd
A. Credit risk
(iii) Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment
See accounting policy in Note 38.(e)(xvi).

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

– the remaining lifetime probability of default (PD) as at the reporting date; with
– the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

– quantitative test based on movement in PD;
– qualitative indicators; and
– a backstop of 30 days past due.

Credit risk grades
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

6. Financial risk review cont'd

A. Credit risk cont'd

(ii) Amounts arising from ECL (cont'd)

Corporate and retail exposures:

– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
– Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
– Internally collected data on customer behaviour
– Payment record: this includes overdue status as well as a range of variables about payment ratios
– Utilisation of the granted limit
– Requests for and granting of forbearance
– Existing and forecast changes in business, financial and economic conditions

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling:

- the remaining lifetime PD is determined to have increased by more than a stated threshold of the corresponding amount estimated on initial recognition; or,
- if the absolute change is annualised, lifetime PD since initial recognition is greater than a stated threshold of basis points.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

6. Financial risk review cont'd

A. Credit risk cont'd

(ii) Amounts arising from ECL (cont'd)

Determining whether credit risk has increased significantly cont'd

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

6. Financial risk review cont'd

A. Credit risk cont'd

(ii) Amounts arising from ECL (cont'd)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates five economic scenarios: a base case, which is the median scenario assigned a 60% probability of occurring, and four less likely scenarios, two upside and two downside, each assigned a 10% probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the country where the Bank operates.

The economic scenarios used as at 31 December 2018 included the following key indicators for Ghana.

	Year	Real GDP Growth	Consumer Inflation
Actual	2018	3.70%	9.40%
Forecast	2019	7.00%	11.40%
Forecast	2020	6.50%	9.50%
Forecast	2021	5.80%	8.70%
Forecast	2022	5.40%	9.40%
Forecast	2023	5.70%	8.70%

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

6. Financial risk review cont'd

A. Credit risk cont'd

(ii) Amounts arising from ECL (cont'd)

Incorporation of forward-looking information cont'd

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including borrower's extension options if any) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IAS 39:

	2018				2017
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢	Total GH¢
Loans and advances to customers					
Balance at 1 January	94,754	9,158	995,811	1,099,723	1,635,874
12-month ECL	57,853	-	-	57,853	-
lifetime ECL not credit-impaired	-	5,591	-	5,591	-
lifetime ECL credit-impaired	-	-	608,006	608,006	-
Recoveries of amounts previously written off	-	-	-	-	-
New financial assets originated	-	-	-	-	-
Financial assets that have been de-recognised	-	-	-	-	-
Write-offs	(94,470)	(8,060)	(1,497,921)	(1,600,451)	-
Net Remeasurement of loss allowance	-	-	-	-	142,623
Balance at 31 December	58,137	6,689	105,896	170,722	1,778,497

6. Financial risk review cont'd

A. Credit risk cont'd

(ii) Amounts arising from ECL (cont'd)

	2018				2017
Investment securities at amortised cost	**Stage 1 GH¢**	**Stage 2 GH¢**	**Stage 3 GH¢**	**Total GH¢**	**Total GH¢**
Balance at 1 January	-	3,290,173	-	3,290,173	-
Net Remeasurement of loss allowance	-	(457,560)	-	(457,560)	-
New financial assets originated or purchased	-	-	-	-	-
Balance at 31 December	-	2,832,613	-	2,832,613	-
Cash and cash equivalents					
Balance at 1 January	-	29	194,199	194,228	-
Net remeasurement of loss allowance	-	14	297,220	297,234	-
New financial assets originated or purchased	-	-	-	-	-
Balance at 31 December	-	43	491,419	491,462	-

6. Financial risk review cont'd

A. Credit risk cont'd

(iv) Impaired financial assets - comparative information under IAS 39

For the definition of 'impaired financial asset', See Note 6.

For details of impairment allowance for loans and advances to customers, See Note 6.

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

	Loans and advances to customers GH¢ 2017	Investment securities GH¢ 2017
Neither past due nor impaired		
Grades 1- 3: Low–fair risk	3,102,279	11,891,650
Grades 4- 5: Watchlist	-	-
Grades 6- 8: Higher risk	1,743,744	-
Gross amount	4,846,023	11,891,650
Past due but not impaired		
30-60days	-	-
61-90days	3,102,279	-
91-180days	-	-
Gross amount	3,102,279	-
Individually impaired		
Grade 6: Substandard	96,193	-
Grade 7: Doubtful	81,027	-
Grade 8: Loss	1,566,524	-
	1,743,744	-
Allowance for impairment		
Individual	(1,616,730)	-
Collective	(161,767)	-
Total allowance for impairment	(1,778,497)	-
Net carrying amount	3,067,526	11,891,650

6. Financial risk review cont'd

A. Credit risk cont'd

***(iv) Impaired financial assets - comparative information under IAS 39* (cont'd)**

Key ratios on loans and advances to customers

Loan loss provision ratio is 5.66% (2017: 36.70%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 7.77% (2017: 35.98%).

Ratio of fifty (50) largest exposures (gross funded) to total exposure is 45.14% (2017: 45.55%).

(v) Concentrations of credit risk

The Bank monitors concentrations of credit risk by type/category of loan and advances to customers. An analysis of concentrations of credit risk from loans and advances to customers is shown below.

	2018 GH¢	2017 GH¢
	Loans to customers	
Carrying amount	2,843,625	3,067,526
Concentration by product:		
Term loans	1,475,514	2,345,739
Overdrafts	601,929	1,471,254
Staff loans	936,904	1,029,030
Gross loans	3,014,347	4,846,023
Less: Impairment allowance	(170,722)	(1,778,497)
	2,843,625	3,067,526
	Investment debt securities	
Investment debt securities	33,923,879	11,891,650
Cash and cash equivalents	10,939,115	31,521,686
Less: Impairment allowance	(3,324,073)	-
	41,538,921	43,413,336

6. Financial risk review cont'd

B. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and be able to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The table below presents the cash flows payable 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 inherent liquidity risk based on expected undiscounted cash inflows.

i. Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'liquid assets' includes cash, cash reserve balances with ARB Apex Bank, balances with other banks, investments up to one year and Government securities. 'Volatile liabilities' includes deposits from customers, other liabilities, etc.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2018	**2017**
	%	**%**
At period end	96	107

6. Financial risk review cont'd

B. Liquidity risk cont'd

ii. Maturity analysis for financial liabilities and financial assets

The tables below set out the remaining contractual maturities of the Bank's financial assets and financial liabilities.

