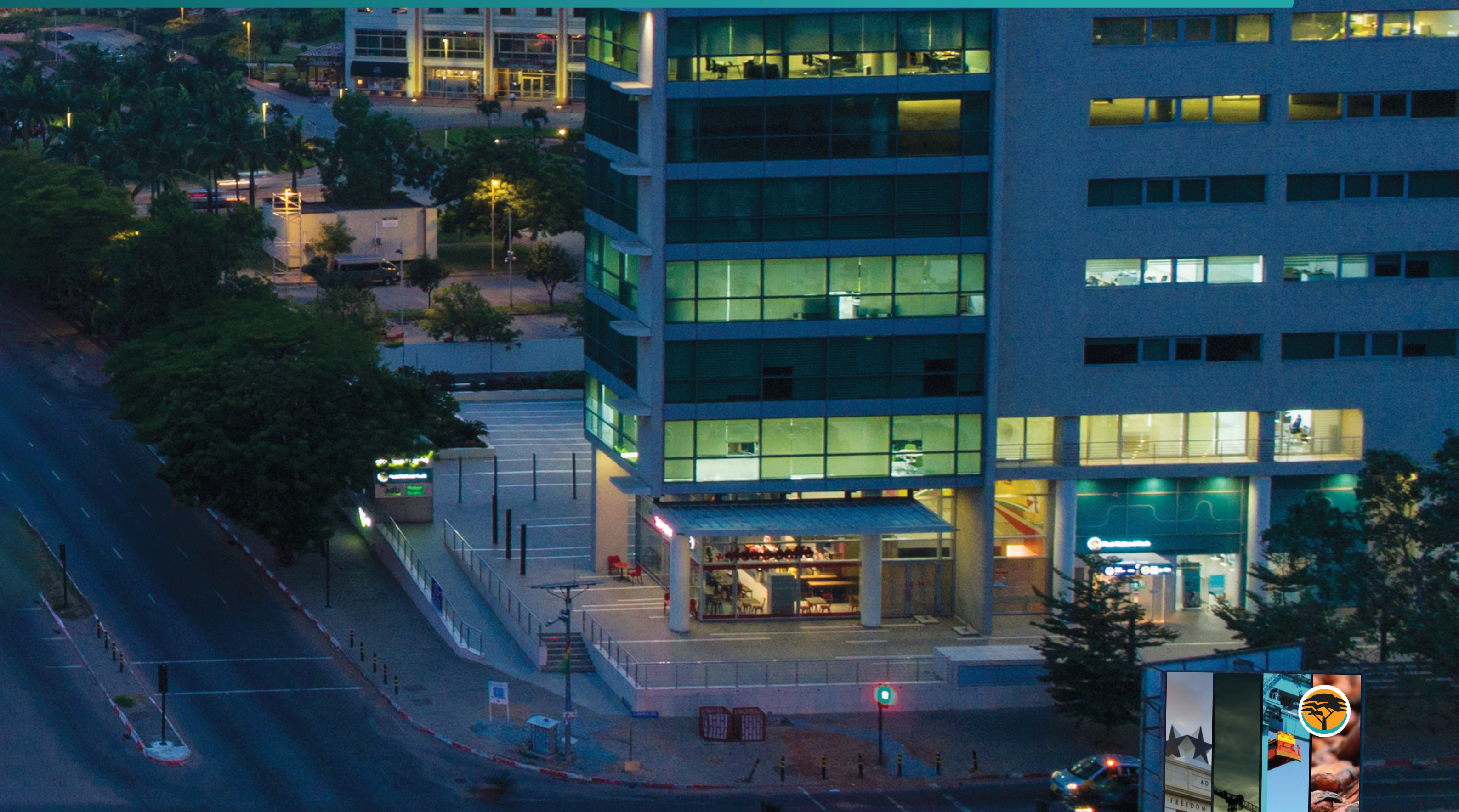
First National Bank Ghana Limited

Annual Report and Financial Statements
For the year ended 31 December 2018



First National Bank Ghana Limited, a subsidiary of the FirstRand Group, South Africa.

First National Bank Ghana Limited, Company Registration Number CS350172014 - a subsidiary of the FirstRand Group

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Overview

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Corporate information

Board of directors	Michael Larbie (Chairman) Richard Hudson (Chief Executive Officer) Seth Asante Stephan Claassen Joseph Tetteh Ebrahim Motala Gareth Davies (*Resigned 29 May 2018*)
Company secretary	Annita Bedzra 6th Floor Accra Financial Centre Corner of Independence Avenue and Liberia Road Accra, Ghana
Independent auditor	PricewaterhouseCoopers No. 12 Airport City UNA Home, 3rd Floor PMB CT 42, Cantonments Accra, Ghana
Registered office	6th Floor Accra Financial Centre Corner of Independence Avenue and Liberia Road Accra, Ghana

Report of the **directors**

The directors present their report together with the audited financial statements for the year ended 31 December 2018 in accordance with the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) which discloses the state of the affairs of First National Bank Ghana Limited (the Bank).

Directors responsibility statement

The directors are responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the Bank and the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with the requirements of the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Financial results and dividend

	GH¢'000
Loss for the year ended 31 December 2018 (before tax)	**(36,891)**
Tax for the year	**2,584**
Loss for the year ended 31 December 2018 (after tax)	**(34,307)**
Prior year deficit	**(39,594)**
IFRS 9 opening provision adjustment	**(1,961)**
Transfer to credit risk reserve	**(3,189)**
Deficit carried forward	**(79,051)**

The board of directors do not recommend the payment of dividend for the year ended 31 December 2018 (2017: Nil).

Nature of business

The Bank is authorised by Bank of Ghana to carry on the business of universal banking, and there was no change in the nature of the Bank's business.

Holding company

The Bank is controlled by FirstRand EMA Holdings Limited, a company incorporated in South Africa. FirstRand EMA Holdings Limited is a subsidiary of FirstRand Limited (FirstRand). The ultimate holding company is FirstRand. FirstRand is currently in talks with GHL Bank which if concluded, may result in an acquisition of that institution and subsequent integration with First National Bank Ghana Limited.

Auditor

The auditor Messrs PricewaterhouseCoopers has expressed willingness to continue in office in accordance with Section 134 (5) of the Ghana Companies Act, 1963 (Act 179).

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on **19 March 2019** and are signed on their behalf by:

Michael Larbie
Chairman

Richard Hudson
Chief Executive Officer

Corporate governance **framework**

Strict adherence to good Corporate Governance and international best practices remains high on the agenda of First National Bank Ghana Limited. As such, the Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place to facilitate best practices for the Board of Directors (the Board) and senior management in order to maximise stakeholder value.

There are currently four (4) main committees through which the Board of Directors discharge their functions: the Audit Committee, the Risk, Capital and Compliance Committee, the Directors' Affairs and Governance Committee and the Remuneration Committee. Executive committee members may be requested depending on their role to be in attendance at these meetings. The Company Secretary is the secretary to all committees of the Board.

1.0 Board of Directors

The six (6)-member Board of Directors of the Bank is composed of a non-executive Chairman, two (2) other non-executive directors, two (2) independent directors and one (1) executive director who is the Chief Executive Officer (CEO), each bringing diverse and rich experience, with enviable records of achievement in their various fields of endeavour. The directors possess the requisite skills and experience, time tested integrity and business acumen to bring well balanced judgement to bear on board deliberations for the good of the Bank. The table below summarises the composition of the board.

Name	Type of Directorship
Ebrahim Motala	Non-Executive Director
Gareth Davies (Resigned 29 May 2018)	Non-Executive Director
Joseph Tetteh	Independent Director
Michael Larbie (Chairman)	Non-Executive Director
Richard Hudson (Chief Executive Officer)	Executive Director
Seth Asante	Independent Director
Stephan Claassen	Non-Executive Director

The roles of the Chairman and the CEO are separate as the Chairman of the Board shall not serve simultaneously as the CEO in line with Bank of Ghana's Corporate Governance Directive.

The Board is responsible for determining strategic objectives and policies of the Bank to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintains a system of internal control, which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulations. The Board meets at least four times in a year.

1.1 The Audit Committee

The Audit Committee is made up of two (2) non-executive directors Ebrahim Motala, Stephan Claassen and two (2) independent directors Joseph Tetteh and Seth Asante. It is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from regulators and as laid-down by the Board.

The Audit Committee is responsible for the review of the integrity of the Bank's financial reporting and oversees the independence and objectivity of the external auditors. The internal and external auditors have unrestricted access to the Audit Committee to ensure their continued independence. The Audit Committee also seeks explanations and additional information, where relevant, from the internal and external auditors. A report is provided to the full Board at each sitting. The Audit Committee meets at least four times in a year.

Corporate governance **framework** (continued)

1.2 Risk, Capital and Compliance Committee (RCCC)

The RCCC is a committee of the Board and discharges its duties and responsibilities in respect of its charter on behalf of the Board. The RCCC is made up of two (2) non-executive directors and one (1) independent director.

The non-executive directors are Ebrahim Motala and Stephan Claassen and the independent director is Joseph Tetteh.

The primary objective of the RCCC is to assist the Board in discharging its responsibilities with regard to overseeing risk management across the Bank. Without derogating from its primary responsibility, the committee has delegated the responsibility of managing the different risk types arising from the nature, complexity and risks inherent in its operations to specialist risk management subcommittees. The RCCC submits its reports and findings to the Board. The RCCC operates independently in order to provide effective oversight and makes recommendations to the Board for consideration and final approval. The RCCC meets at least four times in a year.

1.3 Directors' Affairs and Governance Committee (DAGC)

The DAGC's prime objective is to assist the Board in discharging its responsibilities in respect of governance, board and committee structures, board continuity, executive succession among other objectives. The DAGC reviews the structure and composition of the Board. The committee ensures that the Board is at all times in compliance with all applicable laws, regulations and codes of conduct and practices. The DAGC is made up of two (2) non-executive directors and one (1) independent director. The non-executive directors are Michael Larbie and Stephan Claassen and the independent director is Joseph Tetteh. The committee meets at least two times in a year.

1.4 Remuneration Committee (Remco)

Remco is constituted as a committee of the Board and is answerable to the Board and reports to the Board. Remco ensures that remuneration and benefits practices are appropriate and conform with the general philosophy of rewarding performance at the Bank. Remco is made up of two (2) non-executive directors and one (1) independent director: The non-executive directors are Ebrahim Motala and Stephan Claassen and the independent director is Joseph Tetteh. The committee meets at least two times in a year.

2 Management Committees

Management Committees are various committees comprising senior management of the Bank. The Committees are risk driven as they are established to identify, analyse and make recommendations on risks arising from the day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as scheduled and also as frequently as the risk issues occur to immediately take actions and decisions within the confines of their mandates. The key Management Committees in the Bank are six (6) and are the Executive Committee (EXCO), the Risk Committee (RISCO), the Asset, Liability and Capital Committee (ALCCO), the Procurement Committee (PC), the Finance Committee (FINCO) and Management Credit Risk Committee.

