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FIDELITY BANK

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ANNUAL
REPORT
2018

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the next Annual General Meeting of Fidelity Bank Ghana Limited will be held at the **KEMPINSKI HOTEL GOLD COAST CITY, Accra,** on **Friday, April 26, 2019** at **10.00 am** to transact the following business:

1. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December, 2018;

2. To declare a final dividend for the year ended 31st December, 2018;

3. To ratify the Appointment of a Director;

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

5. To approve the appointment of Ernst & Young Chartered Accountants Ltd. as Auditors in place of Pricewaterhouse Coopers, whose six (6) year term comes to an end at the conclusion of this AGM, in accordance with the provisions of Section 89(1)f of the Banks and Specialised Deposit-Taking Institutions Act 2016, Act 930; and authorize the Directors to fix the remuneration of the Auditors.

Dated, this 2nd day of April, 2019

BY ORDER OF THE BOARD

MAATAA OPARE
(COMPANY SECRETARY)

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

Agenda

ANNUAL GENERAL MEETING OF FIDELITY BANK GHANA LIMITED

Friday, 26th April, 2019, 10.00am at Kempinski Hotel Gold Coast City, Accra

1. Adoption of Minutes of AGM of 20th April, 2018;
2. Notice of Meeting;
3. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December, 2018;
4. To declare a final dividend for the period ended 31st December, 2018;
5. To ratify the Appointment of a Director:
   i. Laureen Kouassi-Olsson;
6. To re-elect a Director retiring by rotation
   i. Emmanuel Barima Manu;
7. To approve the appointment of Ernst & Young Chartered Accountants Ltd. as Auditors in place of Pricewaterhouse Coopers, whose six (6) year term comes to an end at the conclusion of this AGM, in accordance with the provisions of Section 89(1)f of the Banks and Specialised Deposit-Taking Institutions Act 2016, Act 930; and authorize the Directors to fix the remuneration of the Auditors;
8. Any Other Business;
9. Closure.

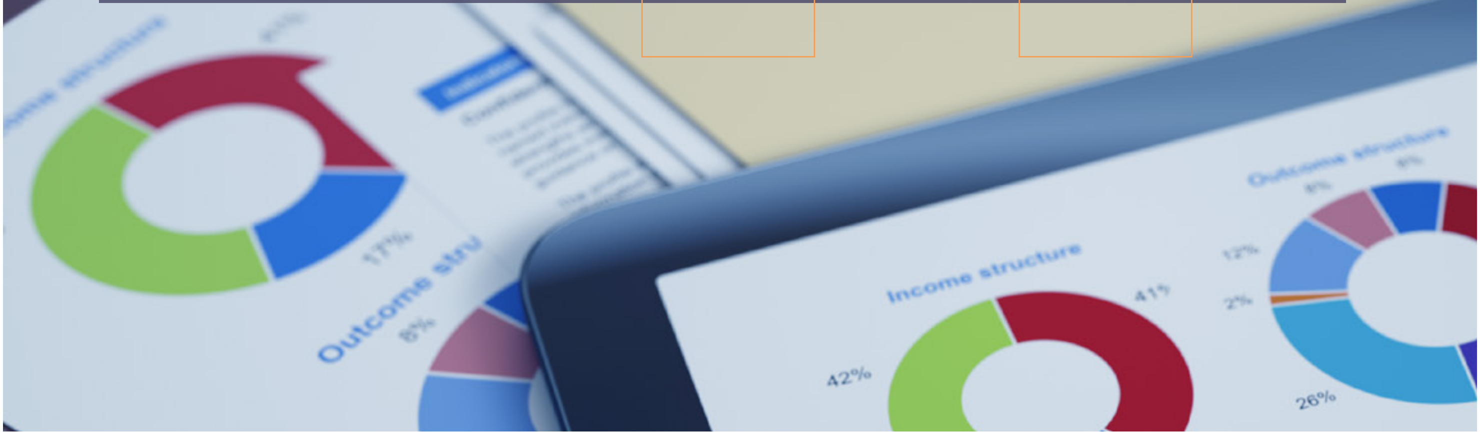
Contents

Financial Highlights

For the year ended 31 December 2018

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

	GROUP		BANK	
	December	December	December	December
As at	2018	2017	2018	2017
Total assets	7,038,258	5,391,850	7,015,823	5,378,048
Loans and advances to customers	1,462,852	1,066,535	1,419,472	1,026,794
Deposits from customers	3,983,900	3,852,721	3,979,129	3,843,312
Shareholders' equity	708,073	543,010	691,605	534,209
For the year ended				
Operating Income	704,106	536,465	690,446	522,970
Profit before tax	248,929	141,801	242,090	135,359
Profit after tax	169,927	95,695	163,717	90,434
Dividend per share (GH¢)		0.70		0.70
Earnings per share	6.73	3.79	6.48	3.58
Return on average equity (%)	27.16	18.41	26.71	17.60
Return on average assets (%)	2.73	1.99	2.64	1.89
Number of staff	1,098	1,045	1,084	1,027
Number of branches	75	75	75	75
Number of ATMs	117	114	117	114



Corporate Profile

Fidelity Bank was issued with its universal banking license on June 28 2006, making Fidelity Bank Ghana Limited, the 22nd bank to be licensed by the Bank of Ghana under the Banking Act, 2004 (Act 673) - Repealed and replaced by the Banks And Specialized Deposit-Taking Institutions Act 2016 (Act 930). The Bank is owned by Ghanaian individuals, other institutional investors and its senior executives.

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

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

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

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

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

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

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

Mission

To become an established top three (3) bank in Ghana by 2021 based on all key performance indicators: Quality of Deposits; Operating Income; Quality of Loan Book; Return on Equity and Cost to Income Ratio all anchored on three key pillars:

- our people
- our service and processes, and
- return to stakeholders.

This will be premised on exceptional corporate governance standards and risk management practices, knowledge of the local market, professionalism, proactivity, innovation and above all, a customer-centric culture.

Vision

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

Our Customers:
The best place to bank

Our Shareholders:
The best place to invest

Our Employees:
The best place to work

Our Regulators:
The best place to benchmark

Corporate Information

Board of Directors
Edward Effah
Chairman

Jim Baiden
Managing Director (Retired 31-10-18)

Julian Kingsley Opuni
Managing Director (Appointed 22-11-18)

Ambassador (Mrs.) Johanna Svanikier
Non Executive Director

Emmanuel Barima Manu
Non Executive Director

Aliya Farah Shariff
Non Executive Director

Adwoa Nyantakyiwa Annan
Non Executive Director

Laureen Kouassi-Olsson
Non Executive Director

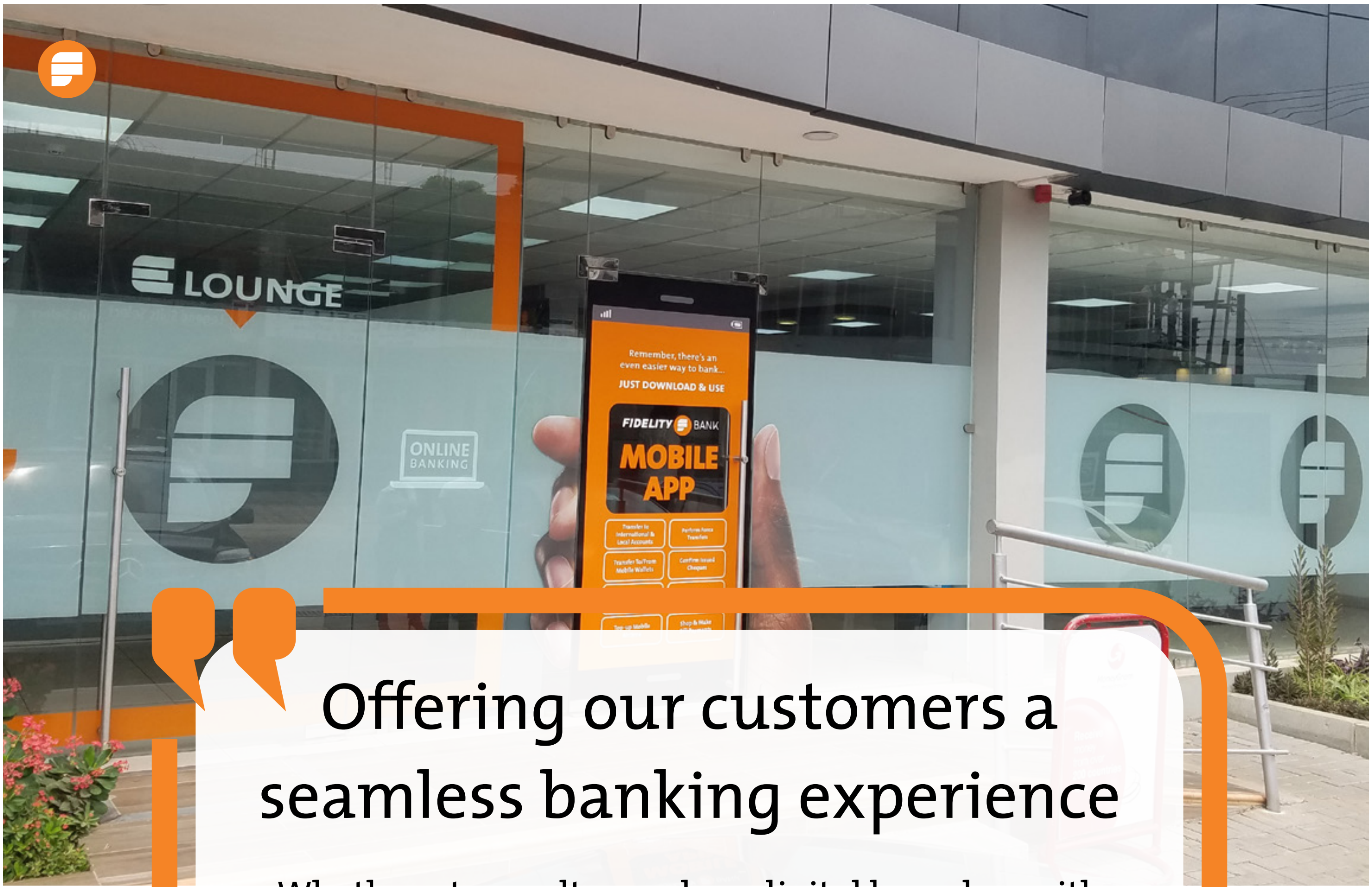
Company Secretary
Ms. Maataa Opare

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

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

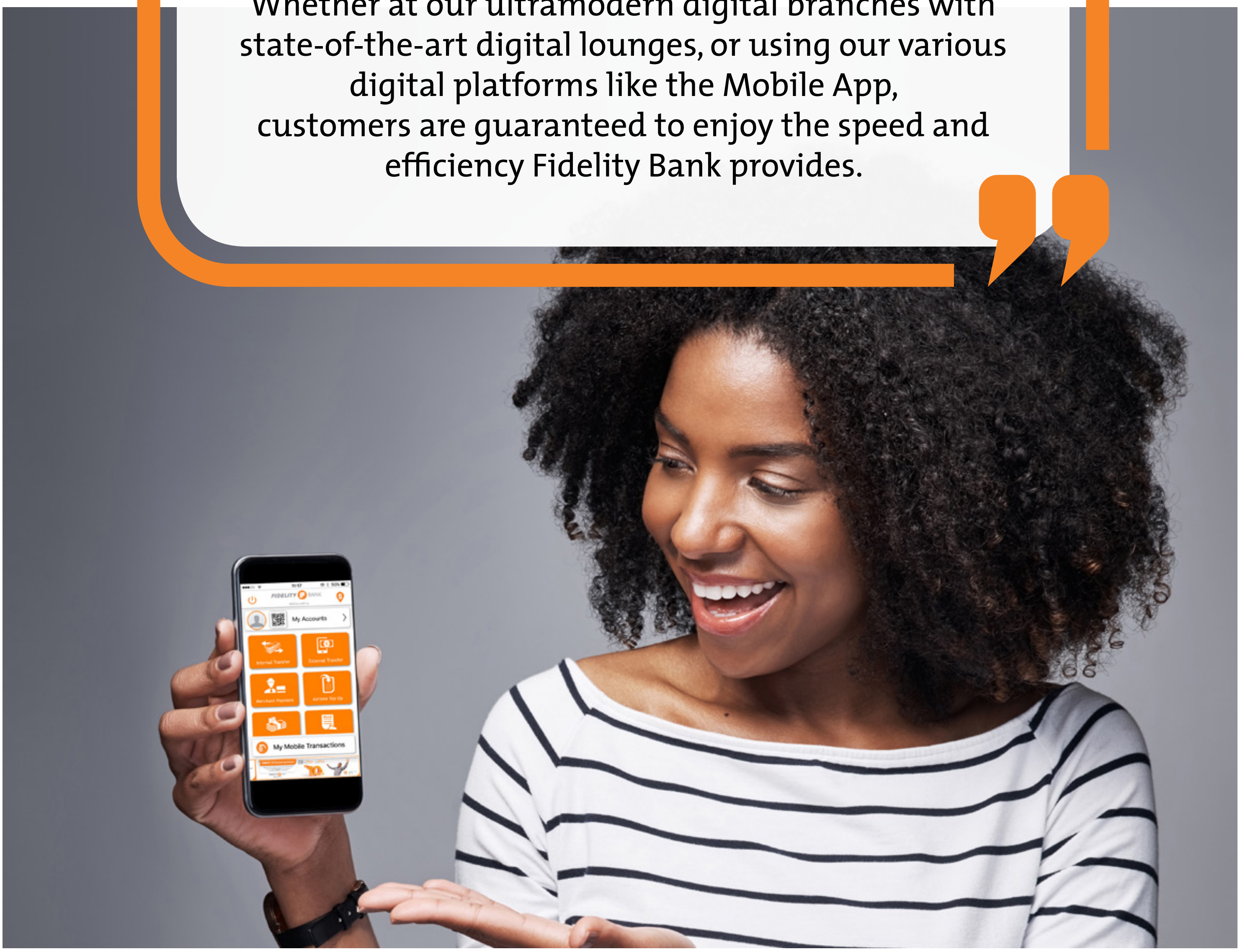
Independent Auditor
PricewaterhouseCoopers
No. 12 Airport City,
UNA Home, 3rd Floor,
PMB CT 42, Cantonments,
Accra, Ghana

Bankers
Ghana International Bank
Citibank
BHF
Bank of China
Medicapital Bank



Offering our customers a seamless banking experience

Whether at our ultramodern digital branches with state-of-the-art digital lounges, or using our various digital platforms like the Mobile App, customers are guaranteed to enjoy the speed and efficiency Fidelity Bank provides.



WE ARE DRIVEN BY A TRULY DYNAMIC

BOARD OF DIRECTORS

Edward Effah
Board Chairman

Edward established the Fidelity Group in October 1998 after a successful career as a senior finance executive. Fidelity is a financial services group comprising of Fidelity Bank Ghana Limited, Fidelity Asia Bank Limited and Fidelity Securities Limited. Fidelity Bank has assets of over US$ 1.5 Billion and was adjudged the best bank in Ghana in 2016 by Corporate Initiative Ghana. Under Edward's leadership Fidelity has been able to establish itself as a leader in its markets in Ghana in terms of reputation, profitability and assets under management.

Edward brought to Fidelity over fifteen years of experience in senior executive positions in finance and treasury management. Previous positions held include: Director of Global Emerging Markets (GEM) Ghana Limited (1995-1998), Chief Finance Officer of Inter-Afrique Group (1994 - 1997), Risk Manager (1990 - 1994) of Rudolf Wolff, the City of London based derivatives and foreign exchange trader and an auditor and management consultant with Coopers and Lybrand, London (1987 - 1990). Edward is a Chartered Accountant by profession and is a member of the Institute of Chartered Accountants in England and Wales.

Edward is currently the Board Chairman of Unilever Ghana Limited and a director of Legacy Bonds Limited.

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

Julian Kingsley Opuni
Managing Director
(Appointed 22nd November 2018)

Julian Opuni is the Managing Director of Fidelity Bank and serves as an executive member of the Board. He joined the Bank as the Head of Commercial Banking at the inception of the unit. After incubating and building the new business line, he led the growth and consolidation of the wider Commercial & SME Banking segments and ultimately the entire Retail Banking Directorate.

Julian has over 25 years of experience in the financial services sector both locally and internationally. He has extensive experience in business development, credit analysis, and sales management and has also participated in various youth entrepreneurship & business mentoring projects.

Prior to joining Fidelity Bank, Julian had a successful career with Lloyds Bank in the United Kingdom where he worked for over 18 years. He joined Lloyds on their Expedited Management Training Program, holding various roles in Operations and Retail Banking which included Branch Management. Additionally, he held several senior positions in both Business & Corporate Banking, finally leaving as a Senior Manager with responsibility for various business centres in the west of London.

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

Jim Reynolds Baiden
Managing Director
(Retired 31st October 2018)

Jim Baiden was the Managing Director and Co-founder of Fidelity Bank.

In June 2016, Jim was appointed the Managing Director of Fidelity Bank and he brought to this role a wealth of experience and business acumen having functioned as the Deputy Managing Director for 10 years during Edward Effah's tenure as Managing Director.

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

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

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

Jim retired as Managing Director of the Bank on 31st October 2018 and as a director of the Board on 31st December 2018.

Ambassador Johanna Odonkor Svanikier
Non Executive Director

Ambassador Johanna Odonkor Svanikier is the Founder, President and CEO of the Heritage and Cultural Society of Africa an NGO, non-profit, social enterprise with the mission to preserve, advocate for and promote the use of African heritage and culture for social and economic progress and development. In 2017 she organised the hugely successful African Diaspora Homecoming Conference to celebrate Ghana's 60th independence anniversary in a memorable and meaningful way. She is Ghana's recent past Ambassador to France & Portugal and Permanent Delegate to UNESCO and La Francophonie. During her tour of duty in Paris she led a successful campaign to win a seat for Ghana on the Executive Board of UNESCO and chaired the ECOWAS group at UNESCO from 2014 to 2015. She also initiated Ghana's membership of the OECD Development Centre where she represented Ghana on the Governing Board.

Ambassador Svanikier has been a non-executive director of Fidelity Bank Ghana and Fidelity Asia Bank from 2008 to the present. In 2012 she was appointed to serve as a Commissioner on the National Development Planning Commission (NDPC). From 2010 to 2014, she served on the Petroleum Revenue Advisory Commitee of the Ministry of Finance. She currently serves on the Advisory Board of the Ministry of Lands and Natural Resources, which she has done under two different administrations, as well as on the National Commission for Culture. In 2018 she also served as co-chair of the Board of Trustees of the Duke of Edinburgh International Award/ Head of State Award Scheme and assisted with the visit of Prince Edward to Ghana to attend their International Forum. She is also a member of the Board of the Economic Club of Ghana.

Ambassador Svanikier is a barrister by profession. She was called to the Bar in England and Wales at the Inner Temple. She is also Solicitor and Advocate of the Supreme Court of Ghana. She has previously been a university lecturer and legal and development consultant. She is the founder and first Director of the Human Rights Study Centre at the University of Ghana, Legon. She holds Bachelors and Masters Degrees in law from the London School of Economics, UK, a Masters in Public Administration from Harvard Kennedy School, U.S.A. and a Masters in Political Science from the University of Oxford, U.K. She was a Fulbright Scholar at Harvard University. She is the author of several publications including "Womens' Rights and the Law in Ghana."

Ambassador Svanikier is a regular speaker at conferences and events on the value and socioeconomic benefits of investing in heritage and culture.

