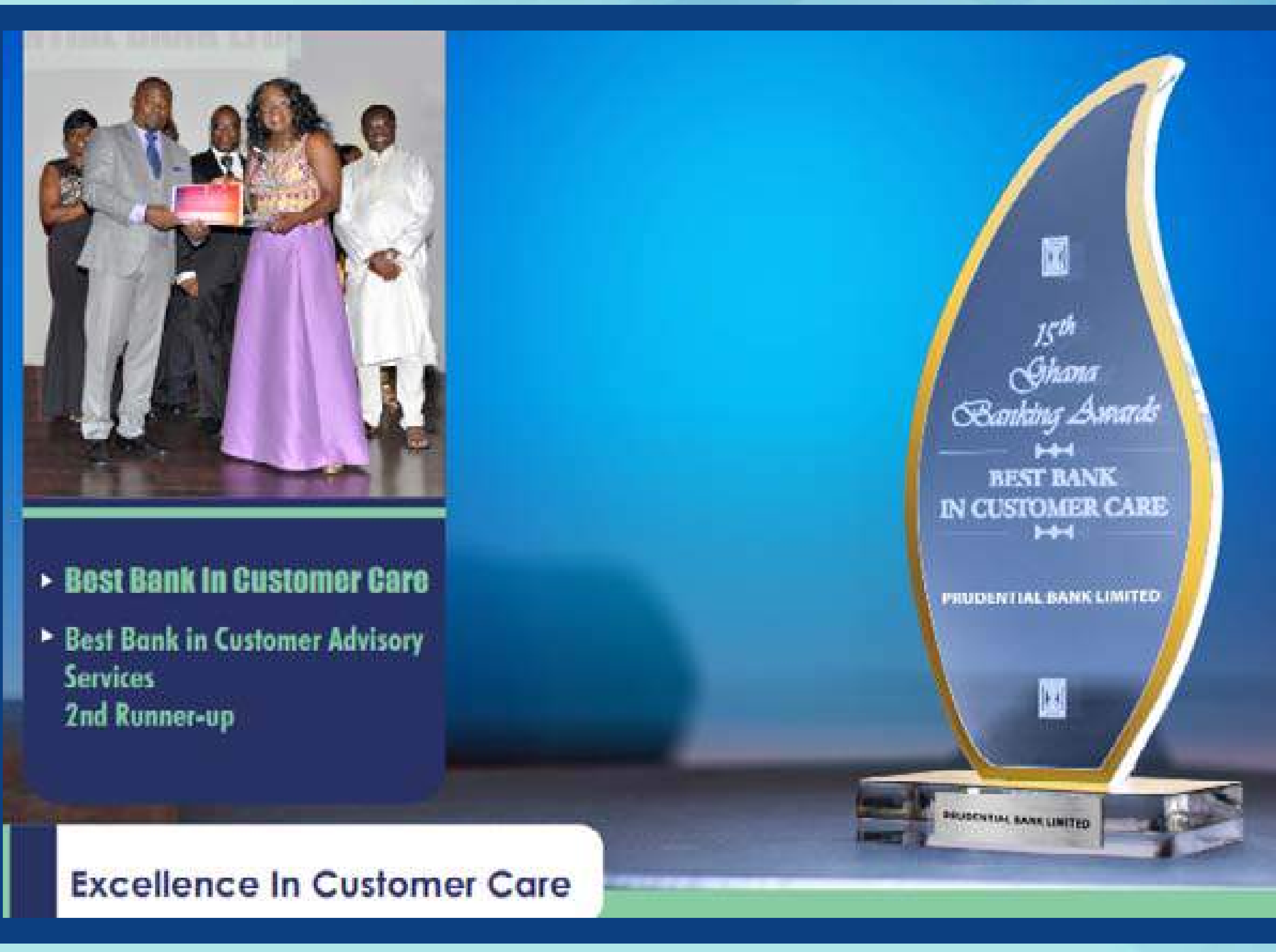
ANNUAL REPORT
2016

PRUDENTIAL BANK LIMITED

Mr. Stephen Asare, Deputy MD (Finance, Administration, and Credit Administration) cutting the tape to officially open the Taifa Branch



Mrs. Mary Brown, Deputy MD (Banking Operations) receiving the award for Best Bank in Customer Care at the 15th CIG Ghana Banking Awards whilst other officials of the Bank look on.

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The Trusted Bank for
SME financing

PRUDENTIAL BANK LTD.

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Private Mail Bag,General Post Office, Accra - Ghana.
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0289557936, 0540111746/7. Fax:(+233-302) 781210
E-mail: headoffice@prudentialbank.com.gh
Website: www.prudentialbank.com.gh

OVERVIEW

This section gives information about the Bank, its Board of Directors, a summary of performance over the last five (5) years, the Chairman's Statement and Corporate Governance.

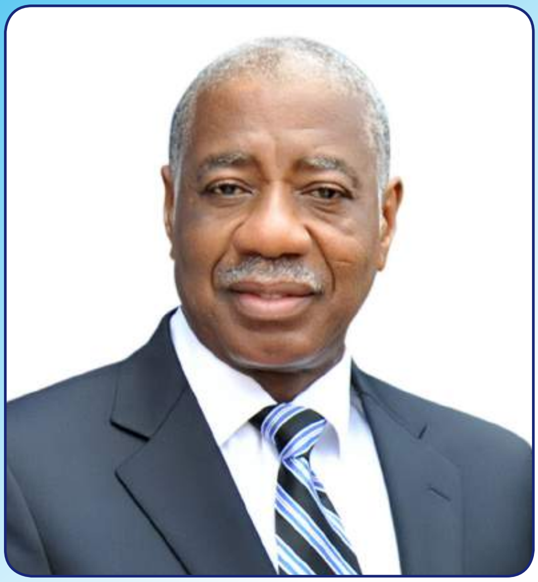
ABOUT US

Prudential Bank Limited (PBL) opened for business on 15th August 1996

The main areas of the Bank's operations are domestic and international banking, project financing, SME financing, e-banking services, international money transfer and funds management.

The Bank has a network of 40 branches and agencies located in six of the ten regions in Ghana, with plans to expand to all ten regions.

PBL has consistently won several prestigious awards in banking since its inception. The Bank continues to be a member of the Ghana Club 100.



Mr. Stephen Sekyere-Abankwa, Managing Director

Corporate Mission

To provide domestic and international banking services with a strategic focus on project financing, trade financing, export development and SME financing. PBL is committed to playing a positive and innovative role in the financial intermediation process and, most importantly, to offer the best banking services.

Vision

To be a successful indigenous and the preferred bank in Ghana offering the most remunerative banking services to the public.

Subsidiary Companies

Prudential Bank has three subsidiary companies – PBL Properties Limited, Prudential Securities Limited and Prudential Stockbrokers Limited.

PBL Properties Limited is engaged in the acquisition and development of banking premises for the Bank and also the management of ancillary staff and facilities.

Prudential Securities Limited is engaged in fund management, corporate finance and business advisory services.

Prudential Stockbrokers Limited is engaged in stockbrokerage, equity and economic research and advisory services.

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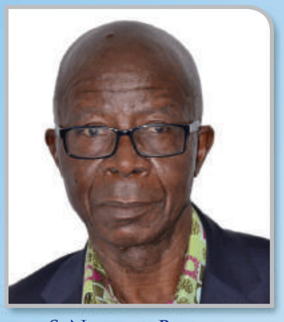
BOARD OF DIRECTORS

John S. Addo
Chairman

S. Sekyere-Abankwa
M. D.

Joana F. Dickson
Member



S. Nkansa-Boadi
Member

Nortey K. Omaboe
Member

Aretha Duku
Member

K. Agyei-Gyamfi
Member

K. Kwakye-Mintah
Member

Stephen A. Asare
Member

Fred Kwasi Boateng
Member

OSEI YAW OSAFO (BOARD SECRETARY)

AUDITORS:
Asamoa Bonsu & Co,
Chartered Accountants,
C758/3, near Gye Nyame Hotel, Asylum Down
P.O. Box AN-7751,
Accra

Tel.: 233-302-224783

POSTAL ADDRESS:
Private Mail Bag
General Post Office
Accra.

REGISTERED OFFICE:
No. 8 John Harmond Street
Ring Road Central
Accra, Ghana

Tel:	233-302-781200-5
Fax:	233-302-781210
TLX:	233-302-2954 PBL GH
	233-302-2087 PBL GH
Cable:	Prubank
Swiftcode:	PUBKGHAC
E-mail:	headoffice@prudentialbank.com.gh

Website: www.prudentialbank.com.gh

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Make the right CHOICE
... Bank with PRUDENTIAL BANK

- Non- Traditional Export Financing
- Working Capital Financing
- Structured Trade Financing
- International Trade Financing
- Construction Financing
- SME Financing

Call us:
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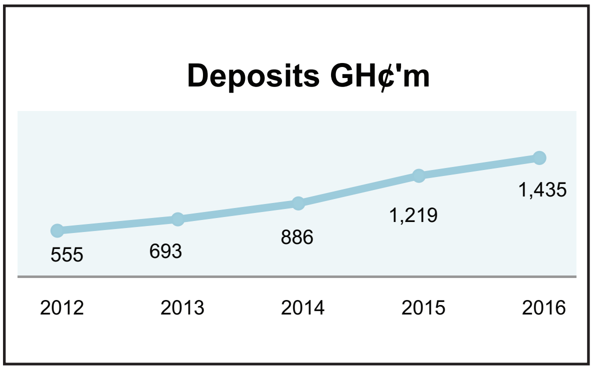
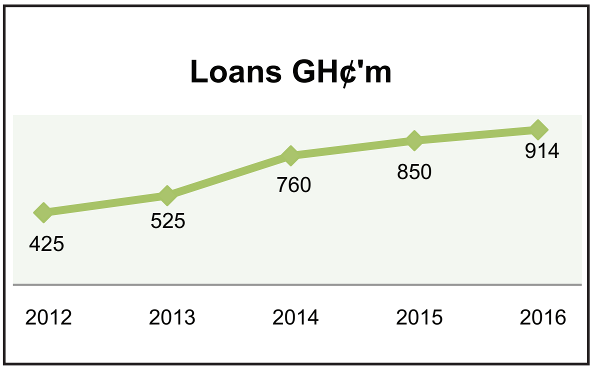
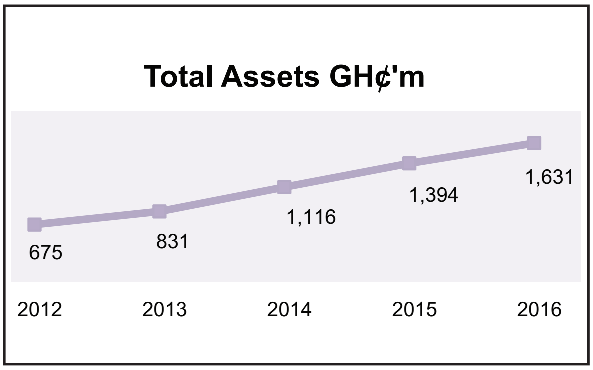
Fax : (+233-302) 781210

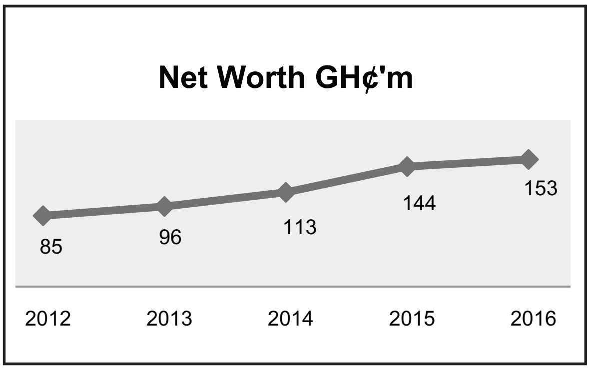
PRUDENTIAL BANK LTD.
... "Your Trusted and Dependable Partner"