Corporate governance **framework** (continued)

3 Profile and attendance of directors

In line with the Corporate Governance Directive issued by Bank of Ghana in 2018, the tables below provide details of :

- Profile of directors;
- Outside board and management positions;
- Role of directors;
- Year appointed;
- Number of meetings in 2018;
- As well as attendance of each of the directors.

Number	Non-Executive	Qualification	Outside Board and Management position	Position
1	**Michael Larbie**	MBA-Finance & Entrepreneurial Management	RMB Nigeria Management	CEO
2	**Joseph Tetteh**	ACIB/FCIB	Retired	
3	**Stephan Claassen**	LLB, BCOM	FNB SA Commercial Division	Provincial Head
4	**Seth Asante**	LLB	Financial Institutions and Capital Markets Practice Group,Bentil-Enchill Letsa & Ankomah Law Firm	Head Partner
5	**Ebrahim Motala**	BCOM, CA - SA	RMB Rest of Africa Business	HeadBusiness
	Executive			
1	**Richard Hudson**	B.COM (Honours) CAIBSA	First National Bank Ghana Limited	CEO

Directors	BOARD OF DIRECTORS			
	Role	Year appointed	Number of Meetings 2018*	Attendance
Michael Larbie	Chairman	2014	4	**3**
Richard Hudson	Member	2014	4	**4**
Joseph Tetteh	Member	2015	4	**4**
Seth Asante	Member	2014	4	**2**
Stephan Claassen	Member	2014	4	**3**
Gareth Davies	Member	2016	2	**2**
Ebrahim Motala	Member	Member	4	**4**

* Number of meetings required for each director varies according to the date of appointment / resignation.

Corporate governance **framework** (continued)

3 Profile and attendance of directors (continued)

Directors	Risk, Capital and Compliance Committee			
	Role	Year appointed	Number of Meetings 2018*	Attendance
Joseph Tetteh	Chairman	2015	4	**4**
Ebrahim Motala	Member	2016	4	**4**
Gareth Davies	Member	2016	2	**2**
Stephan Claassen	Member	2015	4	**3**

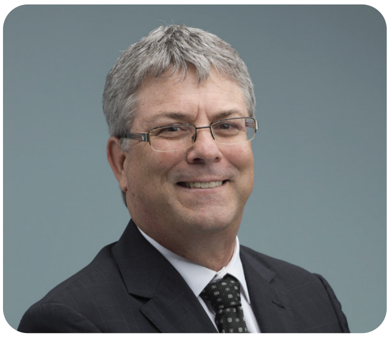
Directors	Directors' Affairs and Governance Committee (DAGC) – 2018			
	Role	Year appointed	Number of Meetings 2018*	Attendance
Stephan Claassen	Chairman	2018	1	**1**
Michael Larbie	Member	2015	3	**3**
Joseph Tetteh	Member	2015	3	**3**
Gareth Davies	Member	2016	2	**2**

Directors	Audit Committee – 2018			
	Role	Year appointed	Number of Meetings 2018*	Attendance
Ebrahim Motala	Chairman	2016	4	**4**
Stephan Claassen	Member	2015	4	**3**
Joseph Tetteh	Member	2015	4	**4**
Gareth Davies	Member	2016	2	**2**
Seth Asante	Member	2018	2	**1**

Directors	Remuneration Committee (Remco)			
	Role	Year appointed	Number of Meetings 2018*	Attendance
Ebrahim Motala	Chairman	2018	1	**1**
Joseph Tetteh	Member	2015	2	**2**
Stephan Claassen	Member	2018	1	**1**
Gareth Davies	Member	2016	1	**1**

* Number of meetings required for each director varies according to the date of appointment / resignation.

Executive Committee



Richard Hudson
Chief Executive Officer

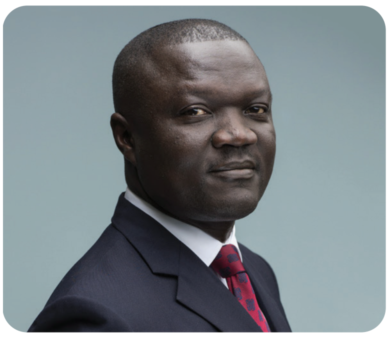
Gary Chapman
Chief Risk officer

Ernestina Danquah
Head, Human Resources

Sandile Nhleko
Chief Finance Officer

Mark Boateng
Chief Operating Officer

Llewellyn Foxcroft
Treasurer



Victor Yaw Asante
Head, Corporate, Commercial and Investment Banking

Hannah Annobil-Acquah
Head, Retail and Channels

Independent auditor's report to the members of **First National Bank Ghana** Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of First National Bank Ghana Limited (the "Bank") for the year ended 31 December 2018.

The financial statements on pages 14 to 80 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment on loans and advances – GHS5.7 million IFRS 9 – financial instruments was adopted by the Bank for the period beginning 1 January 2019 and it replaced the guidance provided for by IAS 39. A core component for IFRS 9 was the introduction of a new impairment recognition methodology, defined as the Expected Credit Loss (ECL) Model, compared to the incurred loss model of IAS 39. At 31 December 2018 the Bank had gross loans and advances of GHS92.7 million and an impairment of GHS5.7 million. Significant judgements and estimates were used in designing models which assisted in arriving at the total impairment. Key judgements and estimates used include: a) Determination of a business model and the assessment of solely payment of principal and interest; b) Determination of default and the criteria for assessing significant increase in credit risk (SICR) based on both qualitative and quantitative factors; c) Segmentation of the Bank's portfolio to reflect similar behaviour and characteristics; d) Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations; e) Incorporation of forward looking information; and f) The determination of the Probability of default(PD), Exposure at default (EAD) and the Loss Given Default (LGD). The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.4, 3.2, 4.1, 11 and 17 to the financial statements.	We performed a detailed walkthrough of the credit modelling process to obtain an understanding of the end-to-end process. We assessed the definition of default and SICR. We then examined and evaluated specific circumstances of borrowers for selected credit facilities to identify qualitative and quantitative factors resulting in significant increase in credit risk or default. We developed an understanding of the characteristics that led to the portfolio segmentation and tested the underlying information. We identified the critical data inputs which drive the ECL provision calculation. Where key inputs to the model are derived from other sources, we checked the accuracy of these sources. We checked that the ECL calculations were consistent with the approved model methodologies. We assessed the reasonableness of the forward looking economic scenarios used by agreeing economic information to an independent external source, and challenged the weightings applied. We assessed the reasonableness of PD assumptions applied and tested the reasonableness of the LGD derived by reviewing on a sample basis the valuation of the collateral held and expected future recoveries. We challenged management on subjective estimates and assumptions such as the haircut and time to realisation used on the collateral. We ascertained the appropriateness of relevant disclosures arising from the implementation of IFRS 9 for compliance with the requirements of the standard.

Independent auditor's report to the members of **First National Bank Ghana** Limited

Other information

The directors are responsible for the other information. The other information comprises the Report of the board of directors, Corporate governance framework, Executive committee and Value added statement 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 judgement and maintain professional scepticism throughout the audit. We also:

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

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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; and

- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

Independent auditor's report to the members of **First National Bank Ghana** Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

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

iii) the Bank's transactions were within its powers; and

iv) the Bank has, in all material respects, complied with the provisions of this Act.

With respect to the provisions of the Anti-Money Laundering Act, 2008 (Act 749) (as amended), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

The engagement partner on the audit resulting in this independent auditor's report is Oseini Amui (ICAG/P/1139).

Pricewaterhousecoopers

PricewaterhouseCoopers (ICAG/F/2019/028)
Chartered Accountants
Accra, Ghana
28 March 2019

Statement of comprehensive income

(All amounts are in thousands of **Ghana Cedis**)

	Note	Year ended 31 December 2018	2017
Interest income	6	**34,120**	29,490
Interest expense	7	**(12,397)**	(8,436)
Net interest income		**21,723**	21,054
Fees and commission income	8	**5,673**	1,839
Fees and commission expense	8	**(1,960)**	(518)
Net fees and commission		**3,713**	1,321
Net trading income	9	**23,058**	12,075
Other income	10	**92**	(1,331)
Operating income		**48,586**	33,119
Net impairment loss on financial assets	11	**(4,570)**	(242)
Personnel expenses	12	**(48,104)**	(35,405)
Operating lease expense	13	**(9,089)**	(8,115)
Depreciation and amortisation	21, 22	**(6,286)**	(5,188)
Other operating expenses	14	**(17,428)**	(11,583)
Loss before tax		**(36,891)**	(27,414)
Income tax credit	15	**2,584**	782
Loss for the year		**(34,307)**	(26,632)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss			
Gains on available-for-sale financial assets	20	**-**	2,211
Income tax effect relating to OCI	23	**-**	(648)
Other comprehensive income net of tax		**-**	1,563
Total comprehensive income for the year		**(34,307)**	(25,069)

The notes on pages 20 to 80 are an integral part of these financial statements.

Statement of financial position

(All amounts are in thousands of **Ghana Cedis**)

		As at 31 December	
	Note	**2018**	2017
Assets			
Cash and cash equivalents	16	**225,205**	77,525
Non-pledged trading assets	19	**48,158**	41,824
Loans and advances	17	**84,633**	28,518
Investment securities	20	**244,738**	76,523
Intangible assets	22	**30**	462
Deferred tax assets	23	**3,233**	-
Other assets	24	**14,242**	12,897
Property and equipment	21	**20,381**	22,545
Total assets		**640,620**	260,294
Liabilities			
Deposits from banks	34	**1,289**	313
Deposits from customers	25	**182,826**	103,374
Deferred tax liability	23	**-**	1,263
Other liabilities	26	**26,517**	18,360
Total liabilities		**210,632**	123,310
Equity			
Stated capital	27	**505,850**	162,017
Contribution towards capital	28	**-**	8,820
Income surplus - (deficit)	29	**(79,051)**	(39,594)
Credit risk reserve	30	**3,189**	280
Other reserves	31	**-**	5,461
Total		**429,988**	136,984
Total liabilities and equity		**640,620**	260,294

The notes on pages 20 to 80 are an integral part of these financial statements.