Emmanuel Barima Manu LLB
Non Executive Director

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

Mr. Manu has advised many clients on commercial transactions, contracts, corporate business and energy and oil and gas laws including Springfield E&P Limited, Asky Airlines, African Gold Group Inc(Canada), Bulk Oil Storage and Transportation Company Limited, Elmina Beach Resort, Millicom Ghana Limited, Allterrain Services Ghana Limited, Cayco Ghana Limited, West Africa Diamonds Company Limited(Nevada, U.S.A), Atholl Energy Limited and Altrom Ltd, (Switzerland). He has also represented Fidelity Bank Ghana Limited on numerous occasions as Lead Legal Adviser.

Mrs. Adwoa Nyantakyiwa Annan
Non Executive Director

Mrs. Adwoa Annan is the co-founder of Geothermal Management Services Ltd, a green technology company. She is also a non-executive director of Waveline Growth Partners Limited, a finance company in Nigeria and a consulting Advisor at Alfie Designs, a garment manufacturing company.

Prior to that, Mrs. Annan had a successful 30 year career in the financial services sector having worked in both the main stream banking and microfinance sectors. She has extensive experience in banking operations, customer service, sales management and strategic management.

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

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

Aliya is a Director of Investments at Kagiso Tiso Holdings (KTH) a leading African investment holding company based in South Africa. She is a member of KTH's Executive Committee and leads the firm's international (ex-South Africa) investments.

Aliya has led numerous investments across West and East Africa, in a variety of sectors including financial services, healthcare, cement, power and transportation infrastructure. Prior to KTH, Aliya was a Vice President at Africa Finance Corporation where she worked from 2008-2013.

Aliya holds a Master's in Business Administration from Harvard Business School, USA and a Bachelor of Arts from Princeton University, USA.

Ms. Aliya Farah Shariff
Non Executive Director

Laureen Kouassi-Olsson is Investment Director at Amethis Finance. She heads Amethis' practice in the Financial services industry as well as Amethis West Africa regional office based in Abidjan.

Mrs. Kouassi-Olsson is responsible for Amethis' investment strategy in the financial sector, including the sourcing, structuring and supervision of deals execution as well as the management of the Financial Institutions investment portfolio. As part of her duties, she serves as board member for different blue chip financial institutions on the continent: the NSIA Group, Fidelity Bank (Ghana), Ciel Finance Limited (regional platform based in Mauritius).

She also oversees Amethis West Africa, Amethis' investment vehicle dedicated to Francophone Western and Central Africa and is thus responsible for the monitoring of Amethis' major investments in the region, and essentially Côte d'Ivoire.

Additionally, Mrs Kouassi-Olsson is personally involved in various initiatives promoting women empowerment and fostering entrepreneurship on the continent.

Prior to joining Amethis in 2013, Mrs. Kouassi-Olsson was Investment Officer in the Financial Institutions Group of Proparco, based in Paris, where she was responsible for the appraisal and structuring of investment opportunities in the Sub-Saharan Africa financial services industry. Previously, she worked in Mergers and Acquisitions for Lehman Brothers' Investment Banking Department in London.

Mrs. Laureen Kouassi-Olsson
Non Executive Director

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

Edward Opare Donkor
Chief Operating Officer

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

As the COO of the Bank, he oversees the Finance, Banking Operations, Business Optimization and Corporate Services and Administration Departments, Facilities and Properties management, Brand and Corporate Communications, Internal Control and Customer Experience. Until his appointment as the Chief Operating Officer, he had served in various capacities as Director of Banking Operations and Finance Director.

Prior to joining Fidelity as Accounts Officer, he worked at Enterprise Insurance Co. Ltd as a Technical Trainee and at CDH Insurance Ltd as a Senior Accounts Officer.

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

Sam has over 15 years' experience in Financial Markets and Treasury Management, with a strong focus and understanding of Sub-Saharan African markets. He has worked across Africa and in the UK with structuring, origination, trading and execution experience in several African markets including but not limited to Nigeria, Ghana, Kenya, Tanzania, Uganda, Egypt, Ethiopia and Botswana.

He joined Fidelity Bank in October 2016 as Director of Treasury and Markets. In December 2018, Sam was appointed Group Head, Wholesale banking with responsibility for the banks Corporate Banking, Financial Markets and Treasury, Capital Markets businesses as well as Fidelity Banks subsidiaries – Fidelity Asia Bank and Fidelity Securities Limited. Sam sits on the board of Fidelity Securities Limited.

Sam Aidoo
Group Head,
Wholesale Banking

Prior to joining Fidelity Bank, Sam worked with Barclays Bank across Africa and in England for 10years. In his time with Barclays Africa, Sam was initially the Director, Regional Head, Global Markets – Distribution looking after the North Africa and East African region out of Nairobi-Kenya and subsequently looking after the West African business out of Lagos Nigeria. He started his banking career with Standard Chartered Bank.

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

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

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

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

Kwabena Boateng
Divisional Director,
Corporate Banking

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

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

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

Nana-Esi Idun-Arkhust
Divisional Director,
Retail Banking

Nana Esi Idun-Arkhurst is a Chevening Scholar and currently the Divisional Director for Retail Banking at Fidelity Bank where she is responsible for leading the Bank's strategy to address the financial needs of Individual, SME and Commercial Banking clients. She joined Fidelity Bank in November 2016, as the Director for Commercial and SME Banking.

Prior to joining Fidelity Bank, Nana Esi worked with Standard Chartered Bank for 12 years. She joined the Bank in 2003 on the International Graduate Program after National Service. After the 2 year international training she took up various roles in Commercial and SME Banking and in 2012 moved to the regional office in Dubai as the Regional Product Manager for Wealth Management, Africa. In 2014, she progressed to become Regional Head of Bancassurance for Africa, managing the Bancassurance business across 8 markets in East, West and Southern Africa. She has traveled to 18 countries and worked in 14 of these markets.

She holds a BSc. in Chemical Engineering from the Kwame Nkrumah University of Science and Technology. She holds an MBA from the University of Edinburgh Business School where she was awarded the School's 25th Anniversary Scholarship as well as the Chevening Scholarship.

George Mensah
Group Chief Information Officer

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

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

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

Shirley-Ann Awuletey-Williams joined Fidelity Bank in May 2008 as a Corporate Account Manager in the Corporate Banking Department and was transferred to the Risk Management Department as the Acting Head in January 2009 and later confirmed as the Director of Credit Risk Management. She is currently the Chief Risk Officer of the Bank.

With over twenty years' experience in banking, Shirley-Ann previously worked with Merchant Bank (Ghana) Limited (now UMB Bank) in several departments including Banking Operations, SME Banking and Corporate & Institutional Banking. She also managed the Credit Analysts & Corporate Support functions and was a Team Leader responsible for the Light Manufacturing Sector. Her core competencies include Account Relationship Management, Credit Analysis/Monitoring and Risk Management.

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

Shirley-Ann Awuletey-Williams
Chief Risk Officer

Atta Gyan has over fifteen years of experience in banking with a strong background in control, audit, finance, operations, compliance, financial risk management and strategic planning. Atta joined Fidelity Bank in September 2007 and has since held many senior roles in Audit and Finance.

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

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

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

Atta Yeboah Gyan
Director, Finance

Maataa Opare
Group Head of Legal
& Company Secretary

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

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

Owusu Boahen
Director, Human Resources

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

Creating a cohesive team in a congenial environment

Establishing an active Culture of Excellence amongst our staff is one of our biggest objectives. We encourage all to maintain a well-rounded life because happiness and contentment play a vital role in giving the customer our best.

Serving The Community and Impacting Lives

In 2018, Fidelity lived up to its core value of serving the community and impacting lives by supporting socially oriented initiatives and making responsible investments. The following are noteworthy initiatives that received support either in cash or kind from the Bank.

Private Sector Malaria Prevention

BACKGROUND

This initiative was a Private Sector Malaria Prevention (PSMP) project of John Hopkins Center for Communication Program, GBC Health's Corporate Alliance on Malaria Africa (CAMA) and National Malaria Control Program of the Ghana Health Service.

Fidelity Bank was invited to a Corporate Award Ceremony held in Accra on the theme: "ZERO MALARIA NOW!"

The Bank voluntarily supported this initiative by donating one thousand (1,000) Treated Insecticide Mosquito nets to two schools (i.e. Mampong School for the Deaf and Mampong Senior High School) in the Eastern region of Ghana.

MBC Africa

BACKGROUND

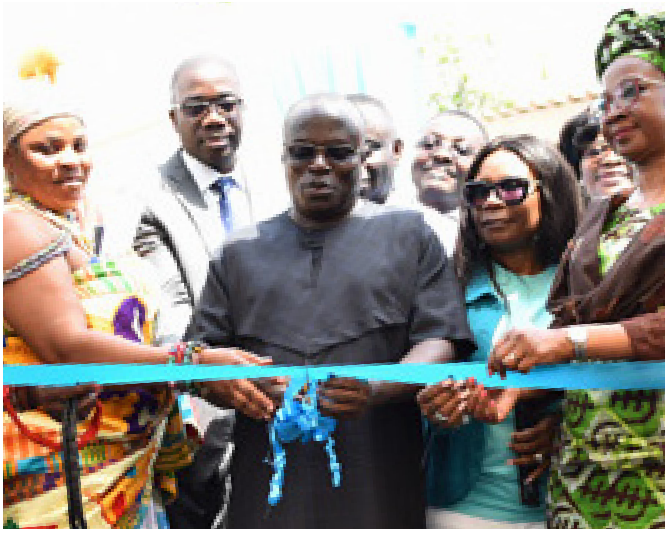
MBC Africa hosts a collaborative platform that provides SMEs in Agriculture value chain with comprehensive business solutions farmers will need, to grow sustainably.

The aim is to ensure:

• Farmers productively increase with quality inputs and Good Agricultural Practices (GAP) training

• Services to farmers can be sustainable to generate profitable business.

The 2018 target was structured to support 3 regions (i.e. Eastern, Upper East and Volta) and 3,500 farmers in rice and maize crops. Fidelity bank funded a substantial amount in support of this initiative.



Education and Management Trainee Foundation (EDMAT)

BACKGROUND

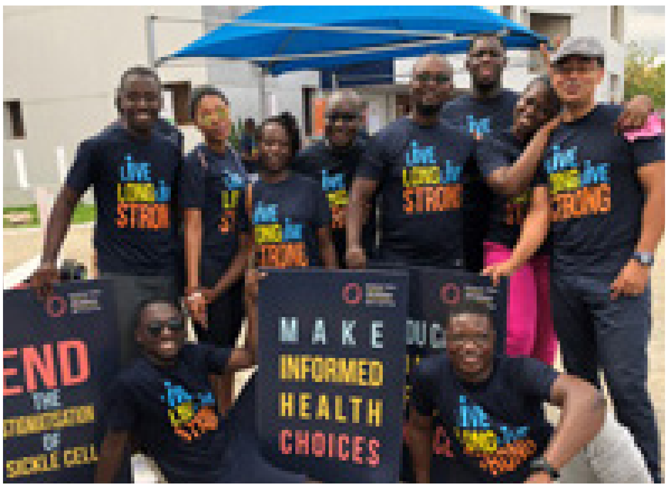
Fidelity Bank partnered to fund EDMAT. This Foundation is a Ghanaian NGO that conducts in-service training for Heads, Assistants and Teachers of Basic and Senior High Schools throughout the country under the auspices of Ghana Education Service. The aim is to strengthen local/national NGOs to deliver quality educational services.

Sickle Cell Awareness Initiative (SCAI)

BACKGROUND

SCAI is a nonprofit initiative that seeks to improve the health and well-being of persons living with the sickle cell disease through education and advocacy. Their aim was to bring to life a world where Sickle Cell Patients live long fulfilled life free of stigma and limitations.

In line with the bank's thematic thrust, financial aid was provided to support this course while members of staff also participated in a health walk as part of its Charity At Work Programme.



Catalysing WASH from Possible to Profitable Project (P2P)

BACKGROUND

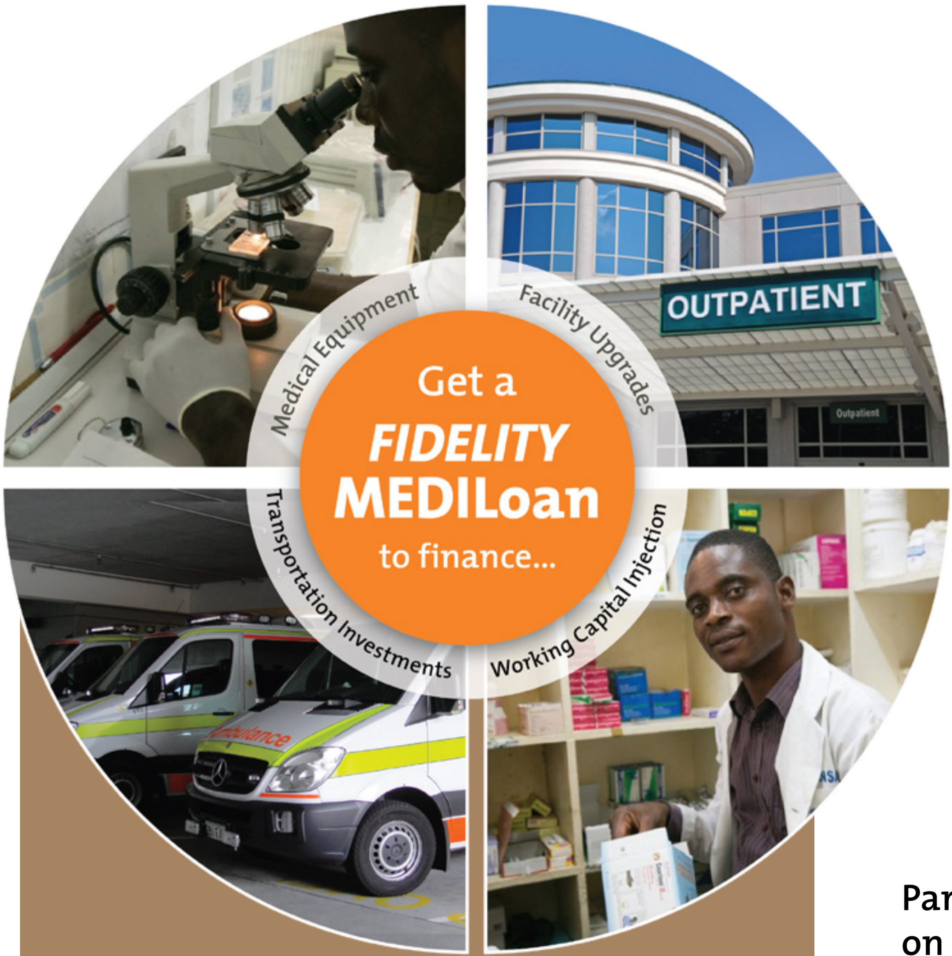
Fidelity Bank continued to collaborate with its technical partner, SNV Netherlands Development Organization to provide access to finance for households and entrepreneurs in the Water, Sanitation and Hygiene (WASH) sector. This special initiative, promoted through a EUR 4M Revolving Fund and under the auspices of the Dutch Government through its Embassy, made significant strides in 2018.The project impacted lives within the then ten (10) regions, increasing the value of concessionary priced loans disbursed by the Bank and through its Financial Partners.

Project Milestones in 2018

- Value of loans disbursed – GHS9.3M
- Number of loans disbursed, directly and indirectly – 277
- Number of households funded – 170
- Number of businesses funded – 107
- Businesses equipped vital financial and managerial skills – 102
- Staff of Financial partners trained in WASH financing – 150

A total of 28,112 Beneficiaries were reached in 2018

- Beneficiaries with access to improved water – 10,666
- Beneficiaries with access to improved sanitation – 10,167
- Beneficiaries with access to improved hygiene facilities and products – 7,279



Partnership with PharmAccess on Medical Credit Fund initiative

BACKGROUND

The bank advanced its agenda on funding health entrepreneurs through its collaboration with PharmAccess under the Medical Credit Fund initiative. What started as a small health portfolio grew to GHS11.5M in 2018. Through the partnership, working relationship was established with the National Health Insurance Authority (NHIA) to improve liquidity of health businesses credentialed under the National Health Insurance Scheme (NHIS). Over 2 million lives were touched through technical assistance and funding channeled to health entrepreneurs for business improvement and delivery of quality healthcare services.

Partnership with USAID

BACKGROUND

The Bank's association with USAID in the health and agribusiness space was deepened in 2018. Funding was channeled towards transportation investments in child and maternal health, while the focus on improving money supply for maize, rice and soy value chains within the SADA region progressed.

2018 Financial Statements

Chairman's Statement

Distinguished Shareholders,

It is my greatest pleasure to welcome you once again to the Annual General Meeting of your bank and to present to you the Bank's performance for the year ended 31st December, 2018. Despite the turbulence and uncertainties encountered during the year in the banking sector, the year was rewarding and as such your bank maintained its position as a Tier one (1) bank. The bank recorded an end-of-year profit before tax of GH¢ 242 million representing another significant growth from the GH¢ 135 million recorded in 2017. Most notably, your bank successfully increased its stated capital from GH¢ 264 million to GH¢ 404 million. In addition, your bank won the 2017 CIMG Bank of the year, the Best Local Bank in Ghana, 2017 and the Best Local Investment Bank in Ghana, 2017 conferred by EMEA Finance. Furthermore, the GH¢ 10 billion ESLA bond programme, the largest local currency corporate bond issuance in Sub-Saharan Africa which the Bank was appointed as Joint Lead Manager and Bookrunner, was awarded the Best Restructuring in EMEA by EMEA Finance.

Operating Environment

Although the global economy was expected to expand in 2018, global growth is expected to end at 3.7%, the same as in 2017. According to the International Monetary Fund (IMF), this was mainly due to weaker than expected performances in some economies, especially some European and Asian economies in the second half of 2018. As a result of the slowdown, global economic growth for 2019 has been revised downwards and is expected to continue this downward trend with a forecast growth rate of 3.5%.

On the domestic front, the real GDP growth for 2018 is projected at 5.6%. The Bank of Ghana policy rate reduced from 20% in December 2017 to 18% in March 2018 and then to 17% as at year end 2018. However, there were marginal increases in money market interest rates across the maturity spectrum. Rates on the Government of Ghana 91-day Treasury bill ended the year at 14.59%, from 13.31% at the beginning of the year. Similarly, the 182-day instrument started the year at 13.89% and rose to end the year at 15.03%. On the contrary, headline consumer price inflation declined steadily from 11.8% in December 2017 to 9.4% in December 2018; within the Government's medium term target band of 8±2%. On the interbank market, the cedi depreciated by 8.39% against the US dollar in 2018 compared to 4.88% in 2017. The cedi, however, performed better against the British pound and the Euro, falling by 3.31% and 3.93% against the two currencies respectively compared to 12.91% and 16.23% in 2017.

On the industry front, the number of banks in the country declined to 23 from the initial 34 banks at the beginning of the year as a result of measures taken by the Bank of Ghana (BOG) to ensure the banking sector is comprised of robust and financially sound banks. Additional measures introduced by BOG were the issuance of the following directives during the year: the Fit & Proper Directive, Mergers and Acquisitions Directive, Corporate Governance Directive and Capital Requirement Directive. These directives are expected to lead to drastic reforms in key aspects of our business.