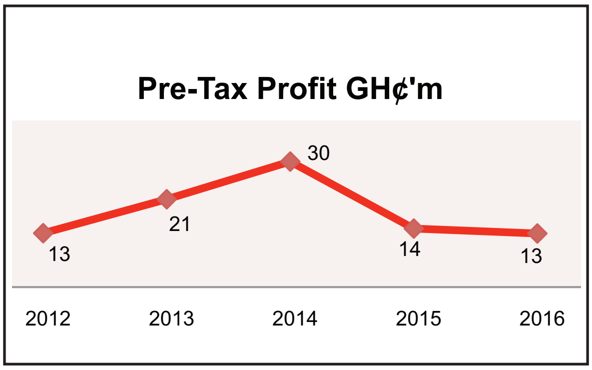
FINANCIAL HIGHLIGHTS

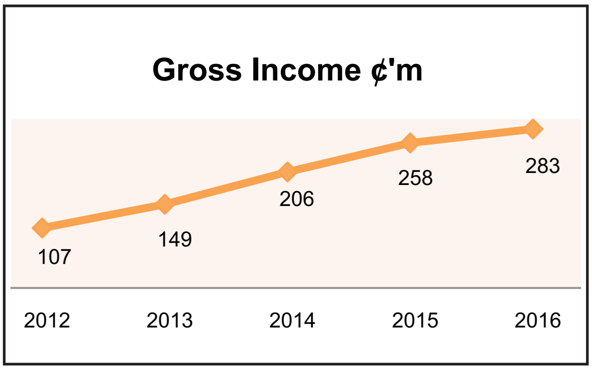


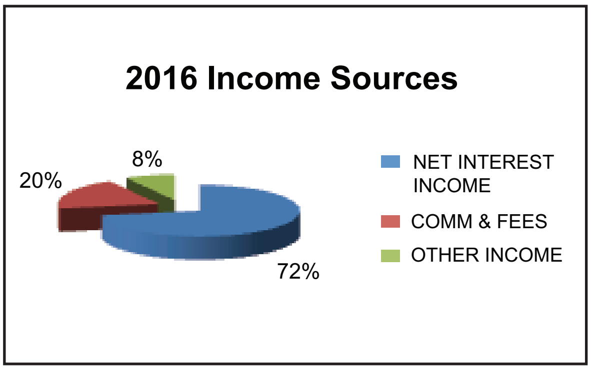


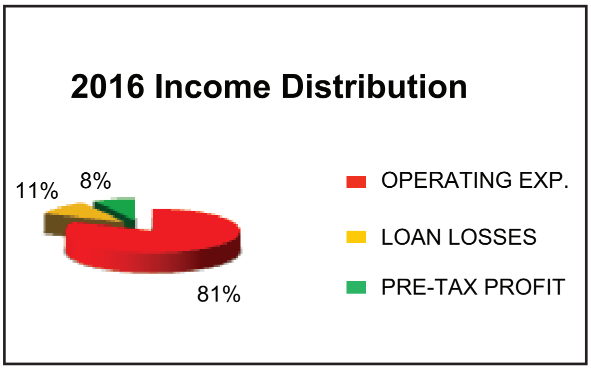






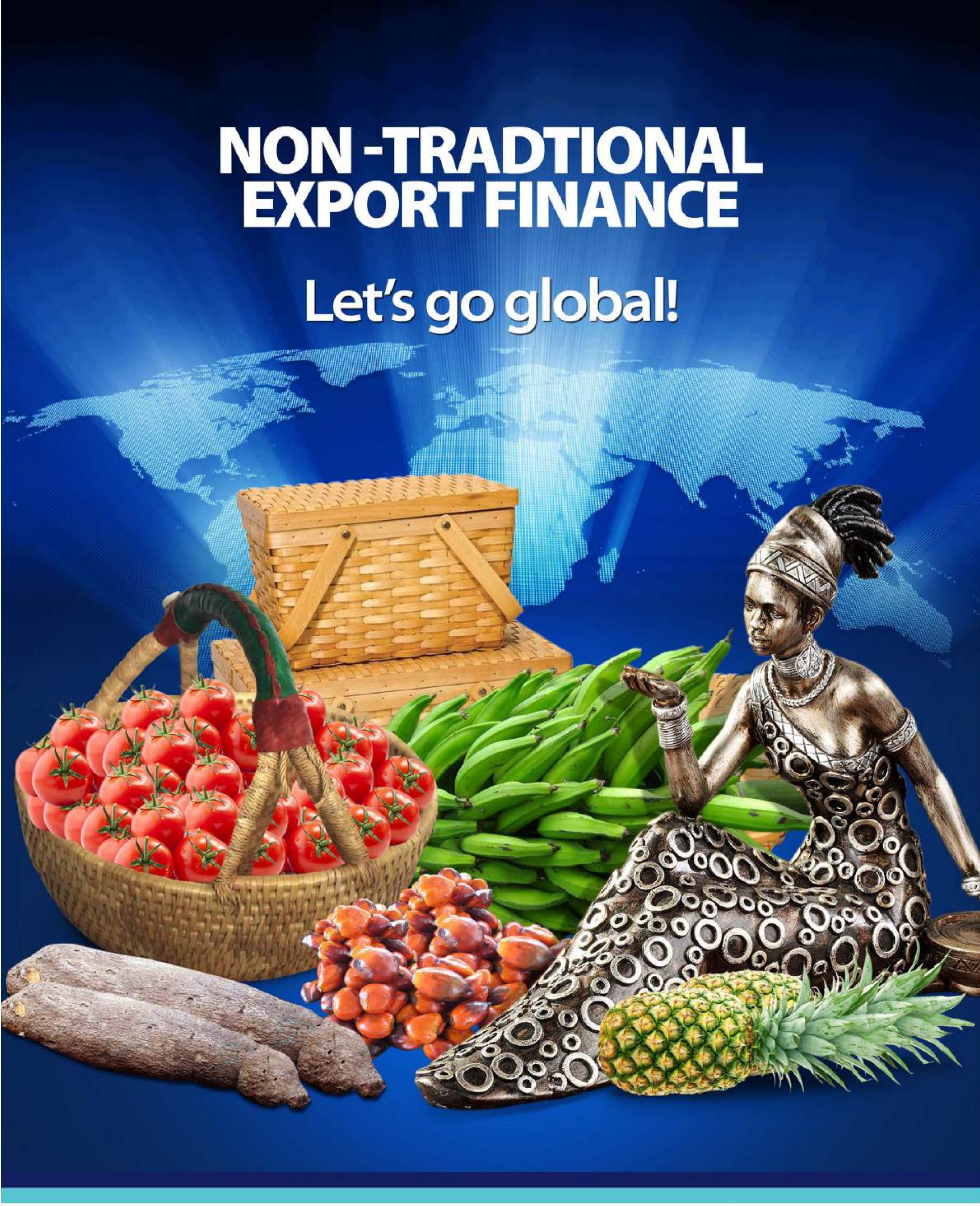






FIVE YEARS SUMMARY OF BANK'S PERFORMANCE 2012 - 2016

	2016 GH¢'000	2015 GH¢'000	2014 GH¢'000	2013 GH¢'000	2012 GH¢'000
STATEMENT OF COMPREHENSIVE INCOME					
Interest income	235,750	204,560	153,151	107,317	78,263
Interest expense	(118,462)	(102,297)	(69,732)	(43,242)	(35,466)
Net interest income	**117,288**	**102,263**	**83,419**	**64,076**	**42,797**
Net fee and commission income	32,497	35,204	30,316	22,286	19,464
Net trading and other operating income	13,131	17,139	22,958	19,226	8,919
Operating income	**162,916**	**154,606**	**136,693**	**105,588**	**71,180**
Net impairment loss on financial assets	(17,388)	(30,483)	(15,531)	(17,210)	(5,457)
Operating expenses	(132,648)	(110,063)	(91,004)	(67,273)	(52,775)
Profit before tax	**12,880**	**14,060**	**30,158**	**21,105**	**12,948**
Income tax expense	(4,249)	(4,261)	(10,770)	(6,993)	(3,332)
PROFIT FOR THE YEAR	**8,631**	**9,799**	**19,388**	**14,112**	**9,616**
Other comprehensive income (net of tax)	_	24,059	_	_	_
TOTAL COMPREHENSIVE INCOME	**8,631**	**33,858**	**19,388**	**14,112**	**9,616**
RETAINED EARNINGS					
Balance at 1st January	17,452	10,586	4,125	671	5,094
Profit for the year	8,631	9,799	19,388	14,112	9,616
	26,083	**20,385**	**23,513**	**14,783**	**14,710**
Transfer to Statutory Reserve Fund	(2,158)	(2,450)	(9,694)	(7,056)	(4,808)
Transfer to credit risk reserve	–	2,517	(838)	(593)	(231)
Dividend paid	–	(3,000)	(2,395)	(3,009)	–
Transfer to Stated Capital	–	–	–	–	(9,000)
Balance at 31st December	**23,925**	**17,452**	**10,586**	**4,125**	**671**
STATEMENT OF FINANCIAL POSITION					
Assets					
Cash and cash equivalents	230,130	224,985	155,026	112,927	105,355
Investment securities	359,788	203,680	134,983	141,116	104,804
Loans and advances to customers	913,471	849,648	760,450	525,485	425,207
Taxation	11,161	8,828	–	3,194	1,396
Equity investment	7,366	7,366	7,366	7,366	6,366
Intangible assets	5,781	9,019	11,635	3,045	2,113
Property, plant & equipment	92,688	83,207	38,957	32,064	24,899
Other assets	10,766	7,202	7,195	5,409	5,016
Total assets	**1,631,151**	**1,393,935**	**1,115,612**	**830,606**	**675,156**
LIABILITIES AND SHAREHOLDERS' FUNDS					
Liabilities					
Deposits from banks and other financial institutions	110,378	127,512	1,779	3,178	2,192
Deposits from customers	1,325,008	1,091,682	883,761	689,949	553,003
Taxation	2,231	1,975	1,430	–	–
Borrowings	9,796	1,752	97,500	19,889	13,019
Other liabilities	31,057	26,964	17,950	21,391	21,847
Total liabilities	**1,478,470**	**1,249,885**	**1,002,420**	**734,407**	**590,061**
Shareholders' Funds					
Stated Capital	62,453	62,453	62,453	62,453	62,453
Retained earnings	23,925	17,452	10,586	4,125	671
Statutory reserve	36,744	34,586	32,136	22,442	15,385
Credit risk reserve	–	–	2,517	1,679	1,086
Revaluation surplus	29,559	29,559	5,500	5,500	5,500
Total equity and reserves	**152,681**	**144,050**	**113,192**	**96,199**	**85,095**
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	**1,631,151**	**1,393,935**	**1,115,612**	**830,606**	**675,156**



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Website: www.prudentialbank.com.gh

CHAIRMAN'S STATEMENT

1.0 INTRODUCTION

Distinguished Shareholders, Directors, Ladies and Gentlemen, it is my pleasure to welcome you to the 20th Annual General Meeting of Prudential Bank Limited and to report on the financial position and performance of your Bank for the year ended 31st December 2016.

2.0 THE GLOBAL ECONOMIC ENVIRONMENT

The global economy in 2016 was affected by slower than expected growth in advanced economies, further decline in commodity prices and political uncertainties.

Economic growth for advanced economies in Year 2016 was subdued. This was partly attributed to low inflation, moderate investment and low productivity. According to the IMF's World Economic Outlook Update report of January 2017, growth for advanced economies reduced from 2.1% in 2015 to an estimated figure of 1.6% at the end of 2016.

The first quarter of 2016 saw a drastic decline in commodity prices followed by a moderate increase in prices in the following three quarters. However, the price increases that followed were not enough to compensate for the low prices experienced earlier. Average commodity prices in 2016 were therefore lower than prices that pertained in 2015 thereby impacting negatively on the terms of trade of commodity-exporting Emerging Market and Developing Economies (EMDEs). Economic growth for EMDEs for 2016 is, however, projected to remain at the 2015 level of 4.1% on the back of increased economic growth in the Middle East, North Africa and the Commonwealth of Independent States, excluding Russia.

The global economy was also affected by heightened uncertainty created by geopolitical events. Notable among such events were Britain voting in a referendum to exit the European Union in what became known as Brexit, policy uncertainty in the run up to the 2016 U.S. presidential election and the rise in terrorist attacks in Europe.

In sub-Saharan Africa, the lower commodity prices and a generally less supportive global economic environment led the IMF to project an economic growth of 1.6% in 2016, the lowest in more than 20 years, compared with a growth of 3.4% recorded in 2015.

According to the IMF's World Economic Outlook Update report of January 2017, overall global growth for 2016 is estimated at 3.1% compared to 3.2% recorded in 2015.

3.0 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2016

The economy of Ghana was described in the 2017 Budget Statement and Economic Policy of the Government of Ghana as 'challenged' due to considerable debt overhang, rising interest payments, excessive government expenditure, accumulated arrears, lower than expected revenue collection, and low economic growth estimated at 3.6% (the lowest growth rate achieved in recent years). The Monetary Policy Committee (MPC) of the Bank of Ghana in its January 2017 press release indicated that the low economic growth was on the back of tight monetary policy, oil production challenges at Ghana's Jubilee oilfield, and a lingering effect of power supply constraints.

The rate of inflation at the end of 2016 was 15.4% compared to 17.7% recorded at the end of 2015. According to the MPC, this was due to the tight monetary policy stance and relative stability of the exchange rate of the Cedi against the major trading currencies in 2016. The year end inflation target of 10.1% was, however, not achieved.

The Ghana Cedi was relatively stable against the major trading currencies during the year 2016. It recorded a cumulative depreciation of 9.6% against the US dollar from GH¢3.7950 at the end of 2015 to GH¢4.2002 at the end of 2016. Within the same period in 2015, the cedi depreciation against the U.S. dollar was 19%.

The overall fiscal deficit in 2016 is projected at 8.9% of GDP, which is above the budget of 5.25% and the 2015 figure of 7.3%. This has been attributed to poor revenue performance and large expenditure overruns.

3.1 Interest Rates

The Monetary Policy Rate (MPR), which had remained at 26% since November 2015 was reduced to 25.5% in November 2016. The rate remained at 25.5% until the end of 2016. According to the MPC, the reduction was necessitated by the downward trend of inflation.

On the money market, the weighted average inter-bank overnight interest rate which reflects the rate at which commercial banks borrow from and lend to each other was 25.26% at the end of December 2016, compared to 25.29% at the end of December 2015.

Interest rates on government securities remained stable for the greater part of 2016 but experienced a sharp decline in December 2016. The benchmark 91-day Treasury bill rate which had remained between 22.62% and 22.87% up to November 2016, declined to 16.81% at the end of December 2016. Similarly, the 182-day Treasury bill rate declined from 24.40% at the end of December 2015 to 17.64% at the end of December 2016. The rate on the medium term securities which had remained unchanged at 23.0% since March 2013 decreased marginally to 22.5 % at the end of December 2016.

The average lending rates of banks, however, increased from 27.5% at the end of December 2015 to 32.0% in November 2016 but declined to 31.2% at the end of December 2016 in line with the rate reductions experienced around the end of the year.

4.0 THE BANKING INDUSTRY

Distinguished Shareholders and Directors, the banking industry of Ghana continued to be competitive. The number of universal banks increased by four (4) from twenty-nine (29) in December 2015 to thirty-three (33) by the end of 2016. According to the Bank of Ghana, the number of bank branches at the end of December 2016 stood at 1,342 compared to 1,173 at the end of December 2015.

During the year 2016, the ratio of Non-Performing Loans (NPL) of the banking sector increased to 17.4% at the end of December 2016 from 14.7% at the end of December 2015 compared to 5.6% at the end of December 2014.

The financial position of the banking sector continued to remain sound and strong with total assets increasing by 27.6% from GH¢63.4 billion at the end of December 2015 to GH¢80.9 billion at the end of December 2016. According to Bank of Ghana, the increase in net assets was driven mainly by increases in the investment portfolio and foreign currency assets of banks. The report also indicated that growth in advances was modest for most part of 2016 although it picked up in the last quarter of the year, thus increasing by 18% compared to the previous year's increase of 25%. Net advances constituted 44% of the total assets in 2016 compared with 47% in 2015.

The Capital Adequacy Ratio for the banking industry reduced marginally from 17.8% at the end of December 2015 to 17.6% at the end of December 2016. It however remained well above the minimum regulatory requirement of 10%.

During the year 2016, two (2) new laws were passed; the Banks and Specialized Deposit Taking Institution Act 2016, (Act 930) and Deposit Protection Act, 2016 (Act 931). The former has replaced the existing banking acts. The new laws seek to enhance the supervisory, regulatory and resolution powers of the central bank.

5.0 PERFORMANCE OF PBL IN YEAR 2016

5.1 Branch and other Developments

Distinguished Shareholders and Directors, in furtherance of our objective of bringing banking services to the doorstep of our customers, your Bank opened three (3) new branches and upgraded the existing Valley View University Agency into a fully-fledged branch. The three (3) new branches are located at Santasi Roundabout in Kumasi; Taifa and University of Ghana Legon campus in Accra. Furthermore, the existing University of Cape Coast Branch was relocated to a more spacious building and the old building retained as an agency. Thus, your Bank at the end of December 2016 had forty (40) business locations comprising thirty-eight (38) branches and two (2) agencies in six (6) out of the ten (10) regions of Ghana.

In line with current trends in financial technology, your Bank launched a mobile banking service, which provides customers with the ease, speed and convenience of carrying out selected banking services on their mobile phones. Your Bank also upgraded and re-launched its students' account and introduced new accounts for university staff to coincide with the opening of the University of Ghana Branch.

5.2 Mobilization of Resources

5.2.1 Deposits

During the year under review, your Bank mobilized GH¢233 million in deposits to increase its deposit base from GH¢1,092 million at the end of 2015 to GH¢1,325 million at the end of 2016, an increase of 21.3%. A significant proportion of the deposits were mobilized from private entities and individuals.

5.2.2 Shareholders’ Funds

Shareholders’ funds increased by 6.3% from GH¢144 million at the end of December 2015 to GH¢153 million at the end of December 2016. The growth was due to profits earned and retained in the business.

5.3 Allocation of Resources

The Bank continued to make judicious use of resources by engaging in profitable activities that sought to optimize the risks and returns relationship associated with its asset allocation decisions whilst ensuring that day-to-day operational and regulatory liquidity requirements were met.

The total assets of your Bank grew by 17% from GH¢1.39 billion at the end of 2015 to GH¢1.63 billion at the end of 2016. The growth was funded by deposits, borrowings and shareholders’ funds.

5.3.1 Investments

The Bank’s portfolio of investment securities stood at GH¢360 million as at the end of Year 2016. This mainly comprised Government of Ghana and Bank of Ghana securities held for liquidity management.

5.3.2 Lending Operations

During the year 2016, the Bank grew its loans and advances portfolio by 7.4%. This increased the loans and advances portfolio by GH¢63 million from GH¢850 million at the end of Year 2015 to GH¢913 million at the end of Year 2016.

5.4 Results of Operations

Distinguished Shareholders and Directors, as already indicated, the high ratio of nonperforming loans continued to have a negative effect on the performance of banks in the industry. Consequently, your Bank’s pre-tax profit for the year 2016 was GH¢12.9 million after an impairment charge of GH¢17 million. The pre-tax profit of GH¢12.9 million was 14% lower than the previous year’s profit of GH¢14.1 million. The profit after tax for the year was GH¢8.6 million, giving a Return on Assets (ROA) of 0.6% and Return on Equity (ROE) of 4.9%.

Distinguished Shareholders and Directors, your Bank is obviously disappointed with the 2016 operating results due to its inability to improve upon the 2015 performance.

5.5 Dividend

Distinguished Ladies and Gentlemen, as a result of the drop in profit, the Directors were unable to recommend the payment of dividend to shareholders.

5.6 Corporate Social Responsibility

Your Bank continued to give back to society as part of its corporate social responsibility, which continues to be a key aspect of your Bank's core values. To this end, your Bank increased its support for education and other social needs from GH¢430,000 in Year 2015 to GH¢465,000 in Year 2016 in spite of the difficult operating environment. The institutions that received support from your Bank during the year included the following:

- University of Cape Coast;
- University for Development Studies;
- Valley View University;
- Pentecost University College;
- Ghana Association of Agricultural Students;
- Ghana Geographical Association;
- Ghana Armed Forces;
- Ghana Police Service;
- Ghana National Fire Service;
- West African Centre for Crop Improvement;
- Ghana Export Promotion Authority;
- The Asogli State.

5.7 Corporate Governance

Your Bank continued to commit itself to sound and effective corporate governance practices which ensured effective oversight and management of the Bank.

During the year under review, the Board and its Audit & Risk Management Sub-Committee continued to perform their supervisory obligations effectively. The two bodies held regular scheduled meetings to deliberate on key operational issues by reviewing quarterly performance reports, Internal Control, Risk Management, Compliance and Bank of Ghana reports to ensure effective control and direction of the Bank. The Board also regularly reviewed the Bank's risk exposure to inform its risk-related decisions. The Bank continued to comply with all relevant laws and regulations.

5.8 Banking Awards

Distinguished Ladies and Gentlemen, your Bank continued to receive accolades as a testament to its excellent customer services. At the 15th Ghana Banking Awards held in 2016, your Bank was crowned the Best Bank in Customer Care and the Second Runner Up in the Customer Advisory Services award category.

5.9 Update on Proposed Increase in Stated Capital

Distinguished Ladies and Gentlemen, as you are aware, your Bank requested shareholders to contribute additional capital of GH¢60.0 million in three installments to raise the stated capital to at least GH¢120 million by the end of 2017. The decision to increase the stated capital is in line with the Bank's business strategy and risk profile.

As at March 2017, a total amount of GH¢12.2 million has been received from shareholders. Members who have not paid up are being encouraged to expedite payment of their required contributions, failing which the Bank will have to open up the capital subscription to new shareholders in line with the capital plan.

Distinguished Shareholders, it is also worth noting that it is the intention of Bank of Ghana to increase the minimum stated capital requirement. Shareholders will be informed of subsequent developments in this regard.

6.0 OUTLOOK FOR THE FUTURE

6.1 The Global Economy

The IMF projects that manufacturing in the United States will pick up in 2017 and contribute to a modest growth projection of 2.2% in the U.S. economy compared to the estimated growth of 1.6% in 2016. This would contribute to a projected growth of 1.8% for advanced economies in 2017, up from the estimated 1.6% at the end of 2016.

Oil price is forecast to rise to US$55 per barrel in 2017 from US$43 per barrel in 2016 following agreements among some OPEC and non-OPEC producers to limit output in the first half of 2017. Similarly, the prices of metals and agricultural commodities are projected to rise in 2017 due to supply constraints. Based on these factors, the IMF projects that economic activities in advanced economies and Emerging Market and Developing Economies (EMDEs) will accelerate in 2017, leading to an increase in global growth to 3.4% in 2017, up from the 2016 estimated figure of 3.2%.

6.2 The Ghanaian Economy

The 2017 Budget Statement and Economic Policy of the Government of Ghana has outlined policies aimed at restoring fiscal discipline, debt sustainability, development of the private sector and growth of the economy.

GDP growth for 2017 is expected to be 6.3% whilst average inflation and end of year inflation rates are targeted at 12.4% and 11.2%, respectively.

In March 2017, the Bank of Ghana eased its monetary policy stance and reduced the MPR by 200 basis points to 23.5% to reflect the decline in inflation, which stood at 12.8% at the end of March 2017.

It is therefore expected that the business environment will be more conducive in 2017 and beyond.

6.3 The Banking Industry

Distinguished Ladies and Gentlemen, with the enactment of the Banks and Specialized Deposit Taking Institution Act 2016, (Act 930), the regulatory environment is expected to be further tightened to ensure that the operations of banks are sustained on a sound footing.

There is therefore the need for Banks to enhance their risk management mechanism and strategize to remain competitive.

6.4 Prudential Bank Limited

Distinguished Ladies and Gentlemen, the ongoing process of injecting additional capital is expected to be completed by the end of the year 2017.

Your Bank is re-organizing its operational structures to remain competitive and make its risk management even more robust. The Bank at the beginning of the year introduced strategies to mobilize low-cost deposit funds. The Bank will continue to intensify its debt recovery efforts to further reduce loan loss provisions and improve profitability.

7.0 ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all our customers whose continued patronage and loyalty have contributed to the success of the Bank. I also commend the management and staff of the Bank for their dedicated service and professionalism in the midst of the intense competition in our industry. Finally, I wish to thank you Shareholders and colleague members on the Board for your co-operation and invaluable contributions that have sustained the Bank in its endeavours over the past 20 years. Based on your mutual support and cooperation, we continue to look to the future with confidence.

Thank you,

JOHN SACKAH ADDO
CHAIRMAN

CORPORATE GOVERNANCE

The Bank recognizes sound and effective corporate governance practices as essential for the attainment of its business objectives and long-term success. The corporate governance system of the Bank comprises the Board of Directors, top management and internal control systems.

The Bank's governance framework seeks to promote checks and balances and also ensure that internal control systems are put in place to enable the Board of Directors and key management personnel adhere to corporate governance best practices.

Board of Directors

The Board has ten (10) directors comprising eight (8) non-executive directors, one of whom is the Board Chairman, and two (2) executive directors. The board members are collectively responsible for the overall supervision, direction and long term success of the Bank. The role of the Board is to provide leadership of the Bank within a framework of prudent and effective controls which enables risks to be assessed and managed.

