Energy Bank Ghana Limited

Report and Financial Statements 31 December 2016

Energy Bank Ghana Limited

Annual Report

For the year ended 31 December 2016

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Corporate information

For the year ended 31 December 2016

Board of Directors	Barrister Dr. Jimoh Ibrahim (CFR)	Chairman
	Mrs. Christiana Ekaete Olaoye	MD/CEO
	Mr Samuel Ayininuola	Member
	Dr Amos Akingba	Member
	Alhaji Baba Kamara	Member
	Mr. Emmanuel Jegede	Member
	Mr. David Adom	Member
	Mr. Adewale Folowosele	Member
	Barrister Adedamola Aderemi	Member
	Mr. Samuel Bayode	Member
	Mr. Isaac Shedowo	Executive Director

Company Secretary	Callistus Clarke (Acting) 1st Floor, GNAT Heights 30 Independence Avenue Accra, Ghana
Registered Office	GNAT Heights 30 Independence Avenue Accra, Ghana
Auditors	Deloitte & Touche Chartered Accountants 4 Liberation Road P O Box GP 453 Accra
Bankers	Bank of Ghana First Bank Nigeria, PLC. Ghana International Bank, UK KBC Bank, Belgium Standard Chartered Bank, Frankfurt Main, Germany Standard Chartered Bank, London, UK Standard Chartered Bank, New York United Bank of Africa

Energy Bank Ghana Limited

Report by the directors

For the year ended 31 December 2016

In accordance with the requirements of section 132 of the Companies Act, 1963, (Act 179), the Directors have the pleasure in presenting the financial report of the bank and its subsidiary for the year ended 31st December, 2016.

Statement of Directors' Responsibilities

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Bank; and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), the requirements of the Companies Act, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

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

Principal Activity

The principal activity of the bank is the provision of banking and financial services. There was no change in the principal activity of the bank in 2016. The bank operates under the Banking Act 2004(Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738). The bank is regulated by the Bank of Ghana.

Financial Results

The Group recorded a net loss after tax of GHS1,903,717 (2015:GHS1,413,302). The Bank recorded a net profit after tax ofGHS610,143 as against a net profit ofGHS1,414,522 in 2015.

ON BEHALF OF THE BOARD:

Name: CHRISTIANA E. OLAOYE

Signed..................................
24/04/2017

Name: DAVID ADOM

Signed..................................
25/04/2017

Corporate governance
For the year ended 31 December 2016

Introduction

Energy Bank Ghana limited is committed to the principles and implementation of good corporate governance. The bank recognises the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The bank is managed in a way that maximizes long-term shareholder value and takes into account the interest of all its stakeholders.

Energy Bank Ghana Limited believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of Directors and notes to the accounts, the bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Directors

The Board is responsible for setting the Bank's strategic direction, for leading and controlling the Bank and for monitoring activities of the executive management. The Board presents a balanced and understandable assessment of the Bank's progress and prospects

Our shareholders are represented mainly as Non-Executive Directors on the Board of Directors. These Directors oversee, direct and control management implementation of the broad strategy objectives and vision of the Bank.

The Board consists of a Non-Executive Chairman, Eight (8) Non-Executive Directors and two (2) Executive Directors. The Non-Executive Directors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have the requisite experience and knowledge of the industry, markets, financial and other business information to make a valuable contribution to the Bank's progress. The Managing Director is a separate individual from the Chairman and he implements the management strategies and policies approved by the Board. The Board meets at least 4 times in a year.

The Board has five (5) Committees namely; (1) Audit, Risk & Compliance (2) Credit (3) Finance (4) HR, Remuneration & Disciplinary and (5) Marketing Committees. These committees hold regular meetings to consider at first hand Management's recommendations to the Full Board for consideration and approval. The committees are as follows:

i) The Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee comprises four (4) Non-Executive Directors. It is responsible for authorizing, directing and reviewing the programme of the Internal Auditor. It also ensures and reviews the company's compliance with financial and risk management control systems and reviews the current statutory and audit reports. Another important function of the Committee is its review of the risk and compliance reports of the Bank, review of any internal investigations by the Internal Auditor into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and report the matter to the Board. It also reviews with management, external and internal auditors, the adequacy of internal control systems, review the appointment, removal and terms of remuneration of the head of Internal Audit. It recommends the appointment and removal of external auditors, fix their fees and also approve payments for any other services rendered by them.

ii) The Credit Committee

The Credit Committee comprises three (3) Non-Executive Directors and two (2) Executive Directors. It is responsible for determining the broad lending policy, loan performance monitoring and recovery of the bank. It also reviews and advises on the financial operations, budgetary issues and liquidity of the company. It approves all credits within the limits set for it by the Board and recommends to the Board for approval what is beyond their powers.

iii) The HR, Remuneration & Disciplinary Committee

The HR, Remuneration & Disciplinary Committee comprises three (3) Non-Executive Directors and meets at least twice a year. The Committee is responsible for reviewing the composition of the Board, recommending strategies for ensuring the effective and efficient functioning of the Board and mechanisms for the appraisal of Board members' performance. It is responsible for developing and implementing a succession plan for the Bank and reviews the HR Policy of the Bank, recommends strategies for attracting and retaining competent and well-motivated staff. It also develops an appropriate remuneration policy and benefits for executive management and all other staff of the Bank and ensures the enforcement of the disciplinary code of the Bank and sit on any disciplinary matter involving a management staff. It offers direction on staff personal development, training and welfare.

iv) The Marketing Committee

The Marketing Committee comprises two (2) Non-Executive Directors and two (2) Executive Directors and meets at least twice a year. It is responsible for driving the overall marketing strategy of the Bank and ensures that the Bank's marketing and business expansion strategy is in line with the vision and mission of the Bank.

v) Finance Committee

The finance committee comprises the Chief Executive Officer, the Executive Director and two Non-Executive Directors, one of whom shall be the Chairman.

The committee is responsible for determining the broad financial policy and capital plan of the Bank. The committee is also responsible for reviewing and advising on the financial operations, budgeting issues, and liquidity position of the Bank.

Code of Business Ethics

Management has communicated the principles in the Bank's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity required for the bank's operations which covers compliance with the laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

.... Director 24/04/2017

.... Director 25/04/2017

Independent auditors' report

To the members of Energy Bank Ghana Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Energy Bank Ghana Limited (the 'Bank') and its subsidiaries (the 'Group') which comprise the consolidated and separate statements of financial position as at 31 December 2016, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

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

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with the IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and auditor's report thereon.

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

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

Independent auditors' report (cont'd)

To the members of Energy Bank Ghana Limited

Report on the Audit of the Financial Statements

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.

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

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

Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the the consolidated and separate 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 the Group and the Bank's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the the consolidated and separate 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 and Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the the consolidated and separate financial statements, including the disclosures, and whether the Group and the Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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's audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and 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 audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 audit committee and/or to the directors, we determine those matters that were of most significance in the audit of the the consolidated and separate financial statements of the current year 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 benefits derivable by the public from such communication.

Deloitte.

Independent auditors' report (cont'd)

To the members of Energy Bank Ghana Limited

Report on the Audit of the Financial Statements

Report on Other Legal and Regulatory Requirements

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

We confirm that:

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

ii) The Group have kept proper books of account, so far as appears from our examination of those books.

iii) The Group and Bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The Banking Act 2004 (Act 673), section 78 (2), requires that we state certain matters in our report

We hereby state that:

i. The accounts give a true and fair view of the state of affairs of the Group and the Bank and its results for the period under review,

ii. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors,

iii. The Group and the Bank's transactions are within their powers, and

iv. The Group and the Bank has generally complied with the provisions of Banking Act 2004 (Act 673) and the Banking (Amendment) Act of 2007.

The engagement partner on the audit resulting in this independent auditor's report is: **Kwame Ampim-Darko (ICAG/P/1453)**

Deloitte & Touche

For and on behalf of Deloitte & Touche (ICAG/F/2017/129)
Chartered Accountants
4 Liberation Road
Accra Ghana

25th April, **2017**

Consolidated statement of comprehensive income (continued)

For the year ended 31 December 2016

	Note	2016		2015	
		Bank	Group	Bank	Group
		GHS	GHS	GHS	GHS
Interest income	8	38,342,883	38,625,792	28,364,072	29,011,651
Interest expense	8	(18,776,117)	(21,320,413)	(12,224,086)	(14,565,170)
Net interest income		19,566,766	17,305,379	16,139,986	14,446,481
Fee and commission Income	9	5,077,399	5,077,399	5,040,539	5,040,539
Fee and commission expense	9	(72,923)	(72,923)	(57,733)	(57,733)
Net Fee and commission income		5,004,476	5,004,476	4,982,806	4,982,806
Net trading income	10	7,905,404	8,081,216	11,416,035	13,814,950
Other operating income	11	811,776	811,776	-	-
		8,717,180	8,892,992	11,416,035	13,814,950
Operating Income		33,288,422	31,202,847	32,538,827	33,244,237
Net impairment loss on financial asset	20	(7,555,456)	(7,555,456)	(8,930,170)	(8,930,170)
Personnel expenses	12	(7,542,876)	(7,659,269)	(6,506,425)	(6,718,047)
Depreciation and amortisation		(2,343,779)	(2,396,090)	(2,804,811)	(2,829,006)
Other expenses	13	(15,222,325)	(15,429,030)	(12,192,560)	(12,430,723)
Finance Cost	14	-	(52,875)	-	(232,650)
Profit before income tax		623,986	(1,889,873)	2,104,861	2,103,641
Income Tax Expense	15	(13,843)	(13,343)	(690,338)	(690,338)
Profit for the year		610,143	(1,903,716)	1,414,523	1,413,303
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit & loss:					
Available-for-sale fair valuation movement	30d	88,913	88,913	97,202	97,202
Total comprehensive income		699,056	(1,814,803)	1,511,725	7,700,475

Consolidated statement of comprehensive income (continued)