	Note	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢
31 December 2018						
Financial liability by type						
Non-derivative financial liabilities						
Deposits from Customers	26	43,154,584	(43,154,584)	(38,591,870)	(4,562,714)	-
Other liabilities*	29	2,108,090	(2,108,090)	-	-	(2,108,090)
		45,262,674	(45,262,674)	(38,591,870)	(4,562,714)	(2,108,090)
Financial asset by type						
Non-derivative financial assets						
Cash and cash equivalents	18	10,447,655	10,447,655	8,624,223	1,823,432	-
Investment securities	19	31,091,266	31,091,266	-	14,028,280	17,062,986
Loans and advances to customers	21	2,843,625	2,843,625	-	-	2,843,625
Other assets**	25	1,284,633	1,284,633	-	1,284,633	-
		45,667,179	45,667,179	8,624,223	17,136,345	19,906,611

* Excluded from other liabilities is deferred grant of GH¢ 13,420 (2017:GH¢ 16,377).

** Excluded from other assets are prepayments of GH¢86,336 (2017:GH¢250,438) and Stationery stock of GH¢32,027 (2017:GH¢36,863).

6. Financial risk review (cont'd)
B. Liquidity risk (cont'd)
***ii. Maturity analysis for financial assets and financial liabilities* (cont'd)**

	Note	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢
31 December 2017						
Financial liability by type						
Non-derivative liabilities						
Deposits from Customers	26	40,573,593	(40,573,593)	(32,846,567)	(7,727,026)	-
Other liabilities	29	1,577,905	(1,577,905)	-	-	(1,577,905)
		42,151,498	(42,151,498)	(32,846,567)	(7,727,026)	(1,577,905)
Financial asset by type						
Non-derivative financial assets						
Cash and cash equivalents	18	31,521,686	31,521,686	5,896,024	25,625,662	-
Investment securities	19	11,891,650	11,891,650	-	-	11,891,650
Loans and advances to customers	21	3,067,526	3,067,526	-	-	3,067,527
Other assets	25	370,243	370,243	-	370,243	-
		46,851,105	46,851,105	5,896,024	25,995,905	14,959,177

6. Financial risk review cont'd

B. Liquidity risk (cont'd)

ii. Maturity analysis for financial assets and financial liabilities (cont'd)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents.

iii. Liquidity reserves

The table below sets out the components of the Bank's liquidity reserves.

	Carrying amount 2018 GH¢	Fair value 2018 GH¢	Carrying amount 2017 GH¢	Fair value 2017 GH¢
Balances with ARB Apex Bank	5,026,965	5,026,965	5,141,584	5,141,584
Cash and balances with other banks	4,443,138	4,443,138	25,713,912	25,713,912
Other cash and cash equivalents	977,552	977,552	666,190	666,190
Total liquidity reserves	10,447,655	10,447,655	31,521,686	31,521,686

iv. Financial assets available to support future funding

The table below sets out the availability of the Bank's financial assets to support future funding.

	Note	Encumbered	Unencumbered	Total
31 December 2018				
		GH¢	GH¢	GH¢
Cash and cash equivalents	18	2,187,576	8,260,079	10,447,655
Investment securities	19	-	31,091,266	31,091,266
		2,187,576	39,351,345	41,538,921
31 December 2017				
Cash and cash equivalents	18	2,043,800	29,477,886	31,521,686
Investment securities	19	-	11,891,650	11,891,650
		2,043,800	41,369,536	43,413,336

Encumbered represents mandatory reserve required to be maintained by the Bank based on the Regulator's requirements. See Note 18.

v. Financial assets pledged as collateral

The Bank did not have financial assets pledged as collateral for liabilities at the reporting date (2017: Nil).

6. Financial risk review cont'd

C. Market risk

Market risk is the risk of loss arising from adverse changes in market conditions (interest rates and equity prices) during the period. Positions that expose the Bank to market risk are non-trading related.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

31 December 2018	Note	Carrying amount GH¢	Market risk measure Non-trading portfolios GH¢
Assets subject to market risk			
Cash and cash equivalents	18	10,447,655	10,447,655
Investment securities	19	31,091,266	31,091,266
Loans and advances to customers	21	2,843,625	2,843,625
		44,382,546	44,382,546
Liabilities subject to market risk			
Deposits from customers	26	43,154,584	43,154,584

(i) Risk identification

The Bank identifies market risk through daily monitoring of levels and profit and loss balances of non-trading positions. The Audit and Risk Committee, the Treasurer and the Finance Manager monitor market risk factors that affect the value of income streams on non-trading portfolios on a daily basis.

6. FINANCIAL RISK REVIEW (CONT'D)
C. Market risk (cont'd)
(i) Risk identification cont'd

31 December 2017 **Assets subject to market risk**		**Carrying amount** **GH¢**	**Market risk measure Non-trading portfolios** **GH¢**
Cash and cash equivalents	18	31,521,686	31,521,686
Investment securities	19	11,891,650	11,891,650
Loans and advances to customers	21	3,067,526	3,067,526
		46,480,862	46,480,862
Liabilities subject to market risk			
Deposits from customers	26	40,573,593	40,573,593

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:

(i) Differences between the timing of market interest rate changes and the timing of cash flows (repricing risk);
(ii) Changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
(iii) Changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk).

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

6. Financial risk review (cont'd)

C. Market risk (cont'd)

(ii) Exposure to interest rate risk – Non-trading portfolios

The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

	Note	Carrying amount GH¢	Less than 1 months GH¢	1-3 months GH¢	3-12 months GH¢
31 December 2018					
Cash and cash equivalents	18	10,447,655	8,624,223	1,823,432	-
Investment securities	19	31,091,266	-	14,028,280	17,062,986
Loans and advances to customers	21	2,843,625	-	-	2,843,625
		44,382,546	8,624,223	15,851,712	19,906,611
Deposits from customers	26	(43,154,584)	(38,591,870)	(4,562,714)	-
		(43,154,584)	(38,591,870)	(4,562,714)	-
Total interest repricing gap		1,227,962	(29,967,647)	11,288,998	19,906,611
31 December 2017					
Cash and cash equivalents	18	31,521,686	5,896,024	25,625,662	-
Investment securities	19	11,891,650	-	-	11,891,650
Loans and advances to customers	21	3,067,526	-	-	3,067,526
		46,480,862	5,896,024	25,625,662	14,959,176
Deposits from customers	26	(40,573,593)	(32,846,567)	(7,727,026)	-
		(40,573,593)	(32,846,567)	(7,727,026)	-
Total interest repricing gap		5,907,269	(26,950,543)	17,898,636	14,959,176

6. Financial risk review (cont'd)

C. Market risk (cont'd)

(ii) Exposure to interest rate risk – non-trading portfolios (cont'd)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (bp) parallel fall or rise in market interest rates.