In order to provide effective supervision, the Board has established two sub-committees with specific responsibilities. The sub- committees are: Audit & Risk Management Sub-Committee and Credit Sub-Committee.

The Audit & Risk Management Sub-Committee is responsible for reviewing the Bank's accounting policies, financial reports, compliance with regulatory and financial reporting requirements and the adequacy and scope of external and internal audit functions. The Committee reviews internal control, compliance and risk management reports and monitors compliance with approved risk appetite and tolerance levels.

The Credit Sub-Committee is responsible for approving credit facilities when such facilities are above the limit granted Executive Management. In addition, the Committee is responsible for reviewing all credit related policies of the Bank and also considers any other credit related matter referred to it by the full Board.

Management

To ensure balanced decision-making and active participation of key management staff in the administration of the Bank, the following committees have been established as part of the governance structure of the Bank:

- Executive Committee (Banking);
- Executive Committee (Credit);
- Asset and Liability Management Committee;
- Credit Facilities Review Committee;
- Treasury Committee;
- IT Steering Committee;

- Procurement Committee;
- Disciplinary Committee; and
- Business Strategy and Risk Management Committee.

The committees are created to identify, measure, and make recommendations on risks inherent in the operations of the Bank. They ensure that approved policies and procedures of the Board are implemented effectively. The committees meet regularly to take actions and decisions within their authority.

Code of Conduct

The Bank has in place policies which prescribe the code of conduct for all employees. The content of the Bank's personnel policies have been communicated to all employees to enable them discharge their functions professionally. The policies set out the rules regarding employees' general conduct, compliance with relevant laws, conflicts of interest, confidentiality and adherence to approved policies and procedures of the Bank.

Anti-Money Laundering (AML) Matters

Money laundering, the financing of terrorists and proliferation of weapons of mass destruction have devastating negative effects on the financial system and societies. It is therefore the policy of the Bank to take all reasonable and appropriate measures to prevent persons engaged in such crimes from using the Bank's products and services. The Bank is committed to ensuring compliance with both the spirit and letter of the Anti-Money Laundering (AML) laws and regulations in Ghana.

The Bank has in place AML compliance systems and controls to enable its employees detect and report money laundering activities. The elements of the Bank's AML Compliance System include:

a. Customer acceptance policy;

b. Customer identification procedures;

c. Transaction monitoring and reporting of suspicious transactions;

d. Record keeping requirements;

e. Staff training and education; and

f. Independent review of the AML procedures

Internal Control System

The Board of Directors is responsible for the system of internal controls that is designed to maintain effective and efficient operations, compliant with applicable laws and regulations. The system of internal controls is designed to manage or mitigate, risk to an acceptable residual level. The systems of internal control provide reasonable assurance against material misstatement, fraud and loss.

The effectiveness of the Bank's internal controls is reviewed regularly by the Audit & Risk Management Sub-Committee of the Board. Internal Control Division undertakes independent assurance activities and provides reports to the Board and executive management on the quality and effectiveness of governance, risk management and internal controls to manage and mitigate risks inherent in the Bank's activities.

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- Transfer money from your account to another account within PBL **– Account to Account**
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- Top up your airtime and also for friends or family on any network from your PBL account.
- Pay your utility and other bills to selected merchants eg. DStv, GOTV, etc.
- Track and monitor all transactions performed on mobiWise.

Terms and Conditions Apply

ENQUIRIES:
For further information, please contact any of the Bank's branches nationwide or contact our e-Banking Department on:

Tel: 0302-781166, 0204451667
Website: www.prudentialbank.com.gh, Email: ebanking@prudentialbank.com.gh

PRUDENTIAL BANK LTD.
...Your Trusted and Dependable Partner

FINANCIALS

This section contains the report of the Directors, report of the independent auditor and the financial statements with supporting notes

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to the Members their twentieth annual report together with the audited financial statements of the Bank and its subsidiaries for the year ended 31st December 2016 as follows:

a. Subsidiaries

The subsidiary companies of the Bank are incorporated in Ghana and wholly owned by the Bank. They are:

i. PBL Properties Limited: Generally engaged in the acquisition and development of banking premises;

ii. Prudential Securities Limited: Generally engaged in fund management, corporate finance, and business advisory services, and

iii. Prudential Stockbrokers Limited: Generally engaged in stockbrokerage, equity and economic research and advisory services.

b. Principal Activities

The principal activities carried out by the Bank during the year under review were within the limits permitted by its Regulations and its Banking Licence and also consistent with its strategic focus. There were no changes in the principal activities of the Bank during the year.

c. Results and Dividend

The results of operations for the year ended 31st December 2016 are set out in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the Notes to the Financial Statements from pages 37-97.

The Directors do not recommend the payment of any dividend in respect of the year ended 31st December 2016. Dividend per share of GH¢0.0098 amounting to GH¢3,000,000 was paid in 2015.

The Consolidated Statement of Financial Position and this Report have been signed by two directors indicating the Board's approval of the Consolidated Statement of Financial Position, Annexed Financial Statements and the Notes.

A summary of the results is as follows:

	2016		2015	
	Bank	Group	Bank	Group
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Net profit for the year was	8,631	10,700	9,799	10,655
To which was added the balance brought forward on surpluses at the beginning of the year	17,452	23,123	10,586	15,401
	26,083	33,823	20,385	26,056
From which the following transfers have been made				
Statutory Reserve	(2,158)	(2,158)	(2,450)	(2,450)
Credit Risk Reserve	_	_	2,517	2,517
Dividends paid	_	_	(3,000)	(3,000)
	(2,158)	(2,158)	(2,933)	(2,933)
Leaving a balance on Retained Earnings at end of the year of	**23,925**	**31,665**	**17,452**	**23,123**
TOTAL ASSETS	**1,631,151**	**1,694,790**	**1,393,935**	**1,455,407**

d. Directors' Assessment of the State of the Bank's and Group's Affairs

The Directors consider the Bank's and Group's state of affairs to be satisfactory. They have a reasonable expectation that the Bank and Group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing these financial statements.

BY ORDER OF THE BOARD

………………………………	………………………………
Director	**Director**
KWAKU AGYEI-GYAMFI	**STEPHEN ASARE**

15TH MARCH
……………………………… **2017**

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Companies Act, 1963, (Act 179) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and its subsidiaries and of their profit or loss for the year.

The Banking Act, 2004, (Act 673) as amended by The Banking (Amendment) Act 2007 (Act 738) requires every bank to prepare annually as at 31st December of each year financial statements and returns in accordance with that Act.

In preparing these financial statements, the Directors are required to:

a. Select accounting policies, which comply with the Companies Act 1963, (Act 179) and the Banking Act 2004, (Act 673) as amended and in accordance with International Financial Reporting Standards and to apply them consistently.

b. Make judgements and estimates that are reasonable and prudent.

c. Ensure applicable accounting standards have been followed and any material departures disclosed.

d. Ensure the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and ensuring that the Bank and its subsidiaries keep accounting records which disclose with reasonable accuracy the financial position of the Bank and its subsidiaries and which enable them to ensure that the financial statements comply with the Companies Act 1963, (Act 179) and the Banking Act 2004 (Act 673) as amended. They are also responsible for safeguarding the assets of the Bank and its subsidiaries and hence taking steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

The above statement, which should be read in conjunction with the report of the Auditors, is made with the view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to these financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PRUDENTIAL BANK LIMITED

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prudential Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31st December 2016, the consolidated statement of comprehensive income, consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying consolidated financial statements show a true and fair view of the consolidated financial position of the Group as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and 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 Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Directors for the Consolidated Financial Statements

As described on Page 26, the Bank's Directors are responsible for the preparation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) and the Banking Act, 2004, (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738) and the Companies Act, 1963, (Act 179). This responsibility includes designing, implementing, and maintaining internal control as Management determines is necessary and relevant to the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatements, whether due to fraud or error, and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the Consolidated Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Management and Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we report on the following:

We confirm that:

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

ii. In our opinion proper books of account have been kept by the Bank and its subsidiaries, so far as appears from our examination of those books, and

iii. The consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity of the Bank and its subsidiaries are in agreement with the books of account.

The Banking Act, 2004 (Act 673), as amended by the Banking (Amendment) Act, 2007 (Act 738), requires that we state certain matters in our report. We hereby certify that:

i. The financial statements give a true and fair view of the state of affairs as at 31st December 2016 of the Bank and its subsidiaries and the results for the year ended on that date.

ii. We obtained all the information and explanation required for the efficient performance of our audit.

iii. The transactions of the Bank and its subsidiaries are within their powers; and

iv. The Bank has generally complied with the provisions of the Banking Act, 2004 (Act 673) as amended by Banking (Amendment) Act, 2007 (Act 738).

....

Asamoa Bonsu & Co.
CHARTERED ACCOUNTANTS,
ICAG Licence Number ICAG/F/2017/155
C758/3, Asylum Down, near Gye Nyame Hotel
P.O. Box AN-7751, Accra

Signing Partner
Osei Yaw Asamoah
(ICAG/P/1192)

15TH MARCH **2017**

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PRUDENTIAL BANK LTD.

8 John Harmond Street, Ring Road Central,
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Tel: (+233 302) 781 200 - 2/6/7. Fax: (+233 302) 781 210
Website: www.prudentialbank.com.gh

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2016 Bank GH¢'000	2016 Group GH¢'000	2015 Bank GH¢'000	2015 Group GH¢'000
Statement of profit or loss for the year ended 31st December					
Interest income	7.1	235,750	236,721	204,560	204,560
Interest expense	7.2	(118,462)	(117,984)	(102,297)	(102,297)
Net interest income		117,288	118,737	102,263	102,263
Fee and commission income	8.1	33,952	33,952	36,343	36,343
Fee and commission expense	8.2	(1,455)	(1,455)	(1,139)	(1,123)
Net fee and commission income		32,497	32,497	35,204	35,220
Net trading income	9	12,967	12,970	17,034	17,040
Other operating income	10	164	1,529	105	1,238
		13,131	14,499	17,139	18,278
Total operating income		162,916	165,733	154,606	155,761
Net impairment loss on financial assets	17.3	(17,388)	(17,388)	(30,483)	(30,483)
Personnel expenses	11	(57,973)	(64,550)	(48,733)	(53,562)
Depreciation and amortisation	19, 20	(12,894)	(12,928)	(10,557)	(10,603)
Other expenses	12	(61,781)	(55,655)	(50,773)	(46,028)
		(150,036)	(150,521)	(140,546)	(140,676)
Profit before income tax		12,880	15,212	14,060	15,085
Income tax expense	13	(4,249)	(4,512)	(4,261)	(4,430)
Profit for the year		**8,631**	**10,700**	**9,799**	**10,655**
Other comprehensive income, net of income tax					
Items that will not be reclassified to profit or loss in subsequent periods:					
Revaluation surplus on property, plant & equipment		–	–	24,059	79,488
Total other comprehensive income (net of tax)		–	–	**24,059**	**79,488**
Total comprehensive income for the year		**8,631**	**10,700**	**33,858**	**90,143**
Basic earnings per share (GH¢ per share)	14	0.0281	0.0348	0.0319	0.0347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2016		2015	
	Note	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
ASSETS					
Cash and cash equivalents	15	230,130	231,523	224,985	225,043
Investment securities	16	359,788	364,014	203,680	206,928
Loans and advances to customers	17	913,471	913,471	849,648	849,650
Equity investments	18	7,366	232	7,366	227
Current tax asset	13	11,161	11,162	8,828	8,832
Intangible assets	20	5,781	5,839	9,019	9,079
Property, plant & equipment	19	92,688	157,523	83,207	148,052
Other assets	22	10,766	11,026	7,202	7,596
Total Assets		**1,631,151**	**1,694,790**	**1,393,935**	**1,455,407**
LIABILITIES					
Deposits from banks & other financial institutions	23	110,378	110,378	127,512	127,512
Deposits from customers	24	1,325,008	1,323,680	1,091,682	1,090,724
Deferred tax liabilities	21	2,231	2,240	1,975	1,984
Borrowings	25	9,796	9,796	1,752	1,752
Other liabilities	25	31,057	32,846	26,964	28,285
Total Liabilities		**1,478,470**	**1,478,940**	**1,249,885**	**1,250,257**
EQUITY					
Stated Capital	26	62,453	62,453	62,453	62,453
Retained earnings		23,925	31,665	17,452	23,123
Statutory reserve		36,744	36,744	34,586	34,586
Revaluation reserve		29,559	84,988	29,559	84,988
Total equity attributable to equity holders of the Bank		**152,681**	**215,850**	**144,050**	**205,150**
TOTAL LIABILITIES AND EQUITY		**1,631,151**	**1,694,790**	**1,393,935**	**1,455,407**

These Financial Statements and accompanying Notes were approved at the Board Meeting held on the date stated below.

BY ORDER OF THE BOARD

....)
)
)
) **DIRECTORS**
)
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ACCRA

15TH MARCH 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 Bank GH¢'000	2016 Group GH¢'000	2015 Bank GH¢'000	2015 Group GH¢'000
Cash flows from operating activities					
Profit before tax		12,880	15,212	14,060	15,085
Adjustments for:					
Depreciation and amortisation	19, 20	12,894	12,928	10,557	10,603
Impairment on financial assets	17.3	17,388	17,388	30,483	30,483
Impairment on financial assets-write-off	17	–	–	11	11
Profit/loss on disposal of fixed assets	19	11	11	(60)	(90)
Change in investments	16	(900)	(991)	31,738	32,558
Change in loans and advances to customers	17	(81,210)	(81,210)	(119,693)	(119,693)
Change in other assets	22	(3,565)	(3,431)	(7)	(372)
Change in deposits from banks	23	(17,134)	(17,135)	29,639	29,639
Change in deposits from customers	24	233,327	232,956	207,922	208,132
Change in other liabilities	25	4,093	4,562	9,014	10,166
Change in borrowings	25	8,044	8,044	347	347
Income tax paid	13	(6,326)	(6,586)	(12,542)	(12,662)
Net cash used in operating activities		**179,502**	**181,748**	**201,469**	**204,207**
Cash flows from investing activities					
Purchase of investment securities	18	–	8	–	5
Purchase of property, plant & equipment	19	(18,889)	(18,908)	(27,231)	(27,362)
Proceeds from the sale of property, plant & equipment	19	–	–	131	161
Purchase of intangible assets	20	(259)	(259)	(973)	(998)
Net cash used in investing activities		**(19,148)**	**(19,159)**	**(28,073)**	**(28,194)**
Cash flows from financing activities					
Dividends paid		–	–	(3,000)	(3,000)
Net cash from financing activities		–	–	**(3,000)**	**(3,000)**
Net increase/(decrease) in cash and cash equivalents		160,354	162,589	170,396	173,013
Cash and cash equivalents at 1st January		422,907	425,826	252,511	252,813
Cash and cash equivalents at 31st December		**583,261**	**588,415**	**422,907**	**425,826**
B.) Composition of cash and cash equivalents					
Cash in hand		40,805	42,067	36,226	36,226
Balances with Bank of Ghana		129,048	129,048	120,500	120,500
Balances with foreign banks		25,722	25,722	43,837	43,837
Items in the course of collection		18,378	18,378	12,871	12,929
Money at short notice		16,177	16,308	11,551	11,550
Government securities		301,474	305,235	148,928	151,790
Foreign time deposits		51,657	51,657	48,994	48,994
		583,261	**588,415**	**422,907**	**425,826**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – BANK

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Revaluation Surplus GH¢'000	Total Equity GH¢'000
Balance at 1st January 2016	**62,453**	**17,452**	**34,586**	**–**	**29,559**	**144,050**
Total comprehensive income, net of income tax						
Profit for the year	–	8,631	–	–	–	8,631
Other comprehensive income, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**8,631**	**–**	**–**	**–**	**8,631**
Transfers from retained earnings to reserves, and transaction with owners, recorded directly in equity						
Transfer to credit risk reserve	–	–	–	–	–	–
Transfer to statutory reserve	–	(2,158)	2,158	–	–	–
Dividend paid	–	–	–	–	–	–
Total transfers and transactions with owners	–	**(2,158)**	**2,158**	–	–	–
Balance at 31st December 2016	**62,453**	**23,925**	**36,744**	**–**	**29,559**	**152,681**
Comparative Figures – 2015						
Balance at 1st January 2015	**62,453**	**10,586**	**32,136**	**2,517**	**5,500**	**113,192**
Total comprehensive income, net of income tax						
Profit for the year	–	9,799	–	–	–	9,799
Other comprehensive income, net of tax						
Revaluation of property, plant & equipment	–	–	–	–	24,059	24,059
Total comprehensive income for the year	**–**	**9,799**	**–**	**–**	**24,059**	**33,858**
Transfers from retained earnings to reserves, and transaction with owners, recorded directly in equity						
Transfer to credit risk reserve	–	2,517	–	(2,517)	–	–
Transfer to statutory reserve	–	(2,450)	2,450	–	–	–
Dividend paid	–	(3,000)	–	–	–	(3,000)
Total transfers and transactions with owners	**–**	**(2,933)**	**2,450**	**(2,517)**	**–**	**(3,000)**
Balance at 31st December 2015	**62,453**	**17,452**	**34,586**	**–**	**29,559**	**144,050**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – GROUP

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Revaluation Surplus GH¢'000	Total Equity GH¢'000
Balance at 1st January 2016	**62,453**	**23,123**	**34,586**	**–**	**84,988**	**205,150**
Total comprehensive income, net of income tax						
Profit for the year	–	10,700	–	–	–	10,700
Other comprehensive income, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**10,700**	**–**	**–**	**–**	**10,700**
Transfers from retained earnings to reserves, and transaction with owners, recorded directly in equity						
Transfer to credit risk reserve	–	–	–	–	–	–
Transfer to statutory reserve	–	(2,158)	2,158	–	–	–
Dividend paid	–	–	–	–	–	–
Total transfers and transactions with owners	–	**(2,158)**	**2,158**	–	–	–
Balance at 31st December 2016	**62,453**	**31,665**	**36,744**	**–**	**84,988**	**215,850**
Comparative Figures – 2015						
Balance at 1st January 2015	**62,453**	**15,401**	**32,136**	**2,517**	**5,500**	**118,007**
Total comprehensive income, net of income tax						
Profit for the year	–	10,655	–	–	–	10,655
Other comprehensive income, net of tax						
Revaluation of property, plant & equipment	–	–	–	–	79,488	79,488
Total comprehensive income for the year	**–**	**10,655**	**–**	**–**	**79,488**	**90,143**
Transfers from retained earnings to reserves, and transaction with owners, recorded directly in equity						
Transfer to credit risk reserve	–	2,517	–	(2,517)	–	–
Transfer to statutory reserve	–	(2,450)	2,450	–	–	–
Dividend paid	–	(3,000)	–	–	–	(3,000)
Total transfers and transactions with owners	**–**	**(2,933)**	**2,450**	**(2,517)**	**–**	**(3,000)**
Balance at 31st December 2015	**62,453**	**23,123**	**34,586**	**–**	**84,988**	**205,150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016

1. REPORTING ENTITY

The “Bank” is a company domiciled in Ghana. The address of the Bank’s registered office is No. 8, John Harmond Street, Ring Road Central, Accra. The consolidated financial statements of the Group as at end of the year ended 31st December 2016 comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group primarily is involved in corporate and retail banking.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

These consolidated financial statements were approved by the Board of Directors on 15th March 2017.