For the year ended 31 December 2016

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Profit attributable to:				
Controlling Equity holders of the bank	427,100	(1,903,716)	990,166	1,413,303
Non-controlling interest	183,043	-	424,357	-
Profit for the period	610,143	(1,903,716)	1,414,523	1,413,303
Total comprehensive income attributable to:				
Controlling Equity holders of the bank	489,339	(1,814,803)	1,058,208	7,700,475
Non-controlling interest	209,717	-	453,517	-
Total comprehensive income for the period	699,056	(1,814,803)	1,511,725	7,700,475
Earnings per share				
Basic	0.0102	(0.0317)	0.0236	0.0236
Diluted	0.0102	(0.0317)	0.0236	0.0236

Energy Bank Ghana Limited

Consolidated statement of financial position

As at 31 December 2016

	Notes	2016		2015	
		Bank	**Group**	Bank	Group
Assets		**GHS**	**GHS**	GHS	GHS
Cash and cash equivalents	18	**156,625,069**	**156,625,127**	248,923,742	248,925,371
Non-Pledged trading assets	19	**46,251,583**	**46,251,583**	25,884,526	25,884,526
Pledged trading assets	19	**22,323,460**	**22,323,460**	11,500,000	11,500,000
Investments(other than securities)	31	**9,750,000**	**-**	9,750,000	-
Loans and advances to customers	20	**88,980,628**	**71,340,940**	32,919,226	20,244,188
Investment securities	21	**-**	**28,740,051**	-	27,251,594
Property, Plant and equipment	22	**4,335,797**	**4,417,342**	5,842,354	5,976,210
Intangible assets	23	**496,000**	**496,000**	636,848	636,848
Deferred tax asset	24	**135,774**	**135,774**	-	-
Current tax asset	25	**2,396,867**	**2,400,367**	2,143,887	2,147,387
Other assets	26	**32,808,037**	**45,873,391**	11,839,106	24,729,252
Total assets		**364,103,215**	**378,604,035**	349,439,689	367,295,376
Liabilities					
Deposits from banks	27	**55,012,098**	**55,012,098**	54,723,319	54,723,319
Deposits from customers	28	**228,851,267**	**229,009,858**	214,585,584	214,997,476
Deferred tax liabilities	24	**-**	**-**	122,403	122,403
Other liabilities	29	**9,320,907**	**18,341,603**	9,668,496	19,276,899
Total liabilities		**293,184,272**	**302,363,559**	279,099,802	289,120,097
Equity					
Stated capital	30	**60,000,000**	**60,000,000**	60,000,000	60,000,000
Income surplus		**1,922,189**	**(1,676,278)**	133,624	(950,984)
Statutory reserve	30	**9,139,251**	**9,139,251**	8,834,179	8,834,179
Credit risk reserve	30	**-**	**-**	1,603,494	1,603,494
Other reserves	30	**(142,497)**	**8,777,503**	(231,410)	8,688,590
Total Equity		**70,918,943**	**76,240,476**	70,339,887	78,175,279
Total Equity and Liabilities		**364,103,215**	**378,604,035**	349,439,689	367,295,376

Approved by the Board on 30TH MARCH, **2017**

Director
Date: 24/04/2017

Director
Date: 25/04/2017

Energy Bank Ghana Limited

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Stated capital GHS	Statutory reserve GHS	Regulatory credit risk reserve GHS	Income surplus account GHS	Other reserves GHS	Total GHS
THE BANK						
Balance at 1 January 2016	60,000,000	8,834,179	1,603,494	133,624	(231,410)	70,339,887
Total Comprehensive income	-	-	-	610,143	88,913	699,056
Transfer to Statutory Reserves	-	305,072	-	(305,072)	-	-
Dividend Paid	-	-	-	(120,000)	-	(120,000)
Transfer to credit Reserve	-	-	(1,603,494)	1,603,494	-	-
Balance at 31 December 2016	60,000,000	9,139,251	-	1,922,189	142,497	70,918,943
2015						
Balance at 1 January 2015	60,000,000	8,126,918	548,279	997,577	(328,612)	69,344,162
Total Comprehensive income	-	-	-	1,414,523	97,202	1,511,725
Transfer to Statutory Reserves	-	707,261	-	(707,261)	-	-
Dividend Paid	-	-	-	(516,000)	-	(516,000)
Transfer to credit Reserve	-	-	1,055,215	(1,055,215)	-	-
Balance at 31 December 2015	60,000,000	8,834,179	1,603,494	133,624	(231,410)	70,339,887

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Stated capital GHS	Statutory reserve GHS	Regulatory credit risk reserve GHS	Income surplus account GHS	Other reserves GHS	Total GHS
THE GROUP						
Balance at 1 January 2016	60,000,000	8,834,179	1,603,494	(950,984)	8,688,590	78,175,279
Total Comprehensive income	-	-	-	(1,903,716)	88,913	(1,814,803)
Transfer to Statutory Reserves	-	305,072	-	(305,072)	-	-
Dividend Paid	-	-	-	(120,000)	-	(120,000)
Transfer to credit Reserve	-	-	(1,603,494)	1,603,494	-	-
Balance at 31 December 2016	60,000,000	9,139,251	-	1,676,278	8,777,503	76,240,476
THE GROUP						
Balance at 1 January 2015	60,000,000	8,126,918	548,279	(85,810)	2,401,418	70,990,805
Total Comprehensive income	-	-	-	1,413,302	6,287,172	7,700,474
Transfer to Statutory Reserves	-	707,261	-	(707,261)	-	-
Dividend Paid	-	-	-	(516,000)	-	(516,000)
Transfer to credit Reserve	-	-	1,055,215	(1,055,215)	-	-
Balance at 31 December 2015	60,000,000	8,834,179	1,603,494	(950,984)	8,688,590	78,175,279

Energy Bank Ghana Limited

Consolidated statement of cash flows

For the year ended 31 December 2016

	Note	2016		2015	
		Bank	Group	Bank	Group
		GHS	GHS	GHS	GHS
Reconciliation of operating profit to operating cash flow					
Profit before tax		623,986	(1,889,873)	2,104,860	2,103,641
Adjust for:			-		
Depreciation and amortization	22&23	2,343,779	2,396,090	2,804,811	2,829,006
Tax adjustment		-	-	(39,570)	(39,570)
Fair value adjustment		88,913	88,913	97,202	97,202
		3,056,678	595,130	4,967,303	4,990,279
Changes in operating assets and liabilities					
Non-pledged trading assets	19	(20,367,057)	(20,367,057)	(30,873,009)	(30,873,009)
Pledged trading assets	19	(10,823,460)	(10,823,460)	-	-
Loans and advances	20	(56,061,402)	(56,061,402)	(2,924,692)	(2,924,692)
Other assets	26	(20,968,931)	(21,144,139)	17,236,820	14,696,779
Deposits from banks	27	288,780	288,780	(21,026,494)	(21,026,494)
Customer deposits	28	14,265,684	14,012,383	47,642,451	48,054,343
Other liabilities	29	(347,589)	(939,395)	7,895,802	7,346,118
Corporate tax	25	(525,000)	(525,000)	(2,240,907)	(2,241,407)
Net cash generated from / (used in) operating activities		(91,482,298)	(94,964,161)	20,677,274	18,067,952
Cash flows from investing activities					
Purchase of property and equipment	22	(515,444)	(515,444)	(482,272)	(483,671)
Purchase of intangible assets	23	(180,931)	(180,931)	(103,827)	(103,827)
Investments in fixed deposits		-	(1,488,457)	-	(3,425,358)
		(696,375)	(2,184,832)	(586,099)	(4,012,856)
Cash flows from financing activities					
Dividend paid		(120,000)	(120,000)	(516,000)	(516,000)
Bank overdraft		-	4,968,749	-	4,828,381
		(120,000)	4,848,749	(516,000)	4,312,381
Net cash (used in) / generated from financing activities					
Net increase / (decrease) in cash and cash equivalents		(92,298,673)	(92,300,244)	19,575,175	18,367,477
Cash and cash equivalents at start of year		248,923,742	248,925,371	229,348,567	230,557,894
Cash and cash equivalents at end of year	18	156,625,069	156,625,127	248,923,742	248,925,371

Notes to the consolidated financial statements

For the year ended 31 December 2016

1. General information

Energy Bank Ghana Limited is a private limited liability company incorporated and domiciled in Ghana. The Bank primarily is involved in investment, retail, corporate and private banking. The address of the Bank's registered office is:

GNAT Heights
30 Independence Avenue,
Accra

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on …………………………………..

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c)Functional and presentation currency

These consolidated financial statements are presented in Ghana Cedis (GH₵), which is the Group's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes.

Some of the estimates and judgments are:

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances. The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. Significant accounting polices

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities

(a) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities; and if the entity is exposed or has rights to the variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investees returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains and losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency translation

The financial statements are presented in Ghana cedis, which is the functional currency of the Bank Foreign currency transactions are translated into Ghana Cedis using the interbank exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated at the rate prevailing at that date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in the income statement.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "Interest income" and "Interest expense" in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument.

The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption are included in the calculation to the extent that they can be wholly measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

3. Significant accounting policies (continued)

Once a financial asset or a group of similar finances assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(d) Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis when the service has been provided. Fees and commissions not integral to the effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided.

Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Other commitment fees are recognised over the term of the facilities.

(e) Net trading income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

(f) Dividend

Dividend payable on ordinary shares are charged to equity in the period in which they are declared.

Dividend income is recognised in the income statement when the entity's right to receive payment is established.

(g) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

(h) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Internal Revenue Act, 2000 (Act 592) as amended.

4. Significant accounting policies (continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the profit or loss account together with the deferred gain or loss.

(i) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have been recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Bank classifies its financial assets into the following categories: loans and receivables, held-to-maturity and available-for-sale assets. Management determines the appropriate classification of its financial assets and liabilities at initial recognition. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as held for trading and those that the Bank on initial recognition designates as at fair value through profit and loss; (b) those that the Bank upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans, advances and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss account. However, interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Bank’s right to receive payment is established.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement

3. Significant accounting policies (continued)

Held-to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where the Bank has to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale. Treasury bills with an original maturity of more than 182 days, treasury notes and other government bonds are classified as held-to-maturity.