The financial statements on pages 14 to 80 were approved by the Board on 19 March 2019 and signed on its behalf by:

Michael Larbie
Chairman

Richard Hudson
Chief Executive Officer

Statement of changes in equity

(All amounts are in thousands of **Ghana Cedis**)

Year ended 31 December 2017	**Stated capital**	**Contributions towards capital**	**Credit risk reserve**	**Other reserve**	**Income surplus (deficit)**	**Total equity**
Balance at 1 January 2017	144,644	-	-	3,898	(12,682)	135,860
Loss for the year	-	-	-	-	(26,632)	(26,632)
Other comprehensive income	-	-	-	1,563	-	1,563
Total comprehensive income/(loss)	-	-	-	1,563	(26,632)	(25,069)
Transactions with owners						
Issue of ordinary shares	17,373	-	-	-	-	17,373
Contribution towards capital	-	8,820	-	-	-	8,820
Transfer to credit risk reserve	-	-	280	-	(280)	-
Total transactions with owners	17,373	8,820	-	-	-	26,193
Balance at 31 December 2017	162,017	8,820	280	5,461	(39,594)	136,984

Statement of changes in equity (continued)

(All amounts are in thousands of **Ghana Cedis**)

Year ended 31 December 2018	Stated capital	Contributions towards capital	Credit risk reserve	Other reserve	Income surplus (deficit)	Total equity
Balance at 1 January 2018	162,017	8,820	280	5,461	(39,594)	136,984
Changes on initial application of IFRS 9						
Increase in impairment provisioning	-	-	-	-	(2,241)	(2,241)
Transfer between reserves	-	-	(280)	-	280	-
Reclassification of investment securities	-	-	-	(5,461)	-	(5,461)
Restated balance at 1 January 2018	**162,017**	**8,820**	-	-	**(41,555)**	**129,282**
Loss for the year	-	-	-	-	(34,307)	(34,307)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	**-**	**-**	**-**	**-**	**(34,307)**	**(34,307)**
Transactions with owners						
Issue of ordinary shares	343,833	(8,820)	-	-	-	335,013
Transfer to credit risk reserve	-	-	3,189	-	(3,189)	-
Total transactions with owners	343,833	(8,820)	-	-	-	335,013
Balance at 31 December 2018	**505,850**	**-**	**3,189**	**-**	**(79,051)**	**429,988**

The notes on pages 20 to 80 are an integral part of these financial statements.

Statement of cash flows

(All amounts are in thousands of **Ghana Cedis**)

	Note	As at 31 December 2018	2017
Cash flows from operating activities			
Profit/(loss) for the period		**(34,307)**	(26,632)
Adjustments for:			
Depreciation and amortisation	21,22	**6,286**	5,188
Impairment on financial assets	11	**4,570**	242
Net interest income		**(21,723)**	(21,054)
Income tax expense	15	**(2,584)**	(782)
Change in non-pledged trading assets	19	**(6,334)**	(25,378)
Change in loans and advances	17	**(59,324)**	(25,721)
Change in investment securities	20	**(176,857)**	4,939
Change in other assets	24	**(1,345)**	(6,209)
Change in deposits from banks		**976**	313
Change in deposits from customers	25	**79,452**	(31,742)
Change in other liabilities	26	**8,157**	7,105
Change in deferred tax	23	**(1,912)**	648
Interest received		**33,585**	24,619
Interest paid		**(12,283)**	(8,186)
Net cash used in operating activities		**(183,643)**	(102,650)
Cash flows from investing activities			
Purchases of property and equipment	21	**(3,690)**	(5,691)
Purchases of intangible assets	22	**-**	(118)
Net cash used in investing activities		**(3,690)**	(5,809)

Statement of cash flows (continued)

(All amounts are expressed in thousands of **Ghana cedis**)

		As at 31 December	
	Note	**2018**	2017
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**335,013**	17,373
Proceeds from contributions towards capital		**-**	8,820
Net cash from financing activities		**335,013**	26,193
Net increase/(decrease) in cash and cash equivalents		**147,680**	(82,266)
Cash and cash equivalents at **1 January**		**77,525**	159,791
Cash and cash equivalents at 31 December	16	**225,205**	77,525

The notes on pages 20 to 80 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

First National Bank Ghana Limited ('the Bank') is a private limited liability company incorporated and domiciled in Ghana licensed to provide banking services. The Bank is wholly owned by FirstRand EMA Holdings Limited, and the ultimate holding company is FirstRand Limited. The holding and ultimate holding companies are all incorporated in the Republic of South Africa. The address of the Bank's registered office is 6th Floor Accra Financial Centre, Corner of Independence Avenue and Liberia Road, Accra.

2. Summary of significant accounting policies

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

2.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS. The requirements of the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy below.

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

2.2 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Bank

The following new standards were adopted in the current year:

New/revised IFRS	Description of change	Impact on First National Bank Ghana Limited
IFRS 9	*The bank adopted IFRS 9 in the current year. The following resulted from the implementation:* • the classification of financial assets under IFRS 9 is based on both the business model for holding the instruments as well as the contractual characteristics of the instruments;	*The main impacts on the Bank's financial statements from the adoption of IFRS 9 were the following:* • certain items have been reclassified based on the new classification requirements. Investment securities held by the bank have been reclassified from available-for-sale to amortised cost;

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

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

New/revised IFRS	Description of change	Impact on First National Bank Ghana Limited
IFRS 9	• impairments in terms of IFRS 9 are determined based on an expected loss model that considers the significant changes to the assets' credit risk and the expected loss that will arise in the event of default;	• the loss allowance on financial assets has increased because of the change from an incurred loss to an expected credit loss model;
	• the requirements for the classification of liabilities remained unchanged. If a liability is designated at fair value, the changes in the fair value as a result of changes in own credit risk is recognised in other comprehensive income, unless this would create or enlarge an accounting mismatch in profit or loss;	• the bank does not apply hedge accounting. Therefore the requirements for general hedge accounting under IFRS 9 does not have an impact on the bank;
	• the general hedge accounting requirements under IFRS 9 are more closely aligned to how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives. IFRS 9 also allows for rebalancing of the hedge and the deferral of certain costs of hedging; and	• the amended disclosure requirements of IFRS 7 will be prospectively applied by the bank. Therefore all comparative disclosures relating to financial instruments are based on the classification and measurement requirements of IAS 39 and disclosure requirements of IFRS 7 before the IFRS 9 amendments.
	• IFRS 7 has been amended to include additional disclosures as a result of the introduction of IFRS 9.	• Refer to 2.17 for the impact of adopting IFRS 9.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

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

New/revised IFRS	Description of change	Impact on First National Bank Ghana Limited
IFRS 15	• IFRS 15 contains a single model that is applied when accounting for contracts with customers. It replaces substantially all of the current revenue recognition guidance, except for contracts that are out of scope – e.g. leases and insurance. • The model specifies that revenue is recognised as and when control of goods or services are transferred to a customer and that revenue is recognised at the amount to which an entity expects to receive. Depending on certain criteria revenue is recognised at a point in time or over time. • IFRS 15 includes new quantitative and qualitative disclosure requirements to enable users of financial statements to understand the nature, amount and timing of revenue from contracts with customers.	• IFRS 15 requires that goods and services are split out into their separate performance obligations and that the revenue from each performance obligation is recognised at a point in time or over time depending on the IFRS 15 criteria for revenue recognition. • The transition to IFRS 15 did not have significant impact on the bank.

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

IFRS 16 Leases

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank is in the process of assessing the impact of the adoption of IFRS 16.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(iii) Annual Improvements to IFRS standards 2015-2017 Cycle

The following improvements were finalised in December 2017:

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :

Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change. Any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling separately recognise any changes in the asset ceiling through other comprehensive income.

2.3 Foreign currency transactions

2.3.1 Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Cedis (GH¢), which is the Bank's functional currency.

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Financial instruments

All financial assets and liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.4.1 Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income.

2.4.2 Classification and subsequent measurement of financial assets

From 1 January 2018, the bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:
- the bank's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model

The bank distinguishes three main business models for managing financial assets
- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument by instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The main consideration in determining the different business models across the bank is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the bank only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repo transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

Business model (continued)

If sales of financial assets are not infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows.

Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows but rather the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant.

A change in business model of the bank only occurs on the rare occasion when the bank genuinely changes the way in which it manages a financial asset. Any changes in business model would result in a reclassification of the relevant financial assets from the start of the next reporting period.

Cash flow characteristics

In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement.

The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test.

For Corporate advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Corporate advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

<table>
<tr><th>Classes of financial assets</th><th>Business model considerations</th><th>Cash flow characteristics</th></tr>
<tr><td colspan="3">Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These include all of the retail and corporate advances of the bank as well as certain investment securities utilised for liquidity risk management of the bank.</td></tr>
<tr><td>Retail advances</td><td>The Bank holds retail advances to collect contractual cash flows. The business model focuses on growing these advances within acceptable credit appetite limits and maintaining strong collection practices.

The products included under this business models include:
• residential mortgages;
• vehicle and asset finance;
• personal loans, credit card and other retail products such as overdrafts.

The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.</td><td>The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). There are no penalties on the prepayment of advances.</td></tr>
<tr><td>Corporate advances</td><td>The business models of Commercial and Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under this business model include:
• trade and working capital finance;
• specialised finance;
• commercial property finance; and
• asset-backed finance.

These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.</td><td>The cash flows on these corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). There are no penalties on the prepayment of advances.</td></tr>
</table>

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

Classes of financial assets	Business model considerations	Cash flow characteristics
Investment securities	The bank holds investment securities with lower credit risk (typically with the government of Ghana) that are convertible into cash within a short time period as and when required for liquidity risk management purposes. The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills. These investment securities are held to collect contractual cash flows, but are also available to be pledged as collateral or sold if required for liquidity management purposes. Sales are often in the form of a repurchase agreement transaction. If the accounting requirements for derecognition are not met, the transaction does not constitute a sale for IFRS 9 business model assessment purposes. For accounting purposes, repurchase agreement transactions are treated as a secured funding transaction rather than a sale, and the bank continues to recognise the asset and collect the contractual cash flows. These investment securities are only sold before maturity to meet liquidity needs in a stress scenario, which is consistent with a business model to collect contractual cash flows.	The cash flows on these investment securities are solely payments of principal and interest.
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Other assets	Financial other assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Classification and subsequent measurement of financial assets (continued)

Mandatory at fair value through profit or loss		
Financial assets of the bank are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.		
Classes of financial assets	**Business model considerations**	**Cash flow characteristics**
Investment securities	Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short term profit realisation. These securities are managed on a fair value basis.	Not applicable
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	Not applicable

2.4 .3 Classification and subsequent measurement of financial liabilities

Financial liabilities and compound financial instruments
The bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement.
Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss:. • deposits; • creditors; and • other funding liabilities.
Financial liabilities measured mandatory at fair value
The following held for trading liabilities are measured at fair value through profit or loss: • derivative liabilities; and • short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.4 Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to Note 3.2 for further details on the impairment process of financial assets.

2.4.5 Accounting policies applied until 31 December 2017

Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows:

<table>
<tr><th colspan="2">Category (as defined by IAS 39)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclasses</th></tr>
<tr><td rowspan="8">Financial assets</td><td rowspan="3">Loans and receivables</td><td rowspan="3">Loans and advances to customers</td><td>Deposits with other banks</td><td>Due from other banks</td></tr>
<tr><td rowspan="2">Loans to staff</td><td>Staff personal loans</td></tr>
<tr><td>Staff mortgages</td></tr>
<tr><td rowspan="2">Available for sale</td><td colspan="2" rowspan="2">Investment securities</td><td>Government bonds</td></tr>
<tr><td>Government treasury bills</td></tr>
<tr><td>Fair value through profit and loss</td><td colspan="2">Non - pledged trading assets</td><td>Government bonds and notes</td></tr>
<tr><td rowspan="2">Financial liabilities at amortised costs</td><td colspan="2" rowspan="2">Deposits from customers</td><td>Individuals</td></tr>
<tr><td>Corporate entities</td></tr>
</table>

The carrying amounts of the respective financial instruments are disclosed in the related notes.

