GUIDE FOR FINANCIAL PUBLICATION FOR BANKS & BOG LICENSED FINANCIAL INSTITUTIONS

BSD /2017

Abbreviations and terms used

AFS	Available for sale
CAR	Capital Adequacy Ratio
CRR	Credit Risk Reserve
DFVPL	Designated at Fair Value through Profit and Loss
EIR	Effective Interest Rate
HFT	Held-for-trading
H-T-M	Held-to-maturity
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICAG	Institute of Chartered Accountants Ghana
IFRS	International Financial Reporting Standards
MFIs	Microfinance Institutions
NBFIs	Non Bank Financial Institutions
NDFI	Non-Deposit-Taking Financial Institution
SDIs	Specialised Deposit-Taking Institutions
OCI	Other Comprehensive Income
PPE	Property Plant and Equipment
BOG	Bank of Ghana

Contents

INTRODUCTION

1.1 Background

Financial statements of financial institutions regulated by the Bank of Ghana (BOG) are prepared in the manner required by the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (ACT 930), the NBFI Act, 2008 (Act 774) and all other relevant directives, notices and letters of the BOG and in accordance with International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants (Ghana) mandated by the ICAG Act, 1963 (Act 170). The Guide has also made use of documentaries and explanations by renowned accounting firms such as KPMG, PWC, Deloitte, Ernst and Young etc.

Consequently, this Guide has been developed to assist financial institutions in ensuring that IFRS as adopted are followed in the preparation and presentation of financial statements.

The Guide, which is divided into four sections, is expected to clarify and provide direction on areas of conflicts and (or) divergence between the IFRS and the legal framework and the prudential norms of BOG; it is also meant to provide guidance on the format and minimum expectation in the content of financial statements/reports as well as bring uniformity in the financial reporting process across the industry; it is also meant to give a guide on institutions' quarterly, semi annual and annual publications of unaudited and audited financial statements; and finally it is expected to give a guide on the newly adopted expected loss concept on credit risk of IFRS9. It must, however, be noted that the document is designed to be comprehensive, and hence depending on the nature, size and complexities of the institutions, some of the provisions may not necessarily be applicable to all of them. In view of this, a number of transactions and disclosures that may not likely be relevant to some financial institutions may include the following (list not exhaustive):

- References to Group reporting when a bank or Specialised Deposit-Taking Institution (SDI) or Non-Deposit-Taking Financial Institution (NDFI) is preparing individual entity financial statements
- Share-based Payment arrangements as described in IFRS2 'Share-based Payment'

- Post- employment benefits: defined benefit plans as described in IAS19 ‘Employee Benefits’
- Hedging relationships and hedge accounting as described in IAS39 ‘Financial Instruments: Recognition and Measurement ‘
- Trading derivatives for risk management purposes IAS 39 ‘Financial Instruments: Recognition and Measurement ‘and IFRS 7 ‘Financial Instruments: Disclosures ‘
- Loans and advances to customers at fair value through profit or loss as permitted by IAS39 ‘Financial Instruments: Recognition and Measurement ‘
- Segment reporting as required by IFRS 8 ‘Operating Segments’

1.2 Content

This document provides guidance, definitions and explanations for relevant terms and account captions involved in financial reporting. It also provides an illustrative financial statement for guidance for both annual and quarterly publications.

Various sections of this Guide are captioned as follows:

- PART A: Clarification Guide
- PART B: Illustrative Financial Statements for Annual Publication
- PART C: Illustrative Financial Statements for Quarterly Publication
- PART D: Format notes on credit risk (IFRS9)

1.2.1 Clarification guide

The clarification guide provides direction and explanation to areas of seeming conflicts and (or) divergence between IFRS and the BOG requirements including the Companies' Act, 1963 (Act 179) and the preferred treatment explained. It also provides details of specific disclosures required by the Banks and Specialised Deposit-Taking Institutions Act, 2016 (ACT 930) and relevant directives, notices and letters of the BOG. Finally, it provides explanations and (or)definitions for various terms and captions expected to be contained in the financial statements as evidenced in the illustrative financial statements (PART B) and the quarterly, half yearly and yearly publications of banks, SDIs and non deposit-taking NBFIs and MFIs demonstrated in PART C of this guide.