Due to the fixed nature of the Bank's interest bearing instruments, no sensitivity analysis has been disclosed. Overall, non-trading interest rate risk positions are managed by Treasury, which uses investment securities and customer deposits to manage the overall position arising from the Bank's non-trading activities.

(iii) Exposure to currency risk – non-trading portfolios

As at the reporting date the Bank did not have any exposures to currency risks.

D. Capital management

i. Regulatory capital

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus and general statutory reserves and does not include regulatory credit risk reserve.
- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluation reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures (if any).

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank complied with the statutory capital requirements throughout the period. There have been no material changes in the Bank's management of capital during this period.

6. Financial risk review (cont'd)
D. Capital management (cont'd)
i. Regulatory capital (cont'd)
Capital Adequacy Ratio (CAR)
The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.
The table below summarizes the composition of regulatory capital and ratios of the Bank.

	Note	**2018**	**2017**
		GH¢	**GH¢**
Tier 1 capital			
Ordinary share capital	30(a)	2,071,305	2,037,905
Disclosed reserves			
Statutory reserve	30 (b)	2,487,049	2,273,273
Impact of IFRS 9 Expected Credit Loss (ECL)	30 (b)	1,402,500	-
Retained earnings	30 (b)	1,625,090	3,345,322
Total disclosed reserves		5,514,639	5,618,595
Permanent preference shares		-	-
Total tier 1 capital		7,585,944	7,656,500
Net tier 1 capital		7,585,944	7,656,500
Tier 2 capital:			
Latent revaluation reserves		131,506	132,245
Total tier 2 capital		131,506	132,245
Total adjusted regulatory capital base		7,717,450	7,788,745
Total assets (less contra items)		52,414,044	50,816,163
Less:			
Cash on hand (Cedi)		977,552	666,190
Cash on hand (forex)		-	-
Claims on ARB Apex Bank:			
iv Cedi clearing account balance		1,739,389	3,097,784
v Certificate of Deposit		1,100,000	-
vi 5% Deposits		2,187,576	2,043,800
Total claims on ARB Apex Bank	18	5,026,965	5,141,584
Balance carried forward		46,409,527	45,008,389

6. Financial risk review (cont'd)

D. Capital management (cont'd)

i. Regulatory capital (cont'd)

Capital Adequacy Ratio (CAR) (cont'd)

	2018 GH¢	2017 GH¢
Balance brought forward	46,409,527	45,008,389
Claims on Government:		
i Treasury securities (bills and bonds)	2,627,978	3,820,466
80% of cheques drawn on other banks	109,689	187,469
Investments in capital of other banks and financial institutions	160,889	137,155
80% of claims on Discount Houses in Cedi/forex	9,945,737	10,197,887
80% of claims on Other Banks in Cedi/forex	6,335,726	13,004,876
50% of claims on other financial institutions (Public Sector) in Cedi/forex	7,949,471	1,146,562
Adjusted total assets	19,280,037	16,513,975
Add:		
100% of 3yrs average annual gross income	9,279,719	6,133,914
Total risk weighted assets base	28,559,756	22,647,889
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)	27.02%	34.39%
Capital surplus	4,861,474	5,523,956

ii. Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Bank's Risk Management and Credit Administration Units, and is subject to review by the executive committee of the Board as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

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

7. Fair values of financial instruments

See accounting policy in Note 38. (e) (xv).
The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
-

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

7. Fair values of financial instruments (cont'd)

(b) Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Note	Level 2
31 December 2018		
Investment securities at FVOCI	20	160,889
		160,889
31 December 2017		
Investment securities at FVOCI	20	137,155
		137,155

The inputs used in determining the fair value of the Bank's investment measured at FVOCI include the following:

	2018	2017
Number of unit of shares held in ARB Apex Bank	56,632	56,632
Total number of Issued and paid shares (ARB APEX)	10,283,556	10,205,589
% of Bank's holding of ARB Apex Bank shares	0.55%	0.55%
Net asset of Apex Bank at year end 31 December	29,215,021	38,080,386

Fair value was determined as the Bank's share of Apex Bank's net assets at the reporting period end.

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. The carrying amounts of these financial instruments approximate their fair value.

7. Fair values of financial instruments (cont'd)
(c) Financial instruments not measured at fair value

31 December 2018	**Note**	**Level 2**	**Total**
Assets			
Cash and cash equivalents	18	10,447,655	10,447,655
Investment securities at amortised cost	19	31,091,266	31,091,266
Loans and advances to customers	21	2,843,625	2,843,625
		44,382,546	44,382,546
Liabilities			
Deposits from Customers	26	43,154,584	43,154,584
		43,154,584	43,154,584
31 December 2017			
Assets			
Cash and cash equivalents	18	31,521,686	31,521,686
Investment securities at amortised cost	19	11,891,650	11,891,650
Loans and advances to customers	21	3,067,526	3,067,526
		46,480,862	46,480,862
Liabilities			
Deposits from customers	26	40,573,593	40,573,593
		40,573,593	40,573,593

8. Segment reporting

The Bank’s current operation is not segregated to show divisional performance and as such does not lend itself to segmental reporting; hence management has not provided information on segmental reporting.

9. Net interest income	**2018**	**2017**
See accounting policy in Note 38.	**GH¢**	**GH¢**
Interest income		
Loans	656,330	609,023
Overdrafts	310,430	383,591
Interest on investments (fixed deposits and treasury bills)	7,650,923	8,140,085
Total interest income	8,617,683	9,132,699
Interest expense		
Savings	532,152	808,748
Fixed deposits	911,819	1,156,257
Total interest expense	1,443,971	1,965,005
Net interest income	7,173,712	7,167,694

10. Fees and Commission income	**2018**	**2017**
See accounting policy in Note 38.	**GH¢**	**GH¢**
Brokerage fees	160,000	157,791
Clearing fees	36,129	8,234
Commission on turnover	223,001	184,722
Drafts and transfers	5,617	19,828
Money transfers	125,485	156,568
Other fees and commission	40,462	38,459
	590,694	565,602

11. Other operating income	**2018**	**2017**
	GH¢	**GH¢**
Interest on nostro accounts	22,871	22,078
Commitment and handling charges	110,109	93,667
	132,980	115,745