All financial assets and liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.5 Accounting policies applied until 31 December 2017 (continued)

Classes of financial instruments (continued)

Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, fair value through profit and loss and available-for-sale financial assets. The directors determine the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Bank upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to customers and due from other banks. Interest on loans is included in profit or loss and is reported as 'Interest income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as 'loan impairment charges'.

(b) Designation at fair value through profit or loss

The Bank classifies investments as trading assets if it acquires those assets principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

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

(c) Available-for-sale

Available-for-sale assets are non-derivative assets that are not designated as another category of financial assets.

Available-for-sale assets are initially recognised at fair value. They are subsequently measured at fair value and the fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is transferred to profit or loss.

Financial liabilities

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

2. Summary of significant accounting policies (continued)

2.4 Financial instruments (continued)

2.4.6 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are transferred when the Bank has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IFRS 9).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the bank determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition. A modification of a financial asset is substantial, and thus results in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition, the original asset continues to be recognised.

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

2.4.7 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the Bank offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

It is the bank's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For Corporate and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect.

2.4.8 Derivative financial instruments

Derivative instruments are classified as held for trading with the resulting fair value gains or losses being recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.5 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised 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 liability and allocating the 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 (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.6 Fee and commission income and expense

The fee and commission income that the Bank earns from providing customers with services and selling them products and services provided by external entities, consists of the following main categories:

- Banking fees and commissions;
- Non-banking fees and commissions;
- Insurance commissions (excluding insurance risk related income); and
- Management, trust and fiduciary fees.

Fees and commissions that form an integral part of the effective interest rate is excluded from fees and commissions from customers and are recognised as part of interest income.

All other fees and commissions from customers are recognised as the bank satisfies its performance obligations, which can either be satisfied at a specific point in time or over a period of time.

For fees earned on the execution of a significant act, the performance obligation is satisfied when the significant act or transaction takes place. These fees typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions and knowledge-based fee and commission income.

Where the performance obligation is satisfied over a period of time, the fees are recognised as followed:

- fees for services rendered are recognised on an accrual basis as the service is rendered and the bank's performance obligation is satisfied;

- commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis; and

Commitment fees for unutilised funds made available to customers in the past, is recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, is recognised as revenue on a straight line over the period for which the funds are promised to be kept available.

Commissions earned on the sale of insurance products to customers of the Bank on behalf of an insurer and the income arising from third-party insurance cell captives and profit share agreements, are recognised as fee and commission income.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Fee and commission income and expense (continued)

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers. This includes commission earned from the sale of prepaid airtime.

Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.

2.7 Leases

Leases of property and equipment where the Bank, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Bank will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Bank as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Bank is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

2.8 Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the related deferred tax liability is settled.

2. Summary of significant accounting policies (continued)

2.8 Income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same entity or different taxable entities where there is the intention to settle the balances on a net basis.

2.9 Cash and cash equivalents

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

2.10 Property and equipment

All property and equipment used by the Bank are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred. All other expenditure is recognised in the statement of comprehensive income when incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives of the assets as follows:

Leasehold improvements	Shorter of estimated life or period of lease
Computer equipment	3 – 5 years
Furniture and fittings	6 years
Other equipment	Various between 3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

These are included in 'other income' in profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as finite.

There is no specific useful life for software as it would depend on the specific software and its purpose. The Bank amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset.

Below is the estimated useful life of the capitalised software at year end;

- Aperta software 2 years

2.12 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 or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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.

2.13 Provisions

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

2. Summary of significant accounting policies (continued)

2.13 Provisions (continued)

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

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

2.14 Employee benefits

Defined contribution plans

The Bank contributes to defined contribution pension schemes. These defined contributions schemes are approved by the regulatory authority. A defined contribution scheme is a pension plan under which the entity pays fixed contributions into a separate entity. The Bank has no further payment obligations once the contributions have been paid.

The Bank's obligations to defined contribution plans are recognised as an expense in the profit or loss when they are due.

Termination benefits

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

Liability for short term employee benefits

The bank recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the bank is based on current salary of employees and the contractual terms between the employee and the bank. The expense is included in staff costs.

The bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

Cash-settled share-based payment plans

The Bank recognises a liability and an expense for share options granted by the parent company to employees of the Bank.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.15 Stated capital

Ordinary shares

Ordinary shares are classified as ‘stated capital’ in equity.

2.16 Financial guarantees

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

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

2.17 Impact of adopting revised accounting standards

The bank has adopted IFRS 9 during the current period. The comparative information has not been restated, but the income surplus as at the date of initial adoption (DIA) of 1 January 2018, has been restated.

The key impact of adopting the revised standards has been set out in the table below.

2. **Summary of significant accounting policies (continued)**

2.17 Impact of adopting revised accounting standards (continued)

Requirement	Description of change	Impact on First National Bank
Classification and measurement	IFRS 9 introduced a principle-based approach for classifying financial assets, based on the entity's business model (for example how an entity manages its financial assets to generate cash flows) and the nature of its cash flows. Financial assets held to collect contractual cash flows, which relate SPPI, are classified at amortised cost. Financial assets held in a mixed business model (for example, held to collect contractual cash flows which meet the SPPI test and held for sale) are classified at fair value through other comprehensive income (FVOCI). All other financial assets held under a different business model or cash flows that do not meet the SPPI test are classified at fair value through profit or loss (FVTPL). The classification of financial liabilities remains relatively unchanged, with the exception of financial liabilities designated at fair value. Any changes in the fair value of the liability due to the entity's own credit risk will now be recognised in other comprehensive income. IFRS 9 also allows for the once-off reclassification of financial liabilities.	Based on the business model assessments performed, the following were the significant reclassifications and remeasurements: GH¢ 76,523,000 investment securities held in the bank's liquid asset portfolio were reclassified from available-for-sale to amortised cost because they are held to collect contractual cash flows that meet the SPPI test. This resulted in a (pre-tax gain) release of GH¢ 7,282,000 (GH¢ 5,461,000) net of tax) available-for-sale reserve.
ECL impairment	IFRS 9 introduced an ECL model which includes the incorporation of forward-looking information (FLI) for the recognition of impairments on financial assets. It is no longer required that a credit event occurs before credit losses are recognised. This applies to financial assets classified at amortised cost and FVOCI, lease receivables and trade receivables. It also applies to loan commitments, unutilised facilities and financial guarantee contracts not designated at FVTPL, referred to collectively as off-balance sheet exposures.	The revised impairment requirements increased impairments by GH¢ 2,241,000 due to earlier recognition of ECL, incorporating FLI, the inclusion of off-balance sheet exposures and the extension of the measurement period.

(All amounts are in thousands of Ghana Cedis)

2. Summary of significant accounting policies (continued)

2.17 Impact of adopting revised accounting standards (continued)

Requirement	Description of change	Impact on First National Bank
ECL impairment (continued)	The level of ECL to be recognised is determined with reference to the credit risk of the asset at reporting date in relation to its credit risk at origination. Where the credit risk has not increased significantly since origination, impairment is calculated based on a 12-month ECL. If there has been a significant increase in credit risk (SICR), impairment is based on life-time ECL.	

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group				
	IAS 39		IFRS 9	
Financial assets	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Cash and cash equivalents	Amortised cost (Loans and receivables)	77,525	Amortised cost	77,525
Non-pledged trading assets	Held for trading (FVTPL)	41,824	FVTPL (mandatory)	41,824
Investment securities	FVOCI (Available for sale)	76,523	Amortised cost	68,444
Loans and advances to customers	Amortised cost (Loans and receivables)	28,518	Amortised cost	27,074
Other assets	Amortised cost (Loans and receivables)	12,897	Amortised cost	12,897

There were no changes to the classification or measurement of financial liabilities.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

2. Summary of significant accounting policies (continued)

2.17 Impact of adopting revised accounting standards (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

Assets	IAS 39 Carrying amount 31-Dec-17	Reclassifications	ECL impairment	IFRS 9 Carrying amount 1-Jan-18
Cash and cash equivalents	77,525			77,525
Non-pledged trading assets	41,824			41,824
Loans and advances	28,518		(1,444)	27,074
Investment securities	76,523	(7,282)	(797)	68,444
Intangible assets	462			462
Other assets	12,897			12,897
Property and equipment	22,545			22,545
Total assets	**260,294**	**(7,282)**	**(2,241)**	**250,771**
Liabilities				
Deposits from banks	313			313
Deposits from customers	103,374			103,374
Deferred tax liability	1,263	(1,821)		(558)
Other liabilities	18,360			18,360
Total liabilities	**123,310**	**(1,821)**	**-**	**121,489**
Equity				
Stated capital	162,017			162,017
Contribution towards capital	8,820			8,820
Credit risk reserve	280		(280)	-
Other reserves	5,461	(5,461)		-
Income surplus - (deficit)	(39,594)		(1,961)	(41,555)
Total equity	**136,984**	**(5,461)**	**(2,241)**	**129,282**
Total equity and liabilities	**260,294**	**(7,282)**	**(2,241)**	**250,771**

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

2. Summary of significant accounting policies (continued)

2.17 Impact of adopting revised accounting standards (continued)

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loss allowance under IAS 39/Provision under IAS 37	Reclassifications	Measurement	Loss allowance under IFRS 9
Cash and cash equivalents	-	-	-	-
Investment securities	-	-	797	797
Loans and advances to customers	303	-	1,397	1,700
Financial guarantees and loan commitments	-	-	47	47
Total	**303**	**-**	**2,241**	**2,544**

3. Financial risk management

3.1 Risk management framework

The Bank's activities expose the business to risks. These risks are managed 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 and market risks. The Bank continues to assess its overall risk management framework and governance structure.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Asset and Liability Committee (ALCCO) and Management Credit Committee and the Risk Management Unit, which are responsible for developing and monitoring risk management policies in their specified areas.

All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The Board Audit Committee 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 the risks faced by the Bank. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Commitee.

3.2 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 and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

The Board of Directors has delegated responsibility for the management of credit risk to its Management Credit Committee, responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Heads. Larger facilities require approval by the Chief Executive Officer, Management Credit Committee, and the Board of Directors as appropriate;

3. Financial risk management (continued)

3.2 Credit risk (continued)

- Reviewing and assessing credit risk. Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;

- Developing and maintaining the Bank's risk gradings in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of four grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Management Credit Committee. The Risk grades are subject to regular reviews by the Risk Management unit of the Bank;

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Risk Management unit of the Bank on the credit quality of local portfolios and appropriate corrective action is taken;

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk. Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorities authorised by the Management Credit Committee. Each business unit with the responsibility of initiating credit has experienced credit managers who report on all credit related matters to local management of the Management Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval; and

- Regular review of business units and credit quality are undertaken by internal audit function of the Bank and the parent company.