2.2 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Available-for-sale financial assets are measured at fair value.
- Property, plant & equipment are re-valued to reflect the fair value option.

2.3 Reclassification

The comparative figures for 2015 have been reclassified to fall in line with the new *Guide for Financial Publication for Banks & BOG Licensed Financial Institutions, BSD/2016.*

2.4 Functional and Presentation Currency

The financial statements are presented in Ghana Cedi (GH¢), which is the functional and presentation currency of the Group. The amounts or values in these financial statements have been rounded to the nearest thousand Ghana Cedi (GH¢’000), except when otherwise indicated.

2.5 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank and its subsidiaries and which have been applied consistently in preparing these consolidated financial statements are stated below:

3.1 Consolidation

3.1.1 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.

3.1.2 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.

3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date (closing rate). The foreign currency gain or loss on monetary items is the difference between amortised cost at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in Other Comprehensive Income (OCI).

3.3 Interest

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the entity and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement. Interest income and expense are, however, generally recognised in the statement of comprehensive income on straight-line basis using the effective interest method. The Effective Interest Rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

The calculation of the EIR includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income and expense presented in the Statement of Comprehensive Income include:

- Interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.
- Interest on available-for-sale investment securities on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3.4 Fees and Commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

3.5 Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interests, dividends and foreign exchange differences.

3.6 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Profit or Loss/Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.7 Financial Assets and Liabilities

3.7.1 Recognition

The Group initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and financial liabilities (including financial assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.7.2 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

3.7.3 Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.7.4 Amortised Cost Measurement

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

3.7.5 Fair Value Measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The fair value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

3.7.6 Identification and Measurement of Impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognized through OCI.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.7.7 Designation at Fair Value through Profit or Loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

3.8 Cash and Cash Equivalents

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

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cashflow characteristics of the asset.

3.9 Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

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

3.10 Loans and Advances

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

When the Group purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the financial asset is accounted for as a loan, and the underlying asset is not recognised in the Group’s financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Group chooses to carry the loans and advances at fair value through profit or loss.

3.11 Investment Securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

3.11.1 Held-to-Maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

It must be noted that IFRS 9 only considers fair value and amortised cost based on the business models for managing the financial asset and the contractual cash flow characteristics of the financial asset. Thus all held-to-maturity assets are classified as amortised cost.

3.11.2 Fair Value through Profit or Loss

The Group carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss.

3.11.3 Available-for-Sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is transferred to profit or loss.

3.12 Sale and Repurchase Agreements

Securities sold under sale and repurchase agreements (repos) are retained in the financial statements with the counterparty liability included in amounts due to banking institutions. Securities purchased from the central bank (Bank of Ghana) under agreement to resell (reverse repos), are disclosed as Treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

3.13 Property, Plant & Equipment

3.13.1 Recognition and Measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant or equipment.

3.13.2 Subsequent Costs

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

3.13.3 Revaluation Model

After recognition of an asset, an item of property, plant & equipment whose fair value can be measured reliably shall be carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Revaluation model is used for only property and surpluses on such revaluations are restricted to Tier 2 Capital with respect to Capital Adequacy Ratio computation.

3.13.4 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant & equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

•	Computer hardware	25.0%
•	Furniture and fittings	20.0%
•	Motor vehicle	20.0%
•	Office equipment	12.5%
•	Plant & machinery	12.5%
•	Branch development	12.5%
•	Buildings	3.0%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

3.14 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both. Other investment property has been acquired through the enforcement of security over loans and advances. Investment property is measured at fair value with any change therein recognised in profit or loss in “other operating income”.

3.15 Intangible Assets

An intangible asset is generally considered as an identifiable non-monetary asset without physical substance. It is recognised when future economic benefits will flow to the Group and it can be reliably measured. The useful life may be finite or indefinite depending on the nature and legal framework underpinning the transaction. Impairment assessment is made of all indefinite intangible assets at each reporting date and the appropriate adjustments made.

3.15.1 Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over their useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is four to five years.

3.16 Impairment of Non-Financial Assets

The carrying amounts of the Group’s non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

3.17 Borrowings (Liabilities to Banks and Customers)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method, any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings and other forms of financial liabilities are de-recognised from the books only when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

3.18 Provisions

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

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

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

3.19 Employee Benefits

3.19.1 Short-term Benefits

Short-term employee benefits are amounts payable to employees that fall due wholly within 12 months after the end of the year in which the employee renders the related service. The cost of short-term employee benefits is recognised as an expense in the year when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting year are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund or a reduction in future cash payment.

Wages and salaries payable to employees are recognised as an expense in the income statement at gross amount. The Group's contribution to social security fund is also charged as an expense.

3.19.2 Defined Benefit Pension Scheme

Under a national defined benefit pension scheme, the Group contributes amounts equivalent to 13% of employees' basic salary to Social Security and National Insurance Trust (SSNIT) for employee pensions. The Group's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

3.19.3 Provident Fund

The Group has a Provident Fund scheme for all permanent employees. Employees contribute 5% of their basic salary to the Fund with the Group also contributing amounts equivalent to 5% of the employee's basic salary. The Group's obligation under the Fund is limited to the relevant contribution which is invested at interest rates agreed by the trustees of the scheme and the Group.

3.20 Share Capital and Reserves

3.20.1 Perpetual Bonds/Irredeemable Preference Shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Bank's perpetual bonds are not redeemable by holders, and bear an entitlement to distributions that is non-cumulative and at the discretion of the directors. Accordingly, they are presented as a component of issued capital within equity. Where the perpetual bonds or preference shares are irredeemable but cumulative in terms of dividend then the unpaid portion of the dividend is obligatory and is treated as a liability whilst the principal is classified as equity.

3.20.2 Share Issue Costs

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

3.20.3 Earnings per Share

The Bank presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.20.4 Dividends

Dividends are recognised as a liability in the year in which they are declared.

3.21 Acceptances, Letters of Credit, Financial Guarantees and Commitments

Acceptances, letters of credit, financial guarantees and commitments are considered contingent liabilities and are disclosed unless the possibility of an outflow of resources involving economic benefits is remote.

3.22 Events after the Reporting Date

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

3.23 Standards and Interpretations Issued but not yet Effective

As at the date of the issuance of the financial statements, the following standards and interpretations have been issued but not yet effective. Consequently, the Bank has not adopted them. The Bank intends to adopt them, where applicable, when they become effective.

3.23.1 IFRS 9 *Financial Instruments*

IFRS 9 was issued by the International Accounting Standards Board (IASB) in July 2014 to replace the existing guidance in IAS 39 *Financial instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

<u>Possible Impact on Consolidated Financial Statement</u>

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result to an increase in overall level of impairment allowances.

3.23.2 IFRS 15 *Revenue from Contract with Customers*

IFRS 15 was issued by the IASB in May 2014 and is effective for periods beginning on or after 1st January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. However, interest and fee income integral to financial instruments and leases fall outside the scope of IFRS 15 and will continue to be regulated by the other applicable standards such as IFRS 9, and IFRS 16 *Leases* (see below).

Possible Impact on Consolidated Financial Statement

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

3.23.3 IFRS 16 *Leases*

The IASB in January 2016 issued IFRS 16 *Leases* as the new standard for accounting for leases. This will replace IAS 17 *Leases* effective annual periods beginning on or after 1st January 2019. Early adoption is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

The new standard does not significantly change the accounting for leases for lessors. However, it requires lessees to recognise most leases on their statement of financial position as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to the current finance lease accounting methods, with interest and depreciation expense recognized separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

Possible Impact on Consolidated Financial Statement

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

3.23.4 Amendments to IAS 7 *Statement of Cash Flows*

The IASB in January 2016 issued amendments to IAS 7 *Statement of Cash Flows*, which becomes effective from 1st January 2017. The amendments seek to improve disclosures of financing activities so that users of the financial statements will have a better understanding of the liquidity positions of the reporting entities. Under the new requirements, entities will need to disclose changes in their financial liabilities arising from financing activities such as changes from cash flows and non-cash items such as gains and losses arising from movement of foreign currency.

Possible Impact on Consolidated Financial Statement

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments of IAS 7.

3.23.5 Other Standards

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Clarification of accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes (amendments to IAS 12 *Income Taxes* issued in January 2016 and effective from 1st January 2017).
- *Foreign Currency Transactions and Advance Consideration* (IFRIC 22 – issued in December 2016 and effective from annual periods beginning on or after 1st January 2018)
- Defined benefits plans: employee contributions (amendments to IAS 19)
- Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28).

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction and Overview

Risk management is fundamental to the long term profitability and survival of the Group. The Group manages risk through a continuous process of identifying, measuring and controlling risks inherent in its operations.

4.1.1 Categories of Risk

Risk is inherent in every material business activity of the Group. The nature of the Group's operations exposes it to the following financial risks:

- Liquidity risk
- Credit risk
- Market risk
- Operational risk

To ensure that the Group takes only measured risks, the Group has integrated effective risk management in its daily business activities, processes and procedures.

4.2 Risk Management Framework

The Group has established a comprehensive risk management framework for managing the risks inherent in its operations at all times and at all levels throughout the Group. The risk management framework ensures the identification, measurement and control of the risks at all levels in Group with a view to safeguarding its integrity, reputation and financial strength. The risk management framework also contains details of the Group's risk governance structure.

The Group maintains a risk governance structure geared towards strengthening risk identification, measurement, management and control whilst positioning the Group to manage the changing regulatory environment in an efficient and effective manner. The risk governance structure ensures oversight of and accountability for the effective management of risks inherent in the Group's operations.

The Group uses the Three Lines of Defence Model for managing risks. The model ensures that risk management is performed at all levels of the Group's operations. This approach provides a clear allocation of responsibilities for the ownership and management of risks as follows:

4.2.1 First Line of Defence

In the first line of defence, heads of divisions, departments and branch managers are primarily responsible for managing risks inherent in their business units. These departments and branches continuously assess and evaluate risks associated with their day-to-day operations. The process ensures strict adherence to the Group's operational policies, procedures and controls.

4.2.2 Second Line of Defence

The second line of defence consists of dedicated risk management committees well structured to assist the first line of defence in the implementation of risk management procedures approved by the Board.

4.2.3 Third Line of Defence

The third line of defence consists of the Internal Control Division comprising Branch Inspection, Systems Audit and Internal Audit as well as the Compliance and Risk Management Departments. These departments provide an independent assessment and validation of the adequacy and effectiveness of the overall risk management function and governance structures of the Group and report independently to the Board.

The risk governance system of the Group is therefore multi-faceted, involving the Board of Directors and management level committees. At the highest level, the Board of Directors, supported by the Audit & Risk Management Sub-Committee of the Board determines the risk strategy, policy, limits and appetite for the Group. The Board regularly reviews the Group's risk exposure to enable it take appropriate risk related decisions.

The Risk Management Department assists management in the formulation of the overall policies including various risk management strategies and control. The Department also provides a review of the overall risk profile from time to time. The head of the Risk Management Department is responsible for coordinating the risk management issues emanating from the various committees, divisions and departments of the Group and is primarily responsible for ensuring that the Group's risk profile is consistent with its financial resources and the risk appetite defined by the Board.

4.3 Credit Risk

Credit risk refers to the risk that a borrower defaults in repaying a credit facility either in full or in part or that counterparty fails to meet its contractual obligation to financial instrument thereby resulting in financial loss to the Group.

The principal sources of credit risk inherent in the Group's operations arise from loans and advances to customers as well as off-balance sheet transactions such as guarantees, undertakings and letters of credit.

The Group manages credit risk through well structured systems and controls which ensure that relevant committees meet to take appropriate decisions on credit applications and reports in order to control credit risk at various stages of the credit delivery process. The Group pursues a prudent policy for granting credit facilities to customers.

The Group also applies the Know Your Customer (KYC) principle when granting credit facilities to customers. In other words, credit facilities are granted to businesses whose management, integrity and expertise are known and considered to be acceptable by the Group. In addition, the Group adequately assesses the financial performance of the businesses of borrowers before granting credit facilities to such businesses.

Credit facilities granted to customers, both corporate and retail, are closely monitored on a regular basis to uncover early warning signals of non-performance for the necessary remedial measures to be taken.

Early risk detection is a tenet of the Group's credit culture and is intended to ensure that greater attention is paid to credit exposures in order to effectively manage such exposures and maximize loan recovery.

The Group requires appropriate collateral to secure credit facilities granted to borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. Collaterals held as security against credit risk consist mainly of mortgages over landed property as well as cash and government securities. While collateral can be an alternative source of repayment, it does not mitigate or compensate for a borrower's questionable reputation.

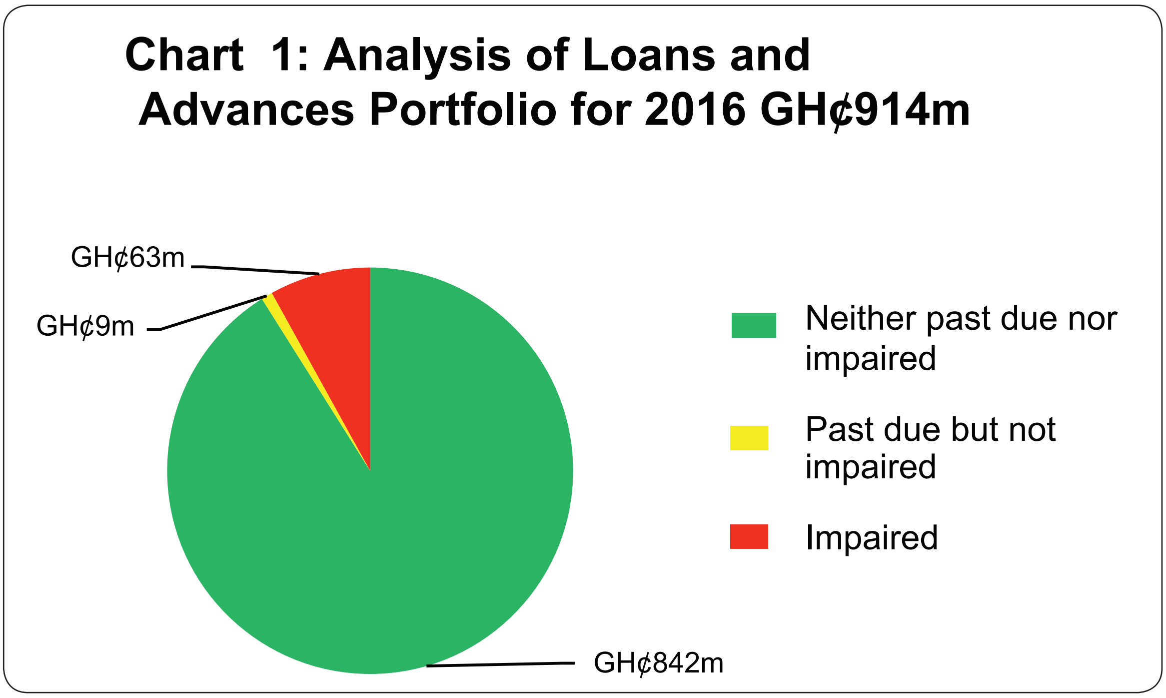
The Group has adopted the following internal credit grading system in classifying its credit portfolio:

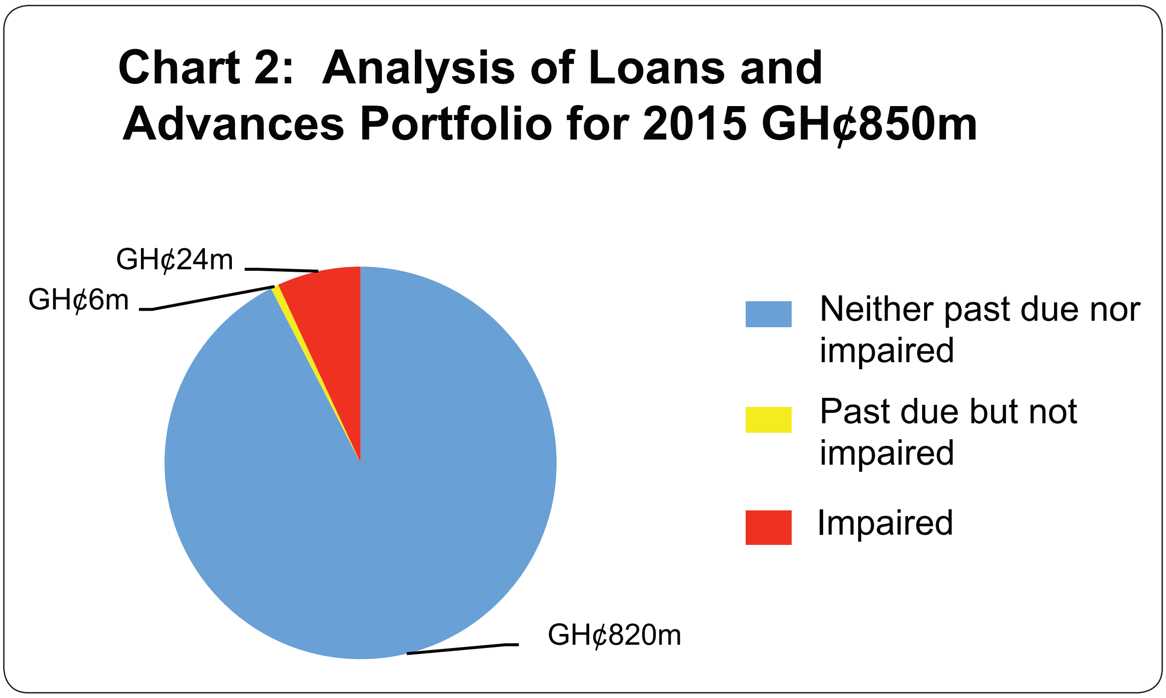
Grade	Description	Days Overdue
1	Current	Less than 30 days
2	OLEM	30 to 90 days
3	Substandard	91 to180 days
4	Doubtful	181 to 365 days
5	Loss	More than 365 days

4.3.1 Exposure to Credit Risk

	Loans and Advances to Customers	
	2016	2015
	GH¢'000	GH¢'000
Individually Impaired		
Grade 3	64,364	34,694
Grade 4	45,547	29,906
Grade 5	22,738	13,794
Gross Amount	132,649	78,394
Allowance for Impairment	(69,980)	(53,905)
Carrying Amount	62,669	24,489
Collectively Impaired		
Grade 1	852,321	819,275
Grade 2	–	9,340
Gross amount	852,321	828,615
Allowance for Impairment	(10,439)	(9,127)
Carrying amount	841,882	819,488
Past Due but Not Impaired		
Grade 3	2,370	1
Grade 4	6,350	5,625
Grade 5	200	46
Carrying amount	8,920	5,672
Total Carrying Amount	**913,471**	**849,649**
Past due comprises:		
Grade 3	35,674	15,822
Grade 4	28,986	13,284
Grade 5	6,929	1,131
Carrying amount	71,589	30,237
Neither past due nor impaired comprises:		
Grade 1	841,882	810,242
Grade 2	–	9,170
Carrying amount	841,882	819,412
Total Carrying Amount	**913,471**	**849,649**

The net loans and advances portfolio for years 2016 and 2015 is further analyzed in terms of quality as shown on charts 1 and 2.