1.2.2 Illustrative financial statements

Illustrative financial statements prepared in compliance with IFRS, the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (ACT 930) have been provided in PART B for illustrative purposes. These illustrative financial statements which include Value Added Statements exemplify the disclosures required by International Financial Reporting Standards and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (ACT 930) effective for accounting period ended 31st December 2016, thus the comparative period was December 2016 and the earliest transition date was December 2015. The audited financial statements are illustrated on consolidated basis, however, parent banks are required to prepare separate financial statements where applicable.

1.2.3 Format notes on credit risk (IFRS 9) impairment

Format notes on credit risk, IFRS 9 has been illustrated to guide the process and ensure effective implementation of the standard by 2018.

1.3 Conclusion

All banks and SDIs and other BOG licensed financial institutions (non deposit-taking NBFIs and MFIs) are required to adopt the broad presentation formats and relevant sections of this Guide in fulfilment of their financial reporting requirements.

PART A:
CLARIFICATION GUIDE

2.1 Background

This part of the Guide is primarily designed to define and explain all the various components, classifications and categorizations contained in the illustrative financial statements in Part B and C. This section also clarifies various areas of seeming conflicts between the BOG's financial reporting requirements and IFRS. Other parts of this section also document specific disclosure requirements of the BOG and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (ACT930).

2.2 Clarification and complementary policies on areas of seeming conflicts

2.2.1 Loan impairment and provisioning

The BOG has noted that the impairment rules under IFRS may lead to lower provisioning than that required under BOG's classification and provisioning rules. In view of this, the BOG, in collaboration with the banking industry, the Institute of Chartered Accountants, Ghana (ICAG) and the External Auditors of the banks and SDIs directs as follows:

(i) Banks/SDIs shall continue to comply with the IFRS impairment rules;

(ii) However, where the IFRS impairment rules result in a lower provision than would be the case if the BOG's prudential norms were applied, the difference should be charged to Income Surplus and credited to a Credit Risk Reserve and in case the opposite happens subsequently, a reversal should be made to the extent of the credit balance in the Credit Risk Reserve;

(iii) The Credit Risk Reserve so created is not available for distribution as dividend and inclusion in the adjusted capital base for purposes of the Capital Adequacy Ratio (CAR) computation;

(iv) A reconciliation of Impairment Allowance and BOG Provisioning Norm should be provided.

2.2.2 Loan review process

(i) To ensure uniformity of the loan review and impairment process, banks are required to assess at least their fifty largest exposures (as individually significant loans) for impairment by ascertaining the loss event based on any of the objective evidence detailed in the standard such as:

- *significant financial difficulty of the issuer such as inability to meet commitments (including interest payments, principal repayments or fees) that are due;*
- *breach of contract, such as default in interest and principal payments including breach of loan agreements, covenants or conditions;*
- *known cash flow difficulties experienced by the borrower;*
- *deterioration in credit quality, as a result of a borrower's reduced credit worthiness;*
- *non-payment of interest, principal or fees overdue for 90 days or more;*
- *abnormal concessions granted by lender due to economic or legal reasons, including*

obligations that have been restructured on concessionary terms;

- *probability of bankruptcy or other financial reorganisation including commencement*

of insolvency proceedings;

- *legal proceedings that have been filed to recover facility;*
- *disappearance of active market etc.;*
- *any other characteristics that suggests an impairment condition.*

The recoverable amount must then be determined based on the discounted cash flows as determined by the original effective interest rate [in the case of a fixed rate loan] or the latest effective rate [in the case of a variable interest loan] and the impairment determined by comparing the recoverable amount with the carrying amount. However, where such individually significant loans are found unimpaired they must necessarily be assessed on group or collective basis as in (ii) below.

(ii) Loans and advances excluded from the fifty largest exposures are considered small loans and should be grouped under any of the following:

a. Corporate Loans

b. SMEs/Retail Loans

c. Salaried/Personal Loans

d. Sectoral grouping *(as specified in the eFASS)*

e. Geographical grouping

f. Others (common collateral characteristics, past due etc. with the approval of BOG)

Such loans are considered impaired when, in addition to conditions in (i) above, there is observable data of at least three years (or less for start-ups) indicating that there is a measurable decrease in estimated future cash flows from the group of loan assets since the initial definition of those assets, although the decrease cannot yet be identified to individual loan assets in the group. Factors to consider should include:

- *Adverse changes in payment status of borrowers in the group*
- *National or local conditions that correlate with defaults on assets in the group*

(iii) These assessments should be done at each reporting date defined to be monthly for prudential reporting purposes. However, banks are required to book impairments as and when they are recognised.