12. Other income	**2018**	**2017**
	GH¢	**GH¢**
Gain on disposal of property and equipment (Note 22 (b))	-	600
Bad debt recovery	35,500	-
Finance income	57,828	-
Capital grant income	2,729	19,334
	96,057	19,934

13. Net impairment losses on financial assets	**2018**	**2017**
See accounting policy in Note 38 (e) (xvi).	**GH¢**	**GH¢**
Loans and advances to customers	671,450	142,623
Investment securities	(457,560)	-
Cash and cash equivalents	297,234	-
Net impairment loss/(reversal) on financial assets	511,124	142,623

14. Personnel expenses	**2018**	**2017**
See accounting policy in Note 38 (q).	**GH¢**	**GH¢**
Wages and salaries	2,828,661	2,784,570
Social security fund	255,737	253,736
Overtime	16,534	7,419
Staff Bonus	97,635	209,469
Medical cost	77,094	77,120
Other staff cost	337,560	615,232
	3,613,221	3,947,546

15. Other operating expenses	**2018**	**2017**
	GH¢	**GH¢**
Advertising and marketing expenses	92,797	124,595
Directors' emoluments and expenses (non-executive)	249,250	212,755
Professional fees	51,044	119,290
Auditor's remuneration	64,780	61,000
Donations and subscription	102,344	68,277
Rent and rates	136,182	249,535
Stationery and printing	96,568	88,835
Bank charges	37,805	22,086
Training	37,031	27,305
Insurance	66,299	83,472
Travelling expenses	73,435	59,165
Repairs and maintenance	223,928	259,694
Meeting expenses	73,575	94,219
Office expenses	512,415	613,614
Education and development support	60,000	50,000
Miscellaneous expenses	498,164	633,886
	2,375,617	2,767,728

An amount of GH¢38,535 (2017: GH¢13,798) was spent as part of the Bank's corporate social responsibility.

	2018 GH¢	2017 GH¢
16. Income tax expense	**GH¢**	**GH¢**
See accounting policy in Note 38 (d)		
Income tax expense/(credit) - See Note (a) below	187,908	(54,368)
Changes in estimate relating to prior years	-	278,324
Deferred tax credit- See Note 24 (a)	(777,513)	(115,406)
	(589,605)	108,550

31 December 2018

(a) Current tax

	Balance at 01/01/2018 GH¢	Payments during the year GH¢	Charge for the year GH¢	Balance at 31/12/2018 GH¢
Income tax				
2011- 2013	(3,771)	-	-	(3,771)
2014	158,688	-	-	158,688
2015	(105,673)	-	-	(105,673)
2016	(138,881)	-	-	(138,881)
2017	(53,669)	-	-	(53,669)
2018	-	(250,000)	187,908	(62,092)
	(143,306)	(250,000)	187,908	(205,398)

31 December 2017	Balance at 01/01/2017 GH¢	Payments during the year GH¢	Charge for the year GH¢	Balance at 31/12/2017 GH¢
2011- 2013	(3,771)	-	-	(3,771)
2014	158,688	-	-	158,688
2015	(87,978)	(17,695)	-	(105,673)
2016	171,809	(310,690)	-	(138,881)
2017	-	(277,625)	(54,368)	(331,993)
Changes in estimate relating to prior years	-	-	278,324	278,324
	238,748	(606,010)	223,956	(143,306)

(b) Reconciliation of effective tax rate

	2018 %	2018 GH¢	2017 %	2017 GH¢
Profit before tax		1,075,600		659,698
Income tax using domestic tax rate	25.00	268,900	25.00	164,925
Non-deductible expenses	1.17	12,587	149.76	987,975
Tax exempt income	(80.99)	(871,092)	42.19	278,324
Tax expenses	(54.82)	(589,605)	216.95	1,431,224

17. Classification of financial assets and financial liabilities

See accounting policy in Notes 38. (e) (ii), (e) (iv).

31 December 2018	Note	Amortised cost GH¢	Amortised cost GH¢	Other liabilities GH¢	Total carrying amount GH¢	Fair value GH¢
Cash and cash equivalents	18	-	10,447,655	-	10,447,655	10,447,655
Investment securities	19	31,091,266	-	-	31,091,266	31,091,266
Loans and advances to customers	21	-	2,843,625	-	2,843,625	2,843,625
Total assets		31,091,266	13,291,280	-	44,382,546	44,382,546
Customers deposits	26	-	-	43,154,584	43,154,584	43,154,584
Total liabilities		-	-	43,154,584	43,154,584	43,154,584

31 December 2017		Held-to-maturity GH¢	Loans and receivables GH¢	Other liabilities GH¢	Total carrying amount GH¢	Fair value GH¢
Cash and cash equivalents	18	-	31,521,686	-	31,521,686	31,521,686
Investment securities	19	11,891,650	-	-	11,891,650	11,891,650
Loans and advances to customers	21	-	3,067,526	-	3,067,526	3,067,526
Total assets		11,891,650	34,589,212	-	46,480,862	46,480,862
Customers deposits	26	-	-	40,573,593	40,573,593	40,573,593
Total liabilities		-	-	40,573,593	40,573,593	40,573,593

17.1 Classification of financial assets and financial liabilities on initial application of IFRS 9

The following tables shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 GH¢	New carrying amount under IFRS 9 GH¢
Financial assets					
Cash and cash equivalents	18	Loans and receivables	Amortised cost	31,521,686	31,327,459
Investment securities - debt	19	Held-to-maturity	Amortised cost	11,891,650	8,601,477
Investment securities - equity	20	Available-for-sale	FVOCI	137,155	137,155
Loans and advances to customers	21	Loans and receivables	Amortised cost	3,067,526	3,746,301
Other assets	25	Loans and receivables	Amortised cost	657,544	657,544
				47,275,561	44,469,936
Financial liabilities					
Deposits from customers		Amortised cost	Amortised cost	40,573,593	40,573,593
Other liabilities		Amortised cost	Amortised cost	1,897,186	1,897,186
				42,470,779	42,470,779

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 38.(e)(xi).

The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings. There is no impact other components of equity.