2018 performance

We continued with our stated vision of creating value for all our stakeholders by recording a notable performance in 2018 in relation to 2017 on a number of key performance indicators. The Bank recorded a 30% growth in total assets moving from GH¢5.4 billion in 2017 to a little over GH¢7.0 billion. Operating income increased to GH¢690 million from GH¢523 million in 2017; representing a 32% growth. Furthermore, the Bank recorded a 79% increase in profit before tax of GH¢242 million in 2018 compared to GH¢135 million for 2017 due to lower provisioning , lower funding costs, improved interest margins, amongst others. Our deposit base also increased by 13% to GH¢4.5 billion buoyed by our innovative deposit mobilization campaigns such as the Switch & Smile as well as through transaction floats.

Dividends

The Board has proposed a dividend of GH¢1.28 per share for this year. This represents a dividend growth of 83% from the 2017 dividend payment of GH¢0.70 per share.

Key Developments

This year, after over 20 years of playing an instrumental role in the strong growth and numerous remarkable feats achieved over the years by the Bank and its predecessor, Fidelity Discount House Limited, Jim Baiden retired as Managing Director of the Bank on 31st October 2018 and as a director of the board on 31st December 2018. We appreciate his hard work, dedication, commitment and selfless service to the Bank over the years. As a result of the above, Julian K. Opuni, the Deputy Managing Director of the Bank, was appointed as the Managing Director of the Bank with effect from 22nd November 2018 to lead the Bank in attaining new heights.

Also, in response to the competition and changing trends in the financial services industry to ensure the Bank remains relevant, profitable and takes a bigger stake in the retail markets, critical appointments were made within the Retail Banking division. A new business unit, Wholesale Banking Group, was also created within the year. This is to enable us improve the coordination of client coverage and product delivery to our valued clients in the Corporate and Investment Banking space. Critical appointments were also made in line with the new structure.

These structural changes were strategic thrusts for the next phase of our growth agenda. This will create an efficient structure to ensure the Bank is well positioned to attract and retain the best talent to deliver its strategic objectives.

Strategy

Poised to lead the digital drive in the industry, the Bank introduced new products such as the Fidelity Easy Save account (a savings product which offers customers an easier and more convenient way to save while they spend money from their bank account). The Fidelity Mobile App was also enhanced with new card and cheque services, and international transfer services to drive uptake of our electronic banking products across all segments of our markets.

In addition, the Bank launched an ultramodern digital branch, with a state-of-the-art e-lounge, to offer its cherished customers a seamless banking experience at Oxford Street, Osu, Accra. The Bank also embarked on an innovative deposit-mobilization campaign dubbed 'Switch and Smile' to support the growth of our salaried sub-segment.

Through the collaboration within the Wholesale Banking division, the Bank was able to win big ticket transactions that also translated into awards for the Bank.

Corporate Governance

The Bank continued to exhibit exemplary corporate governance standards consistent with the new corporate governance structure introduced by our regulator, the Bank of Ghana. The Board, through its Audit, Risk, Technology and Staff Welfare & Remuneration sub-committees, and the various management committees also worked together to ensure sound business practices throughout the Bank. Through the regular review of policies and procedures, the Board is satisfied that the systems in place are adequate to manage the risk inherent in the Bank's business.

Directors

In 2018, the following appointments to the Board of the Bank were approved by The Bank of Ghana:

- Ms. Aliya Shariff
- Ms. Laureen Kouassi-Olsson
- Mr. Julian Opuni as an executive director

We welcome our new directors and look forward to their valuable input and support.

Conclusion and Outlook for 2019

Over the past 12 years, we have succeeded in building a strong and resilient local bank that is one of the best in the industry today. We could not have achieved this feat without the unwavering commitment to the 'Orange vision' from our Shareholders, Board, Management and staff over the years.

We are optimistic that the year 2019 will be another great year for the Bank as we focus on driving business and revenue growth, increasing operational efficiency and enhancing customer experience.

Edward Effah
Chairman

Managing Director's Report

The year 2018 was a rather turbulent one for Ghana's financial sector with significant actions on the regulatory front by the Bank of Ghana. As part of a holistic financial sector reform plan to further develop, strengthen, and modernize the financial sector to support the government's economic vision and transformational agenda, the Bank of Ghana required banks to increase their stated capital to a minimum of GH¢ 400 million by December 31, 2018. The Bank of Ghana also issued several directives to be adhered to by banks and revoked the licenses of some seven banks during the year. The year ended with twenty-three (23) universal banks, down from thirty-two (32) at the start of the year. I am proud to announce that in the midst of this turbulence, your Bank emerged a better capitalized bank with a stronger brand and a stellar performance on the bottom line.

The global economy saw strong growth momentum in the first half of 2018 but experienced a softened growth momentum in the second half of the year mainly due to weaker than expected growth in some economies in Europe and Asia. The softening global growth has been attributed to escalating trade tensions, rising global inflation and financial market volatility. Global growth is expected to reach 3.7%, according to the International Monetary Fund (IMF). The IMF further projects the global economy to grow at 3.5% in 2019 and 3.6% in 2020.

The local economy was largely characterized by easing inflation pressures, rising interest rates and a weakening cedi. Real GDP is expected to have grown by 5.6% in 2018 after a downward revision from the initial 6.8% due to the GDP rebasing during the year. The economy ended the year in single-digit inflation at 9.4% (2017: 11.8%) and an estimated fiscal deficit of 3.7% (2017: 5.9%).

After a fairly stable first quarter, the cedi came under severe pressure from external developments during the second and third quarters of 2018. This eased significantly towards the end of the year in response to stabilizing global conditions, improved inflows, stronger macro fundamentals and observed decline in forex demand pressures. Interest rates also saw a steady rise with rates on the short-end of the market rising from an average of 13% by the end of 2017 to 15% by the end of 2018 despite a reduction in the monetary policy rate from 20% to 17% by December 2018.

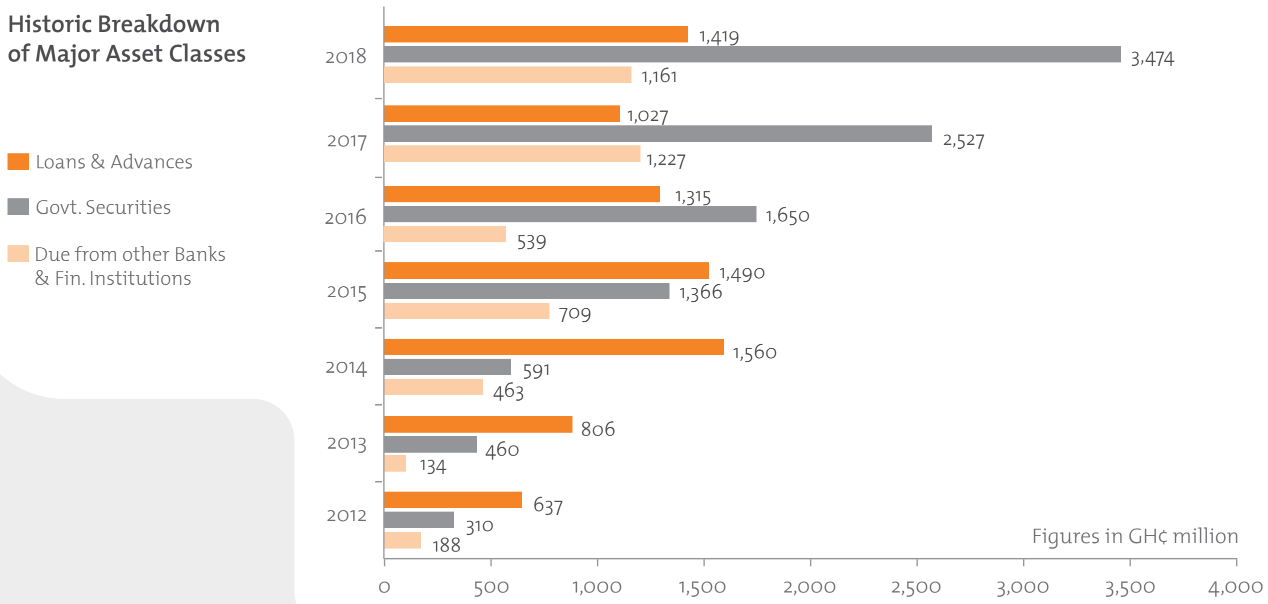
2018 Performance

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

Balance Sheet Analysis

The Bank closed the year with a balance sheet size of GH¢ 7.02 billion, up by 30% from the 2017 asset position of GH¢ 5.38 billion. The growth in the balance sheet comprises of a 38% increase in the loan book to GH¢ 1.42 billion, a 37% increase in investment securities to GH¢ 3.47 billion and a 14% increase in cash and cash equivalents to GH¢ 1.76 billion.

This growth was largely funded by a GH¢ 500 million increase in deposits from banks and other financial institutions representing a 13% growth, a 53% increase in stated capital. Total deposits and borrowings reached GH¢4.46 billion and GH¢ 1.73 billion respectively at the end of 2018, the total of which represents 90% of the Bank's total liabilities.

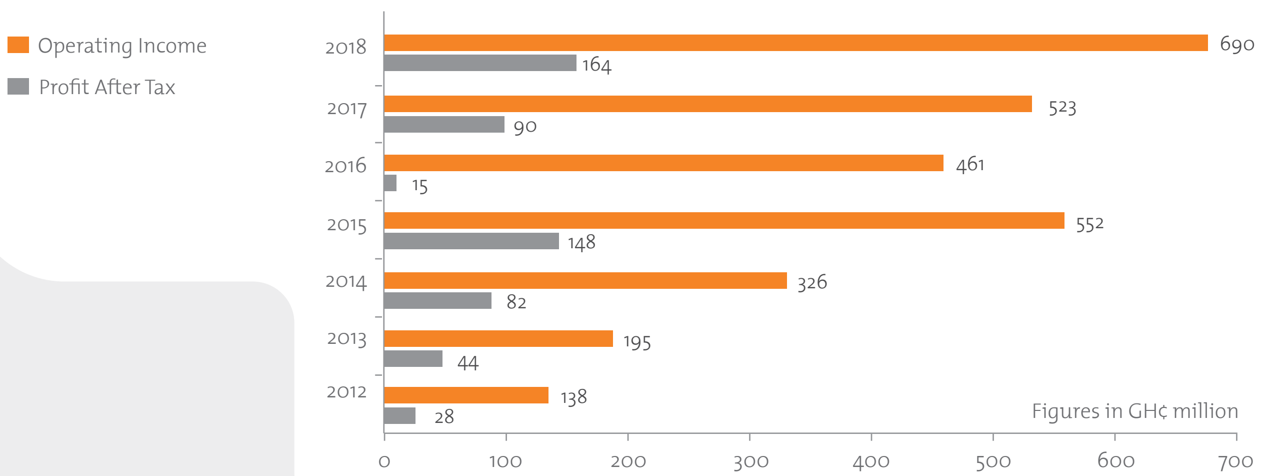


Income statement Analysis

The year closed with significant improvements in our performance over the 2017 financial results. Net interest income grew by 23% (2017: 15%) from GH¢ 408 million in 2017 to GH¢ 501 million in 2018 whilst net fee and commission income also rose by 56% (2017: 25%) to end 2018 at GH¢ 134 million. This contributed to a 32% (2017: 13%) increase in operating income from GH¢ 523 million in 2017 to GH¢ 690 million in 2018.

The Bank's strengthened credit risk policies also continue to yield significant returns with net impairment loss on financial assets reducing by 17% (2017: 58%). The Bank also benefited from better cost management strategies as the cost-to-income ratio reduced to 56%, down from 61% in 2017.

The year ended with a 79% increase in profit before tax to GH¢ 242 million and an 82% increase in profit after tax to GH¢ 164 million.



Awards and Recognitions

The Bank was recognized for its performance during the year with the following awards:

- The Premium Quality Banking Service of the Year, 2017 by the Entrepreneur Foundation of Ghana;
- Most Valuable Partner, 2017 by Xpress Money;
- CIMG Bank of the Year, 2017 by the Chartered Institute of Marketing Ghana;
- Best Local Bank in Ghana, 2017 by EMEA Finance Limited;
- Best Local Investment Bank in Ghana, 2017 by EMEA Finance Limited; and
- Best Restructuring in EMEA, 2017 by EMEA Finance Limited.

Notable Events

Recapitalization Process
In response to Bank of Ghana's directive for all banks in Ghana to increase their stated capital to at least GH¢ 400 million by 31st December, 2018, the Bank embarked on a recapitalization process to meet the new minimum capital requirement. The Bank's recapitalization process comprised a combination of fresh capital injection and capitalization of income surplus. During the year, special resolutions were passed by shareholders which authorized the Board of Directors to transfer a total of GH¢ 70.0 million from income surplus to stated capital and issue non– redeemable preference shares up to a value of GH¢ 70.0 million through a private placement which was fully subscribed. These procedures were concluded well ahead of the Bank of Ghana's 31st December, 2018 deadline.

New Directives from the Bank of Ghana
The Bank of Ghana issued new,critical directives during the year in the wake of the turbulence in the financial sector in 2018 namely the Fit & Proper Directive, Mergers and Acquisitions Directive, Corporate Governance Directive and Capital Requirement Directive. These directives are expected to lead to drastic reforms in key aspects of our business. All relevant stakeholders, including staff and directors have received the necessary sensitization and training during the year to ensure strict compliance with the new directives.

IFRS 9 Implementation
In line with the International Financial Reporting Standards (IFRS), the Bank adopted IFRS 9 with a date of transition of 1 January 2018 which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Most crucially, IFRS 9 adoption has led to a shift in the impairment of financial assets from the incurred losses model to expected credit loss model. The implementation was successfully completed during the year with all the necessary disclosures, and adjustments thereof, made in this year's financial statements.

Technology
As part of our ongoing drive for digitization, the Bank opened a fully digital branch during the year on the Oxford Street, Osu, Accra. This branch affords our customers the ability to process a variety of transactions with minimal to no human interaction. The Fidelity Mobile App was also upgraded to allow for international transfers, FX sale, utility bill payments, and cashless payments using the Fidelity QR Code Service known as the F-Pay. These digitization efforts are geared towards enhancing the customer experience.

Financial and Capital Markets Division
During the year, a Capital Markets unit was formed to handle the investment banking business of the Bank. Our Financial Markets unit (formerly the Treasury Department), together with the Capital Markets unit, make up the Financial and Capital Markets Division. This reorganization forms part of a strategic initiative by the Bank to harness synergies between our investment banking and treasury businesses. The division has performed creditably well over the year evidenced by our involvement in key big ticket transactions as well as the awards received by the Bank.

2019 Outlook

In 2019, we begin our journey to achieve our reinforced mission of becoming "an established top 3 bank in Ghana by 2021 based on all key performance indicators" driven by:

- Achieving the best digital presence with a people centered approach to product delivery;
- Perfecting our strategic funding drive with a focus on best pricing and low risk;
- Reinforcing our position as a market intermediator strategically leveraging long and short term instruments.

Conclusion

I am indeed grateful to the Board of Directors, my colleagues and clients for the immense support I have received so far since my appointment as the Managing Director of the Bank after the retirement of Jim Baiden. Jim played an instrumental role in the strong growth and numerous remarkable feats achieved over the years by the Bank and left behind a strong legacy.

Amidst all the challenges 2018 presented, I am proud to say that your Bank came out bigger and better. We enter 2019 with a clear strategy, an increasingly powerful brand and a strong balance sheet which places us in a good position for another great year ahead.

Julian Opuni
Managing Director

Report of the Directors

The directors submit their report together with the audited financial statements of the Bank and its subsidiaries, together called the Group, for the year ended 31 December 2018.

Statement of Directors' Responsibility
The Bank's directors are responsible for the preparation and fair presentation of the audited financial statements comprising the statements of financial position at 31 December 2018, the statements of comprehensive income, the statements of changes in equity, statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

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

Principal Activities
The company operates as a Bank under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

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

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

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

Financial report and dividend

All amounts are expressed in thousands of Ghana cedis

The results for the year are set out below

	GROUP		BANK	
	2018	2017	2018	2017
Profit after tax (attributable to equity holders)	169,927	95,695	163,717	90,434
Income surplus account brought forward	38,546	14,659	39,344	20,718
IFRS 9 transition adjustments	(3,228)	-	(3,220)	-
	205,245	110,354	199,841	111,152
Transfer to statutory reserve fund	(40,929)	(22,608)	(40,929)	(22,608)
Transfer from/(to) credit risk reserve	(8,871)	6,279	(8,871)	6,279
Transfer to stated capital	(70,000)	-	(70,000)	-
Tax charge on transfer	(5,600)	-	(5,600)	-
Ordinary share dividend paid	(17,637)	(8,818)	(17,637)	(8,818)
Preference share dividend paid	(24,029)	(46,661)	(24,029)	(46,661)
Balance to be carried forward	38,179	38,546	32,775	39,344

Auditor

In accordance with Section 89 (f) of the Banks and Specialised Deposit Taking Institutions Act , 2016 (Act 930), the auditors, PricewaterhouseCoopers, having served the full term will not seek reappointment after issuance of this year's financial statements.

The financial statements of the Bank and the Group were approved by the Board of Directors on 21 February 2019 and signed on their behalf by:

BY ORDER OF THE BOARD

Edward Effah
Board Chairman

Julian Opuni
Managing Director

Corporate Governace Report

Commitment to Corporate Governance

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

The key guiding principles of the Group's governance practices are:
i. good corporate governance enhances shareholder value;
ii. the respective roles of shareholders, Boards of Directors and management in the governance architecture should be clearly defined; and
iii. the Board of Directors should have majority membership of non-executive directors, defined broadly as directors who are not employed by the Group or Company. It should also include a number of independent directors who are not affiliated with organisations with significant financial dealings with the Group.

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

The Board of Directors

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

As of 31st December 2018, the Board of Directors of Fidelity Bank Ghana Limited consisted of one Executive Director with the remaining being Non-Executive Directors. The board members have wide experience and in-depth knowledge in management, industry and financial and capital markets which enables them to make informed decisions and valuable contributions to the Group's progress. The Board met six times during the year.

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the strategic objectives, risk strategy, corporate governance and corporate values. The Board is responsible for appointing and providing oversight of senior management and ensures a well-structured and rigorous process in line with the fit and proper directive are in place. These responsibilities are set out in the Board Charter.

The Board will ensure that within 90 days of the beginning of each financial year,the Board shall certify general compliance with the Bank of Ghana's Corporate Governance Directive December 2018. The Board further certifies that:
i. The Board has independently assessed and documented the corporate governance process of the Bank and has generally achieved its objectives.
ii. The Directors are aware of their responsibilities as persons charged with governance.
iii. The Board further confirms that it shall report any material deficiencies and weaknesses that have been identified in the course of the year along with action plans and time tables for the corrective action by the Board to the Bank of Ghana.

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

Audit Committee

Emmanuel Barima Manu	Chairman
Aliya Shariff	Member
Laureen Kouassi-Olsson	Member

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

• Nominates the auditors of the Bank for approval by shareholders;
• Review of compliance with company policies;
• Review of the external auditors report; and
• Review of internal controls and systems.

Risk Committee

Laureen Kouassi-Olsson	Chairperson
Aliya Shariff	Member
Adwoa Nyantakyiwa Annan	Member
Jim Baiden	Member (Retired 31-10-18)

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

• Challenge the assessment and measurement of key risks of the institution;
• Provide advice, oversight and the encouragement necessary to embed and maintain a supportive risk culture throughout the institution;
• Provide high level oversight and critique of the day-to-day risk management and oversight arrangements of senior management;

• Provide high level oversight and critique of the design and execution of the scenario analysis and stress-testing of the institution;
• Review the internal capital adequacy assessment and internal liquidity adequacy assessment of the institution;
• Review the external risk information disclosures including annual report and accounts and quarterly disclosures of the institution; and
• Provide oversight and critique of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the board.