Regular way purchases and sales of financial assets held-to-maturity are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.

Available-for-sale

Available-for-sale assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. Investment securities and treasury bills with a maturity of 182 days or less are classified as available for sale.

Regular way purchases and sales of financial assets available-for-sale are recognised on trade-date- the date on which the Bank commits to purchase or sell the asset.

Financial liabilities

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method. Financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Financial liabilities are derecognised when they are redeemed or otherwise extinguished.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, the Bank uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i) significant financial difficulty of the borrower;
ii) a breach of contract, such as default or delinquency in interest or principal repayments;
iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty,
a concession that the Bank would not otherwise consider;
iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for that financial asset because of financial difficulties; or
vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets including:
- Adverse changes in the payment status of borrowers; or
- National or local economic conditions that correlate with defaults on the assets of the Bank.

The estimated period between a losses occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months. In exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. 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. 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.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost 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 (excluding future credit losses that have not been incurred) discounted at the financial instrument'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 profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3. Significant accounting policies (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' 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 Bank's historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

Assets classified as available – for – sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit and loss account.

(j) Cash and cash equivalent

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank of Ghana, amounts due from other banks and other short-term government securities.

3. Significant accounting policies (continued)

(k) Property and equipment

Land and buildings are shown at fair value based on periodic, but at least 3-5 years, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Freehold land is not depreciated. Leasehold land is amortised over the term of the lease and is included as part of property and equipment. Depreciation on other assets is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Leased Items	Over unexpired lease period
Furniture & fittings	20%
Computer (Software & hardware)	33.3%
Motor Vehicles	25%

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and that the cost of the item can be measured reliably. All other costs are charged to the income statement as repairs and maintenance costs during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and building are credited to reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the income statement.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount. These are recorded in the income statement.

(l) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of three (3) years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

3. Significant accounting policies (continued)

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(m) Impairment of non-financial assets

At each reporting date, property, plant and equipment, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(n) Provisions

Provisions are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as expense.

(o) Employee benefits

(i) Retirement benefit obligations

The Group contributes to a defined contribution scheme (Social Security Fund) on behalf of employees. This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a stage managed social security fund for the benefit of the employees. All employer contributions are charged to profit and loss as incurred and included under staff cost.

3. Significant accounting policies (continued)

(ii)Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the bank or Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Other entitlements

The estimated monetary liability for employees' outstanding annual leave entitlement at the reporting date is recognised as an expense accrual.

(p) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(q) Stated capital

Ordinary shares are classified as equity. Stated capital is classified as equity where the Bank has no obligation to deliver cash or other assets to shareholders. All shares are issued at no par value. Where any company purchases the Bank's equity share capital (treasury shares), the consideration paid, is deducted from equity attributable to the Bank's equity holders until the shares are cancelled or reissued.

(r) Contingent liabilities and commitments

Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

3. Significant accounting policies (continued)

(s) Application of new and revised standards, amendments and interpretations

During the year, there were certain amendments and revisions to some of the standards. The nature and the impact of each new standard and amendments are described below. The company intends to adopt these standards, if applicable, when they become effective.

Standards were in issue, but not yet effective

IFRS 9 Financial Instruments
Classification and measurement of financial assets

On 24 July 2015, the IASB issued the final version of IFRS 9 Financial Instruments incorporating a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

IFRS 9 uses a single approach to determine classification of financial assets (which will then determine their measurement basis either at amortised cost or fair value, replacing the many different rules in IAS 39). The approach is based on how an entity manages its financial assets (“business model”) and the contractual cash flow characteristics of such assets (“contractual cash flows”). The business model criterion is met when an entity holds financial assets in order to collect the asset’s cash flows. The contractual cash flows criterion is met when the contractual cash flows collected from the financial asset represent solely interest and principal. When the two criteria are met, the financial asset must be measured at amortised cost unless the fair value designation is adopted. This assessment does not need to be performed on an asset by asset business but rather on a portfolio basis. A new measurement category of fair value through other comprehensive income will apply for debt instruments held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets.

Classification and measurement of financial liabilities

The classification criteria for financial liabilities contained in IAS 39 move to IFRS 9 unchanged and the IAS 39 classification categories of amortised cost and fair value through profit or loss are retained. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability’s fair value attributable to changes in the liability’s credit risk is recognised directly in other comprehensive income, unless it creates or increases an accounting mismatch. The amount that is recognised in other comprehensive income is not recycled when the liability is settled or extinguished. The meaning of credit risk is clarified to distinguish credit risk from asset-specific performance risk. The cost exemption in IAS 39 for derivative liabilities is eliminated, although the concept of bifurcating embedded derivatives from a financial liability host contract remains unchanged from IAS 39.

Embedded derivatives

The embedded derivative concept that existed in IAS 39 has been included in IFRS 9 to apply only to hosts that are not financial assets within the scope of the Standard. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the host financial asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed

Derecognition

In October 2010 the requirements in IAS 39 relating to derecognition of financial assets and financial liabilities were carried forward unchanged to IFRS 9.

Hedging

The hedge accounting requirements in IFRS 9 are optional. If certain eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge.

The three types of hedge accounting remain: cash flow hedges, fair value hedges and net investment hedges. IFRS 9 allows combinations of derivatives and non-derivatives to be designated as the hedging instrument. There has been a broadening of the types of risks that may be hedged, especially for non-financial items. Risk components of non-financial items may now be hedged under IFRS 9. Changes in the way forward contracts and derivative options are accounted for when they are in a hedge accounting relationship will reduce profit or loss volatility when compared with IAS 39. The effectiveness test has been overhauled and replaced with the principle of an economic relationship. Retrospective assessment of hedge effectiveness is no longer required. The new requirements do bring with more extensive hedge documentation and disclosure for entities.

The hedge accounting model in IFRS 9 is not designed to accommodate hedging of open, dynamic portfolios. As a result, for a fair value hedge of interest rate risk of a portfolio of financial assets or liabilities an entity can apply the hedge accounting requirements in IAS 39 instead of those in IFRS 9. In addition when an entity first applies IFRS 9, it may choose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of Chapter 6 of IFRS 9.

Impairment

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The loss allowance will be for either 12 month expected credit losses or lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. A different approach applies for purchased or originated credit impaired financial assets.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

IFRS 16 Leases

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Consensus

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to Standards and interpretations

IFRS 2 Share- Based Payments

The IASB finalized three separate amendments to IFRS 2:

Effects of vesting conditions on the measurement of a cash-settled share-based payment

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

Classification of share-based payment transactions with net settlement features
IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

IFRS 4 Insurance Contracts

The IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

IFRS 7 Financial Instrument: Disclosures

Disclosures about the initial application of IFRS 9

The following disclosures are required in the reporting period when IFRS 9 is first applied:

- changes in the classifications of financial assets and financial liabilities; and
- details of financial assets and financial liabilities which have been reclassified so that they are measured at amortised cost, including the fair value of the financial asset or liability at the end of the reporting period and the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial asset had not been reclassified.

IFRS 10 Consolidated Financial Statements

Investment Entities Exemption

Amends IFRS 10, IFRS 12 and IAS 27 to provide investment entities an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 11 Joint Arrangements

Accounting for Acquisitions of Interests in Joint Operations

The amendment addresses how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11 now requires that such transactions shall be accounted for using the principles in IFRS 3 Business Combinations and other standards. The most significant impacts will be the recognition of goodwill and the recognition of deferred tax assets and liabilities. The amendments not apply to acquisitions of interests in joint operations but also when a business is contributed to a joint operation on its formation.

IFRS 12 Disclosure of Interests in Other Interests

Investment Entities

This amendment clarifies which subsidiaries of an investment entity should be consolidated instead of being measured at fair value. The impact on whether the entities may be consolidated will result in changes in the disclosure requirements of IFRS 12 for subsidiaries.

IFRS 15 Revenue from Contracts with Customers

To keep the IASB and FASB informed on interpretive issues occurring during implementation of the converged revenue recognition standard and to assist in determining what action may be needed to resolve diversity in practice, the Boards created the Joint Transition Resource Group for Revenue Recognition (TRG).

The discussions of the TRG highlighted potential diversity in stakeholders' understanding of some topics in IFRS 15. In response to this, the IASB made amendments to the following areas clarify IFRS 15:

- Distinct goods or services
- Principal versus agent
- Licensing
- Determining the nature of the entities promise
- Sales-based usage- based royalties

IAS 1 Presentation of Financial Statements

The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments relate to the following:

- materiality;
- order of the notes;
- subtotals;
- accounting policies; and
- disaggregation

IAS 7 Statement of Cash Flows

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.
The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.
The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. This is a departure from the December 2015 exposure draft that had proposed that such a reconciliation should be required.
Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities

IAS 12 Income Taxes

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IAS 16 Property, plant and equipment

Clarification of Acceptable Methods of Depreciation and Amortisation

The amended IAS 16 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of property, plant and equipment. This presumption can only be rebutted in two limited circumstances:

1. Property plant and equipment is expressed as a measure of revenue; or
2. Revenue and consumption of the item of property, plant and equipment are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

Agriculture: Bearer Plants

The amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. Bearer plants are defined as living plants that are used in the production or supply of agricultural produce and for which there is only a remote likelihood that the plant will also be sold as agricultural produce (other than as incidental scrap sales at the end of the plant's productive life). For cost benefit reasons, the amendments permit fair value as deemed cost for bearer plants on transition.

IAS 27 Separate Financial Statements
Equity Method in Separate Financial Statements

The objective of this narrow-scope project is to restore the option to use the equity method of accounting in separate financial statements. IAS 27 Separate Financial Statements allows an entity to account for investments in subsidiaries, joint ventures and associates either at cost or in accordance with IFRS 9 Financial Instruments in the entity's separate financial statements.

IAS 28 Investments in Associates and Joint Ventures
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IAS 38 Intangible assets
Clarification of Acceptable Methods of Depreciation and Amortisation

The amended IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in two limited circumstances:

1. The intangible asset is expressed as a measure of revenue; or
2. Revenue and consumption of the intangible asset are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

IAS 40 Investment Property

The amendment provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. The IASB amended the paragraph to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property.