Retained earnings	**Impact of adopting IFRS 9 at 1 Jan 2018 GH¢**
Closing balance under IAS 39 (31 December 2017)	3,345,322
Recognition of expected credit losses under IFRS 9	(2,805,625)
Opening balance under IFRS 9 (1 January 2018)	539,697

The following table reconciles the closing impairment allowance for financial assets under IAS 39 to opening ECL allowance determined under IFRS 9 as at 1 January 2018:

	31 December 2017 (IAS 39)	**Reclassification**	**Remeasurement**	**1 January 2018 (IFRS 9)**
	GH¢	**GH¢**	**GH¢**	**GH¢**
Loans and receivables and held-to-maturity securities under IAS 39/financial assets under IFRS 9 (includes cash and cash equivalents and loans and advances to customers)	1,778,497	-	2,805,625	4,584,122

18. Cash and cash equivalents	**2018**	**2017**
See accounting policy in Note 38 (g).	**GH¢**	**GH¢**
Cash on hand	977,552	666,190
Balances with other local Banks	4,934,598	25,713,912
Balances with ARB Apex Bank	5,026,965	5,141,584
Allowance for ECL	(491,460)	-
	10,447,655	31,521,686

Included in balances with other local banks are investment in fixed deposits of GH¢4,876,861 (2017: GH¢ 21,805,156) and investment in treasury bills of GH¢128,237 (2017: GH¢3,820,466.)

19. Investment securities at amortised cost

See accounting policy in Note 38 (k).

	2018	**2017**
	GH¢	**GH¢**
Fixed deposits	31,424,138	11,891,650
Government bonds	2,499,741	-
Allowance for ECL	(2,832,613)	-
	31,091,266	11,891,650

Treasury bills are issued by the Government of Ghana and are classified as carried at amortised cost. At the reporting date, an amount of GH¢ 31,091,266 (2017: GH¢ 11,891,650) of investment balance was due to mature within the next twelve (12) months.

20. Investment securities at FVOCI

See accounting policy in Note 38 (e).

	2018	**2017**
	GH¢	**GH¢**
Investment in ARB Apex Bank shares	160,889	137,155
Reconciliation of investment in ARB Apex bank shares:		
Balance at 1 January	137,155	211,313
Fair value gain/(loss)	23,734	(74,158)
Balance at 31 December	160,889	137,155

The Bank has a total of 56,632 (2017: 56,632) shares in ARB Apex Bank classified as measured at fair value through other comprehensive income (FVOCI).

21. Loans and advances to customers

See accounting policy in Note 38 (j).

	2018 GH¢	2017 GH¢
Loans and advances to customers	3,014,347	4,846,023
Less allowance for impairment	(170,722)	(1,778,497)
Loans to customers at amortised cost	2,843,625	3,067,526

	Gross carrying amount 2018 GH¢	ECL allowance 2018 GH¢	Carrying amount 2018 GH¢	Gross carrying amount 2017 GH¢	Impairment allowance 2017 GH¢	Carrying amount 2017 GH¢
Term loans	1,475,514	(48,081)	1,427,433	2,345,739	(750,783)	1,594,956
Overdrafts	601,929	(109,023)	492,906	1,471,254	(974,851)	496,403
Staff loans	936,904	(13,618)	923,286	1,029,030	(52,863)	976,167
Total loans to customers	3,014,347	(170,722)	2,843,625	4,846,023	(1,778,497)	3,067,526

22. Property and equipment

See accounting policy in Note 38 (l).

	Land & Building	Furniture, fittings & Equipment	Computers	Motor vehicles	Leasehold improvements	Capital work in progress	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cost							
Balances at 1 January 2017	2,623,537	921,430	386,892	465,256	135,543	181,361	4,714,019
Additions	-	56,475	144,491	70,257	-	152,874	424,097
Disposals	-	(7,721)	-	(29,980)	-	-	(37,701)
Balance at 31 December 2017	2,623,537	970,184	531,383	505,533	135,543	334,235	5,100,415
Balance at 1 January 2018	2,623,537	970,184	531,383	505,533	135,543	334,235	5,100,415
Additions	-	173,221	284,846	-	-	1,570,425	2,028,492
Transfers	1,818,285	-	-	-	-	(1,818,285)	-
Balance at 31 December 2018	4,441,822	1,143,405	816,229	505,533	135,543	86,375	7,128,907
Depreciation					-		
Balance at 1 January 2017	246,239	494,770	386,892	210,799	128,766	-	1,467,466
Depreciation for the year	80,913	102,311	52,461	108,918	6,777	-	351,380
Released on disposal	-	(7,721)	-	(29,980)	-	-	(37,701)
Balance at 31 December 2017	327,152	589,360	439,353	289,737	135,543	-	1,781,145
Balance at 1 January 2018	327,152	589,360	439,353	289,737	135,543	-	1,781,145
Depreciation for the year	83,107	104,727	91,126	106,568	-	-	385,528
Balance at 31 December 2018	410,259	694,087	530,479	396,305	135,543	-	2,166,673
Carrying amounts							
Balance at 1 January 2017	2,377,298	426,660	-	254,457	6,777	181,361	3,246,553
Balance at 31 December 2017	2,296,385	380,824	92,030	215,796	-	334,235	3,319,270
Balance at 31 December 2018	4,031,563	449,318	285,750	109,228	-	86,375	4,962,234

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2017: Nil).

22. Property and equipment (cont'd)

(a) Depreciation and amortisation expense

	2018	2017
	GH¢	GH¢
Property and equipment	385,528	351,380
Intangible asset (Note 23)	32,353	-
	417,881	351,380

(b) Gain on disposal of property and equipment

	2018	2017
	GH¢	GH¢
Cost	-	37,701
Accumulated depreciation	-	(37,701)
Carrying amount	-	-
Proceeds from disposal	-	(600)
Gain on disposal	-	(600)

23. Intangible asset

See accounting policy in Notes 38. (m).

	2018	2017
	GH¢	GH¢
Cost		
Balance at 1 January	-	-
Acquisitions	485,109	-
Write-offs		
Transfers		
Balance at 31 December	485,109	-
Amortisation		
Balance at 1 January	-	-
Amortisation for the year	32,353	-
Balance at 31 December	32,353	-
Carrying amount		
Balance at 1 January	-	-
Balance at 31 December	452,756	-

There were no capitalised borrowing costs related to intangible asset during the year (2017: Nil).