<u>Impaired Loans and Advances</u>

Impaired loans and advances are loans and advances for which the Group has recognized that principal and/or interest are not collectible in accordance with the credit agreement.

Past due but not Impaired Loans

These are loans and advances where agreed scheduled payments are past due but the discounted cash flow of the value of the collateral is estimated to be more than the carrying amount of the facility.

Allowances for Impairment

The Group estimates the incurred losses in its loans/ advances portfolio as at the end of the year and provides an impairment allowance against it. The components of the impairment allowance are the specific impairments for individually assessed borrowers and collective impairments based on the loans/advances segments.

4.3.2 Write-off Policy

The Group writes off loans and advances when the Bank's Credit Facilities Review Committee assesses a loan/an advance or a portion thereof to be unrecoverable. All write offs are done in accordance with laid down policies and procedures, including approval from Bank of Ghana.

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

	Loans and Advances to Customers	
	Gross GH¢'000	**Net GH¢'000**
31-Dec-16		
Grade 3	64,364	33,304
Grade 4	45,547	22,636
Grade 5	22,738	6,729
Total	132,649	62,669
31-Dec-15		
Grade 3	34,694	15,745
Grade 4	29,906	7,659
Grade 5	13,794	1,085
Total	78,394	24,489

4.3.3 Collaterals for Credit Facilities

The Group holds collaterals against loans and advances to customers in the form of mortgage interests over landed property, assignments over equipments and stocks, guarantees, and assignments over cash and near cash assets.

Fair values of collaterals are based on valuations of collaterals by a qualified valuer at the time of granting the credit facility. The collateral values are updated periodically to reflect the current condition and market value of the collateral.

The fair value of collateral and other securities held against loans and advances is shown below:

	Loans and Advances to Customers	
	2016	2015
	GH¢'000	GH¢'000
Against individually impaired		
Property	59,091	30,313
Against Past Due But Not Impaired		
Property	29,270	19,407
Against Neither Past Due Nor Impaired		
Property	962,993	950,792
Other (Cash Securities)	44,099	50,233
Total	1,095,453	1,050,745

4.3.4 Investments

The Group's investments consist mainly of Government of Ghana and Bank of Ghana securities which were neither past due nor impaired at the end of the year.

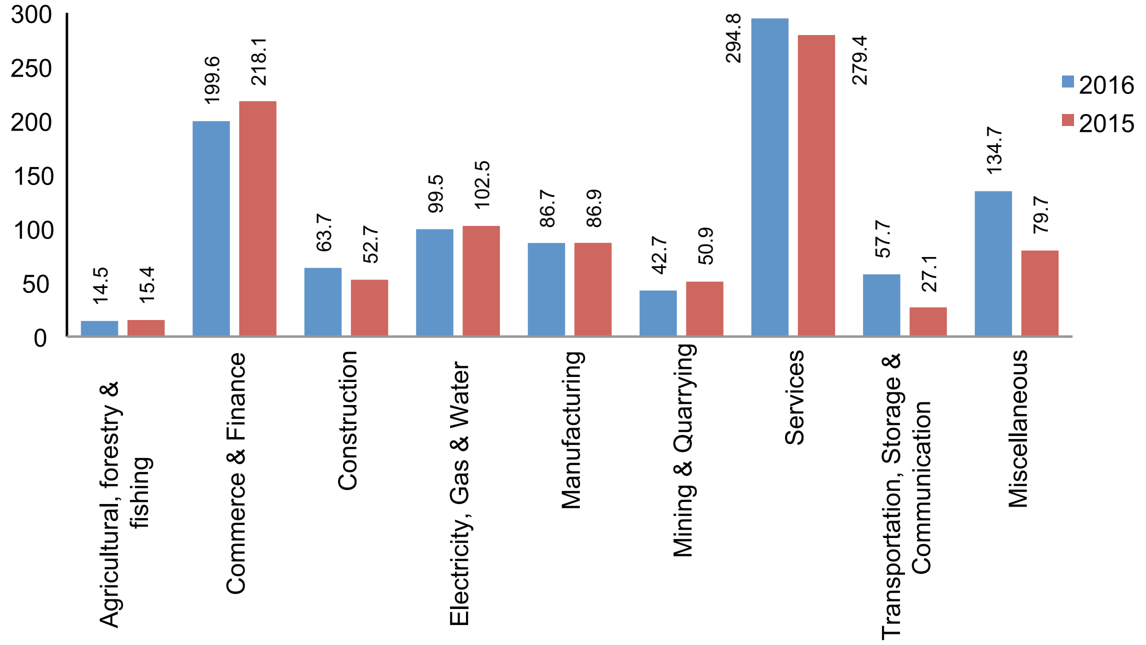
4.3.5 Repossessed Assets

During the year, the Group did not repossess any asset (2015: Nil)

4.3.6 Credit Concentration Risk

The Group monitors credit concentration risks by sector. The analysis of credit risk concentration as at 31st December 2016 is shown in Chart 3.

Chart 3: Concentration of Loans and Advances by Sector (GH¢'m)



4.4 Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from either its inability to meet its maturing obligations as they fall due or to fund increases in assets without incurring unacceptable costs.

Liquidity risk could occur if customers suddenly withdraw more funds than expected which cannot be met from the Bank's available cash resources, from selling or pledging assets, or by borrowing funds from third parties. Liquidity risk could also occur if the Bank is unable to meet the primary reserve required by Bank of Ghana or meet committed loan disbursements.

4.4.1 Management of Liquidity Risk

Management of liquidity risk enables the Bank to minimise the mismatch in the timing of cash flows relating to its assets and liabilities and also ensures that it regularly maintains the cash reserve requirement of Bank of Ghana.

The Bank's liquidity risk management aims at maintaining sufficient liquidity to ensure safe and sound banking operations and also meet its maturing obligations when due, under both normal and stressed conditions.

The Bank considers liquidity risk from three different perspectives namely structural, tactical and contingency liquidity risks.

i. Structural Liquidity Risk

Structural Liquidity Risk arises from a mismatch of the maturities of the Bank's assets and liabilities which could lead to a liquidity crisis. Structural Liquidity Risk is controlled by managing the structure of assets and liabilities in the statement of financial position on a going concern basis. This is aimed at achieving a sound liquidity profile through the following:

- Maintenance of a well diversified funding mix of customer deposits and borrowings (both secured and unsecured) through a bank-wide coordinated funding strategy. The funding mix is diversified both in terms of sources and maturities to have an inbuilt high level of stability. The Bank funds a substantial portion of its lending activities through customer deposits, which stood at GH¢1,325 million and GH¢1,092 million at 31st December 2016 and 2015, respectively.
- Holding a broad portfolio of high grade securities in the form of defensive investments that can be used to obtain secured funding from the money market. These investments are mainly held in Government of Ghana securities with structured maturities. The Bank had unencumbered defensive investments of GH¢286.6 million at the end of December 2016;
- Managing any structural liquidity gap that may occur using the defensive investments and/or through the introduction of medium term funds – fixed deposits and borrowings, to rectify any such anomaly.

ii. Tactical Liquidity Risk

Tactical Liquidity Risk arises from the shortage of short-term cash to meet customers' withdrawals or maturing obligations. It gives rise to the need for day-to-day liquidity management. The Treasury Department is responsible for managing the day-to-day liquidity needs of the Bank while branch managers are responsible for managing daily liquidity at branch level to ensure that customer withdrawal needs are always met.

The Treasury Department determines and monitors the daily liquidity position by preparing daily liquidity reports which summarise the daily cash inflows and outflows and reserve requirements. Any required borrowings or placements are actioned by the Treasury Department within the framework of the treasury policy guidelines. The daily report is subsequently submitted to management for approval. The Treasury Department also monitors compliance with regulatory limits on a daily basis.

A branch's daily cash holding depends on projected cash withdrawals and deposits based on past experience. In locations where there is more than one branch of the Bank, the other branch/branches serve as a source of cash replenishment for a cash deficit branch.

iii. Contingency Liquidity Risk

Contingency Liquidity Risk relates to planning for liquidity management under stress conditions. It is the Bank's policy to have adequate and up to date contingency funding plans to enable the Bank to respond effectively to liquidity stress events at various levels of severity. These policies are based on stress scenarios and include potential funding strategies and sources. Executive Management, with the assistance of the Treasurer, is responsible for the activation of the Bank's Liquidity Risk Contingency Plan.

The Treasury Committee meets regularly to review the liquidity position of the Bank in line with the treasury and investment policy of the Bank. The Bank maintained a healthy liquidity position throughout 2016.

4.4.2 Exposure to Liquidity Risk

The Bank's exposure to liquidity risk is measured by:

- Liquidity Gap Analysis; and
- Ratio of net liquid assets to deposits.

The Bank's exposure to liquidity risk as measured by the Liquidity Gap Analysis is summarized in the table below:

	Total GH¢'000	Less than 1 month GH¢'000	3 to 6 months GH¢'000	6 to 12 months GH¢'000	6 to 12 months GH¢'000	Morethan 1 year GH¢'000
31-Dec-16						
ASSETS						
Cash and cash equivalents	230,130	215,130	15,000	–	–	–
Investments	367,154	313,176	19,677	24,464	2,385	7,452
Loans and advances to customers	913,471	86,126	176,237	138,742	164,452	347,914
Property, plant & equipment	92,688	1	–	–	–	92,687
Other assets	27,708	–	–	–	–	27,708
Total Assets	1,631,151	614,433	210,914	163,206	166,837	475,761
LIABILITIES						
Deposit from customers	1,325,008	309,979	293,351	86,839	117,678	517,161
Deposit from banks & other financial institutions	110,378	91,566	5,000	13,812	–	–
Borrowings	9,796	–	–	9,435	102	259
Other liabilities	33,288	31,057	–	2,231	–	–
Total liabilities	1,478,470	432,602	298,351	112,317	117,780	517,420
Liquidity gap	152,681	181,831	(87,437)	50,889	49,057	(41,659)
Contingent liabilities	54,142	11,682	25,413	5,126	4,161	7,760
Liquidity gap (after Contingencies)	**98,539**	**170,149**	**(112,850)**	**45,763**	**44,896**	**(49,419)**
31-Dec-15						
Total assets	1,391,962	274,127	364,864	181,914	201,630	369,427
Total liabilities	1,247,912	196,547	147,410	155,711	192,234	556,010
Liquidity gap	144,050	77,580	217,454	26,203	9,396	(186,583)
Contingent liabilities	49,739	6,113	12,643	9,170	17,979	3,834
Liquidity gap (after Contingencies)	**94,311**	**71,467**	**204,811**	**17,033**	**(8,583)**	**(190,417)**

The gap analysis above matches the liquid assets and liabilities in the various time bands based on the remaining number of days to the contractual maturity dates. The unmatched position (gap) indicates the Bank's exposure to liquidity risk. The analysis shows that the Bank is well positioned to meet its short term liquidity needs as shown by the cumulative positive gap for the six-month period.

Another key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Net liquid assets comprise cash and cash equivalents, investment securities in Government of Ghana securities and Bank of Ghana bills less deposits from Banks, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers as at 31st December 2016 and during the year were as follow:

At 31st December	**2016**	**2015**
Average for the year	13.48%	11.12%
Maximum for the year	18.51%	17.21%
Minimum for the year	10.00%	9.22%

4.5 Market Risk

Market risk is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. The Group is currently exposed to interest rate and foreign exchange rate risks.

The Asset and Liability Committee (ALCO) and the Treasury Committee are responsible for the management of the Group's market risk. The Risk Management Department is responsible for ensuring that the Group's exposure to market risk is within the risk appetite levels defined by the Board. The primary responsibility for the daily monitoring and management of market risk is, however, delegated to the Treasury and International Banking Departments with the oversight supervision of the Managing Director.

4.5.1 Management of Market Risk

<u>Exposure to Interest Rate Risk – Non-Trading Portfolio</u>

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Group's lending, investment and funding activities give rise to interest rate risk because it carries a mix of both fixed and floating rate assets and liabilities on its books that are subject to re-pricing periodically.

Potential mismatches in interest rate sensitive assets and liabilities are caused by the following:

a. Movement in market interest rate;

b. Generation of new interest rate sensitive assets and liabilities;

c. Movement of interest rate sensitive assets and liabilities from one time band to another.

The Bank employs an interest rate sensitivity model (Gap Analysis) to measure and monitor interest rate sensitive assets and liabilities. The model is based on the classification of interest rate sensitive assets and liabilities into particular time bands with regards to maturity.

A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Total GH¢'000	Less than 3 months GH¢'000	3 to 6 months GH¢'000	6 to 12 months GH¢'000	More than 12 months GH¢'000	Non-interest sensitive GH¢'000
31-Dec-16						
ASSETS						
Cash and cash equivalents	230,130	15,000	–	–	–	215,130
Investments	367,154	332,852	24,464	2,385	87	7,366
Loans and advances to customers	913,471	723,697	94,951	6,671	–	88,152
Total assets	1,510,755	1,071,549	119,415	9,056	87	310,648
LIABILITIES						
Deposit from customers	1,325,008	703,331	86,839	17,678	–	517,160
Deposit from banks	110,378	96,566	13,812	–	–	–
Borrowings	9,796	–	9,435	102	259	–
Total liabilities	1,445,182	799,897	110,086	17,780	259	517,160
Interest sensitive gap	**65,573**	**271,652**	**9,329**	**(8,724)**	**(172)**	**(206,512)**
31-Dec-15						
Assets						
Cash and cash equivalents	224,985	13,350	–	–	–	211,635
Investments	211,046	182,944	15,508	46	5,182	7,366
Loans and advances to customers	849,648	663,547	78,055	6,046	–	102,000
Total assets	1,285,679	859,841	93,563	6,092	5,182	321,001
Liabilities						
Deposit from customers	127,512	108,712	18,800	–	–	–
Deposit from banks	1,091,681	550,635	70,307	6,741	–	463,998
Borrowings	1,752	–	–	104	1,648	–
Total liabilities	1,220,945	799,897	110,086	17,780	259	517,160
Interest sensitive gap	**64,734**	**59,944**	**(16,523)**	**(11,688)**	**4,923**	**(196,159)**

The Group's interest rate risk management strategy is based on a variable (floating) interest rate pricing policy in pricing its assets and to a large extent its liabilities. This allows the Group to re-price its assets and liabilities in tandem with changes in market rates. The Group ensures that the re-pricing structure of the statement of financial position generates maximum benefits from interest rate movements.

The Group's strategy is to maintain an overall position of interest sensitive assets greater than interest sensitive liabilities.

Exposure to Exchange Rate Risk

Exchange rate risk is the potential loss of income and capital arising from movements in exchange rates of currencies in which the Group has positions or commitments.

The Group measures its exposure to foreign exchange rate risk by using the Net Open Foreign Exchange Position. The Group, on a daily basis, computes the net open position for each foreign currency for which the Group has a position. The net open position is then stress tested against variations in the exchange rate of each of the currencies to determine the extent to which exchange rate movements can adversely affect the Group's income statement.

The Group manages foreign exchange risk inherent in its operations by:

a. Matching assets and liabilities denominated in the same currency to ensure that the impact of exchange rate movement on the Group is largely positive.

b. Keeping foreign currency holdings in more stable currencies.

c. Avoiding foreign currency purchase/sale transactions that could result in exchange losses. The Bank's trading in foreign currencies is spot based.

The Group manages contingent liabilities to ensure that their crystallisation do not result in foreign exchange risk. Maturing contingent liabilities which are not adequately funded are converted into loans or overdrafts denominated in the same currency as the contingent liability.

The currency exposures are maintained within the Group's risk tolerance levels and are monitored on daily basis by the Risk Management and Compliance Departments of the Group to ensure that revaluation losses are kept to a minimum.

The following table summarises the Group's exposure to foreign exchange risk (in Ghana Cedis) as at 31st December 2016 and also shows the sensitivity of profit before tax to assumed changes in exchanges rates. The Group assumed that the Cedi will depreciate against the USD, GBP and Euro by 18.75%, 10% and 11.5%, respectively based on the three average depreciation rates of the respective currencies.

	USD GH¢'000	GBP GH¢'000	EURO GH¢'000
Assets			
Cash in till and in vault	9,017	2,565	3,290
Bank of Ghana	3,245	8,427	2,764
Nostro balances	21,531	3,895	75
Foreign time deposits	2,316	6,239	43,102
Loans and advances	403,464	–	993
Total assets	439,573	21,126	50,224
Liabilities			
Customer deposits	391,130	15,910	50,329
Borrowings	33,672	–	–1
Other liabilities/margins	13,361	5,222	30
Total liabilities	438,163	21,132	50,359
Net open position	1,410	(6)	(135)
Contingent liabilities	(42,586)	–	–
Net position (including contingent liabilities)	(41,176)	(6)	(135)
Assumed depreciation rate of the Cedi	18.75%	10.00%	11.50%
Projected effect on profits (without contingent liabilities)	264	(1)	(15)
Projected effect on profits (with contingent liabilities)	(7,721)	(1)	(15)

4.6 Operational Risks

Operational risk is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events.

Operational risk may arise from:

a. Failure to manage systems, operations, transactions and assets;

b. Human errors or loss of customer data;

c. Fraud, theft, cyber attacks and hacking activities; and

d. Natural as well as man-made disasters.

At the Group, these risks are identified, monitored and controlled through well designed operating procedures and controls, insurance policies, business continuity planning, internal audit and timely and reliable management reporting systems. Operational risk in the Group is driven by volume of cash flows and transactions as well as other operational risk measures such as cash shortages, legal expenses, system failures etc.