IAS 41 Agriculture
Bearer Plants

The amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. Bearer plants are defined as living plants that are used in the production or supply of agricultural produce and for which there is only a remote likelihood that the plant will also be sold as agricultural produce (other than as incidental scrap sales at the end of the plant's productive life). For cost benefit reasons, the amendments permit fair value as deemed cost for bearer plants on transition.

Improvements to IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Change in methods of disposal

The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

- Such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and
  Assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

IFRS 7 Financial Instruments: Disclosure
Servicing contracts

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements. However, in practice, most service contracts have additional features that lead to a continuing involvement in the asset, for example, when the amount and/or timing of the service fee depends on the amount and/or timing of the cash flows collected.

Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements

Amendments to IFRS 7were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (introduced in December 2011) and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all condensed interim financial statements after 1 January 2013 or only in the first year. The amendments clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

IFRS 12 Disclosure of Interests in Other Interests

Scope
Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Investment Entities

Clarifies that an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

IAS 19 Employee Benefits

The amendments to IAS 19 clarify that the high quality corporate bonds to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

IAS 28 Consolidated Financial Statements

Investment Entities Exemption

Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

IAS 34 Interim Financial Reporting

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

5. Financial risk management

The Bank’s activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank’s business, and the operational risks are an inevitable consequence of being in business. The Bank’s aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Board sub-committee, Credit Committee of Management, Risk Management Department, Asset and Liability Committee (ALCO) under policies approved by the Board of Directors. Risk management department identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is one of the most important risks for the Bank’s business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit committee, whose membership comprises executive management and head of risk, which reports regularly to the Board of Directors.

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 industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks 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.

4. Financial risk management (continued)

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Management of credit risk

Credit risk exposures of the Bank are monitored closely. The Credit Committee ensures regularity of credit approvals and line utilizations authorizes disbursements of credit facilities when approval conditions are met, and perform periodical reviews of collaterals at the Bank. The Recoveries Department monitors past due exposures with a view to maximizing loan recoveries.

The credit committee's responsibility includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation and structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. The bank/Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the bank or Group Risk Function.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to bank or Group Credit committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance, specialist skills and training to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

4. Financial risk management (continued)

Exposure to credit risk

Financial Assets	Loans and advances to customers	
	2016	2015
	GHS	GHS
Carrying amount	88,980,628	32,919,226
Individually impaired		
Grade 6: Impaired (loss	-	-
Grade 7: Impaired (Loss)	3,679,566	15,267,689
Grade 8: Impaired (substandard)	18,076,048	-
Gross amount	21,755,614	15,267,689
Allowance for impairment	(15,673,851)	(8,930,170)
Carrying amount	6,081,763	6,337,519
Collectively impaired		
Grade 1-3: Normal	82,895,665	25,923,720
Grade 4-5: Watch list	-	-
Gross amount	82,895,665	25,923,720
Allowance for impairment	-	-
Carrying amount	82,895,665	25,923,720
Past due but not impaired		
Grade 1-3: Normal	3,200	657,986
Grade 4-5: Watch list	-	-
Carrying amount	3,200	657,986
Past due comprises:		
30-60 days	3,200	317,422
60-90 days	-	252,575
90-180 days	-	87,989
180-360 days +	-	-
Carrying amount	3,200	657,986
Neither past due nor impaired		
Grade 1-3: Normal	82,895,665	25,923,720
Grade 4-5: Watch list	-	-
Carrying amount	82,895,665	25,923,720
Total carrying amount	88,980,628	32,919,226

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

Contingent liabilities:		
Bonds and guarantees	16,545,411	22,723,325

Notes to the consolidated financial statements

For the year ended 31 December 2016

4. Financial risk management (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). Interest on these loans are calculated and treated on non-accrual basis and portions shall only be considered when payments (settlement) are made. These loans are graded 6 to 8 in the bank's internal credit risk grading system.

Past Due or Non-Performing but not impaired loans

Loans and securities where contractual interest or principal payments are past due or non-performing are not treated as impaired when the discounted cash flows of the forced sale value of the collateral is estimated to be more than the loan.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. The status or risk grade of a restructured facility does change until there is evidence of performance over a reasonable period of time.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, a bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents the estimate of incurred losses in the loan portfolios. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Credit determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer discharge the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Related and connected lending is not permitted to be written off.

There was no write- off during the period under review (2015: Nil)

4. Financial risk management (continued)

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

	Note	Loans and advances to customers	
		Gross	Net
31 December 2016		GHS	GHS
Grade 6: Individually impaired		-	-
Grade 7: Individually impaired		3,679,566	3,394,963
Grade 8: Individually impaired		18,076,048	15,525,000
Total		21,755,614	18,919,963
31 December 2015			
Grade 6: Individually impaired		-	-
Grade 7: Individually impaired		15,267,689	12,060,000
Grade 8: Individually impaired		-	-
Total		15,267,689	12,060,000

Collateral of Impaired exposures

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not normally held for loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2016 or 2015.

Repossessed collateral

There were no repossessed assets as at 31 December 2016 (2015: nil).

The bank or Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

		Loans and advances to customers	
	Note	2016	2015
		GHS	GHS
Carrying amount		88,980,628	32,919,226
Concentration by sector:			
Agricultural		18,044,516	-
Manufacturing		2,073,506	2,319,524
Service industry		1,315,834	-
Mining		-	-
Electricity, gas & water		55,985,631	21,293,920
Commerce		4,759,578	1,158,039
Finance		17,472,050	12,675,038
Transport , storage & commodities		1,566,142	-
Other		3,437,224	4,393,875
		104,654,479	41,849,396

Settlement risk

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

For certain types of transactions the bank or Group mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from bank or Group Risk Committee.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, 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 borrowing.

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 used 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. The Bank monitors the term to maturity of all credit commitments.

4. Financial risk management (continued)

Commitments and guarantees

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Bank guarantee	15,000,000	15,000,000	22,713,325	22,713,325
Bid security	1,545,411	1,545,411	10,000	10,000
Performance security	-	-	-	-
	16,545,411	16,545,411	22,723,325	22,723,325

b) Liquidity risk

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

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank of Ghana requires that the Bank maintain a cash mandatory reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The treasury department monitors liquidity ratios on a daily basis.

Liquidity management within the Bank has several strands. The first is 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 as they are borrowed by customers. The Bank maintains an active presence in Ghanaian money markets to facilitate that. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intra-day liquidity in real time is recognised by the Bank as a mission critical process: any failure to meet specific intra-day commitments would be a public event and may have an immediate impact on the Bank’s reputation.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as commercial letters of credit and guarantees.

Treasury develops and implements the process for submitting the bank’s projected cash flows to stress scenarios. The output of stress testing informs the Bank’s contingency funding plan. This is maintained by the ALCO of the Bank and is aligned with the country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term.

4. Financial risk management (continued)

An important source of structural liquidity is provided by our core private deposits, mainly term deposit, current accounts and call deposit. Although current accounts and call deposits are repayable on demand, the bank's broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the bank's operations and liquidity needs.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the bank's reputation, the strength of earnings and the bank's financial position.
The liquidity risk of the bank has been stable over the past three years.

The table below presents the cash flows by the Bank under financial liabilities/financial assets by remaining contractual maturities at the balance sheet date.

The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Bank manages the liquidity risk based on a different basis (see note above for details), not resulting in a significantly different analysis.

4. Financial risk management (continued)
b) Liquidity risk (continued)

As at 31 December 2016

	Carrying amount	Less than 1 month	1 - 3 month	3 – 6 months	6 months – 1 year	1 – 3 years	More than 3 years	Total
	GHS	GHS	GHS	GHS	GHS	GHS	GHS	GHS
Assets								
Cash and cash equivalents	156,625,069	129,233,523	27,391,546	-	-	-	-	156,625,069
Non-Pledged assets	46,251,583	46,251,583	-	-	-	-	-	46,251,583
Pledged assets	22,323,460	-	-	22,323,460	-	-	-	22,323,460
Loans and advances to customers	88,980,628	9,703,900	1,891,689	8,640,760	68,744,279	-	-	88,980,628
Other Assets(excluding prepayment)	24,224,078	-	10,970,862	13,253,216	-	-	-	24,224,078
Total assets	338,404,818	185,189,006	40,254,097	44,217,436	68,744,279	-	-	338,404,818
Liabilities								
Deposits from banks	55,012,098	34,933,405	20,078,693	-	-	-	-	55,012,098
Deposits from customers	228,851,267	65,374,190	16,641,063	75,526,488	49,646,670	21,662,857	-	228,851,267
Other Liabilities	9,320,907	2,812,566	3,261,880	3,246,461	-	-	-	9,320,907
Total liabilities	293,184,272	103,120,160	36,719,756	75,526,488	49,646,670	21,662,857	-	293,184,272
Cumulative liquidity gap	45,220,546	82,068,846	3,534,341	(31,309,052)	19,097,609	(21,662,857)	818,523	45,220,546

Energy Bank Ghana Limited

Notes to the consolidated financial statements

For the year ended 31 December 2016

4. Financial risk management (continued)

b) Liquidity risk (continued)

As at 31 December 2015

	Carrying amount GHS	Less than 1 month GHS	1 - 3 month GHS	3 – 6 months GHS	6 months – 1 year GHS	1 – 3 years GHS	More than 3 years GHS	Total GHS
Assets								
Cash and cash equivalents	248,923,742	223,968,602	24,955,140	-	-	-	-	248,923,742
Non-Pledged assets	25,884,526	-	25,884,526	-	-	-	-	25,884,526
Pledged assets	11,500,000	-	-	11,500,000	-	-	-	11,500,000
Loans and advances to customers	32,919,226	28,459,864	2,681,910	327,761	1,449,691	-	-	32,919,226
Other Assets(excluding prepayment)	4,010,648	738,203	2,059,935	1,212,509	-	-	-	4,010,647
Total assets	323,238,142	253,166,669	55,581,511	13,040,270	1,449,691	-	-	323,238,141
Liabilities								
Deposits from banks	54,723,319	35,527,057	19,196,262		-	-	-	54,723,319
Deposits from customers	214,585,584	36,601,542	31,831,535	136,675,496	9,477,011	-	-	214,585,584
Other Liabilities	9,668,496	363,781	7,040,718	2,263,997	-	-	-	9,668,496
Total liabilities	278,977,399	72,128,599	51,027,797	136,675,496	9,477,011	-	-	301,700,724
Cumulative liquidity gap	44,260,743	181,038,070	(8,286,997)	(122,634,117)	(8,027,320)	-	-	21,537,417