24. Deferred tax assets and liabilities

See accounting policy in Note 38 (d).
Deferred tax assets and liabilities are attributable to the following temporary differences:

31 December 2018	**Assets**	**Liabilities**	**Net**	**Deferred Tax Asset**	**2018 Deferred Tax Liability**
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Property and equipment	-	2,038,923	2,038,923	-	509,731
Employee benefit obligation	-	35,810	35,810	-	8,953
Allowances for expected credit losses	(3,388,900)	-	(3,388,900)	(847,225)	-
Investments at FVOCI	-	23,734	23,734	-	5,934
Net tax (assets)/liabilities	(3,388,900)	2,098,467	(1,290,433)	(847,225)	524,618

31 December 2017	**Assets**	**Liabilities**	**Net**	**Deferred Tax Asset**	**Deferred Tax Liability**
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Property and equipment	-	1,921,844	1,921,844	-	480,461
Employee benefit obligation	(76,177)	-	(76,177)	(19,044)	-
Allowances for loan losses	161,767	-	161,767	(40,442)	-
Available-for-sale investments	(74,158)	-	(74,158)	(18,540)	-
	11,432	1,921,844	1,933,276	(78,026)	480,461

24. Deferred tax assets and liabilities (cont'd)
(a) Movements in temporary differences during the year

	Balance at 1 January	Recogn'd in profit and loss	Recogn'd in OCI GH¢	Balance at 31 December	Deferred Tax Asset	Deferred Tax liability
	GH¢	GH¢		GH¢	GH¢	GH¢
For the year ended 31 December 2018						
Property and equipment	480,461	29,270	-	509,731	-	509,731
Employee benefit obligation	(19,044)	-	27,998	8,954	-	8,954
Allowances for expected credit losses	(40,442)	(806,783)	-	(847,225)	(847,225)	-
Investments at FVOCI	(18,540)	-	24,473	5,933	-	5,933
	402,435	(777,513)	52,471	(322,607)	(847,225)	524,618
For the year ended 31 December 2017						
Property and equipment	568,654	(88,193)	-	480,461	-	480,461
Employee benefit obligation	-	-	(19,044)	(19,044)	(19,044)	-
Allowance for loan losses	(13,227)	(27,215)	-	(40,442)	(40,442)	-
Available-for-sale investments	17,954	-	(36,494)	(18,540)	(18,540)	-
	573,381	(115,408)	(55,538)	402,435	(78,026)	480,461

Recognition of deferred tax assets
Recognition of deferred tax assets of GH¢847,225 (2017:GH¢78,026) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

25. Other assets

	2018 GH¢	2017 GH¢
Prepayments	86,336	250,438
Office account	199,130	59,180
Deferred expense*	366,249	308,421
Stationery stock	32,027	36,864
Others	719,254	2,641
	1,402,996	657,544
Current	1,036,747	349,123
Non-current	366,249	308,421
	1,402,996	657,544

* Deferred expense relates to the difference between the fair value of staff loans and their carrying amount. The fair value was determined by discounting the future cash flows from staff loans at the prevailing market rate.

26. Deposits from customers

See accounting policy in Note 38 (o).	2018 GH¢	2017 GH¢
Demand deposits	10,772,174	8,338,177
Savings accounts	27,819,696	24,508,390
Fixed term deposits	4,562,714	7,727,026
	43,154,584	40,573,593
Ratio of 20 largest depositors to total deposits	15.61%	28.48%

27. Employee benefit liability

	2018 GH¢	2017 GH¢
Liabilities for long service awards	60,283	76,178

Long service awards accrue to employees based on graduated periods of uninterrupted service. This is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These awards accrue over the service life of employees. Re-measurements made are recognised in other comprehensive income in the period in which they arise.

	2018 GH¢	2017 GH¢
Balance at 1 January	76,178	71,800
Interest cost	14,474	36,878
Current service cost	5,441	-
Payments during the year	-	(32,500)
Actuarial (gain)/loss	(35,810)	-
	60,283	76,178

A discount rate of 19% (2017 19%) was used in determining the liability for long service award. A reasonable possible decrease of 200 basis points in discount rate will result in a reduction in the liability for long service award by GH¢ 2,676 (2017: -). Although this analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

28. Provisions

See accounting policy in Note 38 (p).	2018 GH¢	2017 GH¢
Provision for legal fees:		
Reconciliation of provisions:		
Balance at 1 January	-	-
Provisions made during the year	56,170	-
Payments made during the year	-	-
Balance at 31 December	56,170	-
Non-current	-	-
Current	56,170	-

29. Other liabilities

See accounting policy in Notes 38 (p) and (q).	2018 GH¢	2017 GH¢
Bills payable	116,562	158,225
Interest payable	142,678	103,186
Dividend payable	983,878	987,242
Office account	545,473	105,408
Deferred grant	13,420	16,377
Accrued expenses (See below)	368,070	302,904
Others	133,358	223,844
	2,303,439	1,897,186
La Community Dev't and Education Fund		
La Township Development Fund	176,076	186,076
La Education Fund	66,137	116,828
	242,213	302,904

Included in accrued expenses is an amount of GH¢242,213 (2017:GH¢302,904) set aside by the company for community service. A liability has been recognised to account for the constructive obligation created as a result of the company's involvement in the past.

Reconciliation of accrual on La Community Dev't and Education Funds:		
Balance at 1 January	302,904	298,799
Accruals made during the year	60,000	50,000
Payments made during the year	(120,691)	(45,895)
Balance at 31 December	242,213	302,904
Current	2,186,877	1,738,961
Non-current	116,562	158,225
	2,303,439	1,897,186

30. Capital and reserves

See accounting policy in Note 38 (r)

(a) Share capital	2018 No. of Shares	2018 Proceeds GH¢	2017 No. of Shares	2017 Proceeds GH¢
Authorised				
Ordinary Shares of no par value	25,000,000	-	25,000,000	-
Issued and fully paid				
Issued for cash consideration	18,215,813	2,071,305	18,182,413	2,037,905
Issued for consideration other than cash	-	-	-	-
	18,215,813	2,071,305	18,182,413	2,037,905
Reconciliation of stated capital				
Balance at 1 January	18,692,413	2,037,905	18,182,413	1,527,905
Shares issued in the year	33,400	33,400	510,000	510,000
Balance at 31 December	18,725,813	2,071,305	18,692,413	2,037,905

(b) Reserves

Retained earnings

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

Statutory reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 34 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and guidelines from Bank of Ghana.

Credit risk reserve

This is a reserve created to set aside the excess of amounts recognized as impairment loss on loans and advances to customers, based on provisions calculated in accordance with the requirements of IFRS and the Bank of Ghana's prudential guidelines.

Fair value reserve

This is a fair value reserve representing the cumulative net change in the fair value of investment held at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised (2017: or impaired).

31. Dividends

The Directors of the Bank proposed a dividend of GH¢374,516 as at the end of the financial year ended 31 December 2018 (2017:GH¢373,848).

32. Contingencies

(a) Claims and litigations

Litigation and claims involving the Bank amounted to GH¢ Nil as at 31 December 2018 (2017: Nil).

(b) Contingent liabilities and commitments

The conduct of the Bank's business does not involve acceptance and performance bonds and indemnities.