The Group's top management is primarily responsible for managing operational risk inherent in its banking business. The Group manages its operational risk by regularly raising awareness of its employees to potential operational losses, improving early warning information systems and allocating risk ownership and responsibilities to branch managers and heads of departments. The Executive Committee (Banking), IT Steering Committee and Business Strategy and Risk Management Committee are responsible for managing operational risk. The Risk Management Department coordinates all operational risk management activities.

A key threat to the Group's operations is the possibility of cyber attacks, computer virus attacks, unauthorized access, sabotage and other events that could adversely affect the security of its information systems. Failure to prevent or protect the Group from such attacks could have a significant adverse impact on the Group's operations in the form of loss of customer data and other sensitive information, financial loss or reputational damage.

The Group's internal policies and procedures and other information security systems protect the confidentiality, integrity and availability of information assets held on its computer systems, software, networks and other electronic devices. In addition, the Group continues to use the services of both internal and external information technology security experts to conduct independent reviews on the resilience of its IT systems to cyber attacks and other information security threats. The security systems and processes deployed to protect the Group's computer systems, networks and other IT resources are continuously upgraded to maintain their effectiveness against evolving cyber attacks and hacking activities.

Furthermore, the Group has put in place physical controls to ensure that unauthorised persons do not have access to sensitive areas of the Group.

The effective management of the Group's operational risk therefore protects the Group against unnecessary business disruptions and associated costs.

4.6.1 Business Continuity and Disaster Recovery Plan (BC/DRP)

Natural and man-made disasters such as fire, earthquakes, floods, wars, terrorist attacks, cyber attacks, etc. may expose the Group's operations to unexpected interruptions. Such events may threaten business operations and may ultimately affect the survival of the Group. As a result, the Group has put in place a Business Continuity and Disaster Recovery Plan (BC/DRP) as part of its strategic and operational risk management to manage both minor and major potential disruptions to its operations.

The BC/DRP is a management process that identifies threats and vulnerabilities that could impact the Bank's continued operations. The Bank's BC/DRP provides a framework for building institutional resilience and capability to enable the Group provide an effective response in the event of a disaster.

The objective of the Bank's BC/DRP is to ensure that any business disruption caused by a disaster is well managed to safeguard the Group's operations, reduce the impact of such a disruption to the barest minimum and ensure continuous service delivery to customers.

The Group's operations are highly dependent on IT systems. Hence, failure of the IT systems at the Group's primary data centre due to natural or man-made disasters could have a serious adverse impact on the Group's operations and customers. The Group has therefore established an offsite standby data centre facility where a replica of all business critical systems (both hardware and software) has been installed and is updated in real time. This standby facility is to enable the Group resume operations within the shortest possible time in the event of a disruption that renders the Bank's IT facilities at the primary data centre inoperative.

The Group has also procured the services of two communication service providers to provide network connectivity to all branches and the central processing facilities with one serving as a backup for the other.

In the event of a disaster at any of the Bank's branches, the affected branch staff will work from the nearest branch. The customers of the affected branch can also be served from the network of branches across the country. The Group has also provisioned alternate office locations for head office staff for the purpose of business continuity in the event of any disruption that will require relocation of staff. Furthermore, the Group has provided each of the Bank's business locations with a functional standby power facility to be used as back up to the national grid in the event of power outages.

The Group's documented BC/DRP provides details of the required procedures and processes needed to restore business operations to normality in the event of a disaster. The plan is structured around teams with each team having clearly defined roles and responsibilities. Staff members have been educated on the Bank's BC/DRP programme through regular training and update sessions.

In addition, the Ghana National Fire Service provides periodic fire and evacuation drills for all staff of the Group biannually.

4.7 Capital Management

The primary objective of capital management in the Group is to ensure that:

i. The Group complies with the minimum stated capital requirement of regulatory bodies including the Bank of Ghana;

ii. The Bank complies with the regulatory capital requirement that enables it to meet the minimum Capital Adequacy Ratio requirement of Bank of Ghana at all times;

iii. The Group maintains a strong capital base to maintain investor, creditor and market confidence and to sustain future development of its business.

The achievement of the above objectives is monitored through regular reports on the performance of the Group and prudential returns submitted to Bank of Ghana.

4.7.1 Regulatory Capital

The Group's Regulatory Capital consists of both Tier 1 and Tier 2 Capital.

Tier 1 Capital consists of stated capital, statutory reserves and retained earnings, after deductions of 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 consists of convertible debentures and revaluation surplus. Total Tier 2 Capital is limited to 100% of the net Tier 1 Capital.

The Group's regulatory capital position as at 31st December 2016 is summarised below:

	2016		2015	
	Bank GH¢'000	**Group GH¢'000**	**Bank GH¢'000**	**Group GH¢'000**
Tier 1 Capital				
Ordinary share capital	62,453	62,453	62,453	62,453
Retained earnings	60,668	68,426	52,037	57,709
Less intangible assets	(9,531)	(9,531)	(5,874)	(5,874)
Other regulatory adjustments	(279)	(7,178)	(375)	(7,178)
Total	113,311	114,170	108,241	107,110
Tier 2 Capital				
Revaluation reserve	29,559	84,988	29,559	84,988
Qualifying subordinated liabilities	9,436	9,436	–	–
Total	38,995	94,424	29,559	84,988
Total regulatory capital	**152,306**	**208,594**	**137,800**	**192,098**
Total adjusted assets	1,057,779	1,114,183	975,298	1,029,579
Net contingent liabilities	54,142	54,142	49,740	49,740
100% of 3 years average annual gross income	132,603	133,475	104,421	105,615
The amounts for 50% of NOP for market risk charge	3,571	3,571	3,177	3,177
Total Risk Weighted Assets	**1,248,095**	**1,305,371**	**1,132,636**	**1,188,111**
Capital Ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	12.20%	15.98%	12.17%	16.17%
Total Tier 1 Capital expressed as a percentage of risk weighted assets	9.08%	8.75%	9.56%	9.02%

4.7.2 Capital Allocation

The allocation of the Group's capital to various business segments is determined by the available regulatory capital and the expected return to be achieved on the allocated capital.

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

Management discussed with the Audit & Risk Management Sub-Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on Financial Risk Management (see note 4).

5.1 Key Sources of Estimation Uncertainty

5.1.1 Allowances for Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.7. The individual counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar credit characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified.

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 estimated future cash flows for specific counterparty allowances and the model assumptions and parameters are used in determining collective allowances.

5.1.2 Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.7.5. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5.2 Critical Accounting Judgements made in Applying the Group's Accounting Policies

Critical accounting judgements made in applying the Group's accounting policies include:

5.2.1 Financial Asset and Liability Classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as 'trading', the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.7.
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3.7.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3.7.

Details of the Group's classification of financial assets and liabilities are given in note 6

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Financial Assets and Liabilities -- 31 Dec 2016

Bank

	Held-to-Maturity GH¢'000	Loans and Receivables GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial assets				
Cash and cash equivalents	230,130	–	230,130	**228,953**
Investment	359,788	–	359,788	**361,372**
Loans and Advances to customers	–	993,891	993,891	**932,188**
	589,918	993,891	1,583,809	**1,522,513**
Financial liabilities				
Deposits from banks	110,378		110,378	**106,862**
Deposits from customers	1,325,008	–	1,325,008	**1,309,268**
Borrowings	9,796	–	9,796	**9,553**
	1,445,182	–	1,445,182	**1,425,683**
Group				
Financial assets				
Cash and cash equivalents	231,523	–	231,523	**230,345**
Investment	364,014	–	364,014	**365,597**
Loans and advances to customers	–	993,891	993,891	**932,188**
	595,537	993,891	1,589,428	**1,528,130**
Financial liabilities				
Deposits from banks	110,378	–	110,378	**106,863**
Deposits from customers	1,323,680	–	1,323,680	**1,307,941**
Borrowings	9,796	–	9,796	**9,553**
	1,443,854	–	1,443,854	**1,424,357**

Financial Assets and Liabilities -- 31 Dec 2015

Bank

	Held-to-Maturity GH¢'000	Loans and Receivables GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial assets				
Cash and cash equivalents	224,985	–	224,985	**224,833**
Investment	203,680	–	203,680	**204,577**
Loans and advances to customers	–	912,682	912,682	**870,843**
	428,665	912,682	1,341,347	**1,300,253**
Financial liabilities				
Deposits from banks	127,512	–	127,512	**125,520**
Deposits from customers	1,091,681	–	1,091,681	**1,078,855**
Borrowings	1,752	–	1,752	**1,658**
	1,220,945	–	1,220,945	**1,206,033**

Group

	Held-to-Maturity GH¢'000	Loans and Receivables GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Financial assets				
Cash and cash equivalents	225,043	–	225,043	**224,891**
Investment	206,928	–	206,928	**207,902**
Loans and advances to customers	–	912,682	912,682	**870,843**
	431,971	912,682	1,344,653	**1,303,636**
Financial liabilities				
Deposits from banks	127,513	–	127,513	**125,520**
Deposits from customers	1,090,724	–	1,090,724	**1,077,897**
Borrowings	1,752	–	1,752	**1,658**
	1,219,989	–	1,219,989	**1,205,075**

7. INTEREST INCOME AND INTEREST EXPENSES

		2016		2015	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
7.1	**Interest Income**				
	Loans and advances to customers	183,571	183,571	175,739	175,739
	Short-term investment	46,006	46,977	25,174	25,174
	Cash and cash equivalent	6,173	6,173	3,647	3,647
	Total interest income	235,750	236,721	204,560	204,560
7.2	**Interest Expense**				
	Deposits from customers	96,909	96,431	79,059	79,059
	Deposits from banks	21,356	21,356	23,164	23,164
	Other	197	197	74	74
	Total interest expense	118,462	117,984	102,297	102,297
7.3	**Net Interest Income**	**117,288**	**118,737**	**102,263**	**102,263**

Included within various captions under interest income for the year ended 31st December 2016 is a total of GH¢Nil (2015: GH¢Nil) accrued on impaired financial assets.

Included within interest income on investment securities for the year ended 31st December 2016 is GH¢Nil (2015: GH¢Nil) relating to debt securities held to maturity.

8. COMMISSIONS AND FEES

		2016 Bank GH¢'000	2016 Group GH¢'000	2015 Bank GH¢'000	2015 Group GH¢'000
8.1	**Fee and commission income**				
	Retail banking customer fees	8,355	8,355	7,822	7,822
	Corporate banking credit related fees	25,597	25,597	28,521	28,521
		33,952	33,952	36,343	36,343
8.2	**Fee and commission expense**				
	Inter-bank transaction fees	1,455	1,455	1,139	1,123
	Total fee and commission expense	1,455	1,455	1,139	1,123
8.3	**Net fee and commission income**	**32,497**	**32,497**	**35,204**	**35,220**

9. NET TRADING INCOME

	2016 Bank GH¢'000	2016 Group GH¢'000	2015 Bank GH¢'000	2015 Group GH¢'000
Foreign exchange	12,967	12,970	17,034	17,040
Net trading income	12,967	12,970	17,034	17,040

10. OTHER OPERATING INCOME

	2016 Bank GH¢'000	2016 Group GH¢'000	2015 Bank GH¢'000	2015 Group GH¢'000
Rental income	12	201	6	198
Other	152	1,328	99	1,040
	164	1,529	105	1,238

		2016		2015	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
11.	**PERSONNEL EXPENSES**				
	Salaries and allowances	49,309	55,827	40,657	45,479
	Contributions to defined contribution plans	3,086	3,110	2,554	2,561
	Medical expenses	2,997	3,014	2,742	2,742
	Training	1,044	1,062	1,673	1,673
	Retirement benefit	1,537	1,537	1,107	1,107
		57,973	64,550	48,733	53,562
12.	**OTHER EXPENSES**				
	Software licensing and other information technology cost	6,708	6,729	6,366	6,376
	Auditors' remuneration	202	270	168	225
	Administrative expenses	12,408	11,209	10,931	10,035
	Advertising and marketing	4,718	4,718	4,131	4,131
	Directors' emoluments	1,350	1,455	1,163	1,268
	Occupancy	19,061	15,303	14,081	11,035
	Other	17,334	15,971	13,933	12,958
		61,781	55,655	50,773	46,028

13. TAXATION

13.1 Bank

Tax Years	Balance 1-Jan-15 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-15 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-16 GH¢'000
Up to 2011	(2,105)	–	–	(2,105)	–	–	(2,105)
2012	(1,618)	–	–	(1,618)	–	–	(1,618)
2013	3,461	–	–	3,461	–	–	3,461
2014	177	–	(55)	122	–	–	122
2015	–	3,310	(11,026)	(7,716)	–	–	(7,716)
	(85)	3,310	(11,081)	(7,856)	–	–	(7,856)
2016	–	–	–	–	3,993	(5,545)	(1,552)
	(85)	3,310	(11,081)	(7,856)	3,993	(5,545)	(9,408)
NFSL	(214)	703	(1,461)	(972)	–	(781)	(1,753
Deferred tax	1,727	248	–	1,975	256	–	2,231
	1,428	**4,261**	**(12,542)**	**(6,853)**	**4,249**	**(6,326)**	**(8,930)**

13.2 Group

Tax Years	Balance 1-Jan-15 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-15 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31-Dec-16 GH¢'000
Up to 2011	(2,114)	–	–	(2,114)	–	–	(2,114)
2012	(1,637)	–	–	(1,637)	–	–	(1,637)
2013	3,429	–	–	3,429	–	–	3,429
2014	201	–	(55)	146	–	–	146
2015	–	3,479	(11,146)	(7,667)	–	–	(7,667)
	(121)	3,479	(11,201)	(7,843)	–	–	(7,843)
2016	–	–	–	–	4,256	(5,808)	(1,552)
	(121)	3,479	(11,201)	(7,843)	4,256	(5,808)	(9,395)
NFSL	(231)	703	(1,461)	(989)	–	(778)	(1,767
Deferred tax	1,736	248	–	1,984	256	–	2,240
	1,384	**4,430**	**(12,662)**	**(6,848)**	**4,512**	**(6,586)**	**(8,922)**

13.3 Reconciliation/ Computation of Effective Tax Rate

	2016		2015	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Profit before tax	**12,880**	**15,212**	**14,060**	**15,085**
Income tax using applicable tax rate 25%	3,220	3,803	3,515	3,771
Current year tax	3,993	4,256	4,013	4,182
Adjustments for prior years	–	–	–	–
	3,993	4,256	4,013	4,182
Deferred Tax Expense				
Origination and reversal of temporary differences	256	256	248	248
Recognition of previously unrecognised tax losses	–	–	–	–
	256	256	248	248
Total income tax expense	**4,249**	**4,512**	**4,261**	**4,430**
Reconciliation of Effective Tax Rate				
Profit before income tax	**12,880**	**15,212**	**14,060**	**15,085**
Income tax using the enacted corporation tax rate (25%)	3,220	3,803	3,515	3,771
Non deductible expenses	4,406	4,406	3,690	3,697
Tax exempt income (net Agric income @ 20%)	294	294	281	281
Recognition of previously unrecognised tax losses (over) provided in prior years	–	–	–	–
Total income tax expense in Income Statement	**7,920**	**8,503**	**7,486**	**7,749**
Effective tax rate	**61%**	**56%**	**53%**	**51%**

14. 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¢8.63 million (2015: GH¢9.8 million) and a weighted average number of ordinary shares of 307.1 million (2015: 307.1 million), calculated as follows:

	2016		2015	
	Bank	Group	Bank	Group
Net profit for the year attributable to equity holders (GH¢'000)	**8,631**	**10,700**	**9,799**	**10,655**
Weighted average number of ordinary shares Issued ordinary shares at 1st January	307,066	307,066	307,066	307,066
Effect of share options exercised	–	–	–	–
Weighted average number of ordinary shares at 31st December	307,066	307,066	307,066	307,066
Basic earnings per share (GH¢ per share)	0.0281	0.0348	0.0319	0.0347

No dividend is proposed in respect of the year ended 31 December 2016 (December 2015: Dividend of GH¢3.0 million was paid).

	2016		2015	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
15. CASH AND CASH EQUIVALENTS				
Cash and balances with banks	84,905	86,167	92,934	92,992
Restricted balances with central bank	129,048	129,048	120,500	120,500
Money market placements	16,177	16,308	11,551	11,551
	230,130	231,523	224,985	225,043
16. INVESTMENT SECURITIES				
Bills discounted	302,171	305,932	148,928	151,790
Sinking fund	–	–	82	82
1-Year Treasury notes	756	756	570	570
Other investments	56,861	57,326	54,100	54,486
	359,788	364,014	203,680	206,928
17. LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers and financial institutions at amortised cost	993,892	993,891	912,682	912,682
	993,892	993,891	912,682	912,682

17.1 Loans and Advances to Customers and Financial Institutions at Amortised Cost – Bank

	2016			2015		
	Gross Amount GH¢'000	**Impairment Allowance GH¢'000**	**Carrying Amount GH¢'000**	**Gross Amount GH¢'000**	**Impairment Allowance GH¢'000**	**Carrying Amount GH¢'000**
Retail Customers:						
Mortgage lending	13,624	137	13,487	15,333	153	15,180
Personal loans	164,263	14,257	150,006	147,878	11,118	136,760
	177,887	14,394	163,493	163,211	11,271	151,940
Corporate Customers:						
Other secured lending	816,004	66,0267	49,978	749,471	51,761	697,710
	993,891	**80,420**	**913,471**	**912,682**	**63,032**	**849,650**

17.2 Loans and Advances to Customers and Financial Institutions at Amortised Cost – Group

	2016			2015		
	Gross Amount GH¢'000	**Impairment Allowance GH¢'000**	**Carrying Amount GH¢'000**	**Gross Amount GH¢'000**	**Impairment Allowance GH¢'000**	**Carrying Amount GH¢'000**
Retail Customers:						
Mortgage lending	13,624	137	13,487	15,333	153	15,180
Personal loans	164,263	14,257	150,006	147,878	11,118	136,760
	177,887	14,394	163,493	163,211	11,271	151,940
Corporate Customers:						
Other secured lending	816,004	66,026	749,978	749,471	51,761	697,710
	993,891	**80,420**	**913,471**	**912,682**	**63,032**	**849,650**

17.3 Allowances for Impairment

	2016		2015	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Individual Allowances for Impairment				
Balance at 1st January	53,905	53,905	24,619	24,619
Impairment loss for the year				
Charge for the year	16,075	16,075	29,297	29,297
Recoveries	_	_	(15)	(15)
Write-offs	_	_	4	4
Balance at 31st December	69,980	69,980	53,905	53,905
Collective Allowances for Impairment				
Balance at 1st January	9,127	9,127	7,930	7,930
Impairment loss for the year				
Charge for the Year	1,313	1,313	1,197	1,197
Balance at 31st December	10,440	10,440	9,127	9,127
Total Allowances for Impairment	**80,420**	**80,420**	**63,032**	**63,032**
Total Impairment Charged for the Year	**17,388**	**17,388**	**30,483**	**30,483**