Notes to the consolidated financial statements

For the year ended 31 December 2016

4. Financial risk management (continued)

b) Liquidity risk (continued)

Commitments & Guarantees Maturity Analysis

As at 31 December 2016

	Carrying amount GHS	Less than 1 month GHS	1 - 3 month GHS	3 – 6 months GHS	6 months – 1 year GHS	1 – 3 years GHS	More than 3 years GHS	Total GHS
Guarantees and standby letters of credit	15,000,000	-	-	-	15,000,000	-	-	15,000,000
Letters of credit, acceptances and other documentary credits	1,545,411	-	1,382,846	162,565	-	-	-	1,545,411
	16,545,411	-	1,382,846	162,565	15,000,000	-	-	16,545,411

As at 31 December 2015

	Carrying amount GHS	Less than 1 month GHS	1 - 3 month GHS	3 – 6 months GHS	6 months – 1 year GHS	1 – 3 years GHS	More than 3 years GHS	Total GHS
Guarantees and standby letters of credit	2,570,128	-	-	2,570,128	-	-	-	2,570,128
Letters of credit, acceptances and other documentary credits	20,153,197	-	20,153,197	-	-	-	-	20,153,197
	22,723,325	-	20,153,197	2,570,128	-	-	-	22,723,325

NOTES (CONT'D)

4. Financial risk management (continued)

c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates, interest rates, commodity prices and equity prices, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the corporate banking unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

With the exception of translation risk arising on the Group's net investment in its foreign operations, all foreign exchange risk within the bank or Group is transferred and sold down by Central Treasury to the corporate Banking unit. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

Overall authority for market risk is vested in ALCO. Bank or Group Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

Exposure to interest rate risk – non-trading portfolio

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The ALCO sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk.
The interest rate risk has been increasing steadily over the past three year.

Interest rate sensitivity analysis

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net income for one year, based on the financial assets and liabilities held at 31 December 2016 and 2015.

NOTES (CONT'D)

4. Financial risk management (continued)

c) Market risk (continued)

Impact on net interest income

The effect on interest of a 250 basis points change would be as follows:

The Bank

	+250 basis points 2016 GHS	-250 basis points 2016 GHS	+250 basis points 2015 GHS	-250 basis points 2015 GHS
Interest income impact	958,572	(958,572)	709,102	(709,102)
Interest expense impact	(469,403)	469,403	(305,602)	305,602
Effect on net interest income (GH¢)	489,169	(489,169)	403,500	(403,500)

The Group

	+250 basis points 2016 GHS	-250 basis points 2016 GHS	+250 basis points 2015 GHS	-250 basis points 2015 GHS
Interest income impact	965,645	(966,645)	725,291	(725,291)
Interest expense impact	(533,010)	533,010	(364,129)	364,129
Effect on net interest income	432,635	(432,635)	361,162	(361,162)

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. This is measured through the profit and loss accounts.
The currency risk has reduced over the last three year as the bank foreign current reserve has decreased.

The table below summarises the bank's exposure to foreign currency exchange rate risk at the balance sheet date. Included in the table are the bank's financial assets and liabilities at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalent of the foreign currencies.

4. Financial risk management (continued)
c) Market risk (continued)

At 31 December 2016

Assets	USD	GBP	Euro
Cash and cash equivalent	15,051,703	2,070,388	806,192
Loans and advances to customers	4,821,437	8	-
Other Assets	1,856,334	2,685,555	-
Total	21,729,473	4,755,952	806,192
Liabilities			
Due to customers	8,151,814	4,810,258	843,536
Deposits from banks	13,417,585	-	-
Other Liabilities	187,392	191	2,385
Total	21,756,790	4,810,448	845,921
Net on balance sheet position	(27,317)	(54,497)	(39,729)
Net off balance sheet position	113,600	-	-

At 31 December 2015

Assets	USD	GBP	Euro
Cash and balances with Bank of Ghana	31,072,197	4,522,316	1,031,687
Loans and advances to customers	354,365	8	2
Other Assets	136,750	-	-
Total	31,563,312	4,522,324	1,031,689
Liabilities			
Due to customers	22,453,853	4,106,349	992,346
Due to other banks	8,126,389	-	-
Other Liabilities	229,636	109	2,164
Total	30,809,878	4,106,458	994,510
Net on balance sheet position	753,434	415,866	37,179
Net off balance sheet position	5,342,133	-	-

4. Financial risk management (continued)

c) Market risk (continued)

The following exchange rates were applied during the year:

	Reporting rate	
Cedis to	2016	2015
USD	4.2002	3.7950
GBP	5.1965	5.6165
EUR	4.4367	4.1320

The following sensitivity table demonstrates the effects of a 10% rise or fall in foreign exchange rates for each of the major foreign currency exposures of the Bank:

The Bank	Impact on profit after tax if foreign currency weakens 10% vs GHS	Impact on profit after tax if foreign currency strengthens 10% vs GHS
Effect on income	2016	2016
USD	27,180	(27,180)
GBP	(21,240)	21,240
EUR	(13,220)	13,220
Net change	(7,279)	7,279
Effect on income	2015	2015
USD	(319,274)	319,274
GBP	(236,685)	236,685
EUR	(16,504)	16,504
Net change	(572,463)	572,463

4 Financial risk management (continued)

(All amounts are expressed in Ghana cedis unless otherwise stated)

d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action • development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(All amounts are expressed in Ghana cedis unless otherwise stated)

e) Regulatory Disclosure

Loan Classification by Status	2016	2015
Gross Loans per BOG Classification	104,654,479	41,849,396
Performing Loans	82,908,568	26,581,707
Non-Performing Loans	21,745,911	15,267,689
NPL (%)	21%	36%
Capital Adequacy Ratio (CAR)	28%	35%
Liquidity ratio	119%	119%
50 largest exposures to total exposures	99.45%	81.00%

f) Capital management

Regulatory capital

The Bank of Ghana sets and monitors capital requirements for the bank or Group as a whole. The parent company and individual banking operations are directly supervised by their local regulators.

In implementing current capital requirements, Bank of Ghana requires the bank or Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The bank or Group calculates requirements for market risk in its trading portfolios based upon the Group's VaR models and uses its internal gradings as the basis for risk weightings for credit risk. The bank is also required to maintain a credible capital plan to ensure that capital level of the bank is maintained in consonance with the bank's risk appetite.

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

Tier 1 capital, which includes ordinary share capital, share premium, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

•Tier 2 capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available for-sale.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

4. Financial risk management (continued)

f) Capital management (continued)

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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

The bank or Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

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

Tier 1 capital (core capital): stated capital, share premium, income surplus, and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves and other reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

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

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements set by Bank of Ghana;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis.

4. Financial risk management (continued)

f) Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios at 31 December:

Tier 1 Capital	2016		2015	
	Bank	Group	Bank	Group
Ordinary share capital	60,000,000	60,000,000	60,000,000	60,000,000
Statutory reserve	9,139,251	9,139,251	8,834,179	8,834,179
Income surplus	1,922,189	(1,676,278)	133,624	(950,989)
Less intangible asset	9,079,959	9,079,959	8,465,306	8,531,439
Other regulatory adjustments	9,750,000	-	8,146,506	-
Total	52,231,481	58,383,014	52,355,991	59,351,756
Tier 2 capital				
Fair value reserve for available-for-sale equity securities	-	-	-	-
Qualifying subordinated liabilities	-	-	-	-
Total	-	-	-	-
Total regulatory capital	52,231,481	58,383,014	52,355,991	59,351,756
Risk-weighted assets				
On-balance sheet	145,970,239	145,970,239	101,506,127	101,506,127
Off-balance sheet	16,545,411	16,545,411	22,723,325	22,723,325
Total risk weighted assets	162,515,650	162,515,650	124,229,452	124,229,452
50% of NOP	(287,097)	(287,097)	2,674,309	2,674,309
100% of 3 years average	25,799,911	25,799,911	20,670,469	20,670,469
Adjusted asset base	188,028,464	188,028,464	147,574,230	147,574,230
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	28%	31%	35%	40%
Total tier 1 capital expressed as a percentage of risk-weighted assets	28%	31%	35%	40%

Capital allocation

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

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the bank or Group to particular operations or activities, it is not the sole basis used for decision making. Consideration also is made of synergies with other operations and activities, the availability of management and other resources, and the capability of the activity with the Group’s longer term strategic objectives. The Group’s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. Use of estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. This is done by the Credit Risk function of the Bank. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows (based on the customer’s financial situation and the net realisable value of any underlying collateral) are reviewed regularly by the Credit Risk function to reduce any differences between loss estimates and actual loss experience.