32 Contingencies cont'd

(c) Commitments for capital expenditure

At 31 December 2018, the Bank's commitment for capital expenditure was GH¢ Nil (2017: GH¢ Nil).

33. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions, or one other party controls both.

(a) Majority shareholder

The majority shareholder of the Bank with 15.36% shareholding is La Mansaamo Kpee. During the year ended 31 December 2018, the Bank did not transact any business with La Mansaamo Kpee. There are also no outstanding balances due to or from La Mansaamo Kpee.

***(b)* Transactions with key management personnel**

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank. Key management personnel made total withdrawals of GH¢208,199 and deposits of GH¢205,328.

Key management personnel have the following outstanding loan balances with the Bank at the reporting period:

	2018	**2017**
	GH¢	**GH¢**
Executive officers	33,930	112,584
Other management personnel	205,928	-
	239,858	112,584

Interest rates charged on key management personnel for loans are at concessionary rates and lower than the rates that would be charged in an arm’s length transaction.

Key Management personnel compensation

	2018	**2017**
	GH¢	**GH¢**
Short term benefits	693,104	534,757
	693,104	534,757

34. Comparative information

The comparative information have been reclassified, where applicable, to conform to the current year's presentation.

35. Subsequent events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events between 31 December 2018 and the date of signing these financial statements.

36. Financial risk management

(A) Introduction and overview

The Bank's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

i. *Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board is responsible for developing and monitoring the Bank's risk management policies over specified areas.

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

The Bank's Board is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank.

(B) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, cash and cash equivalents and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure.

i. Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a clearing agent (the Bank's bankers) to ensure that a transaction is settled only when both parties have fulfilled their contractual settlement obligations.

36. Financial risk management (cont'd)

ii. Management of credit risk

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 group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

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 reviews the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are:

- Compulsory savings;
- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and accounts receivable.

(C) Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. *Management of liquidity risk*

The Bank defines liquidity risks as the risk that the Bank will encounter difficulty meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Bank maintains liquidity limit imposed by its local regulator and the overall liquidity has always been within the regulatory limit of the Regulator. The Board of Directors monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets. The Bank aims to be in a position to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments.

The Board of Directors receives information from branches regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and loans, to ensure that sufficient liquidity is maintained within the Bank.

All liquidity policies and procedures are subject to review and approval by the Board of Directors. Daily reports on the liquidity position of the Bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to the executive committee of the Board on monthly basis.

36. Financial risk management (cont'd)

(D) Market risks

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

i. Management of market risks

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates. The Bank's exposure to market risk arises principally from customer driven transactions.
Overall authority for market risk is vested in the executive committee of the Board. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by the executive committee of the Board) and for the day-to-day review of their implementation.

ii. Exposure to other market risks – Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. Risk Management unit is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities.

(E) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

The Bank's Compliance Unit is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. This responsibility is supported by the development of overall Bank standards for the management of operational risk

37. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following item.

Item	**Measurement basis**
Investments at FVOCI	Fair value

38. Summary of significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

		Page
(a)	Foreign currency transaction	
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38. Summary of significant accounting policies (cont'd)

(a) Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated at closing inter-bank mid rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition.

All foreign exchange gains and losses recognized in profit or loss are presented net within the corresponding item.

(b) Capital Grants

Capital grants are recorded in the statement of financial position as deferred liabilities and an amount equal to the depreciation is transferred to the statement of comprehensive income over the useful lives of the assets.

(c) Leases

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

(d) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income (OCI).
Current tax is the expected tax payable or receivable on taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the balance sheet date. Current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

38. Summary of significant accounting policies (cont'd)

(d) Income tax cont'd

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(e) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Bank initially recognises loans and advances to customers, deposits from customers, other debt securities and financial liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.
The Bank's financial assets or financial liabilities are measured initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Classification and subsequent measurement

Financial assets and liabilities - Policy before 1 January 2018

Financial assets

The Bank classified its financial assets in the following categories: loans and receivables, held to maturity and available-for-sale. Management determined the classification of its financial assets at initial recognition. See Notes (e), (g), (j) and (k).

Financial liabilities

The Bank classified its financial liabilities as measured at amortised cost. See Notes (j), (k) and (o).

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities

(iii) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market.

Loans and receivables comprised cash and cash equivalents, balances with other banks, loans and advances to customers and other assets.

Loans and receivables were initially recognized at fair value plus incremental direct transaction costs and were subsequently measured at amortized cost using the effective interest method less any impairment losses.

(iv) Held-to-maturity

Held-to-maturity assets comprised investment securities with fixed determinable payments and fixed maturity that the Bank had the positive intent and ability to hold to maturity.

Held to maturity assets were initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using the effective interest method.

Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity resulted in the reclassification of all held to maturity assets as available-for-sale, and prevented the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. Differences between the carrying amount (amortized cost) and the fair value on the date of the reclassification were recognized in other comprehensive income.

(v) Available-for-sale

Available-for-sale investments' were non-derivative investments that were designated as available- for-sale or were not classified as another category of financial assets. Available-for-sale investments were measured at fair value after initial recognition. Available-for-sale financial assets comprised of investments in equity securities.

Available-for-sale financial assets were initially recognised at fair value, which was the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset was derecognised.

Unquoted equity securities whose fair value could not be measured reliably were carried at cost. If an available- for-sale financial asset was determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income was recognised in profit and loss.

Dividends on available-for-sale equity instruments were recognised in profit and loss in 'Dividend income' when the Bank's right to receive payment was established.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(vi) Other financial liabilities

Deposits, debt securities and subordinated liabilities were the Bank's sources of debt funding.

Deposits from customers and other liabilities were initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(vii) 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 was no longer held for the purpose of selling 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 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 were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held- to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(viii) De-recognition

Financial assets

The Bank derecognised a financial asset when the contractual rights to the cash flows from the financial asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset were transferred or in which the Bank neither transferred nor retained substantially all of the risks and rewards of ownership and it did not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI was recognised in profit or loss. Any interest in transferred financial assets that qualified for derecognition that was created or retained by the Bank was recognised as a separate asset or liability.

Financial liabilities

Financial liabilities were derecognised when contractual obligations were discharged, cancelled or expired.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(ix) Offsetting

Financial assets and financial liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Bank had a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses were presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Financial assets and liabilities - Policy applicable from 1 January 2018

(x) Recognition and measurement

The Bank initially recognises loans and advances, deposits and debt securities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(xi) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xi) Classification cont'd

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xi) Classification cont'd

Assessment of whether contractual cash flows are solely payments of principal and interest on principal - cont'd
The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

(xii) Derecognition

Financial assets
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xiii) Modifications of financial assets and financial liabilities

Policy applicable before 1 January 2018

Financial assets

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial liabilities

The Bank derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xiii) Modifications of financial assets and financial liabilities

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re- computing the effective interest rate on the instrument.