18. INVESTMENT (OTHER THAN SECURITIES)

Equity investments	7,366	232	7,366	227
	7,366	**232**	**7,366**	**227**

19. PROPERTY, PLANT AND EQUIPMENT

19.1(a) Property, Plant & Equipment – Bank

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,896	11,503	4,483	12,260	11,804	18,674	38,738	111,388
Additions during the year	213	–	1,729	405	1,386	1,227	13,498	431	18,889
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	(140)
At 31st December 2016	5,695	10,717	13,338	5,329	15,798	13,754	12,452	53,054	130,137
Depreciation									
At 1st January 2016	1,455	6,016	6,556	2,382	6,552	4,489	–	731	28,181
Charges for the year	596	1,237	1,796	768	1,631	2,581	–	788	9,397
Released on disposal	–	–	(129)	–	–	–	–	–	(129)
At 31st December 2016	2,051	7,253	8,223	3,150	8,183	7,070	–	1,519	37,449
Net Book Value									
At 31st December 2016	3,644	3,464	5,115	2,179	7,615	6,684	12,452	51,535	92,688
At 31st December 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	38,007	83,207

Profit On Disposal Of Property, Plant And Equipment

	2016 GH¢'000	2015 GH¢'000
Gross book value	140	596
Accumulated depreciation	(129)	(525)
Net book value	11	71
Sales proceeds	–	131
(Loss)/Gain on disposal	(11)	60

19.1(b) PROPERTY, PLANT AND EQUIPMENT– BANK

Comparative Figures – 2015

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2015	2,450	9,841	9,086	3,527	10,697	6,892	9,495	9,316	61,304
Additions during the year	1,580	530	3,013	956	1,563	4,912	9,341	5,336	27,231
Revaluation surplus	–	–	–	–	–	–	–	24,058	24,058
Accumulated depreciation revised on revaluation	–	–	–	–	–	–	–	(609)	(609)
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(596)	–	–	–	–	–	(596)
At 31st December 2015	4,030	9,896	11,503	4,483	12,260	11,804	18,674	38,738	111,388
Depreciation									
At 1st January 2015	1,116	5,179	5,563	1,767	5,184	2,760	–	778	22,347
Charges for the year	339	837	1,518	615	1,368	1,729	–	562	6,968
Adjustment on Revaluation	–	–	–	–	–	–	–	(609)	(609)
Released on disposal	–	–	(525)	–	–	–	–	–	(525)
At 31st December 2015	1,455	6,016	6,556	2,382	6,552	4,489	–	731	28,181
Net Book Value									
At 31st December 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	38,007	83,207
At 31st December 2014	1,334	4,662	3,523	1,760	5,513	4,132	9,495	8,538	38,957

Profit On Disposal Of Property, Plant And Equipment

	2015 GH¢'000	2014 GH¢'000
Gross book value	596	6,651
Accumulated depreciation	(525)	(6,597)
Net book value	71	54
Sales proceeds	131	30
(Loss)/Gain on disposal	60	(24)

19.2(a) PROPERTY, PLANT AND EQUIPMENT – GROUP

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,895	11,550	4,497	12,423	11,839	18,649	103,597	176,480
Additions during the year	213	–	1,729	405	1,386	1,231	13,517	430	18,911
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	(140)
At 31st December 2016	5,695	10,716	13,385	5,343	15,961	13,793	12,446	117,912	195,251
Depreciation									
At 1st January 2016	1,455	6,015	6,597	2,391	6,684	4,550	–	736	28,428
Charges for the year	596	–	1,797	768	1,632	2,610	–	2,026	9,429
Released on disposal	–	–	(129)	–	–	–	–	–	(129)
At 31st December 2016	2,051	6,015	8,265	3,159	8,316	7,160	–	2,762	37,728
Net Book Value									
At 31st December 2016	3,644	4,701	5,120	2,184	7,645	6,633	12,446	115,150	157,523
At 31st December 2015	2,575	3,880	4,953	2,106	5,739	7,289	18,649	102,861	148,052

Profit On Disposal Of Property, Plant And Equipment

	2016 GH¢'000	2015 GH¢'000
Gross book value	140	626
Accumulated depreciation	(129)	(555)
Net book value	11	71
Sales proceeds	–	161
(Loss)/Gain on disposal	(11)	90

19.2(b) PROPERTY, PLANT AND EQUIPMENT – GROUP

Comparative Figures – 2015

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2015	2,450	9,840	9,146	3,541	10,852	6,937	9,462	18,637	70,865
Additions during the year	1,580	530	3,020	956	1,571	4,912	9,349	5,444	27,362
Revaluation Surplus	–	–	–	–	–	–	–	79,488	79,488
Accumulated depreciation revised on revaluation	–	–	–	–	–	–	–	(609)	(609)
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(616)	–	–	(10)	–	–	(626)
At 31st December 2015	4,030	9,896	11,550	4,497	12,423	11,839	18,649	103,597	176,480
Depreciation									
At 1st January 2015	1,116	5,178	5,624	1,776	5,314	2,796	–	778	22,582
Charges for the year	339	837	1,518	615	1,370	1,764	–	567	7,010
Adjustment on revaluation	–	–	–	–	–	–	–	(609)	(609)
Released on disposal	–	–	(545)	–	–	(10)	–	–	(555)
At 31st December 2015	1,455	6,015	6,597	2,391	6,684	4,550	–	736	28,428
Net book value									
At 31st December 2015	2,575	3,881	4,953	2,106	5,739	7,289	18,649	102,861	148,052
At 31st December 2014	1,334	4,662	3,522	1,765	5,538	4,141	9,462	17,859	48,283

Profit On Disposal Of Property, Plant And Equipment

	2015 GH¢'000	2014 GH¢'000
Gross book value	626	6,652
Accumulated depreciation	(555)	(6,596)
Net book value	71	56
Sales proceeds	161	30
(Loss)/Gain on disposal	90	(26)

19.3 Value of each Class of Assets Carried Under the Cost Model

19.3(a) Property, Plant & Equipment -- Bank

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,896	11,503	4,483	12,260	11,804	18,674	15,289	87,939
Additions during the year	213	–	1,729	405	1,386	1,227	13,498	431	18,889
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	(140)
At 31st December 2016	5,695	10,717	13,338	5,329	15,798	13,754	12,452	29,605	106,688
Depreciation									
At 1st January 2016	1,455	6,016	6,556	2,382	6,552	4,489	–	1,340	28,790
Charges for the year	596	1,237	1,796	768	1,631	2,581	–	788	9,397
Released on disposal	–	–	(129)	–	–	–	–	–	(129)
At 31st December 2016	2,051	7,253	8,223	3,150	8,183	7,070	–	2,128	38,058
Net Book Value									
At 31st December 2016	3,644	3,464	5,115	2,179	7,615	6,684	12,452	27,477	68,630
At 31st December 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	13,949	59,149

19.3(b) Value of each Class of Assets Carried Under the Cost Model

Comparative Figures – 2015

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2015	2,450	9,841	9,086	3,527	10,697	6,892	9,495	9,316	61,304
Additions during the year	1,580	530	3,013	956	1,563	4,912	9,341	5,336	27,231
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(596)	–	–	–	–	–	(596)
At 31st December 2015	4,030	9,896	11,503	4,483	12,260	11,804	18,674	15,289	87,939
Depreciation									
At 1st January 2015	1,116	5,179	5,563	1,767	5,184	2,760	–	778	22,347
Charges for the year	339	837	1,518	615	1,368	1,729	–	562	6,968
Released on disposal	–	–	(525)	–	–	–	–	–	(525)
At 31st December 2015	1,455	6,016	6,556	2,382	6,552	4,489	–	1,340	28,790
Net Book Value									
At 31st December 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	13,949	59,149
At 31st December 2014	1,334	4,662	3,523	1,760	5,513	4,132	9,495	8,538	38,957

19.4 Value of each Class of Assets Carried Under the Cost Model

19.4a Property, Plant & Equipment – Group

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2016	4,030	9,895	11,550	4,497	12,423	11,839	18,649	24,718	97,601
Additions during the year	213	–	1,729	405	1,386	1,231	13,517	430	18,911
Transfers	1,452	821	246	441	2,152	723	(19,720)	13,885	–
Disposal	–	–	(140)	–	–	–	–	–	(140)
At 31st December 2016	5,695	10,716	13,385	5,343	15,961	13,793	12,446	39,033	116,372
Depreciation									
At 1st January 2016	1,455	6,015	6,597	2,391	6,684	4,550	–	1,345	29,037
Charges for the year	596	–	1,797	768	1,632	2,610	–	2,026	9,429
Released on disposal	–	–	(129)	–	–	–	–	–	(129)
At 31st December 2016	2,051	6,015	8,265	3,159	8,316	7,160	–	3,371	38,337
Net Book Value									
At 31st December 2016	3,644	4,701	5,120	2,184	7,645	6,633	12,446	35,662	78,035
At 31st December 2015	2,575	3,880	4,953	2,106	5,739	7,289	18,649	23,373	68,564

19.4b Value of each Class of Assets Carried Under the Cost Model

Comparative Figures – 2015

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
Cost									
At 1st January 2015	2,450	9,840	9,146	3,541	10,852	6,937	9,462	18,637	70,865
Additions during the year	1,580	530	3,020	956	1,571	4,912	9,349	5,444	27,362
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(616)	–	–	(10)	–	–	(626)
At 31st December 2015	4,030	9,896	11,550	4,497	12,423	11,839	18,649	24,718	97,601
Depreciation									
At 1st January 2015	1,116	5,178	5,624	1,776	5,314	2,796	–	778	22,582
Charges for the year	339	837	1,518	615	1,370	1,764	–	567	7,010
Released on disposal	–	–	(545)	–	–	(10)	–	–	(555)
At 31st December 2015	1,455	6,015	6,597	2,391	6,684	4,550	–	1,345	29,037
Net Book Value									
At 31st December 2015	2,575	3,880	4,953	2,106	5,739	7,289	18,649	23,373	68,564
At 31st December 2014	1,334	4,662	3,522	1,765	5,538	4,141	9,462	17,859	48,283

20. INTANGIBLE ASSETS

	Bank GH¢'000	Group GH¢'000
Cost		
Balance at 1st January 2015	16,952	17,028
Acquisitions	973	998
Balance at 31st December 2015	17,925	18,026
Balance at 1st January 2016	17,925	18,026
Acquisitions	259	259
Balance at 31st December 2016	18,184	18,285
Amortisation and impairment		
Balance at 1st January 2015	5,317	5,354
Amortisation for the year	3,589	3,593
Impairment loss	–	–
Balance at 31st December 2015	8,906	8,947
Balance at 1st January 2016	8,906	8,947
Amortisation for the year	3,497	3,499
Impairment loss	–	–
Balance at 31st December 2016	12,403	12,446
Carrying amounts		
Balance at 1st January 2015	11,635	11,674
Balance at 31st December 2015	9,019	9,079
Balance at 31st December 2016	5,781	5,839

Intangible assets for the years 2015 and 2016 were attributable to purchased software.

21. DEFERRED TAX ASSETS AND LIABILITIES

	2016 Assets GH¢'000	2016 Liabilities GH¢'000	2016 Net GH¢'000	2015 Assets GH¢'000	2015 Liabilities GH¢'000	2015 Net GH¢'000
Property, equipment and software	_	2,231	(2,231)	_	1,975	(1,975)
Net tax assets/liabilities	_	2,231	(2,231)	_	1,975	(1,975)

Movements During the Year

	Opening balance GH¢'000	Recognised in Profit or Loss GH¢'000	Recognised in Equity GH¢'000	Closing balance GH¢'000
2016				
Property, equipment and software	(1,975)	256	_	(2,231)
Total	(1,975)	256	_	(2,231)
2015				
Property, equipment and software	(1,727)	248	_	(1,975)
Total	(1,727)	248	_	(1,975)

		2016		2015	
		Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
22.	**OTHER ASSETS**				
	Accounts receivable and prepayments	9,531	9,623	5,874	6,343
	Other	1,235	1,403	1,328	1,253
		10,766	11,026	7,202	7,596
23.	**DEPOSITS FROM BANKS & OTHER FINANCIAL INSTITUTIONS**				
	Money Market Deposits	107,477	107,477	125,733	125,734
	Other deposits from banks	2,901	2,901	1,779	1,779
		110,378	110,378	127,512	127,513
24.	**DEPOSIT FROM CUSTOMERS**				
	Retail Customers:				
	Term deposits	248,200	248,200	241,783	241,783
	Current deposits	385,770	385,770	282,096	282,096
		633,970	633,970	523,879	523,879
	Corporate Customers:				
	Term deposits	266,218	265,218	243,967	243,717
	Current deposits	424,820	424,492	323,835	323,128
		691,038	689,710	567,802	566,845
		1,325,008	**1,323,680**	**1,091,681**	**1,090,724**
25.	**OTHER LIABILITIES**				
25.1	The amounts recognised in the statement of financial position is as follows:				
	Short-term employee benefits	7,215	7,215	4,645	4,645
	Creditors and accruals	15,916	17,704	13,644	14,963
	Other	7,926	7,926	8,675	8,675
		31,057	**32,845**	**26,964**	**28,283**
25.2	BORROWINGS				
	EXIM/EDAIF	259	259	1,648	1,648
	Convertible loan**	9,436	9,436	–	–
	Preference Share Capital	101	101	104	104
		9,796	**9,796**	**1,752**	**1,752**

**Convertible loan - this represents amounts contributed by shareholders towards capital.

26. STATEMENT OF CHANGES IN EQUITY

26.1 Stated Capital

The stated capital of the Bank consists of proceeds from issue of shares for cash or other consideration and, transfers from retained earnings to capital.

Number of authorised shares of no par value **1,000,000,000**

	2016		2015	
ISSUED AND FULLY PAID:	**Number**	**GH¢'000**	**Number**	**GH¢'000**
Issued for cash consideration	148,690,910	38,472	148,690,910	38,472
Issued for consideration other than cash	3,075,000	31	3,075,000	31
Capitalisation issues	155,300,000	23,950	155,300,000	23,950
	307,065,910	**62,453**	**307,065,910**	**62,453**

There are no shares of the Bank held in Treasury.

26.2 Statutory Reserve

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by the Banking Act, 2004, (Act 673) as amended by Banking (Amendment) Act, 2007, (Act 738).

26.3 Credit Risk Reserve

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a charge or credit is made to retained earnings in respect of the difference required to bring up the cumulative provision to the level required under the Bank of Ghana regulations. Under current regulations, the credit risk reserve does not qualify as Tier 1 Capital for the computation of Capital Adequacy Ratio.

	2016	2015
	GH¢'000	**GH¢'000**
IFRS impairment	80,420	63,032
Bank of Ghana provision	77,884	46,650
Credit Risk Reserve	–	–

No amount is posted to credit risk reserve for the year in view of the fact that IFRS impairment is higher than Bank of Ghana provision.

Credit risk reserve is not available for distribution as dividend and inclusion in the adjusted capital base for purposes of the Capital Adequacy Ratio (CAR) computation.

27. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the Bank conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	2016 GH¢'000	2015 GH¢'000
Guarantees and standby letters of credit	24,004	35,205
Letters of credit, acceptances and other documentary credits	60,436	48,906
	84,440	**84,111**

27.1 Nature of Contingent Liabilities

Guarantees are generally written by the 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 customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

28. GROUP ENTITIES

Significant Subsidiaries of the Bank

	Country of incorporation	Ownership Interest 2016	Ownership Interest 2015
PBL Properties Limited	Ghana	100%	100%
Prudential Securities Limited	Ghana	100%	100%
Prudential Stockbrokers Limited	Ghana	100%	100%

29. RELATED PARTIES

29.1 Transactions with Key Management Personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2016		2015	
	Bank GH¢'000 Maximum Balance	Group GH¢'000 Closing Balance	Bank GH¢'000 Maximum Balance	Group GH¢'000 Closing Balance
Mortgage lending and other secured loans	791	703	967	713
Other loans	1,620	1,268	1,816	1,557
	2,411	**1,971**	**2,783**	**2,270**

29.2 Interest Rates and Charges

The mortgages and secured loans granted are secured over property of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

29.3 Key management personnel compensation for the year comprised:

	2016 GH¢'000	2015 GH¢'000
Short-term employee benefits	3,458	2,787
	3,458	2,787

29.4 Loans and Advances to Employees

	2016 GH¢'000	2015 GH¢'000
Balance at 1st January	21,884	20,280
Loans advanced during the year	6,476	7,152
Loans repayments received	(6,620)	(5,548)
Balance at 31st December	21,740	21,884

29.5 Loans and Advances to Directors and their Associates

The Group has entered into transactions with its directors and their associates, associate companies or directors as follows:

	2016 GH¢'000	2015 GH¢'000
Gross amount at 1st January	22,779	25,526
Interest charged	2,908	3,814
Loans disbursed	2,596	336
Cash received	(4,117)	(6,897)
Net amount at 31st December	24,166	22,779

Included in loans and advances is GH¢22,842,214 (2015: GH¢21,070,127) advanced to companies in which some of the members of the Board of Directors have interest.

The related interest income in 2016 was GH¢2,907,562 (2015 – GH¢3,814,000).

29.6 Deposits from Related Parties

Included in deposits is GH¢1,443,693 (2015: GH¢957,832) due to subsidiary companies.

Interest paid on these deposits during the year amounted to GH¢50,406 (2015:GH¢23,888)

29.7 All the transactions with the related parties are priced on arm's length basis and have been entered into in the normal course of business.