Collectively assessed impairment allowances cover credit losses inherent in portfolio of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but which the individual impaired items cannot yet be identified. A component of collectively assessed allowances is industry risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective impairments.
(All amounts are expressed in Ghana cedis unless otherwise stated)

6. Use of estimates and judgements (continued)

(b) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Determining fair values

The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade frequently and have little transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(d) Held-to-maturity financial assets

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturing as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its positive intention and ability to hold such assets to maturity. If the Bank fails to keep these assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to classify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

(e) Income taxes

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

7. Operating segments

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Business segments pay and receive interest to and from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Business segments

The bank or Group comprises the following main business segments:

Corporate Banking	Includes loans, deposits and other transactions and balances with corporate customers
Retail Banking	Includes loans, deposits and other transactions and balances with retail customers
Central Treasury	Undertakes the bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

Notes to the consolidated financial statements

For the year ended 31 December 2016

6 Operating segment (continued)
Business segment

2016

	Corporate banking GHS	Retail banking GHS	Central treasury GHS	Shared services GHS	Unallocated GHS	Consolidated GHS
External revenue						
Net interest income	14,113,560	(2,864,569)	8,317,776	-	-	19,566,767
Net fee and commission income	2,676,562	2,327,914	-	-	-	5,004,476
Net trading income	2,440,810	1,046,062	4,418,532	-	-	7,905,404
Other operating income	-	-	-	-	811,776	811,776
Total segment revenue	19,230,932	509,407	12,736,308	-	811,716	33,288,423
Segment result	193,436	124,797	305,753	-	-	623,986
Income tax expense	-	-	-	-	(13,843)	(13,843)
Profit for the period	193,436	124,797	305,753	-	(13,843)	610,143
Segment assets	15,455,849	89,809,019	215,958,348	496,000	42,383,998	364,103,214
Unallocated assets	-	-	-	-	-	-
Total assets	15,455,849	89,809,019	215,958,348	496,000	42,383,998	364,103,214
Segment liabilities	113,287,101	115,564,166	55,012,098	-	9,320,907	293,184,272
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	113,287,101	115,564,166	55,012,098	-	9,320,907	293,184,272
Impairment losses on financial assets	7,318,339	237,117	-	-	-	7,555,456
Depreciation and amortisation	1,285,536	1,058,243	-	-	-	2,343,779
Capital expenditure	-	-	-	696,815	-	696,815

6 Operating segment (continued)
Business segment

2015

External revenue	Corporate banking GHS	Retail banking GHS	Central treasury GHS	Shared services GHS	Unallocated GHS	Consolidated GHS
Net interest income	7,218,430	315,135	8,606,421			16,139,986
Net fee and commission income	3,326,756	1,771,516			-	5,098,272
Net trading income	3,196,490	1,369,924	6,849,621		-	11,416,035
Total segment revenue	13,741,675	3,456,576	15,456,042	-	-	32,654,293
Segment result	652,507	420,972	1,031,382	-	-	2,104,860
Income tax expense	-	-	-	-	(690,338)	(690,338)
Profit for the period	652,507	420,972	1,031,382		(690,338)	
Segment assets	10,712,367	36,206,843	278,150,638	636,848	23,732,993	349,439,689
Unallocated assets	-	-	-	-	-	-
Total assets	10,712,367	36,206,843	278,150,638	636,848	23,732,993	349,439,689
Segment liabilities	101,915,742	112,669,842	54,723,319	-	9,790,899	279,099,802
Unallocated liabilities	-	-	-	-	-	-
Total liabilities	10,712,367	36,206,843	278,150,638	636,848	23,732,993	349,439,689
Impairment losses on financial assets	6,549,295	2,380,876				8,930,170
Depreciation and amortisation	1,586,412	1,218,399				2,804,811
Capital expenditure				586,099		

8. Fair values of financial assets and liabilities

(i) Financial instruments not measured at fair value - Bank

The table below sets out the bank's or Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

31 December 2016	Trading	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
	GHS	GHS	GHS	GHS	GHS	GHS	GHS
Financial assets							
Cash and cash equivalents	-	-	-	-	156,625,069	156,625,069	156,625,069
Non-Pledged Trading assets	-	-	-	46,251,583	-	46,251,583	46,251,583
Pledged Trading assets	-	-	-	22,323,460	-	22,323,460	22,323,460
Loans and advances to customers	-	-	88,980,628	-	-	88,980,628	88,980,628
Investment securities	-	-	-	-	-	-	-
	-	-	88,980,628	46,251,583	156,625,069	314,180,740	314,180,740
Financial liabilities							
Deposits from banks	-	-	-	-	55,012,098	55,012,098	55,012,098
Deposits from customers	-	-	-	-	228,851,267	228,851,267	228,851,267
Other liabilities	-	-	-	-	9,320,907	9,320,907	9,320,907
	-	-	-	-	293,184,272	293,184,272	293,184,272

31 December 2015	Trading	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
	GHS	GHS	GHS	GHS	GHS	GHS	GHS
Financial assets							
Cash and cash equivalents	-	-	-	-	248,923,742	248,923,742	248,923,742
Trading assets	-	-	-	25,884,526	-	25,884,526	25,884,526
Pledged assets	-	-	-	11,500,000	-	11,500,000	11,500,000
Loans and advances to customers	-	-	32,919,226	-	-	32,919,226	32,919,226
Investment securities	-	-	-	-	-	-	-
	-	-	32,919,226	37,384,526	248,923,742	319,227,494	319,227,494
Financial liabilities							
Deposits from banks	-	-	-	-	54,723,319	54,723,319	54,723,319
Deposits from customers	-	-	-	-	214,585,584	214,585,584	214,585,584
Other liabilities	-	-	-	-	9,668,496	9,668,496	9,668,496
	-	-	-	-	293,184,272	293,184,272	293,184,272

4. Financial risk management (continued)

Off-balance sheet financial instruments

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Loan commitment ,Guarantees, acceptances and other financial facilities	16,545,411	16,545,411	22,723,325	22,723,325

(ii) Loans and advances to other financial institutions

Loans and advances to other financial institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) 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. The carrying amount approximates their fair value.

(iv) Government securities

The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Government securities (Held to maturity) disclosed in the table above comprise only those securities with more than 180 days to maturity and were classified held to maturity. The fair value for these assets is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other government securities are already measured and carried at fair value.

(v) Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of approximates their fair value.

(vi) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

(vii) 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, The Ghana Stock Exchange).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of Bank of Ghana's securities and other derivative contracts.

• 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. As at 31 December 2016, the Bank did not hold any level 3 financial assets and/or liabilities.

The Bank

	2016 (Level 2)	2015 (Level 2)
Available for sale securities		
Government securities (treasury bills with a maturity of 182 days or less) (Note 19)	68,575,043	37,384,526

Notes to the consolidated financial statements

For the year ended 31 December 2016

9. Net interest income

	2016		2015	
	Bank	Group	Bank	Group
Interest income	GHS	GHS	GHS	GHS
Cash and cash equivalents	7,871,263	7,871,263	6,644,957	6,644,957
Loans and advances to customers	21,167,509	16,495,767	10,307,519	7,580,824
Investment securities	9,304,111	14,258,762	11,411,596	14,785,870
Total interest income	38,342,883	38,625,792	28,364,072	29,011,651
Interest expense				
Deposits from banks	3,347,714	5,892,010	4,798,662	7,139,746
Deposits from customers	15,428,403	15,428,403	7,425,424	7,425,424
Total interest expense	18,776,117	21,320,413	12,224,086	14,565,170
Net interest income	19,566,766	17,305,379	16,139,986	14,446,481

10. Net fee and commission income

	2016		2015	
	Bank	Group	Bank	Group
Fee and commission income	GHS	GHS	GHS	GHS
Retail banking customer fees	122,803	122,803	215,678	215,678
Corporate banking credit related fees	261,317	261,317	655,998	655,998
Other	4,693,279	4,693,279	4,168,863	4,168,863
Total fee and commission income	5,077,399	5,077,399	5,040,539	5,040,539
Fee and commission expense				
ATM exp., clearing and swift charges	72,923	72,923	57,733	57,733
Total fee and commission expense	72,923	72,923	57,733	57,733
Net fee and commission income	5,004,476	5,004,476	4,982,806	4,982,806

11. Net trading income

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Foreign exchange	7,905,404	8,081,216	11,416,035	13,814,950
	7,905,404	8,081,216	11,416,035	13,814,950

12. Other operating income

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Recovery income	811,776	811,776	-	-
	811,776	811,776	-	-

13. Personnel expenses

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Salaries	7,172,017	7,288,410	6,193,750	6,405,372
Contributions to defined contribution plans	370,859	370,859	312,675	312,675
	7,542,876	7,659,269	6,506,425	6,718,047

The average number of persons employed by the bank during the year was 167 (2015: 82).

14. Other expenses

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Auditors' remuneration	168,613	180,613	181,582	191,582
Amortisation of prepaid operating lease rentals	5,572,286	5,646,936	4429526	4,555,891
Operational Expenses	3,721,722	3,721,722	2,646,988	2,713,369
Occupancy expenses	2,652,328	2,726,978	1,755,223	1,881,588
Travel, transport & accommodation	1,300,916	1,309,394	1,048,474	1,056,019
Other expenses	1,806,460	1,843,387	2,130,767	2,032,275
	15,222,325	15,429,030	12,192,560	12,430,724

15. Finance costs

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Facilities fees	-	52,875	-	-
Interest on loan	-	-	-	232,650
	-	52,875	-	232,650

16. Income tax expense

Recognised in the income statement

	2016		2015	
	Bank	Group	Bank	Group
Current tax expense	GHS	GHS	GHS	GHS
Current tax	240,821	240,821	726,689	726,689
National stabilization levy	31,199	31,199	105,243	105,243
	272,020	272,020	831,932	831,932
Deferred tax expense				
Origination and reversal of temporary differences	(258,177)	(258,177)	(141,594)	(141,594)
Recognition of previously unrecognised tax losses	-	-	-	-
	(258,177)	(258,177)	(141,594)	(141,594)
Total income tax expense	13,843	13,843	690,338	690,338

Reconciliation of effective tax rate

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Profit before income tax	623,986	(1,889,873)	2,104,860	2,103,640,
Income tax using the enacted corporation tax rate	155,997	(472,469)	526,215	525,910
Non-deductible expenses	116,023	744,489	305717	306,022
Tax exempt income	-	-	-	-
Recognition of previously unrecognised tax losses	(258,177)	(258,177)	(141,594)	(141,594)
(Over) provided in prior years	-	-	-	-
Total income tax expense in income statement	13,843	13,843	690,339	690,339
Effective tax rate	2%	Nil	33%	33%

17. Earnings per share

Basic earnings per share the calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of GH₵ 610,143(2015: GH₵ 1,414,522) and a weighted average number of ordinary shares outstanding of 60 million (2015:60 million), calculated as follows:

Profit attributable to ordinary shareholders

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Net profit for the period attributable to equity holders of the Bank	610,143	(1,903,716)	1,414,522	1,413,302
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January	60,000,000	60,000,000	60,000,000	60,000,000
Weighted average number of ordinary shares at 31 Decembe	60,000,000	60,000,000	60,000,000	60,000,000

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of GH₵ 610,143 (2015: GH₵ 1,414,522) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 60 million (2015: 60 million), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Profit for the period attributable to ordinary shareholders	610,143	(1,903,716)	1,414,522	1,413,302
Weighted average number of ordinary shares (diluted)				
Weighted average number of ordinary shares (basic)	60,000,000	60,000,000	60,000,000	60,000,000
Weighted average number of ordinary shares (diluted)at 31 December	60,000,000	60,000,000	60,000,000	60,000,000

18. Dividend per share

At the Annual General Meeting to be held on 30/03/2017, a proposed dividend in respect of the year ended 31 December 2016 of GH₵ 0.0051 (2015 – GH₵0.002) for every ordinary share of GH₵ 305,071 is to be proposed. The total dividend for the year if agreed will be GH₵ 305,071 (2015 – GH₵120,000).