(iv) Where it is evident that a particular portfolio is totally impaired, then it must be taken out of the group for a hundred per cent impairment to be assigned or follow the same assessment process for individually significant loans including assessment of collateral where necessary.

(v) Future cash flow estimation:

a) cash flow estimation on non-performing facility (past due for at least 90 days) Where a facility is non-performing, future cash flow from the facility other than cash flow from collateral should be nil except where there is evidence of cash flows (at least two consecutive payments) after a facility is restructured. In this case, the evaluation will be based on the new contractual period. Cash flows on non- restructured non-performing loans are determined on actual flows.

b) Where a loan is past due (past due for 30 days but less than 90 days), the proportion of the principal outstanding to the original principal loan amount granted must be considered for the evaluation. Where the proportion of the principal outstanding to the original principal amount is less than fifty percent (50%), then the cash flow from the primary source should be deemed fully collectible, otherwise cash flow from the primary source should be nil. Also consideration may be given to verifiable undertakings (e.g. payment certificates guaranteed by government, confirmed sales orders, stocks in bonded warehouse etc.).

c) Cash flow estimation of collateral
Forced sale values (FSV) of landed property held as collateral should be used in determining impairment allowance and collateral values. FSV connotes immediate sale, however, since collateral realisation of landed property generally takes more than two (2) years (based on current market experience), an average period of two (2) years is used as the minimum period for receipt of cash flows from the collateral for which there is a legal mortgage interest. In case case of collateral with equitable mortgage interest, the average period of realisation is extended to three (3) years.

Other forms of collateral such as stocks in bonded warehouse could be realised in a year or as specified in the sale arrangements.

(vi) Effective Interest Rate (EIR)

For fixed rate facilities, the original effective interest rate must be used. For floating rate facilities, the current effective interest rate must be used. EIR is the totality of all charges associated with or integral to the loan.

(vii) The above positions have been modified with the issuance of impairment provisions under IFRS 9 (Financial Instruments) as per 2.2.12 below, which is required to take effect from 1st January 2018.

2.2.3 Treatment of Collateral

Banks and other-deposit taking institutions are required to apply eligible securities as collateral for loans and other facilities granted for the purpose of impairment norms. Eligible securities in this regard are:

Financial Instruments

(i) Cash and near cash instruments (eg. bank balance, call certificates)

(ii) Treasury bills and Notes

(iii) Lien on Deposits

(iv) Work certificates issued and due for payment within six months

(v) Other permissible financial instruments by BOG

Movable Properties, Warehousing Stocks & Other Verifiable securities

(i) Comprehensively insured motor vehicles not more than four years old since offered as security

(ii) Stocks in bonded warehouse

(iii) other verifiable securities approved by the BOG

Landed Property

For the purpose of impairment computation by banks and deposit-taking institutions only perfected landed-property collaterals at forced-sale values will be allowed. Perfected collaterals in this regard are collaterals for which:

i. title has been obtained in accordance with Land Title Registration Act, 1986 (PNDCL 152) except equitable mortgages ;

ii. mortgage interest has been obtained from the Lands Commission or the process for registration of mortgage interest has commenced with Lands Commission for loans and advances not later than six months of drawdown date ;

iii. the process of registration which commenced in (ii) shall at most be completed within six months ;

iv. the charge over the mortgage has been registered with the Collateral Registry in accordance with the Lenders and Borrowers Act, 2007 (Act 773) respectively ;

v. In the case of equitable mortgage, the mortgage interest has been obtained and there is evidence that the borrower has executed (ie, assigned) the mortgage to the lender (bank);

vi. To account for the risk of possible delays in obtaining the order to sell the property by the court, the average length of realisation shall be three (3) years (as against two (2) years for legal mortgages) as per paragraph 2.2.2 v (c) above.

It is required that the valuation of collaterals will be done by qualified or professional valuers.

2.2.4 Assets held for Sale

Assets held for sale

The type and carrying amount of collateral that the bank or Group or BOG licensed institution has taken possession of in the period are measured at the 'lower of its carrying amount and fair value less costs to sell'.