Staff Welfare & Remuneration Committee

Ambassador (Mrs.) Johanna Svanikier	Chairperson
Emmanuel Barima Manu	Member
Jim Baiden	Member (Retired 31-10-18)
Julian Kingsley Opuni	Member (Appointed 22-11-18)

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

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

Technology Committee

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

The Technology Committee is mandated to:
• To provide long term strategic guidance on technology;
• Oversee major information technology (IT) related strategies, projects and technology architecture decisions;
• Monitor whether the Bank's IT programs effectively support its business objectives and strategies;
• Confer with the Bank's senior IT management team;
• and inform the Board of Directors on IT related matters.

Profile of Directors

Director	Qualification	Position	Other Board Membership and Management Positions
Edward Effah	Chartered Accountant	Chairman	Unilever Ghana Ltd Edam Simply Healthy Foods Ltd Legacy Bonds Ltd Fidelity Securities Ltd Fidelity Asia Bank
Johanna Svanikier	Lawyer	Director	Svani Group Ltd Darke Research Ltd
Emmanuel B. Manu	Lawyer	Director	FPL Properties Ltd Bari & Co. Law Trust Company
Laureen Kouassi-Olsson	Investment Analyst	Director	Amethis West Africa
Aliya Shariff	Investment Analyst	Director	Kagiso Tiso Holdings (Proprietary) Ltd
Adwoa N. Annan	Economist/Banker	Director	Geothermal Management Services Ltd Waveline Growth Partners Ltd
Julian Kingsley Opuni	Banker	Director	Admiral Homes Company Ltd Kripa Glazing Company Ltd Kamaag Kapital Ltd
Jim Baiden (Retired)	Banker	Director	Reynolds Health Foods Ltd Reynolds Consulting Limited Gavac Haulage Limited Jim Reynolds Properties Ltd Impact Global Development Partners

Schedule of Board And Board- Sub Committee Meetings Held During The Year

Directors	Board of Directors			
	Role	**Year appointed**	**Number of Meetings**	**Attendance**
Edward Effah	Chairman	2006	6	6
Johanna Svanikier	Director	2009	6	6
Emmanuel Barima Manu	Director	2013	6	6
Laureen Kouassi-Olsson *	Director	2018	5	5
Aliya Shariff	Director	2018	6	6
Adwoa N. Annan	Director	2017	6	6
Julian Kingsley Opuni	Director	2018	6	6
Jim Baiden	Director	2006	6	6

Directors	** Risk Committee			
	Role	**Year appointed**	**Number of Meetings**	**Attendance**
Laureen Kouassi-Olsson	Chairperson	18th July 2018	3	3
Aliya Shariff	Member	18th July 2018	3	3
Adwoa N. Annan	Member	18th July 2018	3	3
Jim Baiden	Member	18th July 2018	3	2

Directors	**Audit Committee			
	Role	**Year appointed**	**Number of Meetings**	**Attendance**
Emmanuel Barima Manu	Chairperson	18th July 2018	3	3
Laureen Kouassi-Olsson	Member	18th July 2018	3	3
Aliya Shariff	Member	18th July 2018	3	3

Schedule of Board And Board- Sub Committee Meetings Held During The Year

Directors	Staff Welfare & Remuneration Committee			
	Role	Year appointed	Number of Meetings	Attendance
Johanna Svanikier	Chairperson	10th Sept 2012	4	4
Emmanuel Barima Manu	Member	24th April 2013	4	4
Jim Baiden	Member	10th Sept 2012	4	3

Directors	Technology Committee			
	Role	Year appointed	Number of Meetings	Attendance
Adwoa N. Annan	Chairperson	7th December 2017	4	4
Edward Effah	Member	16th June 2015	4	4
Johanna Svanikier	Member	16th June 2015	4	4
Julian Opuni	Member	27th sept. 2017	4	4

* Laureen Kouassi-Olsson was appointed by the Board pending BOG approval. Approval was received on 8th January 2019.

** The Audit and Risk Committees were reconstituted in July 2018 to bring into effect changes required by the Corporate Governance Directive. Prior to that, in April 2018, sub-committee meetings were held for Risk & Audit sub-committee and Credit Risk Management Committee. All members were in attendance.

Code of Conduct

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

Anti-Money Laundering

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

Independent Auditor's Report

To The Members Of Fidelity Bank Ghana Limited

Report On The Audit Of The Financial Statements

Our opinion

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

What we have audited

We have audited the financial statements of Fidelity Bank Ghana Limited (the "Bank") and its subsidiaries (together the "Group") for the year ended 31 December 2018.

The financial statements on pages 39 to 125 comprise:

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Bank and the Group's 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 matter	How our audit addressed the key audit matter
Impairment allowance on loans and advances at amortised cost – GH¢ 196 million On 1 January 2018, the Group adopted IFRS 9- Financial Instruments on all financial assets. The change in the accounting standard from the incurred loss model under IAS 39 to the expected credit loss basis under IFRS 9 resulted in a significant increase in the impairment allowance on loans and advances. Gross loans amounted to GH¢ 1,659 million with an impairment allowance of GH¢ 196 million. The new standard involves significant levels of management judgement and estimates in its implementation and these were key in the development of the models used to measure the expected credit losses on the loans and advances. The key areas of judgement are as follows: ***Data inputs*** – Management relies on various data sources which have not been used previously for the preparation of accounting records. In addition, where data was unavailable, reasonable alternatives have been applied to enable the calculations to be performed. ***Economic scenarios*** – Expected credit losses had to be measured on forward–looking basis reflecting a range of future economic conditions. The Group applied some judgement in determining the economic scenarios used and the probability weightings applied to each scenario. ***Estimates in the model*** – Judgements were used in estimating the expected credit losses which involves determining the following: • Probability of default –PD (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon • Exposure as default –EAD (amount owed the Group at the time of default) • Loss given default –LGD (percentage exposure at risk that is not expected to be recovered in an event of default) • Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank ***Significant increase in credit risk*** - In determining whether a 12 month or lifetime provision is recorded, the criteria selected, both qualitative and quantitative, to identify a significant increase in credit risk was a key area of judgement. The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2.1.1, 2.5.1, 3.1.1, 6, 14 and 19 to the financial statements	We obtained an understanding of controls over the loans origination, monitoring and provisioning process and tested their operating effectiveness. We assessed the completeness and accuracy of data used in the ECL model and reperformed certain model calculations to check the inputs used are consistent with the approved methodologies. We assessed the reasonableness of the multiple economic scenarios and weights adopted by management. We considered external economic data and forecasts and whether management's forecasts appropriately reflected the possible economic consequences. We assessed the reasonableness of PD assumptions applied and tested the reasonableness of the LGD 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 applied a risk based targeted testing approach in selecting a sample of credit facilities for detailed reviews in order to identify quantitative and qualitative factors resulting in SICR or default per management's definition. We checked that the projected EAD over the remaining lifetime of loans and advances is in compliance with the requirements of IFRS 9. We checked the appropriateness of IFRS 9 ECL disclosures.

Other information

The directors are responsible for the other information. The other information comprises the Financial highlights, Report of the directors, Corporate governance report, Value added statement and Shareholder information but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's statement, Managing director's report and Corporate social responsibility report, which are expected to be made available to us after that date.

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

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

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

When we read the Chairman's statement, Managing director's report and the Corporate social responsibility report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report On Other Legal And Regulatory Requirements

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

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

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

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

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

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

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

iii) 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 Michael Asiedu-Antwi (ICAG/P/1138).

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

Statement of Comprehensive Income

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

Year ended 31 December

	Notes	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Interest income	8	792,576	652,694	788,985	649,126
Interest expense	9	(281,195)	(236,958)	(288,464)	(241,076)
Net interest income		511,381	415,736	500,521	408,050
Fee and commission income	10	153,194	103,326	150,149	97,487
Fee and commission expense	11	(15,847)	(11,039)	(15,827)	(11,009)
Net fee and commission income		137,347	92,287	134,322	86,478
Other operating income	12	55,378	28,442	55,603	28,442
Operating income		704,106	536,465	690,446	522,970
Net impairment loss on financial assets	14	(59,129)	(71,404)	(59,127)	(71,404)
Personnel expenses	13a	(158,874)	(117,703)	(155,791)	(114,502)
Depreciation, amortisation and write off	13b	(23,558)	(10,629)	(22,763)	(9,931)
Other expenses	13c	(213,616)	(194,928)	(210,675)	(191,774)
Profit before income tax		248,929	141,801	242,090	135,359
Income tax expense	15	(66,796)	(39,138)	(66,269)	(38,157)
National fiscal stabilisation levy	15	(12,206)	(6,968)	(12,104)	(6,768)
Profit for the year		169,927	95,695	163,717	90,434
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Net change in value of available for sale investment securities	33	-	5,926	-	5,934
Net change in investment securities measured at FVOCI	33	(18,532)	-	(18,532)	-
Loss on re-measuring to fair value existing interest in equity investments	33	-	(27)	-	(27)
Currency translation differences on foreign subsidiary	33	1,465	584	-	-
Total other comprehensive income		(17,067)	6,483	(18,532)	5,907
Total comprehensive income for the year		152,860	102,178	145,185	96,341
Attributable to owners of Fidelity Bank Ghana Limited		152,860	102,178	145,185	96,341
Total comprehensive income for the year		152,860	102,178	145,185	96,341
Earnings per share					
Basic/diluted earnings per share (GH¢)	29	6.73	3.79	6.48	3.58

Items in the statement of other comprehensive income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 15.

The accompanying notes on pages 46 to 125 form an integral part of these financial statements.

Statement of Financial Position

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

Year ended 31 December

	Notes	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Assets					
Cash and cash equivalents	17	1,746,733	1,540,126	1,757,719	1,548,520
Investment securities	18	3,476,583	2,533,899	3,473,547	2,527,479
Loans and advances to customers	19	1,462,852	1,066,535	1,419,472	1,026,794
Investments (other than securities)	20	-	-	12,471	12,471
Other assets	21	195,258	117,303	196,899	130,483
Current tax asset	15	21,692	-	21,745	-
Deferred tax asset	16	-	2,629	-	2,610
Property plant and equipment	22	110,548	111,477	110,204	111,386
Intangible assets	23	24,592	18,870	23,766	17,294
Non current assets held for sale	24	-	1,011	-	1,011
Total assets		7,038,258	5,391,850	7,015,823	5,378,048
Liabilities					
Deposits from customers	25	3,983,900	3,852,721	3,979,129	3,843,312
Deposits from banks and other financial institutions	26	477,210	111,769	477,210	113,159
Borrowings	27	1,731,390	683,797	1,731,390	683,797
Current tax liability	15	-	575	-	451
Deferred tax liability	16	7,319	-	7,368	-
Other liabilities	28	130,366	199,978	129,121	203,120
Total liabilities		6,330,185	4,848,840	6,324,218	4,843,839
Equity					
Stated capital	30	404,486	264,486	404,486	264,486
Statutory reserve	32	227,120	186,191	227,120	186,191
Other reserves	33	18,081	35,148	7,017	25,549
Credit risk reserve	34	20,207	18,639	20,207	18,639
Income surplus	35	38,179	38,546	32,775	39,344
Total equity attributable to equity holders		708,073	543,010	691,605	534,209
Total liabilities and equity		7,038,258	5,391,850	7,015,823	5,378,048

The accompanying notes on pages 46 to 125 form an integral part of these financial statements.

The financial statements on pages 39 to 125 were approved by the Board of Directors on 21 February 2019 and signed on its behalf by:

BY ORDER OF THE BOARD

Edward Effah

Edward Effah
Board Chairman

Julian Opuni
Managing Director

Statement of Changes in Equity

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

GROUP

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

The accompanying notes on pages 46 to 125 form an integral part of these consolidated financial statements.

Statement of Changes in Equity

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

GROUP

Year ended 31 December 2018	Stated capital	Statutory reserves	Other reserves	Credit risk reserve	Income surplus	Total equity
Balance at 1 January 2018	264,486	186,191	35,148	18,639	38,546	543,010
Changes on initial application of IFRS 9:						
Increase in impairment provisioning	-	-	-	-	(10,531)	(10,531)
Transfer between reserves	-	-	-	(7,303)	7,303	-
Restated balance at 1 January 2018	264,486	186,191	35,148	11,336	35,318	532,479
Profit for the year	-	-	-	-	169,927	169,927
Net change in investment securities measured at FVOCI	-	-	(18,532)	-	-	(18,532)
Foreign currency translation differences for foreign subsidiary	-	-	1,465	-	-	1,465
Total comprehensive income	-	-	(17,067)	-	169,927	152,860
Regulatory and other reserve transfers:						
Transfer to statutory reserve	-	40,929	-	-	(40,929)	-
Transfer to stated capital	70,000	-	-	-	(70,000)	-
Transfer to credit risk reserve	-	-	-	8,871	(8,871)	-
Transactions with owners:						
Proceeds of share issue	70,000	-	-	-	-	70,000
Taxes paid on transfer to stated capital	-	-	-	-	(5,600)	(5,600)
Dividend paid (ordinary shares)	-	-	-	-	(17,637)	(17,637)
Dividend paid (preference shares)	-	-	-	-	(24,029)	(24,029)
Net transfer to reserves and transactions with owners	140,000	40,929	-	8,871	(167,066)	22,734
Balance at 31 December 2018	404,486	227,120	18,081	20,207	38,179	708,073

The accompanying notes on pages 46 to 125 form an integral part of these consolidated financial statements.

Statement of Changes in Equity

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

BANK

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

The accompanying notes on pages 46 to 125 form an integral part of these consolidated financial statements.

Statement of Changes in Equity

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

BANK

Year ended 31 December 2018	Stated capital	Statutory reserves	Other reserves	Credit risk reserve	Income surplus	Total equity
Balance at 1 January 2018	264,486	186,191	25,549	18,639	39,344	534,209
Changes on initial application of IFRS 9:						
Increase in impairment provisioning	-	-	-	-	(10,523)	(10,523)
Transfer between reserves	-	-	-	(7,303)	7,303	-
Restated balance at 1 January 2018	264,486	186,191	25,549	11,336	36,124	523,686
Profit for the year	-	-	-	-	163,717	163,717
Net change in investment securities measured at FVOCI	-	-	(18,532)	-	-	(18,532)
Total comprehensive income	-	-	(18,532)	-	163,717	145,185
Regulatory and other reserve transfers:						
Transfer to statutory reserve		40,929			(40,929)	-
Transfer to stated capital	70,000	-	-	-	(70,000)	-
Transfer to credit risk reserve	-	-	-	8,871	(8,871)	-
Transactions with owners:						
Proceeds of share issue	70,000	-	-	-	-	70,000
Taxes paid on transfer to stated capital	-	-	-	-	(5,600)	(5,600)
Dividend paid (ordinary shares)	-	-	-	-	(17,637)	(17,637)
Dividend paid (preference shares)	-	-	-	-	(24,029)	(24,029)
Net transfer to reserves and transactions with owners	140,000	40,929	-	8,871	(167,066)	22,734
Balance at 31 December 2018	404,486	227,120	7,017	20,207	32,775	691,605

The accompanying notes on pages 46 to 125 form an integral part of these consolidated financial statements.

Statement of Cash Flows

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

	Note	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Cash flows from operating activities					
Profit before income tax		248,929	141,801	242,090	135,359
Adjustments:					
Depreciation	22	15,918	9,485	15,837	9,409
Amortisation	23	5,302	1,144	4,588	522
Goodwill write off	23	2,338	-	2,338	-
Impairment on financial assets	14	63,601	84,931	63,599	84,931
Profit on disposal of property and equipment	22	(119)	(479)	(119)	(479)
Exchange difference on borrowings	27	58,037	21,054	58,037	21,054
Write-off non–current assets held for sale	24	1,011	-	1,011	-
Operating cash flow before investment in working capital		395,017	257,936	387,381	250,796
Changes in loans and advances to customers	19	(455,439)	87,781	(451,800)	89,721
Changes in other assets	21	(88,252)	7,652	(76,713)	5,205
Changes in deposits from customers	25	131,179	716,166	135,817	742,698
Changes in deposits from banks and other financial institutions	26	365,441	(8,608)	364,051	(7,218)
Changes in other liabilities	28	(20,900)	140,310	(25,286)	144,406
Income tax and NFSL paid		(84,807)	(28,454)	(84,076)	(27,167)
Increase/(decrease) in operating assets and liabilities	15	(152,778)	914,847	(138,007)	947,645
Net cash flow generated from operating activities		242,239	1,172,783	249,374	1,198,441
Cash flow from investing activities					
Purchase of property and equipment	22	(15,251)	(27,777)	(14,917)	(27,776)
Purchase of intangible assets	23	(13,362)	(11,221)	(13,398)	(10,248)
Proceeds on asset disposal		381	479	381	479
Purchase of investment securities	18,33	(972,202)	(778,405)	(975,578)	(775,905)
Changes in investments (other than securities)	20	-	-	-	(4,207)
Net cash flow used in investing activities		(1,000,434)	(816,924)	(1,003,512)	(817,657)
Cash flow from financing activities					
Dividends paid		(41,666)	(55,479)	(41,666)	(55,479)
Repayment of long term borrowings	27	(134,683)	(85,935)	(134,683)	(85,935)
Draw-down on short term borrowings	27	1,071,527	-	1,071,527	-
Draw-down on long term borrowings	27	-	348,126	-	348,126
Taxes paid on capitalisation		(1,600)	-	(1,600)	-
Proceeds of share issue	30	70,000	-	70,000	-
Net cash flow from financing activities		963,578	206,712	963,578	206,712
Net increase in cash and cash equivalents		205,383	562,571	209,440	587,496
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at 1 January	17	1,540,126	976,971	1,548,520	961,024
Gain on currency translation of foreign subsidiary	33	1,465	584	-	-
Impairment charge on cash equivalents		(241)	-	(241)	-
Net increase/(decrease) in cash and cash equivalents		205,383	562,571	209,440	587,496
Cash and cash equivalents at 31 December	17	1,746,733	1,540,126	1,757,719	1,548,520

Notes To The Financial Statements

for the year ended 31 December 2018

1. GENERAL INFORMATION

Fidelity Bank Ghana Limited (FBGL) is a limited liability company, incorporated and domiciled in Ghana. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. FBGL operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements of FBGL for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 21 February 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The set of financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy.

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

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year 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 6.

2.1.1 Changes in accounting policy and disclosures

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

(i) IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in previous years.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening income surplus and other reserves of the current year.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current year. The comparative year notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current year (as well as the previous IAS 39 accounting policies applied in the comparative year) are described in more detail in note 2.5.