Key ratios on loans and advances

The total loan loss provision made by the bank constitutes 8.7% (2017: 1%) of the gross loans.

3.2.1 Management of credit risk

The twenty largest exposure (gross funded and non-funded) to total exposure is 77% (2017: 93%).

Allowances for impairment

IFRS 9 establishes a three-stage approach for impairment of financial assets.

- Stage 1 - at initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;

- Stage 2 - if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and

- Stage 3 - non-performing assets are classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Expected credit losses			
Expected credit losses are calculated by multiplying the exposure at default (EAD) of a financial asset by the probability of default (PD) and the loss given default (LGD) of the asset and by discounting this figure to the reporting date using the original effective interest rate. Impairment losses are recognised in profit or loss. In the section below, the term financial asset also refers to loan commitments, finance lease debtors where bank is the lessor and financial guarantees, unless stated otherwise.			
Financial liabilities measured at amortised cost			
Credit risk has not increased significantly since initial recognition (Stage 1)	Credit risk has increased significantly (SICR) since initial recognition, but asset is not credit-impaired (Stage 2)	Asset has become credit-impaired since initial recognition (Stage 3)	Purchased or originated credit impaired
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Movement in lifetime expected credit losses since initial recognition

Advances

Significant increase in credit risk since initial recognition (SICR)	In order to determine whether an advance has experienced a SICR, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the bank had an opportunity to price or re-price the advance based on the outcome of either the original or an up-to-date risk assessment. SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of Corporate and commercial SME facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk.

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Advances (continued)

Significant increase in credit risk since initial recognition (SICR) *(continued)*	The SICR test is performed on a monthly basis, as part of the monthly impairment calculation process. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from Stage 2 back to Stage 1 is applied, with the exception of distressed restructured exposures that are required to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1.
Low credit risk	Financial assets with low credit risk are assumed not to have experienced a significant increase in credit risk since initial recognition.
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The bank's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, more than 3 unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the bank to actions such as the realisation of security. Any distressed restructures of financial assets which have experienced a significant increase in credit risk since initial recognition are defined as default events. Financial assets are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defined rates.
Purchased or originated credit-impaired	Financial assets that meet the abovementioned definition of credit-impaired at initial recognition.
Write-offs and post-write-off recoveries	Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised). • by implication, in both retail and Corporate, for secured as well as unsecured, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; and • within Retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries; and

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Management of credit risk (continued)

Advances (continued)

Write-offs and post-write-off recoveries *(continued)*	• within Corporate portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.

Risk limit control and mitigation policies

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

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

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

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

Collateral

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

Revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Financial covenants (for credit related commitments and loan books)

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants). The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements

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

	2018	2017
Balances with Bank of Ghana	**108,209**	15,865
Cash and balances with other banks	**102,498**	57,147
Non-pledged trading assets	**48,158**	41,824
Investment securities	**244,738**	76,523
Loans and advances to customers	**84,633**	28,518
Other assets (excluding prepayments)	**11,430**	4,720
	599,666	224,597

Credit risk exposures relating to off balance sheet items are as follows:

	2018	2017
Commited undrawn	**17,051**	20,153
Letters of credit	**592**	692
Non-financial guarantees	**67,441**	40,559
	85,084	61,404

The above table represents a worst-case scenario of credit risk exposure to the Bank without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. 41% (2017: 37%) of the total maximum balance sheet exposure is derived from investment securities.

The Bank's credit exposures were categorised by the Bank of Ghana prudential guidelines as follows:

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

At 31 December 2018, the Bank's credit exposures were categorised under IFRS 9 as follows:

- Stage 1 – At initial recognition
- Stage 2 – Significant increase in credit risk since initial recognition
- Stage 3 – Credit impaired

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Maximum exposure to credit risk – financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

At 31 December		2018			2017
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents	225,205	-	-	**225,205**	77,525
Investment securities	244,738	-	-	**244,738**	76,523
Loans and advances	71,923	9,276	11,501	**92,700**	28,821
Other assets (excluding prepayments)	11,430	-	-	**11,430**	4,720
Gross carrying amount	553,296	9,276	11,501	**574,073**	187,589
Loss allowance on:					
Loans and advances	(2,654)	(182)	(5,231)	**(8,067)**	(303)
Investment securities	(1,361)	-	-	**(1,361)**	-
Carrying amount	**549,281**	**9,094**	**6,270**	**564,645**	187,286

Maximum exposure to credit risk – financial instruments not subject to impairment

The maximum credit risk exposure to the Bank from financial assets not subject to impairment (i.e.FVPL) is GH¢48.2 million.

3.2.3 Collateral and other credit enhancements

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

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

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

The bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the bank since the prior year.

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.3 Collateral and other credit enhancements (continued)

The bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are shown below:

At 31 December 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Overdrafts	7,377	1,838	5,539	7,505
Term loans	4,124	3,393	731	2,965
Total credit impaired assets	**11,501**	**5,231**	**6,270**	**10,470**

There were no credit - impaired assets as at 31 December 2017

3.2.4 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and available-for-sale. Unless specifically indicated, for financial assets, the amounts in the table represents gross carrying amounts. For loan commitments and performance guarantee contracts, the amounts in the table represent amounts committed or guaranteed, respectively.

Loans and advances to customers at amortised cost

At 31 December	2018				2017
Loans and advances to customers at amortised cost	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	Total
Cat 0: Performing	71,923	-	-	71,923	25,707
Cat 1: Watchlist/OLEM	-	9,203	-	9,203	3,114
Cat 2: High risk	-	73	-	73	-
Cat 3: Non-performing	-	-	11,501	11,501	-
Gross loans	**71,923**	**9,276**	**11,501**	**92,700**	**28,821**

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

3. Financial Risk Management (continued)

3.2 Credit risk (continued)

3.2.4 Credit quality analysis (continued)

At 31 December	2018				2017
Loans and advances to customers at amortised cost	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	Total
Gross loans	**71,923**	**9,276**	**11,501**	**92,700**	**28,821**
Loss provision	(2,654)	(182)	(5,231)	(8,067)	(303)
Carrying amount	**69,269**	**9,094**	**6,270**	**84,633**	28,518

At 31 December	2018				2017
Debt investment securities at amortised cost (2017: avaiable-for-sale)	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	Total
Cat 0: Performing	246,099	-	-	246,099	76,523
Loss provision	(1,361)	-	-	(1,361)	-
Carrying amount	**244,738**	-	-	**244,738**	76,523

The following table sets out the credit quality of trading debt securities. The analysis has been based on S&P ratings.

At 31 December	2018	2017
Government of Ghana bonds Rated BBB+ and below	**48,158**	41,824

(i) Neither past due nor impaired loans

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

31 December 2018	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	**32,015**	**34,415**	**14,390**	**80,820**

31 December 2017	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	7,432	13,312	4,963	25,707

Loans and advances graded current are neither considered past due nor impaired and are analysed by type of advance.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

3. Financial risk management (continued)

3.2 Credit risk (continued)

3.2.4 Credit quality (continued)

(ii) Past due but not impaired loans

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the bank.

31 December 2018	Term loans	Overdrafts	Staff loans	Total
Grade:				
Past due up to 30 days	227	45	-	272
Past due 30 to 60 days	39	5	-	44
Past due 60 to 90 days	60	3	-	63
Total	**326**	**53**	**-**	**379**

31 December 2017	Term loans	Overdrafts	Staff loans	Total
Grade:				
Past due up to 30 days	-	3,114	-	3,114
Total	-	3,114	-	3,114

3.2.5 Credit concentration

The Bank monitors concentrations of credit risk by sector and by customer.
An analysis of concentrations of credit risk in respect of loans and advances and investment securities is shown below:

	Loans and advances			Investment securities	
	2018	2017		**2018**	2017
Carrying amount	**84,633**	28,518		**244,738**	76,523
Concentration by sector					
Corporate:					
Manufacturing and commerce	**38,226**	11,047			
Mining	**2,591**	-			
Real estate	**8,890**	-			
Other service	**16,649**	10,165			
Retail:					
Unsecured lending	**23,602**	6,345			
Mortgages	**2,742**	1,264			
Government	-	-		246,099	76,523
Gross	**92,700**	28,821		**246,099**	**76,523**
Less: Impairment Provision	**(8,067)**	(303)		**(1,361)**	**-**
Net	**84,633**	28,518		**244,738**	76,523

Notes to the financial statements (continued)

3. Financial risk management (continued)

3.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

i. Management of liquidity risk

The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank's Treasury unit receives information from other business units 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, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank. The liquidity requirements of business units are met through short-term loans and investments from Treasury department to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The Bank maintains liquidity limit imposed by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury department monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset and Liabilities Management Committee (ALCCO). 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 ALCCO on monthly basis.

ii. 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 net liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market less any deposits from banks. The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

	2018	2017
At 31 December	**197%**	75%
Average	**73%**	122%
Maximum	**197%**	244%
Minimum	**48%**	75%

iii Assets used in managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise cash and balances with central banks, due from other banks and investments securities.

Government bonds and securities are readily acceptable in repurchase agreements with the Central Bank.

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

iii Assets used in managing liquidity risk (continued)

	Total	On demand	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
At 31 December 2018						
Deposits from banks	1,289	1,289	-	-	-	-
Deposits from customers	194,871	171,189	11,340	12,256	86	-
Other liabilities (excluding deferred income)	25,528	11,071	5,554	6,566	2,337	-
Total financial liabilities	**221,688**	**183,549**	**16,894**	**18,822**	**2,423**	**-**
Cash and cash equivalents	225,205	225,205	-	-	-	-
Loans and advances	84,633	36,841	273	6,568	38,298	2,653
Other assets (excluding prepayments)	11,430	217	4,283	4	2,172	4,754
Investment securities	244,738	78,438	121,786	-	34,614	9,900
Non-pledged trading assets	48,158	48,158	-	-	-	-
Assets held for managing liquidity risk	**614,164**	**388,859**	**126,342**	**6,572**	**75,084**	**17,307**
Liquidity gap	**392,476**	**205,310**	**109,448**	**(12,250)**	**72,661**	**17,307**

	Total	On demand	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
At 31 December 2017						
Deposits from banks	313	313	-	-	-	-
Deposits from customers	103,374	78,863	22,738	1,474	299	-
Other liabilities (excluding deferred income)	17,975	-	3,238	11,111	3,626	-
Total financial liabilities	**121,662**	**79,176**	**25,976**	**12,585**	**3,925**	**-**
Cash and cash equivalents	77,525	77,525	-	-	-	-
Loans and advances	28,518	16,418	645	606	9,596	1,253
Other assets (excluding prepayments)	4,720	24	4,389	58	249	-
Investment securities	76,523	-	-	-	65,747	10,776
Non-pledged trading assets	41,824	41,824	-	-	-	-
Assets held for managing liquidity risk	**229,110**	**135,791**	**5,034**	**664**	**75,592**	**12,029**
Liquidity gap	**107,448**	**56,615**	**(20,942)**	**(11,921)**	**71,667**	**12,029**

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.4 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, 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 market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. All foreign exchange risk within the Bank are monitored by the Treasury department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in the ALCCO. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALCCO) and for the day-to-day review of their implementation.