30. VALUE ADDED STATEMENTS

Value Added Statements for the year ended 31st December 2016

	2016		2015	
	Bank GH¢'000	Group GH¢'000	Bank GH¢'000	Group GH¢'000
Interest earned and other operating income	269,702	270,673	240,903	240,903
Direct cost of services	(180,348)	(173,639)	(153,046)	(148,180)
Value added by banking services	89,354	97,034	87,857	92,723
Non-banking income	13,131	14,499	17,139	18,278
Impairments	(17,388)	(17,388)	(30,483)	(30,483)
Value added	**85,097**	**94,145**	**74,513**	**80,518**
Distributed as follows:				
To Employees				
Directors (without executives)	(315)	(420)	(289)	(394)
Executive Directors	(1,035)	(1,035)	(874)	(874)
Other employees	(57,973)	(64,550)	(48,733)	(53,562)
To Government:				
Income tax	(4,249)	(4,512)	(4,261)	(4,430)
To providers of capital				
Dividends to Shareholders	–	–	–	–
To expansion and growth				
Depreciation	(9,397)	(9,429)	(6,968)	(7,010)
Amortisation	(3,497)	(3,499)	(3,589)	(3,593)
Retained earnings	**8,631**	**10,700**	**9,799**	**10,655**

31. ADDITIONAL DISCLOSURES

	2016		2015	
	Bank	Group	Bank	Group
Capital Adequacy Ratio	12.20%	15.98%	12.17%	16.17%
Non-Performing Loans (Amount and Ratio)				
Gross loans (GH¢'000)	993,892	993,891	912,682	912,682
Amount (GH¢'000)	197,213	197,213	102,038	102,038
Ratio	19.84%	19.84%	11.18%	11.18%
Amount of loans written-off (GH¢'000)	_	_	4	4
Liquidity ratio	27.37%	27.37%	23.88%	23.88%
Statutory liquidity breaches and non-compliance with other prudential requirements	None	None	None	None

Year-end mid rates used for foreign exchange translations	**31-Dec-16**	**1-Jan-16**	**31-Dec-15**	**1-Jan-15**
United States Dollar (US$)	4.2002	3.7950	3.7950	3.2013
Great Britain Pound (GB£)	5.1965	5.6165	5.6165	4.9892
Euro (€)	4.4367	4.1320	4.1320	3.8467

32. LIST OF RELATED PARTIES

32.1 Members of the Board

Non-Executive Directors

Addo J.S.	Chairman
S. Nkansah-Boadi	
Joana F. Dickson	
N.K. Omaboe	
Aretha Duku	
K. Agyei-Gyamfi	
K. Kwakye-Mintah	
Fred K. Boateng	

Executive Directors

Sekyere-Abankwa S.	Managing Director
Asare Stephen	Deputy Managing Director (Finance, Administration & Credit Administration)

32.2 List of Shareholders

The shareholders of the Bank are:

	No. of Shares	% Holding
J.S. Addo Consultants Limited	76,208,525	24.8%
Frank Owusu	39,175,385	12.8%
Kwasi Atuah	38,254,761	12.5%
Trustees of PBL Staff Provident Fund	34,325,146	11.2%
N.K. Omaboe	32,030,000	10.4%
Ghana Union Assurance Ltd	31,603,478	10.3%
S. Sekyere-Abankwa	16,015,000	5.2%
Kofi O. Esson	15,384,615	5.0%
National Trust Holding Company Limited	14,560,000	4.7%
J. Kpakpo Addo	7,281,000	2.4%
Nana Agyei Duku	2,228,000	0.7%
Total	**307,065,910**	**100.0%**

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Tel: +233 302 781 200-2/6/7
8 John Harmond St., Ring Road Central
Private Mail Bag, General Post Office, Accra

CORPORATE INFORMATION

This section contains branch locations and addresses, details of correspondent banks and notice of Annual General Meeting

BRANCH LOCATIONS AND ADDRESSES

GREATER ACCRA REGION

ABEKA BRANCH
Apugu Tower,
Abeka Lapaz
Accra
Telephone: 233-302-220919/ 220920,
233-540-106755/6
233-289-557914
Fax: 233-302-220929
Email: akb.branch@Prudentialbank.com.gh

ABOSSEY OKAI BRANCH
Cap & May House,
Ring Road West,
Accra
Telephone: 233-302-669107/ 8,
233-540-106765/6
233-289-557939
Fax: 233-302-668126
Email: aob.branch@Prudentialbank.com.gh

ACCRA BRANCH
Swanzy Shopping Arcade
(Former Kingsway Building)
Telephone: 233-302-678982/ 671943 – 5
233-540-106730/1
233-289-557915
Fax: 233-302-678942
Email: bg.branch@Prudentialbank.com.gh

ADENTAN BRANCH
4A Lami Dwaahe Street
Housing Estate Road
Adentan Housing Estate
Telephone: 233-302-501346/ 7,
233-540106732/3
233-289-557912
Fax: 233-302-501345
Email: adt.branch@Prudentialbank.com.gh

BAWALESHIE BRANCH
Parcel No. 980
Adjacent SEL Fuel Station
East Legon, Accra
Telephone: 233-302-522885/7
233-540-106736/ 7
Fax: 233-302-522886
Email: bsb.branch@Prudentialbank.com.gh

EAST LEGON BRANCH
No. 2 Lyndy Street
Near American House
East Legon, Accra
Telephone: 233-302-747269/70
233-540-109480/1
233-289-557956
Fax: 233-302-747271
Email: elb.branch@Prudentialbank.com.gh

GICEL BRANCH
Gicel Estates,
Weija, Accra
Telephone: 233-302-850174 - 6
233-540-109478/9
Fax: 233-302-850173
Email: gb.branch@Prudentialbank.com.gh

INTERNATIONAL BANKING DEPT.
No. 8 John Harmond Street
Ring Road Central, Accra
Telephone: 233-302-781184
Fax: 233-302-781194
Email: ib.sec@Prudentialbank.com.gh

KWAME NKRUMAH CIRCLE BRANCH
Oksart Place, Adjacent Ernest Chemist
Ring Road Central
Kwame Nkrumah Circle, Accra
Telephone: 233-302-246513/ 246521,
233-302-246531
233-540-106757/8
233-289-557938
Fax: 233-302-246523
Email: crb.branch@Prudentialbank.com.gh

MADINA BRANCH
Albert House,
Zongo Junction, Madina
Telephone: 233-302-511111/2
233-540-111719/20
233-577-986039
233-289-556861
Fax: 233-302-511485
Email: mab.branch@Prudentialbank.com.gh

MAKOLA BRANCH
31st December Market
Makola, Accra
Telephone: 233-302-676638/9
233-302-677837
233-540-116535/ 116754
233-289-557933
Fax: 233-302-676640
Email: mkb.branch@Prudentialbank.com.gh

MATAHEKO BRANCH
No. B439/15
The Ground Floor, IRS Building
Mataheko, Accra
Telephone: 233-302-313470
233-540-106761/ 2
Fax: 233-302-313469
Email: mhb.branch@Prudentialbank.com.gh

METHODIST UNIVERSITY COLLEGE AGENCY
Methodist University College Campus
Dansoman, Accra
Telephone: 233-302-302484/ 5
233-289-557937
Fax: 233-302-302486
Email: mua.agency@Prudentialbank.com.gh

NORTH INDUSTRIAL AREA BRANCH
Melcom Plus
No. 3 Otublohum Street
North Industrial Area, Accra
Telephone: 233-302-221856/ 7
233-302-221880
233-540-106767/8
233-289-557932
Fax: 233-302-221875
Email: nia.branch@Prudentialbank.com.gh

NUNGUA BRANCH
Unnumbered Property
Nungua Sokpoti
Adjacent Electricity Company of Ghana
Nungua Office, Accra

Telephone: 233-302-719369 /719466
233-243-400270/1
Fax: 233-302-719458
Email: ngb.branch@Prudentialbank.com.gh

ODORKOR BRANCH
Off Accra-Winneba Road
Odorkor Traffic Light, Accra
Telephone: 233-302-311710/ 12
233-540-109482
233-263-778526
233-289-557941
Fax: 233-302-311716
Email: odb.branch@Prudentialbank.com.gh

OKAISHIE BRANCH
No. 657/4, Knutsford Avenue
NAB Brothers Building
Okaishie, Accra
Telephone: 233-302-664144/ 664154
233-540-116537/8
233-289-557946
Fax: 233-302-664174
Email: okb.branch@Prudentialbank.com.gh

RING ROAD CENTRAL BRANCH
(Formerly No. 8 Nima Avenue)
Ring Road Central, Accra
Telephone: 233-302-781179/ 781201/2
233-302-781206/7
233-540-111746/7
Fax: 233-302-781210
Email: rrc.branch@Prudentialbank.com.gh

SPINTEX ROAD BRANCH
(Adjacent CCTC, Near the Coca-Cola Roundabout)
Spintex Road, Accra
Telephone: 233-302-814399/ 814409
233-302-813830
233-540-116530/1
233-289-557942
Fax: 233-302-812934
Email: srb.branch@Prudentialbank.com.gh

TAIFA BRANCH
Adjacent Goil Filling Station
Taifa Junction
Telephone: 233-302-425826
233-544-336754
Fax: 233-302-425825
Email: tfb.branch@Prudentialbank.com.gh

TEMA COMMUNITY ONE BRANCH
Prudential House,
Off Krakue Road, Commercial Area,
Tema Community One
Telephone: 233-303-217160-2/ 217140
233-540-111717/8
233-289-557935
Fax: 233-303-217137
Email: tcb.branch@Prudentialbank.com.gh

TEMA FISHING HARBOUR BRANCH
Hillpok Yard
Tema Fishing Harbour
Telephone: 233-303-207352/ 3
233-303-207345/ 9
233-540-111715/6
233-289-557916
Fax: 233-303-207357
Email: tfh.branch@Prudentialbank.com.gh

TESANO BRANCH
No. C111A/19, Nsawam Road, Tesano
Near Tesano Police Station
Telephone: 233-302-258170/ 258172
233-540-109474/7
233-289-557934
Fax: 233-302-258173
Email: tsb.branch@Prudentialbank.com.gh

UNIVERSITY OF GHANA BRANCH
The Banking Square
Opposite All Needs Supermarket
Telephone: 233-303-974467/8
233-243-900604/5
Fax: 233-303-974453
Email: ugb.branch@Prudentialbank.com.gh

VALLEY VIEW UNIVERSITY BRANCH
Valley View University Campus, Oyibi
Telephone: 233-277-759333
233-289-557930
Fax: 233-277-900090
Email: vvb.branch@Prudentialbank.com.gh

WEIJA BRANCH
(Opposite Phastor Contrete Works)
Accra-Winneba Road,
Weija, Accra
Telephone: 233-302-853494/ 5
233-540-106759/60
233-289-557913
Fax: 233-302-853496
Email: zjb.branch@Prudentialbank.com.gh

ZONGO JUNCTION BRANCH
Link Road,
Opposite the Total Filling Station
Zongo Junction, Accra
Telephone: 233-302-678781/ 678819
233-302-678824
233-540-106763/4
233-289-557931
Fax: 233-302-678830
Email: zjb.branch@Prudentialbank.com.gh

ASHANTI REGION

ABOABO BRANCH
Near the Traffic Light, along the
Aboabo-Airport Dual Carriageway,
Kumasi
Telephone: 233-3220-47350 - 2
233-3220-98892/ 3
233-540-111721/2
233-289-557919
Fax: 233-3220-47357
Email: abb.branch@Prudentialbank.com.gh

ADUM BRANCH
Prudential Plaza,
(Formerly Unicorn House)
Adum, Kumasi
Telephone: 233-3220-83811/ 2
233-3220-83814
233-540-111723/4
233-289-557917
Fax: 233-3220-83815
Email: kab.branch@Prudentialbank.com.gh

AFFUL NKWANTA BRANCH
Near Kumasi Children's Park
Telephone: 233-3220-49450 - 2
233-540-106747/8
233-289-557920
Fax: 233-3220-49455
Email: anb.branch@Prudentialbank.com.gh

ATONSU BRANCH
91 Block "A"
Within Unity Oil Commercial Complex,
Atonsu
Telephone: 233-3220-83750/ 1
233-3220-80741
233-540-106743/4
233-289-557922
Fax: 233-3220-80635
Email: atb.branch@Prudentialbank.com.gh

KUMASI BRANCH
Cocobod Jubilee House
Adum, Kumasi
Telephone 233-3220-25667
233-540-106745/ 6
233-289-557918
Fax: 233-3220-25917
Email: kmb.branch@Prudentialbank.com.gh

SANTASI ROUNDABOUT BRANCH
Unity Oil Filling Station
Near Santasi Roundabout
Telephone: 233-3220-25888/25909
233-544-336750/1
Fax: 233-3220-25909
Email: sab.branch@Prudentialbank.com.gh

SUAME MAAKRO BRANCH
Tarkwa Maakro, New Road
Kumasi,
Telephone: 233-3220 46717/46727/46851
233-540-106740/1
233-289-557921
Fax: 233-3220-46897
Email: smb.branch@Prudentialbank.com.gh

CENTRAL REGION

CAPE COAST BRANCH
Palm House,
101/3 Commercial Street
Cape Coast
Telephone: 233-3321-31575/ 35393
233-540-116532/3
233-289-557923
Fax: 233-3321-31576
Email: ccb.branch@Prudentialbank.com.gh

UNIVERSITY OF CAPE COAST AGENCY
Oye Inn, Behind the Science Block
University of Cape Coast
Telephone: 233-3321-35653/ 4
233-289-557924
Fax: 233-3321-35643
Email: uca.agency@Prudentialbank.com.gh

UNIVERSITY OF CAPE COAST BRANCH
Ground Floor, Old Cafeteria Building
Telephone: 233-3321-36000
233-540-110933/110539
Fax: 233-3321-36005
Email: ucb.branch@Prudentialbank.com.gh

WESTERN REGION

TAKORADI HARBOUR BRANCH
Takoradi Harbour
Harbour Area
Telephone: 233-3120-21300/ 21909
233-3120-21616/ 31317
233-540-106750/1
233-289-557926
Fax: 233-3120-31371
Email: thb.branch@Prudentialbank.com.gh

TAKORADI MARKET CIRCLE BRANCH
62 Liberation Road
Market Circle, Takoradi
Telephone: 233-3120-27415/ 27452/ 27479
233-540-106752/ 111749
233-289-557925
Fax: 233-3120-27504
Email: tmc.branch@Prudentialbank.com.gh

BRONG AHAFO REGION

TECHIMAN BRANCH
Ground Floor of House No. 186
Block B, Sector 4S
Techiman-Tamale Main Road, Techiman
Telephone: 233-3525-22915/6
233-540-106738/9
Fax: 233-3525-22917
Email: teb.branch@Prudentialbank.com.gh

NORTHERN REGION

TAMALE BRANCH
Quality First Building (1st Floor)
Opposite Main Taxi Rank, Tamale
Telephone: 233-3720 27740 – 2
233-540-106734/5
233-289-557927
Fax: 233-3720-27744
Email: tab.branch@Prudentialbank.com.gh

All our branches are networked and customers can withdraw or pay in at any of them.

CORRESPONDENT BANKS

CITIBANK N.A.
111 WALL STREET
19TH FLOOR
NEW YORK, N.Y. 10043
U.S.A.

CITIBANK N.A.
CITIGROUP CENTRE
P.O. BOX 78
33 CANADA SQUARE, CANARY WHARF
LONDON E14 5LB
UNITED KINGDOM

CITIBANK A.G.
NEUE MAINZER STRASSE 75
60311 FRANKFURT MAIN
GERMANY

BHF BANK
AKTIENGESSELLSCHAFT
BOCKENHEIMER LANDSTRASSE 10
60323 FRANKFURT AM MAIN
GERMANY

GHANA INTERNATIONAL BANK PLC
67 CHEAPSIDE
1ST FLOOR
LONDON, EC2V 6AZ
UNITED KINGDOM

BANK OF BEIRUT (UK) LIMITED
17A CURZON STREET
LONDON W1J 5HS
UNITED KINGDOM

PRUDENTIAL CHILD ADVANTAGE

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PRUDENTIAL BANK LTD.

8 John Harmond Street, Ring Road Central,
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Tel: (+233-302) 781200-2/6/7,0289556862,
0289557936, 0540111746/7. Fax:(+233-302) 781210
E-mail: headoffice@prudentialbank.com.gh
Website: www.prudentialbank.com.gh

NOTICE OF ANNUAL GENERAL MEETING

We are pleased to give you notice of, and invite you to the twentieth (20th) Annual General Meeting of Prudential Bank Limited to be held at the Boardroom of the Head Office, No. 8 John Harmond Street, Ring Road Central, Accra, on Wednesday, 26th April 2017, at 11am to transact the following businesses:

Agenda

1. To receive and consider the report of the Directors for the financial year ended 31st December, 2016.
2. To receive and consider the Auditors Report for the financial year ended 31st December, 2016.
3. To receive, consider and approve the Annual Accounts.
4. To re-elect the Auditors.
5. To authorize the Directors to fix the remuneration of the Auditors.

Dated this 3rd day of April, 2017.

By Order of the Board

OSEI YAW OSAFO
BOARD SECRETARY

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in place of that Member. A Proxy Form is attached.
2. The Proxy Form must be delivered by hand or post to **The Secretary, Prudential Bank Limited, PMB, G.P.O. No. 8 John Harmond Street, Ring Road Central, Kanda, Accra** at least 24 hours before the appointed time for the Meeting.
3. A copy of the Audited Financial Statement is attached.

PRUDENTIAL BANK LIMITED

PROXY FORM

FOR USE AT THE 20TH ANNUAL GENERAL MEETING TO BE HELD ON
WEDNESDAY, 26TH APRIL,2017, AT THE BOARDROOM, OF
PRUDENTIAL BANK LIMITED
8 JOHN HARMOND STREET, RING ROAD CENTRAL, ACCRA

I/We ....
(Block capitals)

being a member(s) of Prudential Bank Limited hereby appoint *..

or failing him, the duly appointed Chairman of the meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held on Wednesday, **26th April, 2017 at 11.00am** and at any and every adjournment thereof.

<table>
<tr><th>ITEM</th><th>RESOLUTIONS</th><th>FOR</th><th>AGAINST</th><th></th></tr>
<tr><td>1.</td><td>To receive and consider the report of the Directors for the financial year ended 31st December, 2016.</td><td></td><td></td><td rowspan="5">Within the appropriate square provided “FOR” or “AGAINST” each Resolution hereof, you are to indicate with an “X” how your votes are to be cast. Failing to so instruct, the Proxy will vote or abstain from voting at the said Proxy’s discretion.</td></tr>
<tr><td>2.</td><td>To receive and consider the Auditors’ Report for the financial year ended 31st December, 2016.</td><td></td><td></td></tr>
<tr><td>3.</td><td>To receive, consider and approve the Annual Accounts.</td><td></td><td></td></tr>
<tr><td>4.</td><td>To re-elect the Auditors.</td><td></td><td></td></tr>
<tr><td>5.</td><td>To authorize the Directors to fix the remuneration of the Auditors.</td><td></td><td></td></tr>
</table>

NOTES:

1. A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you exercise your vote, if you cannot attend personally
2. Provision has been made on the form for the Chairman of the Meeting to act as your proxy but, if you wish, you may insert in the blank space supra marked *, the name of any person, whether a member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman of the Meeting.
3. In the case of joint holders, each holder should sign.
4. If executed by a company/corporation, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director.
5. Please sign the above Proxy Form and deliver or post it so as to reach T**he Secretary, Prudential Bank Limited, 8 John Harmond Street, Ring Road Central, Accra not later than 11am on 25th April, 2017.**

Dated.. For: ....

Signature of Shareholder

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE MEMBER WOULD BE ATTENDING THE MEETING

Banking brewed to the
highest standards

Tel: (+233-0302) 781200-7
Fax: (+233-0302) 781210
www.prudentialbank.com.gh

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