(All amounts are in thousands of Ghana cedis)

Classification and measurement of financial instruments
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)	1,540,126	Amortised cost	1,539,844
Investment securities	FVOCI (Available for sale)	2,533,899	FVOCI	2,530,953
Loans and advances to customers	Amortised cost (Loans and receivables)	1,066,535	Amortised cost	1,059,232
Other assets	Amortised cost (Loans and receivables)	117,303	Amortised cost	117,303

Bank	IAS 39		IFRS 9	
Financial assets	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Cash and cash equivalents	Amortised cost (Loans and receivables)	1,548,520	Amortised cost	1,548,246
Investment securities	FVOCI (Available for sale)	2,527,479	FVOCI	2,524,533
Loans and advances to customers	Amortised cost (Loans and receivables)	1,026,794	Amortised cost	1,019,491
Other assets	Amortised cost (Loans and receivables)	130,483	Amortised cost	130,483

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

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9
The Group performed a detailed analysis of its business models for managing financial assets and analysis of cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Group

	IAS 39 Carrying amount 31-Dec-17	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Cash and cash equivalents – Amortised Cost			
Closing balance under IAS 39	1,540,126	-	-
Remeasurement: ECL allowance	-	(282)	
Opening balance under IFRS 9	-	-	1,539,844
Investment securities - FVOCI			
Closing balance under IAS 39	2,533,899	-	-
Remeasurement: ECL allowance	-	(2,946)	-
Opening balance under IFRS 9	-	-	2,530,953
Loans and advances to customers – Amortised Cost			
Closing balance under IAS 39	1,066,535	-	-
Remeasurement: ECL allowance	-	(7,303)	-
Opening balance under IFRS 9	-	-	1,059,232
Other assets – Amortised Cost			
Closing balance under IAS 39 and opening balance under IFRS 9	117,303	-	117,303
Total financial assets	5,257,863	(10,531)	5,247,332

(All amounts are in thousands of Ghana cedis)

Bank

	IAS 39 Carrying amount 31-Dec-17	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Cash and cash equivalents – Amortised Cost			
Closing balance under IAS 39 and opening balance under IFRS 9	1,548,520	(274)	1,548,246
Investment securities - FVOCI			
Closing balance under IAS 39 and opening balance under IFRS 9	2,527,479	(2,946)	2,524,533
Loans and advances to customers – Amortised Cost			
Closing balance under IAS 39	1,026,794	-	-
Remeasurement: ECL allowance	-	(7,303)	-
Opening balance under IFRS 9	-	-	1,019,491
Other assets – Amortised Cost			
Closing balance under IAS 39 and opening balance under IFRS 9	130,483	-	130,483
Total financial assets	5,233,276	(10,523)	5,222,753

The total remeasurement loss of GH¢ 10.5 million was recognised in opening reserves at 1 January 2018.
There were no reclassifications from IAS 39 to IFRS 9.

Reclassification from retired categories with no change in measurement
The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:
(i) Those previously classified as available for sale and now classified as measured at FVOCI
(ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9
The following table reconciles the prior year'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	Loan loss allowance under IAS 39/Provision under IAS 37	Measurement	Loan loss allowance under IFRS 9
Cash and cash equivalents	-	274	274
Investment securities	-	2,946	2,946
Loans and advances to customers	199,676	7,303	206,979
Other assets	11,662	-	11,662
Total	211,338	10,523	221,861

There were no reclassifications from IAS 39 to IFRS 9.
Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 2.5.

(ii) IFRS 15, Revenue from contracts with customers

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. Comparatives for the 2017 financial year are not restated.

(b) Standards issued but not yet effective

(i) 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, so key metrics like EBITDA will change.

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.

(ii) 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 recognize any changes in the asset ceiling through other comprehensive income.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Fidelity Bank Ghana Limited and its subsidiaries as at 31 December 2018.

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Investment in associate

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

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

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

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount.
Profits and losses resulting from upstream and downstream transactions between the Bank and the associates are recognised in the Bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income. All foreign exchange gains and losses are presented in profit or loss within \`Other operating income'.

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

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

(c) Group companies

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

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

2.4 Revenue recognition

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

2.4.1 Interest and similar income and expense

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

2.4.2 Fee and commission income

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

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

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

(b) Fee income from providing transaction services

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

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

2.4.3 Dividend income

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

2.4.4 Net trading income

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

2.5 Financial assets and liabilities

2.5.1 Financial Assets

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(i) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:
• Fair value through profit or loss (FVPL);
• Fair value through other comprehensive income (FVOCI); or
• Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.
Classification and subsequent measurement of debt instruments depend on:
• the Group's business model for managing the asset; and
• the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

• Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

• Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the year in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(ii) Impairment

The Group 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 Group 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.

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(v) Accounting policies applied until 31 December 2017

(a) Classification

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

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

Financial assets and liabilities held for trading

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

Held to maturity financial instruments

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

Loans and advances

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

Available for sale financial investments

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

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

(b) Reclassification

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

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.
On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed, and if necessary separately accounted for.

(c) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see note 2.5.1.
Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method. Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in profit or loss. Details on how the fair value of financial instruments is determined are disclosed in note 2.5.3.

(d) Identification and measurement of impairment

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

Money market placements and loans and advances to customers

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.
Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the year on which the historical loss experience is based and to remove the effects of conditions in the historical year that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate. The Bank did not reclassify any renegotiated loan during the year.

Held-to-maturity financial instruments

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

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

Available-for-sale financial instruments

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

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

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

The Bank assesses at each reporting date whether objective evidence of impairment exists for any financial asset. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5.2. Financial liabilities

(i) Classification

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.

ii) Measurement

The 'amortised cost' of a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

iii) Derecognition

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

2.5.3 Determination of fair value

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

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

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

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

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

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

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

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

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

2.5.4 De-recognition of financial assets and financial liabilities

(i) Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(ii) Financial liabilities

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

The derecognition policies for financial assets and liabilities have not changed on the adoption of IFRS 9.

2.5.5 Repurchase and reverse repurchase agreements

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

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

2.5.6 Offsetting financial instruments

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

2.6 Collateral

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

2.7 Leases

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

(i) The Bank as a lessor

Finance leases

Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting years under the pre-tax net investment method to reflect a constant periodic rate of return.

Operating leases

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

(ii) The Bank as a Lessee

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

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

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

2.8 Cash and cash equivalents

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

2.9 Property and equipment

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

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

Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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

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

Leasehold buildings and improvements	over the lease term
Land	over the lease term
Motor vehicles	4 years
Computers : hardware & software	2-4 years
Furniture and equipment	4 years
Machinery	4 years

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

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

2.10 Intangible assets

(a) Computer software

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;

• it can be demonstrated how the software product will generate probable future economic benefits;
• adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
• the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

2.11 Non-current assets held for sale

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

2.12 Financial guarantees

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

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

2.13 Provisions

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

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

2.14 Borrowings

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

2.15 Employee benefits

i. Defined contribution plans

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

ii. Termination benefits

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

iii. Short-term benefits

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

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

2.16 Income tax

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

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

Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

2.17 Stated capital

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

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

2.18 Preference shares

i. Preference shares
Preference shares are classified as equity. These are non-voting, irredeemable and non-cumulative. The holders have the option of converting

into ordinary shares as stated in the agreement.

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

3 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

(b) Risk management structure

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

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

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

(c) Operational risk management

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

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

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

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

Measurement of operational risk

The Bank adopts the standardised approach to compute operational risk regulatory capital. To manage and control operational risk, the Bank uses various tools, including risk and control self-assessment, operational risk event management and key risk indicator monitoring. Risk and control self-assessment is conducted by each business or support unit to identify key operational risks and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues. Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Bank's reputation, must be reported based on certain established thresholds. Key risk indicators with predefined escalation triggers are employed to facilitate risk monitoring in a forward looking manner.

3.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the

Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancements, financial guarantees, letters of credit, endorsements and acceptances.

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

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

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

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

3.1.1 Risk limit control and mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below:

(a) Lending limits (for derivatives and loan books)

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

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

(b) Master netting arrangements

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

(c) 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.

(d) Impairment and provisioning policies

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

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

(e) Write-off policy

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

(f) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised.

Qualitative criteria

For Loan portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018.

Definition of default and credit-impaired assets

The Group defines a financial

instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

(All amounts are in thousands of Ghana cedis)

Economic Variable Assumptions
The most significant year end assumptions used for the ECL estimate as at 31 December 2018 are set out below:

Scenario	Weight %	GDP Growth %	USD/GHC	Inflation %	MPR %
Base Case	50	7.8	4.82	9.4	17.0
Upside	15	8.6	4.33	8.5	15.3
Downside	35	7.0	5.30	10.3	18.7

The most significant variables affecting the ECL model are as follows:
1. GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
2. USD/GHC - The Bank of Ghana average USD rate on the date of assessment and for the last three quarters is used in the tool. This is because of the sensitivity of the economy to exchange rate fluctuations.
3. Inflation – Inflation is used due to its influence on monetary policy and on interest rates. Interest rates has an impact on borrowers' likelihood of default. Forward looking information is incorporated by using the expected change in inflation rates for the next three quarters.
4. MPR – The Monetary Policy Rate (MPR) is used as a tool to target inflation and interest rates. It is an indicator of the likely trend of rates which is a key driver of economic activity.

3.1.2 Maximum exposure to credit risk before collateral held

	GROUP		BANK	
Maximum exposure	2018	2017	2018	2017
Credit risk exposures relating to on balance sheet assets are as follows:				
Balances with Bank of Ghana	596,619	321,251	596,619	321,251
Investment securities	3,476,583	2,533,899	3,473,547	2,527,479
Cash and balances with banks	309,734	259,293	299,030	247,817
Money market placements	840,380	959,582	862,070	979,452
Loans and advances to customers	1,462,852	1,066,535	1,419,472	1,026,794
Other assets (excluding prepayments)	145,130	71,205	146,771	84,385
	6,831,300	5,211,765	6,797,509	5,187,178
Credit risk exposures relating to off balance sheet items are as follows:				
Financial guarantees	185,167	158,577	185,167	158,557
At 31 December	7,016,466	5,370,342	6,982,616	5,345,735

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2018, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Group, 20% (2017: 20%) of the total maximum exposure is derived from loans and advances and investment securities represents 49% (2017: 47%).

The Group'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 Group'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

3.1.3 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 Group's maximum exposure to credit risk on these assets.

	2018				2017
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Cash and cash equivalents	1,746,733	-	-	1,746,733	1,540,126
Investment Securities	3,481,055	-	-	3,481,055	2,533,899
Loans and advances to customers	1,029,279	158,522	471,526	1,659,327	1,266,211
Other assets (less prepayments)	158,339	-	-	158,339	82,867
Gross carrying amount	6,415,406	158,522	471,526	7,045,454	5,423,103
Loss allowance	(42,365)	(2,288)	(169,743)	(214,397)	(199,676)
Carrying amount	6,373,041	156,234	301,783	6,831,057	5,223,427

	2018				2017
Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Cash and cash equivalents	1,757,719	-	-	1,757,719	1,548,520
Investment Securities	3,478,011	-	-	3,478,011	2,527,479
Loans and advances to customers	1,029,279	115,142	471,526	1,615,947	1,226,470
Other assets (less prepayments)	159,980	-	-	159,980	96,047
Gross carrying amount	6,424,989	115,142	471,526	7,011,657	5,398,516
Loss allowance	(42,356)	(2,288)	(169,743)	(214,388)	(199,676)
Carrying amount	6,382,633	112,854	301,783	6,797,269	5,198,840

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

The maximum credit risk exposure (Group and Bank) from financial assets not subject to impairment (i.e.FVPL) is GH¢ 84.3 million.

3.1.5 Collaterals 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.

(All amounts are in thousands of Ghana cedis)

3.1.5 Collaterals and other credit enhancements (continued)

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

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group 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:

Group and Bank

31 December 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Overdrafts	194,798	68,958	125,840	73,282
Term loans	276,728	100,785	175,943	309,612
Total credit impaired assets	471,526	169,743	301,783	382,894

3.1.6 Maximum exposure to credit risk before collateral held

Neither past due nor impaired

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

Loans and advances

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

This category is made up as follows:

Group

2018	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	**885,056**	**134,623**	**43,236**	**1,062,914**

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

Bank

2018	**Term loans**	**Overdrafts**	**Staff loans**	**Total**
Grade:				
Current	**885,056**	**134,623**	**43,236**	**1,062,914**

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

Money market placements

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

(i) Loans and advances past due but not impaired

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

GROUP

2018	Term loans	Overdrafts	Staff loans	Total
Past due up to 30 days	85,871	70,345	-	156,216
Past due 30 to 60 days	101,398	-	-	101,398
Past due 60 to 90 days	206,449	-	-	206,449
Total	393,718	70,345	-	464,063

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

BANK

2018	Term loans	Overdrafts	Staff loans	Total
Past due up to 30 days	85,871	70,345	-	156,216
Past due 30 to 60 days	101,398		-	101,398
Past due 60 to 90 days	163,069		-	163,069
Total	350,338	70,345	-	420,683

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

(All amounts are in thousands of Ghana cedis)

(ii) Individually impaired loans

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

GROUP

2018	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	60,474	71,875	-	132,349
Specific impairment allowance	(43,857)	(65,785)	-	(109,642)
Net amount	16,617	6,090	-	22,707
Fair value of collateral	309,612	73,282	-	382,894

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

BANK

2018	Term loans	Overdrafts	Staff loans	Total
Individually impaired loans	60,474	71,875	-	132,349
Specific impairment allowance	(43,857)	(65,785)	-	(109,642)
Net amount	16,617	6,090	-	22,707
Fair value of collateral	309,612	73,282	-	382,894

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

Loans and advances to customers in Ghana analysed by industry, as well as by customer type are shown in note 19(b) & (c).

3.2 Market risk

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

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

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

3.2.1 Market risk measurement techniques

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

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

3.2.2 Foreign exchange risk

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

(All amounts are in thousands of Ghana cedis)

3.2.2 Foreign exchange risk (continued)

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

GROUP

At 31 December 2018	EUR	GBP	USD	GHC	Total
Assets					
Cash and cash equivalents	31,638	41,428	620,249	1,053,418	**1,746,733**
Investment securities	-	-	14,925	3,461,658	**3,476,583**
Loans and advances to customers	12	19	1,024,373	438,448	**1,462,852**
Other assets	12	43	20,292	174,911	**195,258**
Current tax asset	-	-	-	21,692	**21,692**
Property plant and equipment	-	-	344	110,204	**110,548**
Intangible assets	-	-	826	23,766	**24,592**
Total assets	31,662	41,490	1,681,009	5,284,098	**7,038,258**
Liabilities					
Deposits from customers	57,685	32,943	788,994	3,104,278	**3,983,900**
Deposits from banks	13,942	5,628	227,740	229,900	**477,210**
Borrowings	15,233	-	1,467,195	248,962	**1,731,390**
Other liabilities	740	534	24,989	104,103	**130,366**
Deferred tax liability				7,319	**7,319**
Total liabilities	87,600	39,106	2,508,918	3,694,561	**6,330,185**
Net on balance sheet position	(55,938)	2,384	(827,909)		

3.2.2 Foreign exchange risk (continued)

GROUP

At 31 December 2017	EUR	GBP	USD	GHC	Total
Assets					
Cash and cash equivalents	38,637	34,860	391,228	1,075,401	**1,540,126**
Investment securities	-	-	13,247	2,520,652	**2,533,899**
Loans and advances to customers	3,199	101	628,568	434,667	**1,066,535**
Non-current assets held for sale	-	-	-	1,011	**1,011**
Other assets	14	31	4,283	112,975	**117,303**
Deferred tax asset	-	-	-	2,629	**2,629**
Property plant and equipment	-	-	-	111,477	**111,477**
Intangible assets	-	-	-	18,870	**18,870**
Total assets	41,850	34,992	1,037,326	4,277,682	**5,391,850**
Liabilities					
Deposits from customers	38,442	33,462	859,126	2,921,691	**3,852,721**
Deposits from banks and other financial institutions	-	-	110,393	1,376	**111,769**
Borrowings	-	-	683,073	724	**683,797**
Current tax liability	-	-	-	575	**575**
Other liabilities	143	344	1,342	198,149	**199,978**
Total liabilities	38,585	33,806	1,653,934	3,121,940	**4,848,840**
Net on balance sheet position	3,265	1,186	(616,608)		

Foreign currency sensitivity analysis

The Group's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of reported profit to a 15% (2017: 15%) decrease in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the directors' assessment of a reasonably possible change, based on historic volatility.

Cedi weakens by 15%	Impact on statement of comprehensive income	
	2018	2017
US Dollar	**4,910 ***	21,602 *
Euro	**1,330 ***	490
Pound Sterling	**358**	178

Year end exchange rates applied in the above analysis are GH¢ 4.8200 (2017: GH¢4.4157) to the US dollar, GH¢ 5.5131 (2017: GH¢5.2964) to the Euro, and GH¢ 6.1711 (2017: GH¢5.9669) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

(All amounts are in thousands of Ghana cedis)

3.2.2 Foreign exchange risk (continued)

BANK

At 31 December 2018	EUR	GBP	USD	GHC	Total
Assets					
Cash and cash equivalents	31,638	41,428	624,609	1,060,044	**1,757,719**
Investment securities	-	-	14,925	3,458,622	**3,473,547**
Loans and advances to customers	12	19	980,993	438,448	**1,419,472**
Investments (other than securities)	-	-	-	12,471	**12,471**
Current tax assets	-	-	-	21,745	**21,745**
Other assets	12	41	18,753	178,093	**196,899**
Property plant and equipment			-	110,204	**110,204**
Intangible assets				23,766	**23,766**
Total assets	31,661	41,488	1,639,280	5,303,394	**7,015,823**
Liabilities					
Deposits from customers	57,685	32,944	784,222	3,104,278	**3,979,129**
Deposits from banks	13,942	5,628	227,740	229,900	**477,210**
Borrowings	15,233	-	1,467,195	248,962	**1,731,390**
Other liabilities	740	534	23,848	103,999	**129,121**
Deferred tax liability	-	-	-	7,368	**7,368**
Total liabilities	87,600	39,106	2,503,005	3,694,507	**6,324,218**
Net on balance sheet position	(55,938)	2,382	(863,725)		

* The Bank has entered into currency swap agreements that effectively hedge the on-balance sheet position for the US Dollar and the Euro. Under the agreements, the potential impact on profit of a 15% decrease in the value of the Ghana Cedi against the US Dollar and the Euro on the Bank is capped at GH¢ 0.87 million (2017 : GH¢ 23.32 million).

3.2.2 Foreign exchange risk (continued)

BANK

At 31 December 2017	EUR	GBP	USD	GHC	Total
Assets					
Cash and cash equivalents	35,822	34,365	358,725	1,119,608	**1,548,520**
Investment securities	-	-	13,247	2,514,232	**2,527,479**
Loans and advances to customers	3,199	101	588,827	434,667	**1,026,794**
Investments (other than securities)	-	-	12,370	101	**12,471**
Non-current assets held for sale	-	-	-	1,011	**1,011**
Other assets	18	50	8,628	121,787	**130,483**
Deferred tax asset	-	-	-	2,610	**2,610**
Property plant and equipment	-	-	-	111,386	**111,386**
Intangible assets	-	-	-	17,294	**17,294**
Total assets	39,039	34,516	981,797	4,322,696	**5,378,048**
Liabilities					
Deposits from customers	38,317	32,212	849,716	2,923,067	**3,843,312**
Deposits from banks and other financial institutions	-	-	111,783	1,376	**113,159**
Borrowings	-	-	683,073	724	**683,797**
Current tax liability	-	-	-	451	**451**
Other liabilities	143	344	2,842	199,791	**203,120**
Total liabilities	38,460	32,556	1,647,414	3,124,958	**4,843,839**
Net on balance sheet position	579	1,960	(665,617)*		

Foreign currency sensitivity analysis

Cedi weakens by 15%	**Impact on statement of comprehensive income**	
	2018	2017
US Dollar	**(462) ***	23,319 *
Euro	**1,330 ***	87
Pound Sterling	**357**	294

Year end exchange rates applied in the above analysis are GH¢ 4.8200 (2017: GH¢4.4157) to the US dollar, GH¢ 5.5131 (2017: GH¢5.2964) to the Euro, and GH¢ 6.1711 (2017: GH¢5.9669) to the Pound Sterling. The strengthening of the Ghana Cedi will produce symmetrical results.