Payment of dividends is subject to withholding tax at the rate of 15% for residents and 10% for non-resident shareholders.

19. Cash and cash equivalent

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Cash and balances with banks	35,724,497	35,724,555	46,351,615	46,353,244
Unrestricted balances with the Central Bank	10,538,468	10,538,468	11,920,770	11,920,770
Restricted balances with Central Bank	22,885,126	22,885,126	21458559	21,458,559
Money market placements	87,476,978	87,476,978	169,192,798	169,192,798
	156,625,069	156,625,127	248,923,742	248,925,371

20. Trading assets

	2016			2015		
Bank	Pledged	Non-pledged	Total	Pledged	Non-pledged	Total
	GHS	GHS	GHS	GHS	GHS	GHS
Treasury bills	22,323,460	46,251,583	68,575,043	11,500,000	25,884,526	37,384,526
	22,323,460	46,251,583	68,575,043	11,500,000	25,884,526	37,384,526
Group						
Treasury bills	22,323,460	46,251,583	68,575,043	11,500,000	25,884,526	37,384,526
	22,323,460	46,251,583	68,575,043	11,500,000	25,884,526	37,384,526

Total pledged securities of GHS22,323,460, consisting of an amount ofGHS14,145,000 from a 182–day Treasury bill andGHS8,178,460 from a 14-day BOG bill.

21. Loans and advances to customers at amortised cost

	2016			2015		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	GHS	GHS	GHS	GHS	GHS	GHS
Bank						
Retail customers:			-			
Personal loans	11,145,015	2,017,993	9,127,022	5,818,042	2,380,876	3,437,166
Corporate customers:						
Other secured lending	93,509,464	13,655,858	79,853,606	36,031,354	6,549,294	29,482,060
	104,654,479	15,673,851	88,980,628	41,849,396	8,930,170	32,919,226
			-			-

Group	2016			2015		
	Gross amount GHS	Impairment allowance GHS	Carrying amount GHS	Gross amount GHS	Impairment allowance GHS	Carrying amount GHS
Retail customers:			-			
Personal loans	11,145,015	2,017,993	9,127,022	5,818,042	2,380,876	3,437,166
Corporate customers:						
Other secured lending	75,869,776	13,655,858	62,213,918	23,356,316	6,549,294	16,807,022
	87,014,791	15,673,851	71,340,940	29,174,358	8,930,170	20,244,188

Allowance for impairment

	2016		2015	
	Bank GHS	Group GHS	Bank GHS	Group GHS
Individual allowances for impairment				
Balance at 1 January	8,930,170	8,930,170	-	-
Impairment loss for the year				
Charge for the year	7,555,456	7,555,456	8,930,170	8,930,170
Recoveries	(811,775)	(811,775)		
Effect of foreign currency movements	-	-	-	-
Write-offs	-	-	-	-
Balance at 31 December	15,673,851	15,673,851	8,930,170	8,930,170
Collective allowances for impairment				
Balance at 1 January	-	-	-	-
Impairment loss for the year				
Charge for the year	-	-	-	-
Balance at 31 December	-	-	-	-
Total allowances for impairment	15,673,851	15,673,851	8,930,170	8,930,170

22. Investment securities

	2016		2015	
	Bank GHS	Group GHS	Bank GHS	Group GHS
Held-to-maturity investment securities	-	13,940,051	-	12,451,594
Available-for-sale investment securities	-	14,800,000	-	14,800,000
	-	28,740,051	-	27,251,594

23. Property and equipment

The Bank

December, 2016	Land and buildings GHS	Motor vehicles GHS	Furniture and fittings GHS	Computers GHS	Equipment GHS	Leasehold equipment GHS	Total GHS
Cost							
At 1 January 2016	571,262	1,100,723	1,693,839	5,217,291	1,918,262	3,137,204	13,638,581
Additions	-	8,430	24,631	428,202	49,183	5,000	515,444
At 31 December 2016	571,262	1,109,152	1,718,469	5,645,493	1,967,445	3,142,204	14,154,025
Accumulated depreciation							
At 1 January 2016	39,964	774,732	946,203	4,024,345	1,100,534	910,449	7,796,227
Charge for the year	22,867	186,728	359,990	834,171	295,837	322,408	2,022,001
At 31 December 2016	62,831	961,460	1,306,193	4,858,517	1,396,371	1,232,856	9,818,228
Net book value							
At 31 December 2016	508,431	147,692	412,276	786,976	571,074	1,909,347	4,335,797

Property and equipment (continued)

December 2015	Land and buildings GHS	Motor vehicles GHS	Furniture and fittings GHS	Computers GHS	Equipment GHS	Leasehold equipment GHS	Total GHS
Cost							
At 1 January 2015	571,262	1,044,135	1,674,828	4,834,175	1,910,654	3,121,255	13,156,309
Additions	-	56,588	19,011	383,116	7,608	15,949	482,272
At 31 December 2015	571,262	1,100,723	1,693,839	5,217,291	1,918,262	3,137,204	13,638,581
Accumulated depreciation							
At 1 January 2015	17,114	551,452	612,955	2,806,789	715,095	593,598	5,297,003
Charge for the year	22,851	223,280	333,248	1,217,556	385,439	316,851	2,499,224
At 31 December 2015	39,964	774,732	946,203	4,024,345	1,100,534	910,449	7,796,227
Net book value							
At 31 December 2015	531,298	325,991	747,636	1,192,946	817,729	2,226,755	5,842,354

Property and equipment (continued)

The Group

December 2016	Land and buildings	Motor vehicles	Furniture and fittings	Computers	Equipment	Leasehold equipment	Total
	GHS	GHS	GHS	GHS	GHS	GHS	GHS
Cost							
At 1 January 2016	571,262	1,201,423	1,737,432	5,217,291	1,955,935	3,137,204	13,820,547
Additions	-	8,430	24,631	428,202	49,183	5,000	515,444
At 31 December 2016	571,262	1,209,852	1,762,062	5,645,493	2,005,118	3,142,204	14,335,991
Accumulated depreciation							
At 1 January 2016	39,965	793,324	970,033	4,024,345	1,106,222	910,449	7,844,337
Charge for the year	22,867	196,024	390,920	834,171	307,922	322,408	2,074,312
At 31 December 2016	62,832	989,348	1,360,953	4,858,516	1,414,144	1,232,856	9,918,649
Net book value							
At 31 December 2016	508,430	220,504	401,109	786,976	590,974	1,909,347	4,417,342

Property and equipment (continued)

December 2015	Land and buildings GHS	Motor vehicles GHS	Furniture and fittings GHS	Computers GHS	Equipment GHS	Leasehold equipment GHS	Total GHS
Cost							
At 1 January 2015	571,262	1,144,835	1,718,421	4,834,175	1,946,928	3,121,255	13,336,876
Additions	-	56,588	19,011	383,116	9,007	15,949	483,671
At 31 December 2015	571,262	1,201,423	1,737,432	5,217,291	1,955,935	3,137,204	13,820,547
Accumulated depreciation							
At 1 January 2015	17,114	560,748	624,870	2,806,789	717,799	593,598	5,320,918
Charge for the year	22,851	232,576	345,163	1,217,556	388,423	316,851	2,523,419
At 31 December 2015	39,965	793,324	970,033	4,024,345	1,106,222	910,449	7,844,337
Net book value							
At 31 December 2015	531,297	408,099	767,399	1,192,946	849,713	2,226,755	5,976,210

24. Intangible assets

Computer software	2016 Bank	2016 Group	2015 Bank	2015 Group
	GHS	GHS	GHS	GHS
At 1 January	4,485,467	4,485,467	4,381,640	4,381,640
Additions	180,931	180,931	103,827	103,827
At 31 December	4,666,398	4,666,398	4,485,467	4,485,467
Amortisation				
At 1 January and at 31 December	3,848,619	3,848,619	3,543,032	3,543,032
Charge for the year	321,779	321,779	305,587	305,587
At 31 December	4,170,398	4,170,398	3,848,619	3,848,619
Net book value at 31 December	496,000	496,000	636,848	636,848

25. Deferred tax assets and liabilities

Unrecognised deferred tax assets

Movements during the yea

	2016 Bank	2016 Group	2015 Bank	2015 Group
	GHS	GHS	GHS	GHS
Opening balance	122,403	122,403	263,997	263,997
Recognised in profit or loss	(258,177)	(258,177)	(141,594)	(141,594)
Recognised in equity	-	-	-	-
Closing balance	(135,774)	(135,774)	122,403	122,403

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Bank	2016 Assets	2016 Liabilities	2016 Net	2015 Assets	2015 Liabilities	2015 Net
	GHS	GHS	GHS	GHS	GHS	GHS
Property and equipment, and software	135,774	-	135,774	-	122,403	122,403
	135,774	-	135,774	-	122,403	122,403

Group	2016 Assets	2016 Liabilities	2016 Net	2015 Assets	2015 Liabilities	2015 Net
	GHS	GHS	GHS	GHS	GHS	GHS
Property and equipment, and software	135,774	-	135,774	-	122,403	122,403
	135,774	-	135,774	-	122,403	122,403