3.4.1 Exposure to interest rate risk — 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. The ALCCO is the monitoring body for compliance with these limits and is assisted by Risk Management Committee in its day-to-day monitoring activities.

Standard scenarios that are considered on a regular basis include a 100 basis point (bp) parallel fall or rise in policy rates.

Sensitivity analysis

An increase/decrease of a 100 basis points in interest rates at the reporting date would have impacted equity and profit by the amounts shown below:

	Impact on post tax profit	
	2018	2017
Interest rate – increase by 100 bps*	**1,590**	1,230
Interest rate – decrease by 100 bps*	**(1,600)**	(1,234)

**Holding all other variables constant*

The Bank monitors interest and exchange rates to facilitate trading and non-trading assets by the Treasury department. This will help the Bank to know the market developments and where opportunities are present to make gains from high interest rates. The Bank does not hedge its interest rate risk.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

3. Financial Risk Management (continued)

3.4 Market risks (continued)

3.4.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2018. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

At 31 December 2018	GHS	USD	EUR	GBP	ZAR	OTHER	TOTAL
Assets							
Cash and cash equivalents	103,616	116,479	1,444	3,358	117	191	**225,205**
Non-pledged trading assets	48,158	-	-	-	-	-	**48,158**
Investment securities	244,738	-	-	-	-	-	**244,738**
Other assets (excluding prepayments)	11,430	-	-	-	-	-	**11,430**
Loans and advances	68,317	16,316	-	-	-	-	**84,633**
Financial assets - banking book	**476,259**	**132,795**	**1,444**	**3,358**	**117**	**191**	**614,164**
Unsettled forward purchases	40,970	3,381					**44,351**
Total financial assets	**517,229**	**136,176**	**1,444**	**3,358**	**117**	**191**	**658,515**
Liabilities							
Deposits from other banks	1,289				-	-	**1,289**
Deposits from customers	86,327	91,998	1,300	3,201	-	-	**182,826**
Other liabilities (excluding deferred income)	13,760	423	-	-	11,345	-	**25,528**
Financial liabilities - banking book	**101,376**	**92,421**	**1,300**	**3,201**	**11,345**	-	**209,643**
Unsettled forward sales	3,381	40,970	-	-	-	-	**44,351**
Total financial liabilities	**104,757**	**133,391**	**1,300**	**3,201**	**11,345**	-	**253,994**
Net open position	**412,472**	**2,785**	**144**	**157**	**(11,228)**	**191**	**404,521**

(All amounts are in thousands of Ghana Cedis)

3. Financial risk management (continued)

3.4 Market risks (continued)

3.4.2 Foreign exchange risk (continued)

At 31 December 2017	GHS	USD	EUR	GBP	ZAR	Total
Assets						
Cash and cash equivalents	38,001	38,180	237	83	1,024	77,525
Non-pledged trading assets	41,824	-	-	-	-	41,824
Investment securities	76,523	-	-	-	-	76,523
Other assets (excluding prepayments)	3,635	1,085	-	-	-	4,720
Loans and advances	28,518	0	-	-	-	28,518
Total financial assets	188,501	39,265	237	83	1,024	229,110
Liabilities						
Deposits from banks	313	-	-	-	-	313
Deposits from customers	63,571	39,557	191	55	-	103,374
Other liabilities (excluding deferred income)	17,595	123	35	26	196	17,975
Total financial liabilities	81,479	39,680	226	81	196	121,662
Net on-balance sheet financial position	107,022	(415)	11	2	828	107,448

Sensitivity analysis

A 10% strengthening of the Ghana cedi against foreign currencies at 31 December 2018 would have increased the post-tax loss by GH¢ 2,927,823 (2017: GH¢ 708,378 reduction in post-tax loss).

A 10% weakening of the Ghana cedi against foreign currencies at 31 December would have had the equal but opposite effect on the amount shown above.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

3. Financial Risk Management (continued)

3.4 Market risks (continued)

3.4.3 Fair value of financial instruments

Financial instruments not measured at fair value

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

Year	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**225,205**	**225,205**	77,525	77,525
Loans and advances	**84,633**	**75,804**	28,518	28,523
Non-pledged trading assets	**48,158**	**48,158**	41,824	41,824
Investment securities	**244,738**	**190,289**	76,523	76,523
Other assets (excluding prepayments)	**11,430**	**11,430**	4,720	4,720
Total	**614,164**	**550,886**	**229,110**	**229,115**
Financial liabilities				
Deposits from other banks	**1,289**	**1,289**	313	313
Deposits from customers	**182,826**	**182,826**	103,374	103,374
Other liabilities (excluding deferred income)	**25,528**	**25,528**	17,975	17,975
Total	**209,643**	**209,643**	**121,662**	**121,662**

(i) Loans and advances

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

(ii) Customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

3. Financial Risk Management (continued)

3.4 Market risks (continued)

3.4.3 Fair value of financial instruments (continued)

Fair value hierarchy

Investments classified as Level 2 are government securities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value. These valuation methodologies have been studied and evaluated by the Bank and the resulting prices determined to be representative of exit values. Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, benchmark securities, bids, offers and reference data.

	2018				2017		
	Quoted market prices in an active market - Level 1	Inputs from an observable market - Level 2	Inputs from an unobservable market - Level 3		Quoted market prices in an active market - Level 1	Inputs from an observable market - Level 2	Inputs from an unobservable market - Level 3
Non-pledged trading assets	-	48,158	-		-	41,824	-
Investment securities						76,523	
Total financial assets	**-**	**48,158**	**-**		**-**	**118,347**	**-**
Share-based payment liability due to retired staff	-	77	-		-	-	-
Total financial liabilities	**-**	**77**	**-**		**-**	**-**	**-**

3.5 Capital management

3.5.1 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 profit, income surplus and general statutory reserves; and

- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

(All amounts are in thousands of Ghana Cedis)

3. Financial Risk Management (continued)

3.5 Capital management

3.5.1 Regulatory capital (continued)

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

Banking operations are categorised mainly as trading book or banking book, and 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.

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.

There have been no material changes in the Bank's management of capital during the period.

3.5.2 Capital adequacy ratio

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.

	2018	2017
Tier 1 capital		
Ordinary issued share	505,850	162,017
Disclosed reserves	(75,862)	(33,853)
Shareholders' funds	429,988	128,164
Less:		
Intangible assets as per Bank of Ghana guideline	(3,037)	(6,183)
Losses not provided for	31,118	20,891
Total qualifying tier 1 capital	458,069	142,872
Tier 2 capital		
Undisclosed reserves	(34,307)	(26,632)
Other capital instruments	-	8,820
Total qualifying tier 2 capital	(34,307)	(17,812)
Total regulatory capital	423,762	125,060
Adjusted risk-weighted assets	134,815	68,167
Risk weighted contingent liabilities	68,033	39,162
Adjusted operational risk	28,657	26,756
Risk adjusted net open position	1,543	603
Risk-weighted assets	233,048	134,688
Total regulatory capital expressed as a percentage of total risk-weighted assets	182%	93%

4 Critical accounting estimates, assumptions and judgements

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.

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the bank.

4.1 Financial instruments

Impairment of financial assets	
In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.	
General	
Collective impairment assessments of groups of financial assets	Within data-rich portfolios, impairment parameters are estimated using statistical analysis performed on homogeneous groups of accounts. Accounts are grouped at a portfolio level at a minimum, but more granular groupings are applied where specific sub-segments of the portfolio are expected to behave differently and where sufficient data is available for more granular modelling to be performed. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD, and EAD) based on the predictive characteristics identified through the regression process. When impairments are calculated, each exposure is assigned unique impairment parameters (a PD, LGD and EAD) based on that exposure's individual characteristics. These account-level impairment parameters are then used to calculate account-level expected credit losses.
Impairment assessment of collateralised financial assets	The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the bank elects to foreclose or not.
Advances	
The bank continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to the bank's impairment policy. The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank's credit risk exposure.	

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Advances (continued)

In determining the amount of the impairment, the bank considers the following:

- the Probability of Default (PD) which is a measure of the expectation of how likely the customer is to default;
- the Exposure at Default (EAD) which is the expected amount outstanding at the point of default; and
- the Loss Given Default (LGD) which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.

These parameters are estimated using statistical models that predict future cash flows on the basis of historical behaviour for similar exposures over equivalent measurement periods. Adjustments to statistical estimates are made to allow for current conditions that were not present in the historical data referenced, and to allow for the impact of forward-looking macro-economic forecasts.

Forward-looking information

Forward-looking macro-economic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. Quantitative techniques applied estimate the impact of forecasted macro-economic factors on expected credit losses using regression techniques.

Macro-economic factors are forecast by a forum of in-house economists who are independent from the bank's credit and modelling functions.

Economic variables are forecast for different scenarios (downside, upside and core) and a probability is assigned to each scenario. The scenarios and associated probabilities are then approved at ALCCO before being provided to the credit modelling teams for incorporation into quantitative models.

The forecast horizon incorporated into models is 3 years, since the accuracy of macro-economic forecasts beyond this point is not considered sufficient for their inclusion in impairment estimates. For portfolios with remaining lifetimes of longer than 3 years, mean reversion is assumed beyond this point.

For material portfolios where expected credit losses are influenced by economic cycles, the estimated impact of multiple macro-economic scenarios and their probabilities is considered. ECL is calculated for the core (best-estimate) scenario, an upside scenario and a downside scenario. The probability-weighted average of the ECL figures calculated under each of these scenarios is the final ECL figure for the portfolio. Calculation of a probability-weighted ECL estimate across multiple macro-economic scenarios ensures appropriate treatment of non-linear macro-economic impacts.

The stage classification of an account for disclosure purposes is determined by calculating the probability-weighted forward-looking reporting date PD for that exposure and using this PD to determine whether an account has experienced a significant increase in credit risk and should therefore be moved into Stage 2. Accounts that have not experienced a significant increase in credit risk will remain in Stage 1.

Notes to the financial statements (continued)

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Forward-looking information (continued)

For portfolios that are not material and portfolios where it can be proven that credit losses are not influenced by macro-economic factors, expected credit losses are calculated and stage allocation determined only for the core scenario.

Where credit experts have determined that the three macro-economic scenarios catered for through the quantitative modelling process are not adequately reflective of potential macro-economic event risk, expert judgement-based adjustments are made to staging and/or ECL estimates to better reflect potential portfolio -specific impacts.

In addition to forward-looking macro-economic information, other types of forward-looking information, such as specific event risk are taken into account in ECL estimates when required through the application of out-of-model adjustments.

Judgement or estimate	Retail	Corporate
Measurement of the 12-month and life-time ECL	Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour.	Parameters are determined based on the application of statistical models that produce estimates on the basis of counterparty-specific financial information and transaction characteristics including the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of Corporate credit experts who can motivate adjustments to modelled parameters.