(All amounts are in thousands of Ghana cedis)

3.2.3. Interest rate risk

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

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

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

The table below summarises the re-pricing profiles of financial instruments and other assets and liabilities as at 31 December 2018 and 31 December 2017 respectively. Items are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

GROUP

At 31 December 2018 Assets	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non interest bearing	Total
Cash and cash equivalents	729,935	35,735	85,760	-	895,303	**1,746,733**
Investment securities	209,084	880,193	1,355,498	1,031,808	-	**3,476,583**
Loans and advances to customers	39,429	78,860	398,248	946,315	-	**1,462,852**
Financial assets	978,448	994,788	1,839,506	1,978,123	895,303	**6,686,168**
Liabilities						
Deposits from customers	404,495	397,913	800,598	1,591,651	789,243	**3,983,900**
Deposits from banks	18,470	47,721	95,442	190,884	124,693	**477,210**
Borrowings	217,667	168,765	636,691	708,267	-	**1,731,390**
Other liabilities	-	-	-	-	130,366	**130,366**
Financial liabilities	640,632	614,399	1,532,730	2,490,803	1,044,302	**6,322,865**
Total interest re-pricing gap	337,816	380,389	306,776	(512,680)		

3.2.3. Interest rate risk (continued)

GROUP

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

Interest rate sensitivity analysis

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

		Possible interest rate movements		
	Total interest re-pricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	337,816	3,239	6,479	9,718
1-3 months	380,389	3,179	6,357	9,536
3-12 months	306,776	1,933	3,866	5,799
over 1 year	(512,680)	(1,292)	(2,584)	(3,877)
Total		7,059	14,118	21,176
Impact on net interest income (2018)		1.38%	2.76%	4.14%
Impact on net interest income (2017)		3.29%	6.57%	9.86%

(All amounts are in thousands of Ghana cedis)

3.2.3. Interest rate risk (continued)

BANK

At 31 December 2018 Assets	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non interest bearing	Total
Cash and cash equivalents	729,935	35,735	96,400	-	895,649	**1,757,719**
Investment securities	209,084	880,194	1,352,462	1,031,808	-	**3,473,547**
Loans and advances to customers	39,430	78,860	354,868	946,315	-	**1,419,472**
Investments (other than securities)	-	-	-		12,471	**12,471**
Financial assets	978,449	994,789	1,803,730	1,978,123	908,120	**6,663,211**
Liabilities						
Deposits from customers	404,495	397,913	795,826	1,591,651	789,244	**3,979,129**
Deposits from banks and other financial institutions	18,470	47,721	95,442	190,884	124,693	**477,210**
Borrowings	217,667	168,765	636,690	708,268	-	**1,731,390**
Other liabilities	-	-	-	-	129,121	**129,121**
Financial liabilities	640,632	614,399	1,527,958	2,490,803	1,043,058	**6,316,850**
Total interest re-pricing gap	337,817	380,390	275,772	(512,680)		

BANK

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

3.2.3. Interest rate risk (continued)

Interest rate sensitivity analysis

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

		Possible interest rate movements		
	Total interest re-pricing gap	+100bps	+200bps	+300bps
Up to 1 month	337,817	3,239	6,479	9,718
1-3 months	380,390	3,179	6,357	9,536
3-12 months	275,772	1,738	3,475	5,213
over 1 year	(512,680)	(1,292)	(2,584)	(3,877)
Total		6,863	13,727	20,590
Impact on net interest income (2018)		1.37%	2.74%	4.11%
Impact on net interest income (2017)		3.30%	6.62%	9.92%

3.3. Liquidity risk management

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

3.3.1 Liquidity risk management process

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

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

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

3.3.2 Liquidity risk measurement

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

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

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

3.3.3 Liquidity crisis management

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

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

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

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

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

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

GROUP

At 31 December 2018	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
Liabilities					
Deposits from customers	920,795	388,434	648,937	2,025,735	**3,983,900**
Deposits from banks and other financial institutions	97,364	62,987	94,801	222,057	**477,210**
Borrowings	386,432	212,230	424,460	708,268	**1,731,390**
Other liabilities	-	130,366	-	-	**130,366**
Total liabilities (Contractual maturity date)	1,404,591	794,017	1,168,198	2,956,060	**6,322,866**
Assets					
Cash and cash equivalents	900,017	166,481	187,628	492,607	**1,746,733**
Investment securities	1,090,795	452,339	901,641	1,031,808	**3,476,583**
Loans and advances to customers	118,289	118,289	279,959	946,315	**1,462,852**
Other assets	-	195,258	-	-	**195,258**
Current tax asset	-	21,692	-	-	**21,692**
Total assets held for managing liquidity risk (contractual maturity date)	2,109,101	954,059	1,369,228	2,470,730	**6,903,118**

(All amounts are in thousands of Ghana cedis)

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

GROUP

At 31 December 2017	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
Liabilities					
Deposits from customers	1,309,635	448,254	684,164	1,410,668	3,852,721
Deposits from banks and other financial institutions	111,769	-	-	-	111,769
Borrowings	13,446	5,817	39,565	624,969	683,797
Other liabilities	-	199,978	-	-	199,978
Total liabilities (Contractual maturity date)	1,434,850	654,049	723,729	2,151,521	4,848,265
Assets					
Cash and cash equivalents	950,004	115,236	161,899	312,987	1,540,126
Investment securities	790,365	219,022	410,938	1,113,574	2,533,899
Loans and advances to customers	212,214	133,954	307,651	412,716	1,066,535
Other assets	-	117,303	-	-	117,303
Total assets held for managing liquidity risk (Contractual maturity date)	1,952,583	585,515	880,488	1,839,277	5,257,863

BANK

At 31 December 2018	**0-3 months GH¢**	**3-6 months GH¢**	**6-12 months GH¢**	**Over 12 months GH¢**	**Total GH¢**
Liabilities					
Deposits from customers	**920,795**	383,662	648,937	2,025,735	**3,979,129**
Deposits from banks	**97,364**	62,987	94,801	222,058	**477,210**
Borrowings	**386,432**	212,230	424,460	708,268	**1,731,390**
Other liabilities	**-**	129,121	-	-	**129,121**
Total liabilities (contractual maturity date)	**1,404,591**	788,000	1,168,198	2,956,061	**6,316,850**
Assets					
Cash and cash equivalents	**900,017**	166,481	198,614	492,607	**1,757,719**
Investment securities	**1,089,277**	450,821	901,641	1,031,808	**3,473,547**
Loans and advances to customers	**118,289**	118,289	236,579	946,315	**1,419,472**
Other assets	**-**	196,899	-	-	**196,899**
Other assets	**-**	21,745	-	-	**21,745**
Total assets held for managing liquidity risk (contractual maturity date)	**2,107,583**	954,235	1,336,834	2,470,730	**6,869,382**

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

BANK

At 31 December 2017	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
Liabilities					
Deposits from customers	1,308,459	447,078	681,812	1,405,963	3,843,312
Deposits from banks and other financial institutions	113,159	-	-	-	113,159
Borrowings	13,446	5,817	39,565	624,969	683,797
Other liabilities	-	203,120	-	-	203,120
Total liabilities (contractual maturity date)	1,435,064	656,015	721,377	2,146,816	4,959,272
Assets					
Cash and cash equivalents	950,004	123,630	161,899	312,987	1,548,520
Investment securities	787,155	216,112	410,938	1,079,128	2,493,333
Loans and advances to customers	212,214	133,954	267,910	412,716	1,026,794
Other assets	-	130,483	-	-	130,483
Total assets held for managing liquidity risk (contractual maturity date)	1,949,373	604,179	840,747	1,804,831	5,199,130

3.3.5 Assets held for managing liquidity risk

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

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

(All amounts are in thousands of Ghana cedis)

3.4 Off balance sheet items

(a) Loan commitments

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

At 31 December 2018	No later than 1 year	1-5 years	Over 5 years	Total
Loan commitments			-	
Total	**250,758**	-		**250,758**
At 31 December 2017	**No later than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Loan commitments				
Total	167,900	-	-	167,900

(b) Guarantees and indemnities

The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢188.4m (2017: GH¢158.5m).

(c) Operating lease commitments

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

(d) Capital commitments

The Bank had no capital commitments at year end.

3.5 Country analysis - Bank

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

BANK	2018		2017	
	Ghana	Outside	Ghana	Outside
	GH¢	GH¢	GH¢	GH¢
Assets				
Cash and cash equivalents	1,593,351	164,368	1,284,244	264,276
Investment securities	3,473,547	-	2,527,479	-
Loans and advances to customers	1,419,472	-	1,026,794	-
Investments (other than securities)	101	12,370	101	12,370
Other assets	196,899	-	130,483	-
Non-current assets held for sale			1,011	-
Current tax assets	21,745	-	-	-
Deferred tax asset	-	-	2,610	-
Property plant and equipment	110,204	-	111,386	-
Intangible assets	23,766	-	17,294	-
	6,839,085	176,738	5,101,402	276,646
Liabilities				
Deposits from customers	3,979,129	-	3,697,572	145,740
Deposits from banks and other financial institutions	270,410	206,800	89,690	23,469
Borrowings	975,127	756,263	724	683,073
Current tax liability	-	-	451	-
Deferred tax liability	7,368	-		
Other liabilities	129,121	-	203,120	-
	5,361,155	963,063	3,991,557	852,282

(All amounts are in thousands of Ghana cedis)

4 FAIR VALUE OF FINANCIAL INSTRUMENTS

4.1 Financial instruments not measured at fair value

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

GROUP	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Loans and advances to customers	1,474,532	1,077,009	1,462,852	1,066,535
Investment Securities	1,550,322	-	1,537,339	-
Financial liabilities				
Deposits from customers	3,983,900	3,852,721	3,983,900	3,852,721

BANK	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Loans and advances to customers	1,431,152	1,037,268	1,419,472	1,026,794
Investment Securities	1,547,278	-	1,534,303	-
Financial liabilities				
Deposits from customers	3,979,129	3,843,312	3,979,129	3,843,312

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

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

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

4.2 Fair value hierarchy

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

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

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

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

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

(All amounts are in thousands of Ghana cedis)

4.3 Assets and liabilities measured at fair value

GROUP	LEVEL 1	LEVEL 2	LEVEL 3
2018			
Investment securities	-	1,922,645	-
Investments (other than securities)	-	-	-
	-	1,922,645	-
2017			
Investment securities	-	2,533,899	-
Investments (other than securities)	-	-	-
	-	2,533,899	-

BANK	LEVEL 1	LEVEL 2	LEVEL 3
2018			
Investment securities	-	1,922,645	-
Investments (other than securities)	-	-	-
	-	1,922,645	-
2017			
Investment securities	-	2,527,479	-
Investments (other than securities)	-	-	-
	-	2,527,479	-

5 CAPITAL MANAGEMENT

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

Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Finance Director.

Under the current capital requirements set by the Bank of Ghana, banks have to maintain a ratio of regulatory capital to risk weighted assets ("capital adequacy ratio") above 10%.

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

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

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

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

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier I capital.

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

(All amounts are in thousands of Ghana cedis)

5 CAPITAL MANAGEMENT (continued)

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the years ended 31 December 2018 and 2017.

	2018	2017
Paid-up capital	**404,486**	264,486
Statutory reserves	**227,120**	186,191
Income surplus / other reserves	**39,792**	64,893
Total disclosed reserves	**266,912**	251,084
Other adjustments		
Goodwill/intangible	**(97,547)**	(77,754)
Connected lending	**(21,690)**	(19,871)
Losses not provided for	**-**	-
Investments in unconslidated subsidiaries	**(101)**	(101)
Investments in the capital of other banks & financial institutions	**(12,370)**	(12,397)
Total adjustments	**(131,708)**	(110,123)
Tier I capital	**539,690**	405,447
Tier II capital	**138,816**	169,563
Total capital	**678,506**	575,010
Risk weighted assets	**2,788,484**	2,131,646
Tier 1 capital adequacy ratio	**19.35%**	19.02%
Total capital adequacy ratio	**24.33%**	26.97%

6. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

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

(c) Income tax
Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Hold to collect financial assets
The Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as hold to collect. This classification requires significant judgement. In making this judgement, the Bank uses the Business model and Solely for Payment of Principal and Interest (SPPI) model to assess that the purpose for holding these assets was to collect the contractual cash flows associated with the assets. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as hold to collect and sell. Accordingly, the investments would be measured at fair value instead of amortised cost.

Other accounting judgements, estimates and assumptions applied as at 31 December 2017

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

(a) Impairment losses on loans and advances (continued)

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

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

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

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

7. SEGMENT INFORMATION

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

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

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

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

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

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

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

7. SEGMENT INFORMATION (continued)

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

	BANK			FSL	FAB	
2018	Corporate Banking	Financial & Capital Markets	Retail Banking	Investment Banking	Offshore Banking	**Group**
External revenue						
Net interest income	70,681	469,342	(39,502)	1,224	9,636	**511,381**
Net fee and commission income	36,903	18,239	79,574	2,265	366	**137,347**
Other operating income	11,456	20,462	23,685	-	(225)	**55,378**
Inter-segment revenue	(12,812)	(179,209)	192,021	-	-	
Total Segment revenue	106,228	328,834	255,778	3,489	9,777	**704,106**
Direct cost	(26,033)	(10,789)	(70,543)	(1,968)	(4,852)	**(114,185)**
Net impairment charges	(32,836)	-	(26,324)	-	-	**(59,160)**
Allocated cost	(112,730)	(56,371)	(112,730)	-	-	**(281,831)**
Segment profit	(65,371)	261,674	46,181	1,521	4,925	**248,929**
Reportable segment assets (loans and advances)	1,116,144	-	302,954	-	43,754	**1,462,852**
Reportable segment liabilities (deposits)	1,569,025	328,759	2,351,754	-	211,573	**4,461,111**

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

(All amounts are in thousands of Ghana cedis)

7. SEGMENT INFORMATION (continued)

The Group operates in two geographic markets: Ghana (Fidelity Bank Ghana Limited & Fidelity Securities Limited) and Malaysia (Fidelity Asia Bank Limited). The following tables show the distribution of operating profit and non-current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2018 and 2017:

2018

	Ghana	Malaysia	Total
Interest income	779,274	13,302	792,576
Interest expense	(277,529)	(3,666)	(281,195)
Net interest income	501,745	9,636	511,381
Non interest income	192,585	141	192,726
Operating income	694,330	9,777	704,107
Operating expenses	(391,196)	(4,852)	(396,048)
Net impairment charge on financial assets	(59,129)	-	(59,129)
Operating profit/(loss)	244,005	4,925	248,929

2017

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

	GROUP		BANK	
8. Interest income	2018	2017	2018	2017
Cash and short term funds	51,153	59,514	51,747	60,705
Investment securities	575,213	436,515	575,213	435,725
Loans and advances	166,210	156,665	162,025	152,696
	792,576	652,694	788,985	649,126

9. Interest expense

Savings accounts	50,773	49,030	50,773	49,030
Time and other deposits	97,406	100,114	95,559	98,898
Overnight and call accounts	65,495	32,060	74,611	37,394
Current accounts	13,575	12,151	13,575	12,151
Borrowings	53,946	43,603	53,946	43,603
	281,195	236,958	288,464	241,076

10. Fee and commission income

Trade finance fees	10,354	9,787	10,354	9,788
Credit related fees and commission	34,643	20,476	34,643	20,476
Cash management & service charges	76,054	63,603	75,693	63,004
Other fees and commission	32,143	9,460	29,459	4,219
	153,194	103,326	150,149	97,487

11. Fee and commission expense

Direct charges for services	15,847	11,039	15,827	11,009

12. Other operating income

Foreign exchange:				
transaction gains less losses	59,486	41,097	59,486	41,097
translation gains less losses	(3,494)	(14,265)	(3,252)	(14,265)
Sundry income	(614)	1,610	(631)	1,610
	55,378	28,442	55,603	28,442

(All amounts are in thousands of Ghana cedis)

13. Operating expenses

	GROUP		BANK	
	2018	2017	2018	2017
(a) Personnel expenses comprise:				
Wages, salaries, bonus and allowances	81,337	62,944	78,254	61,398
Social security fund contribution	10,004	7,366	10,004	7,278
Provident fund contribution	5,623	4,764	5,623	4,697
Other employee cost	61,910	42,629	61,910	41,129
	158,874	117,703	155,791	114,502

The number of persons employed by the Group and the Bank at the end of the year was 1,098 (2017: 1,045) and 1,084 (2017: 1,027) respectively.

	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
(b) Depreciation and amortisation expenses comprise:				
Depreciation (Note 22)	15,918	9,485	15,837	9,409
Amortisation (Note 23)	5,302	1,144	4,588	522
Goodwill write off (Note 23)	2,338	-	2,338	-
	23,558	10,629	22,763	9,931
(c) Other expenses comprise:				
Advertising and marketing	21,502	16,080	21,230	15,688
Audit fees	490	450	475	425
Directors' emoluments	1,825	929	1,710	777
Utilities	14,387	15,035	13,984	14,726
Repairs and maintenance	1,977	3,077	888	1,787
Stationery and print expenses	6,058	4,930	6,043	4,922
Outsourced services	23,461	16,791	23,461	16,791
Other operating expenses	134,214	128,980	133,569	128,468
Legal and consultancy fees	7,670	6,096	7,307	5,637
Training	1,893	2,195	1,869	2,188
Donations and sponsorship	139	365	139	365
	213,616	194,928	210,675	191,774

14. Net impairment loss on financial assets

Breakdown of impairment losses

	GROUP		BANK	
	2018	2017	2018	2017
Impairment losses on loans and advances	51,818	73,269	51,818	73,269
Impairment losses on other assets	11,783	11,662	11,781	11,662
	63,601	84,931	63,599	84,931
Recoveries	(4,472)	(13,527)	(4,472)	(13,527)
	59,129	71,404	59,127	71,404

14. Net impairment loss on financial assets (continued)

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

	GROUP		BANK	
	2018	2017	2018	2017
At 1 January	199,676	131,914	199,676	131,914
IFRS 9 transition adjustment	7,303	-	7,303	-
Increase in impairment charges	51,818	73,269	51,818	73,269
Amounts written off as uncollectible	(62,323)	(5,507)	(62,323)	(5,507)
At year end	196,474	199,676	196,474	199,676

The impairment losses on other assets relates to:

1. Assets under receivership against which the Bank has a specific charge GH¢ 32.2 million (2017: GH¢ 32.2 million). The impairment charge is recognised for the difference between the recoverable amounts and the carrying amounts of the assets at the end of the reporting year.
2. Receivables deemed to be irrecoverable. This relates to account service charges of GH¢ 8.7 million which in the Bank's assessment are not likely to be recovered.