(xiv) Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xv) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.
When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xvi) impairment of financial assets

Policy applicable before 1 January 2018

At each reporting date, the Bank assesses whether there is objective evidence that its financial assets are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances to customers and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xvi) impairment of financial assets

The impairment loss before an expected restructuring is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank's Board of Directors determines that there is no realistic prospect of recovery and approval for write-off is granted by the Central Bank.

Policy applicable from 1 January 2018

The Bank recognises loss allowances for ECL on financial assets that are debt instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

– debt investment securities that are determined to have low credit risk at the reporting date; and

– other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xvi) impairment of financial assets

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xvi) impairment of financial assets *cont'd*

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.
– The market's assessment of creditworthiness as reflected in the bond yields.
– The rating agencies' assessments of creditworthiness.
– The country's ability to access the capital markets for new debt issuance.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
– financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
– where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the

38. Summary of significant accounting policies (cont'd)

(e) Financial assets and financial liabilities (cont'd)

(xvi) impairment of financial assets *cont'd*

ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(f) Interest

Policy applicable before 1 January 2018

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. 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, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all fees that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Policy applicable from 1 January 2018

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

38. Summary of significant accounting policies (cont'd)

(f) Interest (cont'd)

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income consist of interest on financial assets and financial liabilities measured at amortised cost;

Interest expense presented in the statement of comprehensive income consist of financial liabilities measured at amortised cost.

(g) Fees and commissions income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest rate on the loan. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

(h) Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including interest.

(i) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with ARB Apex Bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

38. Summary of significant accounting policies (cont'd)

(j) Loans and advances to customers

Policy applicable before 1 January 2018

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

Loans and advances to banks were classified as loans and receivables. Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method

Policy applicable from 1 January 2018

Loans and advances' captions in the statement of financial position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(k) Investment securities

Policy applicable before 1 January 2018

Investment securities were initially measured at fair value plus, in the case of investment securities not at FVTPL, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

i. Held to maturity

'Held to maturity' investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive interest and ability to hold to maturity. The Bank's held to maturity investments include investments in fixed deposits and investments in Government of Ghana treasury bills.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (See Notes (e)(xvi)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

ii. Available-for-sale

'Available-for-sale investments' are non-derivative investments that are not classified under the other categories of financial assets. Available-for-sale investments comprise unquoted equity securities. These investments are measured at fair value after initial recognition. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Impairment losses are recognised in profit or loss (See Notes (e)(xvi)).

Fair value changes, other than impairment losses (See Notes (e)(xvi)), are recognised in OCI and presented in the available-for-sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

38. Summary of significant accounting policies (cont'd)

(k) Investment securities

Policy applicable from 1 January 2018

The ‘investment securities’ caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see J(ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method
- equity investment securities designated as at FVOCI

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated 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 and direct labour, any other costs directly attributable to bringing the assets to a working condition for their 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.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) 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.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Buildings	25-30 years
Leasehold improvement	over the lease term
Furniture and fittings	3-8 years
Motor vehicles	4-10 years
Office equipment	3-5 years

38. Summary of significant accounting policies (cont'd)

(m) Intangible assets

Computer software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is between 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(n) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

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

(o) Deposits from customers

Deposits from customers are the Bank's sources of funding. Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(p) 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. Future operating costs are not provided for.

38. Summary of significant accounting policies (cont'd)

(q) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) 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.

(iii) Other long-term employment benefits – Long Service Benefit

Long Service Benefits accrue to employees based on graduated periods of uninterrupted service. These benefits accrue over the service life of employees. Provision for Long Service Benefits is made based on valuation done using the projected unit credit basis. Gains or losses arising are charged to other comprehensive income.

(r) Stated capital and reserves

(i) Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

39. New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 31 December 2018, and have not been applied in preparing these financial statements. The Bank does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Standard/Interpretation	Title of standard	Effective date (periods beginning on or after)
IFRS 16	Leases	1 January 2019
IFRS Standards 2015/2017 Cycle	Annual improvements to IFRS Standards 2015/2017 Cycle various standards	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Conceptual framework	Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IAS 1 and IAS 8	Definition of material	1 January 2020

All Standards and Interpretations will be adopted at their effective date.

IFRS 16 Leases
IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of- use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases- Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16 Leases.

The Bank is yet to start an initial assessment of the potential impact on its financial statements.

Transition
The Bank currently plans to apply IFRS 16 initially on 1 January 2019.
As a lessee, the Bank can either apply the standard using a:

- Retrospective approach - the standard is applied retrospectively to each prior reporting period presented applying IAS 8; or
- Modified retrospective approach with optional practical expedients - the standard is applied retrospectively with the cumulative effect of initially applying IFRS 16 recognised in the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application, instead of restating comparative information.

39. New standards and interpretations not yet adopted (cont'd)
IFRS 16 Leases - cont'd
Transition - cont'd
The lessee applies the election consistently to all of its leases. The Bank has not yet determined which transition approach to apply. As a lessor, the Bank is not required to make any adjustments for leases except where it is an intermediate lessor in a sub-lease. The Bank has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Bank uses the practical expedients and recognition exemptions, and any additional leases that the Bank enters into. The Bank expects to disclose its transition approach and quantitative information before adoption.

Amendments to References to Conceptual Framework in IFRS Standards
The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

39. New standards and interpretations not yet adopted (cont'd)

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The IASB's amendments to IAS 19 addresses the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:

- On amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted.

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2018 GH¢	2017 GH¢
Interest earned and other operating income		9,341,357	9,814,046
Direct cost of services and other costs		(3,570,338)	(4,519,978)
Value added by banking services		5,771,019	5,294,068
Non-banking income		96,057	19,934
Impairments	13	(511,124)	(142,623)
Value added		**5,355,952**	**5,171,379**
Distributed as follows:			
To employees			
Directors (without executive)	15	(249,250)	(212,755)
Executive director		(163,476)	(163,476)
Other employees		(3,449,745)	(3,784,070)
Total		(3,862,471)	(4,160,301)
To Government			
Income tax	16	589,605	(108,550)
To providers of capital			
Dividends to shareholders		-	-
To expansion and growth			
Depreciation and amortization	22(a)	(417,881)	(351,380)
Retained earnings		(1,665,205)	(551,148)

APPENDIX

APPENDIX