4 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Judgement or estimate (continued)	Retail (continued)	Corporate (continued)
Measurement of the 12-month and life-time ECL (continued)	LGDs are determined by estimating expected future cash flows, including costs and proceeds from sale of collateral, based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.	
	Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, with the exception of instruments with an undrawn commitment such as credit cards, where no limit is placed on the length of the remaining lifetime. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.	
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition	The PDs used to perform the test for a significant increase in credit risk are calculated by applying the PD model in force as at the reporting date. This model is retro-applied using data as at the origination date to determine origination date PDs. Origination date PDs are measured at initial recognition of an instrument, unless there has been a subsequent risk-based re-pricing opportunity. Where the models used to determine PDs cannot discriminate good credit risks from bad credit risks effectively at initial recognition due to a lack of behavioural information, proxy origination dates of up to 6 months post initial recognition are applied. Where proxy origination dates are applied, early qualitative indicators of significant increase in credit risk, such as fraudulent account activity or partial arrears, are applied to trigger movement into Stage 2. Reporting date PDs are calculated on a forward-looking basis, with PDs adjusted where appropriate to incorporate the impacts of multiple forward-looking macro-economic scenarios.	
Determination of whether a financial asset is a credit-impaired financial asset	The definition of default applied to determine whether an exposure must be classified into Stage 3 has been fully aligned with the regulatory definition of default. Accounts are therefore considered to be credit impaired if they are 90 days or more past due (for revolving products with minimum monthly instalments), 90 days in excess (for revolving products with no minimum monthly instalments) or 3 instalments or more in arrears (for amortising products). In addition, exposures are classified in Stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the Bank to action such as the realisation of security.	

4.0 Critical accounting estimates, assumptions and judgements (continued)

4.1 Financial instruments (continued)

Judgement or estimate (continued)	Retail (continued)	Corporate(continued)
Determination of whether a financial asset is a credit-impaired financial asset (continued)	Distressed restructures of accounts in Stage 2 are also considered to be default events. For a retail account to cure from Stage 3 back to either Stage 2 or Stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis, and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. For Corporate exposures, cures are assessed on a case by case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is considered to be a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD term structures.	

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

4.2 Fair value measurement of financial instruments

The Bank measures financial instruments at fair value. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4.3 Deferred income tax assets

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

4 Critical accounting estimates, assumptions and judgements (continued)

4.4 Income tax

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

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

5 Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

Year	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**225,205**	**225,205**	77,525	77,525
Loans and advances	**84,633**	**75,804**	28,518	28,523
Non-pledged trading assets	**48,158**	**48,158**	41,824	41,824
Investment securities	**244,738**	**190,289**	76,523	76,523
Other assets (excluding prepayments)	**11,430**	**11,430**	4,720	4,720
Total	**614,164**	**550,886**	**229,110**	**229,115**
Financial liabilities				
Deposits from other banks	**1,289**	**1,289**	313	313
Deposits from customers	**182,826**	**182,826**	103,374	103,374
Other liabilities (excluding deferred income)	**25,528**	**25,528**	17,975	17,975
Total	**209,643**	**209,643**	**121,662**	**121,662**

The management assessed that the fair values of cash and cash equivalents, other assets (excluding prepayments) and other liabilities (excluding deferred income) approximate their carrying amounts.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

6 Interest income

	2018	2017
Cash and cash equivalents	**63**	20
Investment securities	**23,945**	26,433
Loans and advances to customers	**10,112**	3,037
	34,120	29,490

All the interest income is on amortised cost intruments.

7 Interest expense

	2018	2017
Current accounts	**6,530**	5,030
Savings accounts	**20**	123
Term deposits accounts	**5,847**	3,283
	12,397	8,436

All the interest expense is on amortised cost intruments.

8 Fees and commission income

	2018	2017
Retail banking customers	**1,615**	534
Corporate banking credit related fees	**693**	417
Other	**3,365**	888
Gross fees and commission income	**5,673**	1,839
Fees and commission expense	**(1,960)**	(518)
Net fees and commission income	**3,713**	1,321

9 Net trading income

	2018	2017
Foreign exchange	**18,080**	3,832
Trading income	**4,978**	8,243
	23,058	12,075

10 Other operating income

	2018	2017
Exchange (loss)/ gain on revaluation	**236**	(1,331)
Other	**(144)**	-
	92	(1,331)

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

11. Net impairment loss on financial assets

	2018	2017
Increase/(decrease) in loss allowance (2017: IAS 39 impairment provision)	**4,539**	242
Write off account excesses	**31**	-
Impairment of financial assets recognised during the period	**4,570**	242

Reconciliation of the loss allowance on total financial assets measured at amortised cost

	Total	Stage 1	Stage 2	Stage 3
Amount as at 31 December 2017 (IAS 39)	**303**	**272**	**31**	**-**
IFRS 9 adjustments	2,241	1,415	826	-
Restated amount as at 31 December 2017	**2,544**	**1,687**	**857**	**-**
Transfers to stage 1	-	113	(113)	-
Transfers to stage 2	-	(53)	53	-
Transfers to stage 3	-	(13)	(3)	16
Increase/(decrease) in impairment	**4,539**	**2,281**	**(612)**	**2,870**
- Changes in models and risk parameters	(90)	884	(59)	(915)
- New business and changes in exposure	4,168	1,411	36	2,721
- Provision created/(released) due to transfers	461	(14)	(589)	1,064
Interest in suspense	2,345	-	-	2,345
Amount as at 31 December 2018	**9,428**	**4,015**	**182**	**5,231**

12. Personnel expenses

	2018	2017
Wages and salaries	**34,461**	26,409
Employer's pension contributions	**923**	670
Directors' emoluments	**159**	135
Cash-settled share-based payments	**2,496**	2,564
Other staff related costs	**10,065**	5,627
	48,104	35,405

The average number of persons employed by the Bank during the year ended 31 December 2018 was 163 (2017: 128).

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

13. Operating lease expense

	2018	2017
Rentals on vehicles	**1,074**	1,090
Rentals on office premises	**8,015**	7,025
	9,089	8,115

14. Other operating expenses

	2018	2017
Administrative expenses	**16,102**	10,062
Software licensing	**884**	1,057
Auditor's remuneration	**442**	464
	17,428	11,583

15. Income tax expense

	2018	2017
Deferred income tax (credit)/ charge (Note 23)	**(2,584)**	(782)

Current income tax

The chargeable income of the Bank for the year ended subject to income tax is nil (2017: Nil).

The tax on the Bank's loss income tax differs from the theoretical amount that would arise using statutory income tax rate as follows:

	2018	2017
Loss before income tax	**(36,891)**	(27,414)
Tax calculated at tax rate (25%)	**(9,223)**	(6,853)
Effect of:		
Expenditure permanently disallowed	**24**	1,577
Current losses for which no deferred tax was recognised	**6,615**	6,058
Income tax expense/(credit)	**(2,584)**	(782)

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

16. Cash and cash equivalents

	2018	2017
Cash on hand	**14,498**	4,513
Due from other banks	**102,498**	57,147
Restricted balances with Bank of Ghana	**29,674**	12,649
Unrestricted balances with Bank of Ghana	**78,535**	3,216
Total cash and cash equivalents	**225,205**	77,525

17. Loans and advances

Analysis by type of customer	2018	2017
Individuals	**26,344**	7,608
Business	**34,224**	11,152
Corporate	**32,132**	10,061
Gross loans and advances	**92,700**	28,821
Impairment charge	**(5,722)**	(303)
Interest in suspence	**(2,345)**	-
Net loans and advances	**84,633**	28,518

18. Reconciliation of the gross carrying amount of advances measured at amortised costs

	Total	Stage 1	Stage 2	Stage 3
Amount as at 31 December 2017 (IAS 39)	28,821	-	-	-
IFRS 9 adjustments				
Amount as at 31 December 2017 (IFRS 9)	**28,821**	**25,707**	**3,114**	**-**
Transfers to stage 1	-	-	-	
Transfers to stage 2	-	(10,951)	10,951	-
Transfers to stage 3	-	(7,429)	(3,114)	10,543
New business and other changes in exposures	63,879	64,596	(1,675)	958
Amount as at 31 December 2018	**92,700**	**71,923**	**9,276**	**11,501**

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

19. Non- pledged trading assets

	2018	2017
Government bonds	**48,158**	41,824
Maturing as follows:		
On demand	**48,158**	41,824

Non- pledged trading assets are classified as held for trading and carried at fair value.

20. Investment securities

	2018	2017
Treasury bills	**187,436**	-
Government bonds	**58,663**	76,523
	246,099	76,523
Less expected credit losses	**(1,361)**	-
	244,738	76,523

	2018	2017
Movement is as follows:		
At 1 January	**76,523**	155,437
Reclassification from AFS to amortised cost	**(7,282)**	-
Additions	**334,165**	561,415
Redeemed on maturity	**(157,307)**	(642,540)
Fair value gain	**-**	2,211
	246,099	76,523
At 31 December		
Maturing as follows:		
- within 3 months	**201,344**	-
- between 1 to 5 years	**34,808**	65,747
- over five years	**9,947**	10,776
	246,099	76,523

Investment securities are classified as amortised cost (2017: Available - For – Sale).

(All amounts are in thousands of **Ghana Cedis**)

21. Property and equipment

	Leasehold Improvement	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicle	Capital Work-In Progress	Total
Year ended 31 December 2018							
Cost							
At 1 January	17,994	4,657	2,333	2,002	4	3,871	30,861
Reclassifications		396	(936)	540	-	-	-
Additions	2,497	202	753	238	-	-	3,690
Transfer	33	1,305	19	749	-	(2,106)	-
At 31 December	**20,524**	**6,560**	**2,169**	**3,529**	**4**	**1,765**	**34,551**
Accumulated depreciation							
At 1 January	4,592	2,071	599	1,053	1	0	8,316
Charge for the year	3,182	1,446	425	800	1	0	5,854
At 31 December	**7,774**	**3,517**	**1,024**	**1,853**	**2**	**0**	**14,170**
Net book amount							
At 31 December	**12,750**	**3,043**	**1,145**	**1,676**	**2**	**1,765**	**20,381**

	Leasehold Improvement	Computer Equipment	Furniture and Fittings	Office Equipment	Motor Vehicle	Capital Work-In Progress	Total
Year ended 31 December 2017							
Cost							
At 1 January	16 822	4,411	2,005	1,243	-	689	25,170
Additions	1,172	26	131	491	-	3,871	5,691
Transfer	-	220	197	268	4	(689)	-
At 31 December	17,994	4,657	2,333	2,002	4	3,871	30,861
Accumulated depreciation							
At 1 January	2,040	1,090	270	503		-	3,903
Charge for the year	2,552	981	329	550	1	-	4,413
At 31 December	4,592	2,071	599	1,053	1	-	8,316
Net book amount							
At 31 December	13,402	2,586	1,734	949	3	3,871	22,545

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

22. Intangible asset

Year ended 31 December 2018

	2018	2017
Cost		
At 1 January	**1,610**	1,492
Additions	**-**	118
At 31 December	**1,610**	1,610
Amortisation		
At 1 January	**1,148**	373
Charge for the year	**432**	775
	1,580	1,148
At 31 December		
Net book amount		
At 31 December 2018	**30**	462

Intangible asset is in respect of software purchased by the Bank.