15. Income tax expense

	GROUP		BANK	
	2018	2017	2018	2017
Current income tax	50,334	36,385	49,777	35,386
Deferred tax (Note 16)	16,462	2,753	16,492	2,771
Income tax expense	66,796	39,138	66,269	38,157
National fiscal stabilisation levy	12,206	6,968	12,104	6,768
	79,002	46,106	78,373	44,925

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

	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Profit before tax	248,929	141,801	242,090	135,359
Corporate tax rate at 25% (2017: 25%)				
Tax calculated at corporate tax rate	61,050	34,819	60,523	33,840
Non deductible expenses	35	-	35	-
Deductible expenses	(327)	-	(327)	-
Timing differences	6,038	4,319	6,038	4,317
National fiscal stabilisation levy at 5% (2017: 5%)	12,206	6,968	12,104	6,768
Income tax expense	79,002	46,106	78,373	44,925

(All amounts are in thousands of Ghana cedis)

15. Income tax expense (continued)

Current tax (asset)/liability
The movement on current income tax for 2018 is as follows:

Group	At 1 January	Paid during the year	Charge	At 31 December
Year of assessment				
Current income tax				
Up to 2017	2,853			2,853
2018	-	(68,589)	50,334	(18,255)
	2,853	(68,589)	50,334	(15,402)
National fiscal stabilisation levy				
Up to 2017	(2,278)			(2,278)
2018	-	(16,218)	12,206	(4,012)
	(2,278)	(16,218)	12,206	(6,290)
Total current tax asset				(21,692)
Bank				
Year of assessment				
Current income tax	2,777	-	-	2,777
Up to 2017	-	(67,977)	49,777	(18,200)
2018	2,777	(67,977)	49,777	(15,423)
National fiscal stabilisation levy				
Up to 2017	(2,326)	-	-	(2,326)
2018	-	(16,099)	12,104	(3,995)
	(2,326)	(16,099)	12,104	(6,321)
Total current tax asset				(21,745)

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

15. Income tax expense (continued)

Current tax (asset)/liability
The movement on current income tax for 2017 is as follows:

Group Year of assessment	At 1 January	Paid during the year	Charge	At 31 December
Current income tax				
Up to 2016	(12,066)	-	-	(12,066)
2017	-	(21,466)	36,385	14,919
	(12,066)	(21,466)	36,385	2,853
National fiscal stabilisation levy				
Up to 2016	(2,258)	-	-	(2,258)
2017	-	(6,988)	6,968	(20)
	(2,258)	(6,988)	6,968	(2,278)
Total current tax asset				(575)

Bank Year of assessment	At 1 January	Paid during the year	Charge	At 31 December
Current income tax				
Up to 2016	(12,152)	-	-	(12,152)
2017	-	(20,457)	35,386	14,929
	(12,152)	(20,457)	35,386	2,777
National fiscal stabilisation levy				
Up to 2016	(2,384)	-	-	(2,384)
2017	-	(6,710)	6,768	58
	(2,384)	(6,710)	6,768	(2,326)
Total current tax asset				(451)

(All amounts are in thousands of Ghana cedis)

16. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

GROUP	2018 Assets	2018 Liabilities	2018 Net	2017 Assets	2017 Liabilities	2017 Net
Property and equipment	(47)	5,346	5,299	(19)	4,292	4,273
Impairment allowances for loan losses	-	-	-	(15,438)	-	(15,438)
Other Provisions	(2)	-	(2)	-	-	-
Gains/Losses in fair value changes or FVOCI	-	2,022	2,022	-	8,536	8,536
Net tax (assets)/liabilities	(49)	7,368	7,319	(15,457)	12,828	(2,629)

BANK	2018 Assets	2018 Liabilities	2018 Net	2017 Assets	2017 Liabilities	2017 Net
Property and equipment	-	5,346	5,346	-	4,292	4,292
Impairment allowances for loan losses	-	-	-	(15,438)	-	(15,438)
Gains/Losses in fair value changes or FVOCI	-	2,022	2,022	-	8,536	8,536
Net tax (assets)/liabilities	-	7,368	7,368	(15,438)	12,828	(2,610)

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

GROUP

2018	At 1 January	movement	At 31 December
Property and equipment	4,273	1,027	5,299
Impairment allowance for loan losses	(15,438)	15,438	-
Other provisions	-	(2)	(2)
Deferred tax expense through comprehensive income	(11,165)	16,462	5,297
Deferred tax expense through equity (gains on available for sale investments)	8,536	(6,514)	2,022
Total	(2,629)	9,948	7,319

16. Deferred tax (continued)

BANK

2018	At 1 January	movement	At 31 December
Property and equipment	4,292	1,054	5,346
Impairment allowance for loan losses	(15,438)	15,438	-
Deferred tax expense through comprehensive income	(11,146)	16,492	5,346
Deferred tax expense through equity (gains on available for sale investments)	8,536	(6,514)	2,022
Total	(2,610)	9,978	7,368

GROUP

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

BANK

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

(All amounts are in thousands of Ghana cedis)

17. Cash and cash equivalents

	GROUP		BANK	
	2018	2017	2018	2017
Cash and balances with banks	309,734	259,293	299,030	247,817
Restricted balances with the Central Bank	596,619	321,251	596,619	321,251
Money market placements	840,621	959,582	862,311	979,452
Impairment allowance on placements	(241)	-	(241)	-
Total	1,746,733	1,540,126	1,757,719	1,548,520

18. Investment Securities

	GROUP		BANK	
	2018	2017	2018	2017
At 1 January	2,533,899	1,654,207	2,527,479	1,650,277
Additions	12,615,762	11,174,471	12,597,593	11,161,431
Redeemed on maturity	(11,676,694)	(10,328,925)	(11,655,149)	(10,318,375)
Fair value gain/(losses)	8,088	34,146	8,088	34,146
Impairment loss on investment securities	3,481,055	2,533,899	3,478,011	2,527,479
	(4,472)		(4,464)	-
At 31 December	3,476,583	2,533,899	3,473,547	2,527,479

Analysis of investment securities by tenor

	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Maturing within 91 days of acquisition	20,820	330,062	20,820	330,062
Maturing after 91 days but within 182 days of acquisition	157,020	188,042	153,976	181,821
Maturing after 182 days of acquisition but within 1 year of acquisition	1,131,867	579,275	1,131,867	579,275
Maturing after 1 year of acquisition	2,171,348	1,436,520	2,171,348	1,436,321
Gross Total	3,481,055	2,533,899	3,478,011	2,527,479
Impairment loss on investment securities	(4,472)	-	(4,464)	-
	3,476,583	2,533,899	3,473,547	2,527,479

Investment securities are financial assets classified as fair value through other comprehensive income- FVOCI (2017: available-for-sale), fair value through profit or loss - FVPL (2017: held for trading) or amortised cost (2017: held to maturity) as shown below

Classification of investment securities

	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
FVOCI/ Available-for-sale	1,838,363	2,493,333	1,838,363	2,493,333
FVPL/Held for Trading	84,282	-	84,282	-
Fair value gains/(losses)	8,088	34,146	8,088	34,146
	1,930,733	2,527,479	1,930,733	2,527,479
Amortised cost/Held to maturity	1,550,322	6,420	1,547,278	-
Impairment loss on investment securities	(4,472)	-	(4,464)	-
Total	3,476,583	2,533,899	3,473,547	2,527,479

19. Loans and advances to customers

(a) Analysis by type:	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Term loans	1,339,248	1,022,824	1,295,867	983,084
Overdrafts	276,842	214,634	276,843	214,633
Staff	43,236	28,753	43,236	28,753
Gross loans and advances to customers	1,659,326	1,266,211	1,615,946	1,226,470
Impairment allowance (Note 14)	(196,474)	(199,676)	(196,474)	(199,676)
Net loans and advances to customers	1,462,852	1,066,535	1,419,472	1,026,794
Current	516,537	653,819	473,157	614,078
Non-current	946,315	412,716	946,315	412,716
	1,462,852	1,066,535	1,419,472	1,026,794

(b) Analysis by type of customer:	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Individuals	147,904	116,513	147,904	116,513
Private enterprises	1,308,252	1,043,540	1,264,872	1,003,799
State enterprise and public institutions	159,934	77,405	159,934	77,405
Staff	43,236	28,753	43,236	28,753
	1,659,326	1,266,211	1,615,946	1,226,470
Impairment allowance (Note 14)	(196,474)	(199,676)	(196,474)	(199,676)
Net loans and advances to customers	1,462,852	1,066,535	1,419,472	1,026,794

(c) Analysis by business segment	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Agriculture, forestry and fishing	74,239	5,859	74,239	5,859
Mining	97,992	14,864	97,992	14,864
Manufacturing	257,343	120,463	257,343	120,463
Construction	279,075	242,868	279,075	242,868
Electricity, gas and water	161,314	243,887	161,314	243,887
Commerce and finance	147,392	174,559	147,392	174,559
Transport, storage and communication	290,152	228,961	290,152	228,961
Services	351,621	234,393	308,241	194,652
Miscellaneous	198	357	198	357
	1,659,326	1,266,211	1,615,947	1,226,470
Impairment allowance (Note 14)	(196,474)	(199,676)	(196,474)	(199,676)
Net loans and advances to customers	1,462,852	1,066,535	1,419,472	1,026,794

(All amounts are in thousands of Ghana cedis)

19. Loans and advances to customers (continued)

(d) Key ratios on loans and advances

	GROUP		BANK	
	2018	2017	2018	2017
Loan loss provision ratio	11.8 %	15.77%	12.16%	16.28%
50 largest exposures to total exposures	86.12%	85%	88.44%	85%

20. Investments (other than securities)

	GROUP		BANK	
	2018	2017	2018	2017
Mustard Capital Partners Limited	-	-	-	-
Fidelity Securities Limited	-	-	101	101
Fidelity Asia Bank Limited	-	-	12,370	12,370
Total	-	-	12,471	12,471
Movement in investments (other than securities):				
At 1 January	-	27	12,471	8,291
Additional investments	-	-	-	4,207
Fair value adjustment	-	(27)	-	(27)
At year end	-	-	12,471	12,471

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

21. Other assets

	GROUP 2018	GROUP 2017	BANK 2018	BANK 2017
Prepayments	50,128	46,098	50,128	46,098
Sundry assets	158,339	82,808	157,372	82,977
Amounts due from associated companies	-	59	2,608	13,070
Gross other assets	208,467	128,965	210,108	142,145
Impairment on other assets	(13,209)	(11,662)	(13,209)	(11,662)
Net other assets	195,258	117,303	196,899	130,483

22. Property plant and equipment

GROUP

Year ended 31 December 2018

Cost	At 1 January	Additions	Transfers	Disposals	At 31 December
Motor vehicles	13,690	1,470	-	(801)	14,359
Computers – Hardware	28,326	3,873	2,236	-	34,435
Equipment	26,673	3,786	551	-	31,010
Furniture and fittings	6,886	1,395	31	-	8,312
Leasehold improvement	69,093	3,465	1,238	(80)	73,716
Building	2,127	-	-	-	2,127
Land	12,454	-	-	-	12,454
Capital work-in-progress	3,044	1,262	(4,056)	-	250
Total	162,293	15,251	-	(881)	176,663

Accumulated depreciation	At 1 January	Charge for the year	Transfers	Disposals	At 31 December
Motor vehicles	5,455	2,466	-	(587)	7,334
Computers – Hardware	18,673	4,080	-	-	22,753
Equipment	12,776	4,624	-	-	17,400
Furniture and fittings	5,159	835	-	-	5,994
Leasehold improvement	8,737	3,913	-	(32)	12,618
Building	16	-	-	-	16
Total	50,816	15,918	-	(619)	66,115
Carrying value:					
At 31 December 2018	111,477				110,548

(All amounts are in thousands of Ghana cedis)

22. Property plant and equipment (continued)

BANK

Year ended 31 December 2018 **Cost**	At 1 January	Additions	Transfers	Disposals	At 31 December
Motor vehicles	13,441	1,470	-	(801)	14,110
Computers – hardware	28,149	3,628	2,236	-	34,013
Equipment	26,509	3,763	551	-	30,823
Furniture and fittings	6,883	1,376	31	-	8,290
Leasehold improvement	68,865	3,452	1,238	(80)	73,475
Land	14,565	-		-	14,565
Capital work-in-progress	3,099	1,228	(4,056)	-	271
Total	161,511	14,917	-	(881)	175,547

Accumulated depreciation	At 1 January	Charge for the year	Transfers	Disposals	At 31 December
Motor vehicles	5,266	2,466	-	(587)	7,145
Computers – Hardware	18,525	4,054	-	-	22,579
Equipment	12,607	4,616		-	17,223
Furniture and fittings	5,163	829	-	-	5,992
Leasehold improvement	8,564	3,872	-	(32)	12,404
Total	50,125	15,837	-	(619)	65,343
Carrying value:					
At 31 December 2018	111,386				110,204

Bank and Group

Movement on disposal of assets

	2018	2017
Cost	881	1,777
Accumulated depreciation	(619)	(1,777)
Carrying value	262	-
Proceeds on disposaL	381	479
Profit on disposal	119	479

22. Property plant and equipment (continued)

GROUP

Year ended December 2017 Cost	At 1 January	Additions	Transfers	Disposals	At 31 December
Motor vehicles	8,131	7,336	-	(1,777)	13,690
Computers – Hardware	22,467	2,805	3,054	-	28,326
Equipment	14,925	9,900	1,848	-	26,673
Furniture and fittings	5,680	618	588	-	6,886
Leasehold improvement	14,543	5,953	48,597	-	69,093
Building	2,127	-	-	-	2,127
Land	12,454	-	-	-	12,454
Capital work-in-progress	55,966	1,165	(54,087)	-	3,044
Total	136,293	27,777	-	(1,777)	162,293
Accumulated depreciation	At 1 January	Charge for the year		Disposal	At 31 December
Motor vehicles	6,121	1,111	-	(1,777)	5,455
Computers – Hardware	15,904	2,769	-	-	18,673
Equipment	10,424	2,352	-	-	12,776
Furniture and fittings	4,505	654	-	-	5,159
Leasehold improvement	6,138	2,599	-	-	8,737
Building	16	-	-	-	16
Total	43,108	9,485	-	(1,777)	50,816
Carrying value:					
At 31 December 2017	93,185				111,477

(All amounts are in thousands of Ghana cedis)

22. Property plant and equipment (continued)

BANK

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

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

23. Intangible assets

Year ended December 2018

GROUP	At 1 January	Additions	Transfers	Write off	At 31 December
Cost					
Computer software	37,219	1,800	13,138	-	52,157
Capital work in progress	1,576	11,562	(13,138)	-	-
Goodwill	2,338	-	-	(2,338)	-
	41,133	13,362	-	(2,338)	52,157

Accumulated amortisation	At 1 January	Charge for the year		Write off	At 31 December
Computer software	22,263	5,302		-	27,565
Goodwill write off	-	2,338		(2,338)	-
	22,263	7,640		(2,338)	27,565
Carrying value:					
At 31 December 2018					24,592

BANK	At 1 January	Additions	Transfers	Write off	At 31 December
Cost					
Computer software	34,100	1,832	13,138		49,070
Capital work in progress	1,572	11,566	(13,138)		-
Goodwill	2,338	-	-	(2,338)	-
	38,010	13,398	-	(2,338)	49,070

Accumulated amortisation	At 1 January	Charge for the year		Write off	At 31 December
Computer software	20,716	4,588		-	25,304
Goodwill write off		2,338		(2,338)	-
	20,716	6,926		(2,338)	25,304
Carrying value:					
At 31 December 2018					23,766

(All amounts are in thousands of Ghana cedis)

23. Intangible assets

Year ended December 2017

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

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

23. Intangible assets (continued)

The goodwill of GH¢2.34 million was recognised on the acquisition of ProCredit Savings and Loans Company Limited in October 2014 and represented the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill was recognised separately as an intangible asset and is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill was allocated to and monitored by the management at the Bank's commercial and SME segment level as a cash-generating-units ("CGU") that was expected to benefit from synergies arising from the acquisition.

On the basis of management's assessment of the carrying amount of the CGU's portfolio of assets, the goodwill was considered impaired and written off during the year. The impairment loss on goodwill is recognised as an expense and is not reversible in a subsequent year.

24. Non current assets held for sale

This represents the carrying value of assets repossessed by the Bank due to loan default. During the year the Bank wrote-off the carrying value of these items as they were deemed impaired.

	Collateral repossessed	
	2018	2017
Property and equipment	-	1,011
Total assets classified as held for sale	-	1,011

(All amounts are in thousands of Ghana cedis)

25. Deposits from customers

	GROUP		BANK	
	2018	2017	2018	2017
Current accounts	1,569,601	1,660,874	1,556,379	1,684,810
Call accounts	691,454	438,795	789,243	438,795
Savings accounts	902,691	746,569	902,691	746,569
Time deposits	820,154	1,006,483	730,816	973,138
Total	3,983,900	3,852,721	3,979,129	3,843,312
Current	1,958,165	2,442,053	1,953,394	2,437,349
Non -current	2,025,735	1,410,668	2,025,735	1,405,963
Total	3,983,900	3,852,721	3,979,129	3,843,312
Analysis by type of depositor:				
Individuals and other private enterprises	3,136,624	2,248,180	3,131,853	2,238,771
Government departments and agencies	847,276	1,604,541	847,276	1,604,541
Total	3,983,900	3,852,721	3,979,129	3,843,312
20 largest depositors to total deposit ratio	35.84%	34.77%	36.53%	34.85%

26. Deposits from banks and other financial institutions

	GROUP		BANK	
	2018	2017	2018	2017
Other deposits from banks	477,210	111,769	477,210	113,159
Total	477,210	111,769	477,210	113,159

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

27. Borrowings (The Group and The Bank)

I. Short Term Borrowings

At the end of the year, the Bank had short term obligations due the following counterparties:

Counterparty	2018	Maturity Date
Frontclear	243,940	1-Dec-19
Guaranty Trust Bank (Ghana)	72,300	10-May-19
Ecobank Ghana Ltd	120,500	20-Mar-19
ABSA	96,400	11-Jan-19
Bank of Africa Ghana Ltd	48,200	20-Mar-19
HFC Bank	4,135	14-Jan-19
First Atlantic Bank	9,640	15-Jan-19
Standard Chartered Bank	120,500	20-Mar-19
GHIB	96,400	22-Jan-19
Universal Merchant Bank	11,026	28-Jan-19
Bank of Ghana	240,280	12-May-19
Others	8,206	
Total	**1,071,527**	

II. Long Term Borrowings

The movement in long term borrowings during the year is as follows:

2018	At 1 January	Drawdown	Interest	Repayments	Exchange differences	At 31 December
GHIB (a)	2,243	-	22	(2,248)	(17)	-
PROPARCO (b)	40,746	-	2,666	(9,741)	3,429	37,100
DEG, FMO and SWEDFUND (TIER II CAPITAL) (d)	271,860	-	26,434	(25,702)	24,968	297,560
KfW (e)	13,953	-	1,152	(262)	-	14,843
DEV. BANK OF AUSTRIA (h)	44,388	-	2,723	(14,290)	3,558	36,379
FMO (g)	239,179	-	16,057	(78,942)	19,538	195,832
EUROPEAN INVESTMENT BANK (f)	71,428	-	3,658	(3,498)	6,561	78,149
Total	683,797	-	52,712	(134,683)	58,037	659,863
Current						155,541
Non -current						504,322
Total						659,863

(All amounts are in thousands of Ghana cedis)

II. Long Term Borrowings

The movement in long term borrowings during the year is as follows:

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

(a) Ghana International Bank Plc (GHIB)

Ghana International Bank Plc (GHIB) made available to the Bank a loan amount of US$5million by an agreement dated 3 April, 2014, for on-lending to the Bank's customers or for general corporate purposes. Interest rate applicable to the loan is the sum of the applicable US prime rate and a margin of 2.75% per annum over a 5 year period. The facility was fully paid off in 2018.

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

A loan of US$ 13 million was granted to the Bank on 31 December 2014 for the purposes of on-lending to its customers. The facility is for a period of ten (10) years at an interest rate of the sum of 6 months LIBOR USD rate, the basis swap rate on the determination date of 0.175% p.a. and the applicable margin of 4.475% p.a.

(c) Shelter Afrique

On 11 March 2014, Shelter Afrique extended a term loan of US$8.7million to the Bank for on-lending to mortgage seekers for home purchase, home completion, home improvement and home extension in Ghana at an interest rate of 6 month LIBOR plus a margin of 5.5% per annum over a period of 10 years. Repayment is on half-yearly basis. The facility was fully paid off in 2017.