26. Current tax (recoverable) / payable

The Bank

	Balance 1/1/16 GHS	Charge for the year GHS	Payments GHS	Tax adjustment GHS	Balance 31/12/16 GHS
Year of assessment					
Up to 2012	681,400	-	-	-	681,400
2013	199,280	-	-	-	199,280
2014	(1,372,871)	-	-	-	(1,372,871)
2015	(1,273,311)	-	-	-	(1,273,311)
2016	-	240,821	(425,000)	-	(184,179)
	(1,765,502)	240,821	(425,000)	-	(1,949,681)
National stabilization levy					
2013	(60,948)	-	-	-	(60,948)
2014	(181,773)	-	-	-	(181,773)
2015	(135,664)	-	-	-	(135,664)
2016	-	31,199	(100,000)	-	(68,801)
	(2,143,887)	272,020	(525,000)	-	(2,396,867)

The group

Year of assessment	Balance 1/1/16 GHS	Charge for the year GHS	Payments GHS	Tax adjustment GHS	Balance 31/12/16 GHS
2014	(737,912)	-	-	-	(737,912)
2015	(1,409,475)	-	-	-	(1,409,475)
2016	-	272,020	(525,000)	-	(252,980)
	(2,147,387)	272,020	(525,000)	-	(2,400,367)

27. Other assets

	2016 Bank GHS	2016 Group GHS	2015 Bank GHS	2015 Group GHS
Accounts receivable and prepayments	31,634,073	44,699,427	11,186,829	24,076,975
Accrued income	1,173,964	1,173,964	652,277	652,277
	32,808,037	45,873,391	11,839,106	24,729,252

28. Deposits from banks

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Money market deposits	55,012,098	55,012,098	54,723,319	54,723,319
	55,012,098	55,012,098	54,723,319	54,723,319

29. Deposits from customers

	2016		2015	
	Bank	Group	Bank	Group
Retail customers:	GHS	GHS	GHS	GHS
Term deposits	30,676,081	30,676,081	20,597,472	20,597,472
Current deposits	53,872,010	53,872,010	41,035,498	41,035,498
Other	28,739,010	28,739,010	40,282,772	40,282,772
Corporate customers:		-		-
Term deposits	68,293,224	68,451,815	18,184,977	18,596,869
Current deposits	11,502,179	11,502,179	65,036,021	65,036,021
Other	35,768,763	35,768,763	29,448,844	29,448,844
	228,851,267	229,009,858	214,585,584	214,997,476

30. Other liabilities

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Borrowings	-	9,000,000	-	9,000,000
Creditors and accruals	6,059,027	6,075,624	6,295,618	6,904,021
Other	3,261,880	3,261,880	3,372,878	3,372,878
Bank overdraft	-	4,099	-	-
	9,320,907	18,341,603	9,668,496	19,276,899

Terms and conditions of loan

The loan is a facility with Zenith Bank (Ghana) Limited with monthly interest repayment and a bullet payment of principal at maturity of the facility. The loan is secured by lien over an amount of GHS 9million placed with Zenith Bank (Ghana) Limited by Energy Bank (Ghana) Limited.

31. Capital and reserves

a. Stated capital

	No. of shares	Proceeds GHS
Authorised shares of no par value	100,000,000	
Issued ordinary shares for cash consideration	60,000,000	60,000,000

There is no call or instalment unpaid on any share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets

b. Statutory reserve fund

	2016		2015	
	Bank GHS	Group GHS	Bank GHS	Group GHS
At 1 January	8,834,179	8,834,179	8,126,918	8,126,918
Transfer from income surplus account	305,072	305,072	707,261	707,261
At 31 December	9,139,251	9,139,251	8,834,179	8,834,179

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by Section 29 of the Banking Act, 2004 (Act 673). The proportion of net profits transferred to this reserve ranges from 12.5% to 50% of net profit after tax, depending on the ratio of existing statutory reserve fund to paid-up capital.

c. Credit risk reserve

Regulatory credit risk reserve represents the excess of loan impairment provision determined under the Bank of Ghana guidelines over the provisions for loan impairment.

	2016		2015	
	Bank GHS	Group GHS	Bank GHS	Group GHS
At 1 January	1,603,494	1,603,494	548,279	548,279
Transfer from income surplus account	(1,603,494)	(1,603,494)	1,055,215	1,055,215
At 31 December	-	-	1,603,494	1,603,494
Reconciliation of credit risk reserve				
Provision as per BOG classification	5,678,053	5,678,053	10,533,664	10,533,664
IFRS impairment	(7,555,456)	(7,555,456)	(8,930,170)	(8,930,170)
	(1,877,403)	(1,877,403)	1,603,494	1,603,494

d. Other reserve- Available for sale securities

This is the fair value movement on available for sale financial assets

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
At 1 January	(231,410)	8,688,590	(328,612)	2,401,418
Fair value gain/(loss) (Note 16)	88,913	88,913	97,202	6,287,172
At 31 December	(142,497)	8,777,503	(231,410)	8,688,590

Dividend

The following dividends were declared and paid by the Group for the year ended 31 December:

	2016	2015
	GHS	GHS
GH₵ 0.002 per ordinary share (2015: GH₵ 0.0086 per share)	120,000	516,000

32. Investments (other than securities)

The Bank has obtained Bank of Ghana approval and Securities and Exchange Commission (SEC) license to establish a wholly owned subsidiary, Energy Investments Limited. Energy Investments Limited has been in operation since February 2015.
An initial equity capital of Nine Million Seven Hundred and Fifty Thousand Ghana cedis (GH¢9,750,000) was invested in the subsidiary.

33. Contingencies and Commitments

Contingencies
The Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The value of these securities is not recognized in the statement of financial position

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Guarantees and standby letters of credit	15,000,000	15,000,000	2,570,128	2,570,128
Letters of Credit, acceptances and other documentary credits	1,545,411	1,545,411	20,153,197	20,153,197
	16,545,411	16,545,411	22,723,325	22,723,325

Nature of Contingent liabilities

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers' default

Commitments

There were no commitments as at the end of the year

34.Related party transactions

This relates to intercompany dealings and transactions with key management personnel and Directors.

In the normal course of business, current accounts were operated and other transactions carried out with related parties at arm's length. The balances outstanding as at year-end were as follows:

a) Loans and advances to employees

	2016		2015	
	Bank	Group	Bank	Group
Balance at 1 January	435,287	435,287	479,526	479,526
Loan advanced during the year	2,139,067	2,139,067	595,727	595,727
Loan repayments received	(960,807)	(960,807)	(639,966)	(639,966)
Balance at 31 December	1,613,547	1,613,547	435,287	435,287

b) Transactions with Directors and Key Management Personnel

Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Bank. These personnel are the Executive Directors of the Bank.

During the year, there were no significant related party transactions with companies or customers of the Bank where a Director or any connected person is also a director or key management members of the Bank. The bank did not make provision in respect of loans to Directors or any key management member during the period under review.

(i) Advances to related parties

Advances to customers at 31 December 2016 and 31 December 2015 include loans to related parties (directors and companies controlled by directors) as follows:

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
At 1 January	12,675,038	12,675,038	7,500,000	7,500,000
Loans advanced during the year	7,429,569	7,429,569	12,675,038	12,675,038
Loans repayments received	2,472,500	2,472,500	(7,500,000)	(7,500,000)
Transfer to other loan category	-	-	-	-
At 31 December	17,632,107	17,632,107	12,675,038	12,675,038

The above loans granted to a related party were at arm's length. The terms of the credit facility are not less favourable to the bank than those normally offered to other persons.

ii) Deposits from directors

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
At 1 January	2,779,089	2,779,089	724,203	724,203
Net movement during the year	769,585	769,585	2,054,883	2,054,883
At 31 December	3,548,674	3,548,674	2,779,086	2,779,086

(iii) Remuneration of key management staff

	2016		2015	
	Bank	Group	Bank	Group
	GHS	GHS	GHS	GHS
Remuneration - key management staff	448,903	565,296	364,581	444,272

35. Social responsibility

In furtherance of our corporate social responsibility, the Bank supported initiatives totaling GH¢14,775 (2015:GHS17,756) to cover activities in the Bank's key areas of concern, namely health, education and the environment.

36. Regulatory breach

There was a penalty of GHS 46,153 for breach in liquidity breach during the year under review (2015: GHS 228,142).

37. Events after reporting period

No significant event occurred after the end of the reporting date which is likely to affect these financial statements.

38.Shareholding Structure

The Bank's shareholding structure is as follows;

Institution	Percentage	Shares
Global Fleet Oil & Gas (Nigeria)	70%	42,000,000
Global Fleet (UK)	20%	12,000,000
Nicon Insurance (Nigeria)	10%	6,000,000
	100%	60,000,000

38. Value Added Statements for the year ended 31 December 2016

	2016		2015	
	Bank	Group	Bank	Group
	GH¢	GH¢	GH¢	GH¢
Interest earned and other operating income	52,137,462	52,596,183	44,820,646	47,867,140
Direct cost of Services	(18,776,116)	(21,320,413)	(12,224,086)	(14,565,170)
Value added by banking services	33,361,346	31,275,771	32,596,560	33,301,970
Non-banking Income	-	-	-	-
Impairments	(7,555,456)	(7,555,456)	(8,930,170)	(8,930,170)
Value Added	25,805,890	23,720,315	23,666,390	24,371,800
Distributed as follows:				
To Employees:-				
Directors (without executives)	85,737	85,737	125,152	125,152
Executive directors	448,903	565,296	364,581	444,272
Other employees	7,093,973	7,093,973	6,141,844	6,273,775
To Government:				
Income tax	13,843	13,843	690,338	690,338
To providers of capital:				
Dividends to shareholders	305,071	305,071	120,000	120,000
To expansion and growth				
Depreciation	2,022,001	2,046,196	2,499,224	2,523,419
Amortisation	321,779	321,779	305,587	305,587
Retained earnings	610,143	(1,903,716)	1,414,523	1,413,303