23. Deferred income tax

Movements in temporary differences during the year is as follows:

	2018	2017
At 1 January	**(1,263)**	(1,397)
IFRS 9 reclassification impact	**1,912**	-
Charge to profit or loss	**2,584**	782
Charge to other comprehensive income	**-**	(648)
At 31 December	**3,233**	(1,263)

Deferred income tax is calculated using the enacted income tax rate of 25% (2017:25%). Deferred income tax assets and liabilities, deferred income tax charge in the income statement and deferred income tax charge in other comprehensive income are attributable to the following items:

(All amounts are in thousands of **Ghana Cedis**)

23. Deferred income tax (continued)

Year ended 31 December 2018 (continued)

Year ended 31 December 2018	At 1 January	Recognised in profit or loss	IFRS 9 reclassification adjustment	At 31 December
Accelerated depreciation	1,014	(1,573)	-	**(559)**
Other temporary differences	(1,572)	(1,011)	(91)	**(2,674)**
Deferred tax on fair value gain	1,821	-	(1,821)	**-**
Deferred tax liability/ (asset)	**1,263**	**(2,584)**	**(1,912)**	**(3,233)**

Year ended 31 December 2017	At 1 January	Recognised in profit or loss	Recognised in other comprehen-sive income	At 31 December
Accelerated depreciation	1,154	(140)	-	**1,014**
Other temporary differences	(930)	(642)	-	**(1,572)**
Deferred tax on fair value gain	1,173	-	648	**1,821**
Deferred tax liability/ (asset)	**1,397**	**(782)**	**648**	**1,263**

24. Other assets

	2018	2017
Prepaid expenses	2,812	8,177
Amount due from related parties (Note 34)	10	24
Other receivables	11,420	4,696
	14,242	**12,897**

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

25. Deposits from customer

By type of deposit

	2018	2017
Current and call accounts	**158,206**	85,909
Savings accounts	**978**	24
Term deposit accounts	**23,642**	17,441
	182,826	103,374
Current	**160,606**	103,075
Non-current	**22,220**	299
	182,826	103,374

The twenty largest depositors constitute 63% (2017:80%) of the total deposits at year end.

By type of customer

	2018	2017
Corporate customers	**126,800**	84,363
Individuals	**56,026**	19,011
	182,826	103,374

26. Other liabilities

	2018	2017
Amount due to related parties (Note 34)	**8,064**	7,694
Other payables	**18,453**	10,666
	26,517	18,360
Current	**15,770**	14,734
Non-current	**10,747**	3,626
	26,517	18,360

27. Stated capital

The authorised shares of the Bank are 505,850,200 ordinary shares of no par value out of which 505,850,200 (2017: 162,017,000) ordinary shares have been issued as follows:

	2018		2017	
	No of shares	**Proceeds**	No of shares	Proceeds
At 1 January	**162,017,000**	**162,017**	144,644,000	144,644
Issue of ordinary shares for cash consideration	**343,833,200**	**343,833**	17,373,000	17,373
At 31 December	**505,850,200**	**505,850**	162,017,000	162,017

There are no calls or unpaid instalments. There are no treasury shares.

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

28. Contributions towards capital

The contribution towards capital of GH¢ Nil (2017: GH¢ 8,820,000) represents funding from the shareholders of the bank as consideration for shares yet to be issued.

29. Income surplus – (deficit)

Income surplus account represents the residual of earnings or losses retained. The movement in the income surplus account is shown as part of the statement of changes in equity.

30. Credit risk reserve

Credit risk reserve represents the amounts set aside in respect of the excess impairment provision determined in accordance with Bank of Ghana prudential guidelines over the total impairment provision recognised under the International Financial Reporting Standards Framework. The movement is included in the statement of changes in equity.

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

	2018	2017
At 1 January	**280**	-
IFRS 9 re-measurement adjustment	**(280)**	-
Restated balance at 1 January	**-**	-
Movement from income surplus	**3,189**	280
Balance as at 31 December	**3,189**	280

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

	2018	2017
At December		
Bank of Ghana Provisioning	**8,911**	583
Credit Risk Reserve	**(3,189)**	(280)
IFRS Impairment	**5,722**	303

31. Other reserves

Changes in the fair value of investments classified as available-for-sale financial assets were recognised in other comprehensive income and accumulated in a separate reserve in equity. The investments which were classified as available-for-sale (under IAS 39) have been reclassified as amortised cost under IFRS 9.

The accumulated other reserve balance as at 31 December 2017 was reversed against investment securities following the reclassification to the new measurement basis under IFRS 9.

(All amounts are in thousands of Ghana Cedis)

31. Other reserves (continued)

	2018	2017
At 1 January	**5,461**	3,898
Effect of reclassification under IFRS 9	**(5,461)**	-
Changes in fair value of available for sale investment securities	**-**	2,211
Deferred tax on fair value gain	**-**	(648)
	-	5,461

32. Leasing

The Bank acts as lessee under operating leases and lessor under finance leases, leasing assets for its own use and providing asset financing for its customers.

i. Finance Lease

The Bank did not have any finance lease receivables at 31 December 2018 (2017: Nil).

ii. Operating Lease

The Bank leases various office and other premises under non-cancellable operating lease arrangements. The lease rentals are paid in advance and amortised on a straight line basis over the lease period. The outstanding balance is accounted for as a prepayment in other assets.

Non - cancellable operating lease rentals are payable as follows:

	2018	2017
Less than one year	**10,230**	10,173
Between one and five years	**25,263**	27,680
Over 5 years	**6,145**	7,838
	41,638	45,691

There are no contingent rents payable.

(All amounts are in thousands of **Ghana Cedis**)

33. Contingencies and commitments

i. Claims and litigation

The Bank has no contingent liabilities in respect of legal claims arising in the ordinary course of business as at 31 December 2018 (2017: Nil).

ii. Guarantees

The Bank has provided a guarantee of GHS 67,441 as at 31 December 2018 (2017: GHS 40,559).

The total guarantee exposure as at 31 December 2018 was at stage 1.

iii. Letters of credit

The Bank has provided letters of credit amounting to GHS 592 as at 31 December 2018 (2017: GHS 692).

The total letters of credit exposure as at 31 December 2018 was at stage 1.

iv. Commitments

The bank had committed undrawn facilities amounting to GH¢17,051 as at 31 December 2018 (2017: GHS 20,153).

The total committed undrawn exposure as at 31 December 2018 was at stage 1.

34. Related party transactions

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. All related party transactions are at arm's length. The Bank is controlled by FirstRand EMA Holdings Limited.

FirstRand EMA Holdings is a subsidiary of FirstRand Limited, the ultimate holding company.

i. Transactions with related parties

Transactions between First National Bank Ghana Limited, and its related parties are carried out on commercial terms and conditions. The following transactions were carried out with related parties:

	Nature of transactions	**2018**	2017
FirstRand Bank Limited	Transfer of share options liability to Bank	**1,141**	909
FirstRand Bank Limited	Settlement of vested shares	**1,468**	1,614
FirstRand Bank Limited	Overnight placements	**3,986,767**	571,208
FirstRand Bank Limited	Derivative dealings	**820,369**	468,737
FirstRand Bank Limited	Hotel services	**36**	-
FirstRand Bank Limited	Refund of training expenses from Group	**14**	-

Notes to the financial statements (continued)

(All amounts are in thousands of **Ghana Cedis**)

34. Related party transactions (continued)

ii. Year end balances arising from the intercompany transactions are as listed below

Amount due to related parties (Note 26)

	2018	2017
FNB Zambia	47	-
FNB Lesotho	-	11
FirstRand Bank Limited	3,149	2,305
FNB International SA	4,868	5,378
	8,064	7,694
Deposits from Group		
FirstRand Bank Limited	1,289	313

Amount due from related parties

	2018	2017
FirstRand Bank Limited		
- Other assets	10	24
- Placements	50,600	-
	50,610	24

The placements with FirstRand Bank Limited have been included in the cash and cash equivalents balance shown in the statement of financial positon.

iii. Transactions with key management personnel

The Bank's key management personnel, includes directors (executive and non-executive) members of the Executive Committee, Company Secretary and the Head of Internal Audit. The loans advanced to key management are at the agreed terms and conditions.

Loans and advances

	2018	2017
Secured loans	1,006	218

No impairment losses have been recorded against the loans and allowances during the period with key management personnel.

Compensation

The compensation paid to key management for employee services is shown below.

	2018	2017
Salaries and other short term benefits	16,734	14,552

There are no short-term employee and post-employment benefits outstanding as at 31 December 2018 (2017: Nil).

(All amounts are in thousands of Ghana Cedis)

34. Related party transactions (continued)

iii. Transactions with key management personnel (continued)

	2018	2017
Share options	2,496	2,564

The compensation paid to non-executive directors is shown below.

	2018	2017
Fees and emoluments	159	135

35. Regulatory disclosures

(i) Non – performing loans ratio

Non-performing loans balance as at 31 December 2018 was GHS 11,501 (2017:Nil).
The non performing loans balance represented 12.40% (2017: Nil) of the total exposure.

(ii) Amount of loans written off

The Bank did not write off any loan during the year ended 31 December 2018 (2017: Nil).

(iii) Liquidity ratio

The Bank's liquidity ratio at the end of the 2018 was 11.93% (2017: 17.05%).

(iv) Regulatory breaches and fines

The Bank was fined GHS 6 (2017: Nil) for incorrect submission of October 2018 liquidity return.

(v) Year end rates used for foreign exchange translations are as set out below.

Currency	2018	2017
USD	4.8190	4.4157
GBP	6.1091	5.9631
EUR	5.5190	5.2884
ZAR	0.3339	0.3590

Value added Statement

(All amounts are in thousands of **Ghana Cedis**)

Value Added Statement for the year ended 31 December

	2018	2017
Interest earned and other operating income	**62,943**	43,404
Direct cost of services	**(14,357)**	(10,285)
Value added by banking services	**48,586**	33,119
Impairments	**(4,570)**	(242)
Value Added	**44,016**	32,877
Distributed as follows:		
To Employees:		
Directors (without executives)	**(159)**	(135)
Executive directors	**(2,554)**	(1,975)
Other employees	**(45,391)**	(33,295)
To Government:		
Income tax	**2,584**	782
To providers of capital		
Dividends to shareholders	**-**	-
To expansion and growth		
Depreciation	**(5,854)**	(4,413)
Amortisation	**(432)**	(775)
Operating leases	**(9,089)**	(8,115)
To other distribution		
Other operating expenses	**(17,428)**	(11,583)
Retained earnings	**(34,307)**	(26,632)

Contact Us

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Terms and conditions and rules apply.

First National Bank Ghana Limited (Registration number CS350172014)
a subsidiary of FirstRand Group, South Africa