(d) Tier II Capital

On 1 August 2014, at the Bank's request, DEG, FMO and SWEDFUND INTERNATIONAL AKTIEBOLAG ("SWEDFUND"), provided a seven-year subordinated term loan facility of US$60 million for the purpose of increasing the Bank's Tier II Capital and supporting the growth strategy of the Bank. The rate of interest on the loan is 6 month LIBOR plus a margin 7.25%. The facility is unsecured and repayment is subordinated to other debt instruments. It is also not available to absorb the losses of the Bank while it continues trading.

(e) KfW

On 29 August 2013, ProCredit Ghana, obtained a six (6) year subordinated loan of GH¢ 8,225,090 from KfW at a rate of 14% per annum to support its rural finance programme. Repayment of principal and interest will be in a bullet at the end of the term. The Bank took over the principal and interest payment obligations on 11 April 2016 following the merger of operations of both entities.

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

(f) European Investment Bank

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

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

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

(h) Development Bank of Austria

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

(All amounts are in thousands of Ghana cedis)

28. Other liabilities

	GROUP		BANK	
	2018	2017	2018	2017
Interest payable	159	16	159	16
Other creditors and accruals	130,207	199,962	128,962	203,104
	130,366	199,978	129,121	203,120

29. Earnings per share

The calculation of basic earnings per share as at 31 December 2018 was based on the profit attributable to ordinary shareholders of GH¢163.72 million (2017; GH¢90.43 million) and a weighted average number of ordinary shares outstanding of 25.25 million (2017: 25.25 million), calculated as follows:

	GROUP		BANK	
	2018	2017	2018	2017
Profit attributable to ordinary shareholders				
Net profit for the year	169,928	95,695	163,717	90,434
Weighted average number of ordinary shares (000' of shares)				
Issued ordinary shares at 1 January	25,250	25,250	25,250	25,250
Effect of additional issue of shares	-	-	-	-
Weighted average number of ordinary shares at 31 December	25,250	25,250	25,250	25,250
Basic earnings per share (GH¢)	6.73	3.79	6.48	3.58
Diluted earnings per share (GH¢)	6.73	3.79	6.48	3.58

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

30. Stated capital

Group and Bank

a. Summary	2018	2017
Ordinary shares		
At 1 January	160,551	160,551
Transferred from income surplus	70,000	-
At 31 December	230,551	160,551
Preference shares		
At 1 January	103,935	103,935
Issued for cash	70,000	-
At 31 December	173,935	103,935
Total stated capital	404,486	264,486

b. Ordinary shares

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

At an annual general meeting of 20 April and the extraordinary general meeting of 30 November 2018, two special resolutions were passed for the transfer of a total of GH¢ 70 million from income surplus to stated capital as part of the Bank's recapitalisation to meet the new minimum capital requirement prescribed by the Bank of Ghana.

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid. There are no treasury shares.

c. Preference shares

Authorised		
Preference shares ('000)	50,000	50,000
Issued and fully paid:		
At 1 January	10,400	10,400
Issued during the year	2,800	-
At 31 December	13,200	10,400

30. Stated capital (continued)

On 20 April 2018, at an annual general meeting a special resolution was passed to approve the issue of 2,800,000 additional preference shares to the Social Security & National Insurance Trust for a total consideration of GH¢70 million to complete the Bank's recapitalisation process.

The preference shares are non-cumulative perpetual securities and have no maturity date. Holders have the option of converting into ordinary shares as stated in the agreement.

31. Dividend

Group and Bank

Ordinary shares
Dividend in respect of ordinary shares for the year ended 31 December 2017 of GH¢0.70 per share amounting to GH¢17.64 million was paid in the year ended 31 December 2018 in accordance with the Dividend Policy of the Bank.

Preference shares
Dividend in respect of preference shares amounting to GH¢24.03 million was paid in the year ended 31 December, 2018 in accordance with the underlying agreements.

32. Statutory reserve

This is a non-distributable reserve representing transfer of 25% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 34 of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

The interim audited results for the Bank for the period ended 30 September, 2018 increased the statutory reserve balance from GH¢186.2 million to GH¢214.5 million as a result of an additional transfer of GH¢28.3 million made during the period.

33. Other reserves

GROUP

Year ended 31 December, 2018	FVOCI reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2017	25,609	(176)	9,715	35,148
Change in investment securities measured at FVOCI- gross	(25,046)	-	-	(25,046)
Change in investment securities measured at FVOCI- tax	6,514	-	-	6,514
Change in fair value of equity security	-	-	-	-
Foreign currency translation differences of foreign subsidiary	-	-	1,465	1,465
	(18,532)	-	1,465	(17,067)
At 31 December 2018	7,077	(176)	11,180	18,081
Year ended 31 December, 2017				
At 1 January 2017	19,683	(149)	9,131	28,665
Change in fair value of available for sale investment securities – gross	7,901	-	-	7,901
Change in fair value of available for sale investment securities – tax	(1,975)	-	-	(1,975)
Change in fair value of equity security		(27)		(27)
Foreign currency translation differences of foreign subsidiary	-		584	584
	5,926	(27)	584	6,483
At 31 December 2017	25,609	(176)	9,715	35,148

(All amounts are in thousands of Ghana cedis)

33. Other reserves (continued)

BANK

Year ended 31 December 2018	FVOCI reserve	Revaluation reserve	Total
At 1 January 2018	25,609	(60)	25,549
Change in investment securities measured at FVOCI- gross	(25,046)	-	(25,046)
Change in investment securities measured at FVOCI- tax	6,514	-	6,514
Change in fair value of equity security	-	-	-
	(18,532)	-	(18,532)
At 31 December 2018	7,077	(60)	7,017

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

34. Credit risk reserve

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

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

	2018	2017
Balance as at 1 January	18,639	24,918
Movement (to)/from income surplus	8,871	(6,279)
IFRS 9 transition adjustments	(7,303)	-
Balance as at year end	20,207	18,639

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

At year end	2018	2017
Bank of Ghana Provisioning	216,682	229,977
Credit Risk Reserve	(20,207)	(18,639)
IFRS 9 Impairment	196,474	211,338

35. Income surplus

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

36. Related party disclosures

Transactions with related parties have been entered into in the normal course of business.

Transactions with subsidiaries

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

The following transactions were carried out with subsidiaries:

	2018	2017
Interest income	1,980	1,191
Interest expense	8,829	5,474
Fee and commission income	5	4
Other expenses	-	-

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

	2018	2017
Placements with subsidiaries	21,690	19,871
Deposits from subsidiaries	206,800	146,200
Amount due from (to) subsidiaries	2,608	(2,452)

(All amounts are in thousands of Ghana cedis)

36. Related party disclosures (continued)

(iii) Transactions with key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Fidelity Bank Ghana Limited and comprise the Directors and officers of Fidelity Bank Ghana Limited.

Loan balances due from key management personnel are as follows:

	2018	2017
Executive directors	1,075	1,150
Non executive directors	1,416	1,011
Officers and other employees	40,746	38,077
Total	43,237	40,238

The Bank or Group has entered into transactions with its directors as follows:

	2018	2017
As at 1 January	2,161	3,379
Interest charged	168	254
Loans disbursed	466	500
Cash received	(304)	(1,972)
As at 31 December	2,491	2,161

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

(iv) Non-executive directors' emoluments

Remuneration paid to non-executive directors in the form of fees, allowances and related expenses are disclosed in Note 13.

(v) Key management personnel remuneration

	2018	2017
Salaries and short-term employee benefits	5,659	4,652
Social security fund contribution	593	466
Provident fund contribution	444	362
	6,696	5,480

(vi) Connected lending:

Included in loans and advances is GH¢173.7 million (2017: GH¢73.1 million) being advances to companies where a relationship exists by virtue of shareholding. The advances are entered into in the ordinary course of business. The related interest income in 2018 was GH¢ 5.8 million.

(vii) Related party deposits

Included in deposits is GH¢ 206.8 million (2017: GH¢ 146.2 million) due to subsidiary companies. Interest paid on these deposits during the year amounted to GH¢8.8 million

38. Contingencies and commitments

(a) Guarantees and indemnities

The Bank had outstanding guarantees, indemnities and endorsements at the year end of GH¢185.2 million (December 2017: GH¢158.5 million).

(b) Documentary credit

The Bank had established documentary credits at the year end of GH¢ 224.3 million (December 2017: GH¢133.9 million).

(c) Commitments

The Bank had loan commitments amounting to GH¢250.8 million at the year end (December 2017: GH¢167.9 million).

(d) Liabilities on other obligations

The Bank had bid securities amounting to GH¢3.2 million at the year end (December 2017: GH¢0.9 million).

(All amounts are in thousands of Ghana cedis)

39. Regulatory disclosures

(i) Non-performing loans ratio
Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 8.13% as at the year end (December 2017: 16.02%). The non-performing loans amounted to GH¢ 132.4 million at year end.

(ii) Amount of loans written-off
The Bank wrote off a total amount of GH¢130.9 million during the year (2017: GH¢5.51 million) in principal and unpaid interest on loans and advances assessed and found to be uncollectible.

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

(iv) Capital Adequacy Ratio
The Bank's capital adequacy ratio at the end of 2018 was **24.33%** (2017: 26.97%).

(v) Liquid Ratio

	2018	2017
As at 31 December	1.95	2.15
Average for the year	2.04	2.07
Maximum for the year	2.32	2.27
Minimum for the year	1.29	1.77

(vi) During the reporting period, the Bank of Ghana issued a number of directives under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the Bank of Ghana Act 2002 (Act 612). These include; the Capital Requirements Directive (CRD), the Corporate Governance Directive (CGD) and the Cyber and Information Security Directive.

The Bank is at different stages of implementation of these directives and expects to be in full compliance by the timelines stipulated by the regulator.

(vii) Conflicts of interest
The Bank has established appropriate conflicts authorisation procedures, where actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year under review, no such conflicts arose and no such authorisations were sought.

Value Added Statement

Value Added Statement for the year ended

	GROUP		BANK	
	2018	2017	**2018**	2017
Interest earned and other operating Income	**703,310**	535,559	**689,650**	522,064
Direct cost of services	**(211,791)**	(193,999)	**(208,965)**	(190,997)
Value added by banking services	**491,519**	341,560	**480,685**	331,067
Non-banking income	**796**	906	**796**	906
Impairment loss on financial assets	**(59,129)**	(71,404)	**(59,127)**	(71,404)
Value added	**433,186**	271,062	**422,354**	260,569
Distributed as follows :				
To Employees				
Directors	**(1,825)**	(929)	**(1,710)**	(777)
Executive Directors	**(3,827)**	(5,480)	**(3,827)**	(3,031)
Other employees	**(155,047)**	(112,223)	**(151,964)**	(111,471)
To Government				
Income tax	**(79,002)**	(46,106)	**(78,373)**	(44,925)
To providers of capital				
Dividends to shareholders	**(24,029)**	(46,661)	**(24,029)**	(46,661)
To expansion and growth				
Depreciation	**(15,918)**	(9,485)	**(15,837)**	(9,409)
Amortisation	**(7,641)**	(1,144)	**(6,926)**	(522)
To income surplus	**145,897**	49,034	**139,688**	43,773

Shareholder Information

Top 20 Ordinary Shareholders as at 31 December 2018

	Name of shareholder	2018 Shareholding	
		No. of Shares	**% Holding**
1	Africa Capital LLC	9,379,187	37.15%
2	KTH Africa Investments	4,277,500	16.94%
3	Social Security & National Insurance Trust	2,400,000	9.50%
4	Amethis Finance Netherlands B. V.	2,138,750	8.47%
5	ERES Invest Coöperatief U. A.	2,138,750	8.47%
6	SIC Life Company Limited	1,065,818	4.22%
7	ENO International LLC	765,000	3.03%
8	Mr. Edward Effah	437,500	1.73%
9	Mr. Bernard Lind	287,500	1.14%
10	PAL Trustees Limited/Kwamina Duker	282,313	1.12%
11	Ambassador (Mrs.) Johanna Svanikier	258,970	1.03%
12	Lifeforms Limited	190,000	0.75%
13	Mr. Philip Addison	150,000	0.59%
14	Mr. Jonathan Adjetey	125,000	0.50%
15	GCB Bank Limited	125,000	0.50%
16	Mr. Jim Baiden	85,000	0.34%
17	Mr. Alex Dodoo	82,424	0.33%
18	Business Development Consultancy	62,500	0.25%
19	Prof. John & Dr.(Mrs.) Magaret Gyapong	60,000	0.24%
20	Fidelity Trust	55,000	0.22%
	Total	24,366,212	96.50%
	Others	883,788	3.50%
	Grand Total	**25,250,000**	**100%**

Shareholder Information

Analysis of shareholding as at 31 December 2018

Category	Number of Shareholders	Number of Shares	% Holding
1 - 50,000	32	631,364	2.50%
50,001 - 500,000	15	2,453,631	9.72%
500,001 - 1,000,000	1	765,000	3.03%
Over 1,000,000	6	21,400,005	84.75%
Total	**54**	**25,250,000**	**100.00%**

Directors who held office at any time during the year

Directors	Number of Shares	% Holding
Edward Effah	**437,500**	1.73%
Johanna Svanikier	**258,970**	1.03%
Jim Baiden	**85,000**	0.34%
Total	**781,470**	3.09%

Preference Shareholders as at 31 December, 2018

Shareholder	No. of Pref shares	% Holding
SSNIT	**4,200,000**	31.81%
AIAK	**4,000,000**	30.30%
KTH Africa Investments	**2,000,000**	15.15%
SIC Life	**1,000,000**	7.58%
Amethis Finance Netherlands B.V.	**1,000,000**	7.58%
ERES Invest Coöperatief U. A.	**1,000,000**	7.58%
Total	**13,200,000**	100.00%

Detach Here

Proxy Form

Proxy Form for use at the Annual General Meeting to be held at Kempinski Hotel Gold Coast City, Accra on **Friday, April 26, 2019** at **10.00 am.**

I/We...of..

being a Member of the above-named Company hereby appoint .... or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Members to be held on **Friday, April 26, 2019** and at any adjournment thereof. Please indicate with an "**X**" in the spaces below how you wish your votes to be cast.

	FOR	AGAINST
1. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31st December 2018;		
2. To declare the final dividend for the period ended 31st December 2018;		
3. To ratify the appointment of Mrs. Laureen Kouassi-Olsson;		
4. To re-elect Mr. Emmanuel Barima Manu;		
5. To approve the appointment of Ernst & Young Chartered Accountants Ltd. as Auditors in place of PricewaterhouseCoopers, whose six (6) year term comes to an end at the conclusion of this AGM, in accordance with the provisions of Section 89(1) (f) of the Banks and Specialised Deposit-Taking Institutions Act 2016, Act 930 and authorize the Directors to fix the remuneration of the Auditors.		

Dated this........................ day of............................... 2019

Shareholders Signature/Seal ....

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

Notes: If executed by a Company the Proxy Form should bear its common seal or be signed on its behalf by a Director. Please sign and deliver Proxy Form to reach the Company Secretary at the registered office not later than 10.00am on Wednesday, April 24, 2019.


Speaking to my relationship manager for financial advice.
PRESTIGE BANKING
The Prestige team are always available to advise, no matter the time or day.
FIDELITY BANK
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Enjoy 24/7 dedicated relationship management with Prestige Banking.
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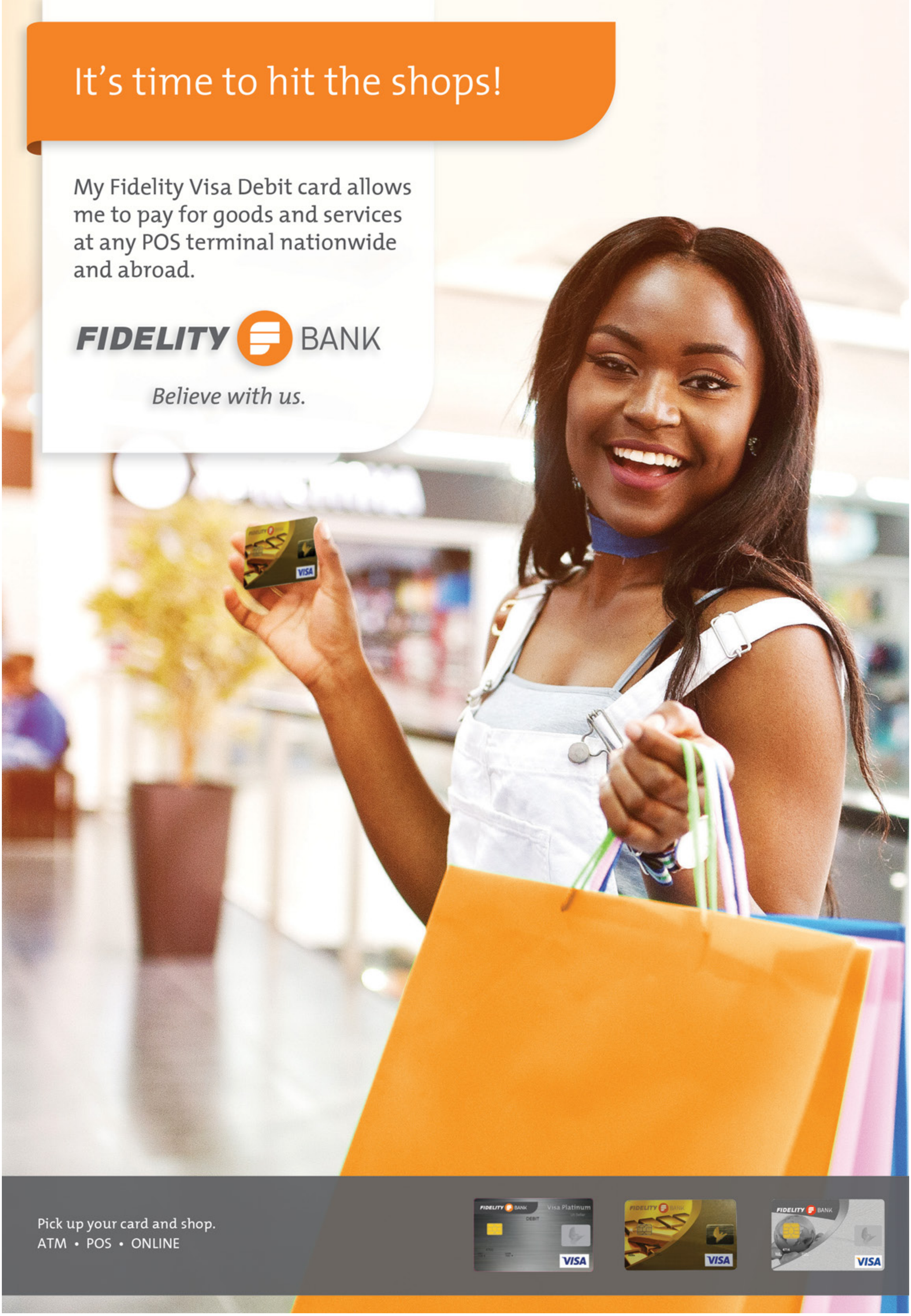

It's time to hit the shops!
My Fidelity Visa Debit card allows me to pay for goods and services at any POS terminal nationwide and abroad.
FIDELITY BANK
Believe with us.
Pick up your card and shop.
ATM • POS • ONLINE
VISA
VISA
VISA


Fidelity Mobile App
You will always be first in line.
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Shop & Make Bill Payments
Top-up Mobile Airtime
and many more.

FIDELITY BANK

Believe with us.