It must, however, be noted that such collateral taken possession of must be sold within one year of possession or approval must be sought from the Bank of Ghana where the bank or the institution's efforts towards sale goes beyond one year. All assets held for sale must be disclosed in the financial statements.

2.2.5 Treatment of stated capital

Financial Instruments Presentation - IAS 32(37) requires that all transactional costs relating to the raising of the capital and getting it registered are deducted from the stated capital. This is, however, at variance with Section 66 of the Companies Act, 1963 (Act 179), which requires that capital is maintained at gross of all transaction costs.

In view of this, the Bank of Ghana directs as follows:

(i) Banks, SDIs and other BOG licensed financial institutions (non deposit-taking NBFIs and MFIs) should comply with the IFRS provisions with respect to deduction of transactional costs from equity. In order to be consistent with the Companies Act, 1963 (Act 179), such costs may be charged against income surplus or other reserves other than Credit Risk Reserve;

(ii) However, banks and other licensed financial institutions should ensure that the required minimum capital as well as the Capital Adequacy Ratio (CAR) is maintained even after such deductions.

2.2.6 Treatment of preference shares as equity

Sections 66 and 67 of the Companies' Act, 1963 (Act 179) suggest that redeemable preference shares shall be part of equity. This is at variance with IFRS (IAS 32) which considers redeemable preference shares as debt or liability. The BOG directs that the position of the IFRS should be observed in the publications of all banks, SDIs and other licensed financial institutions supervised by the BOG. It is important to note that where preference shares are irredeemable but cumulative in terms of dividend then the unpaid portion of the dividend declared is obligatory and must be treated as liability whilst the principal is treated as equity.

Also, an irredeemable or perpetual and non-cumulative preference share is only acceptable as equity to the Bank of Ghana if payment of dividend thereon is at the discretion of the bank (issuer).

2.2.7 Revaluation of PPE

If the revaluation model is adopted, then after recognition of a property whose fair value can be measured reliably, it 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 must be 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. However, the revaluations can be carried out at not less than three (3) years at the date of purchase of the asset or the last revaluation unless there is evidence of impairment on the market.

Where a bank, SDI or non deposit-taking BOG licensed financial institution adopts the option of the revaluation model, the valuation exercise is required to be conducted by qualified professional valuers and the entire class of PPE to which the asset belongs must be revalued. However, for the purpose of Capital Adequacy Ratio computation, the surpluses on such revaluations for property would be discounted by 50% and restricted to Tier II capital. Revaluation surpluses on plant and equipment and other assets that qualify under PPE shall not be considered as capital for capital adequacy ratio computation purposes.

2.2.8 Statutory Reserves

Statutory reserve represents the cumulative amounts set aside from annual net profit after tax as required by Section - 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) -.

A bank or SDI shall maintain a Reserve Fund into which shall be transferred out of the bank or SDI net profits for each year, before the institution declares a dividend and after it has made provision for any taxes, the following amounts:

(a) where the amount of the bank or SDI's Reserve Fund is less than fifty per cent of its paid-up capital, an amount which is not less than fifty per cent of the institution's net profit for the year;

(b) where the amount of the bank or SDI Reserve Fund is fifty per cent or more but less than hundred per cent of its paid up capital, an amount which is not less than twenty five per cent of the bank's net profit for the year; or

(c) where the amount of the bank or SDI's Reserve Fund is equal to one hundred per cent or more than its paid-up capital, an amount equal to twelve and half per cent of the bank's net profit for the year.

2.2.9 Terminologies or jargons of same or similar references

For the purpose of financial reporting, all terminologies or jargons used by the IFRS which are construed or purported to refer to the same or similar references in any of the legal frameworks are permitted to be replaced or used in their stead. For instance, income statement and balance sheet should be replaced with statement of comprehensive income and statement of financial position respectively.

2.2.10 Publication & additional financial disclosures

In order to improve transparency in financial reporting in the country, the BOG requires all banks, in addition to the annual publication of their audited financial statements, to make quarterly publications of their condensed unaudited financial statements ending 31st March, 30th June and 30th September in accordance with IAS 34 and other specifications noted in part C of this document. The fourth quarter publication of the unaudited financial statements could be replaced with the annual audited financial statements to be published three months after the statutory financial year. The first, second and third quarters publications must be made one month after each quarter except the fourth quarter which must be made three months after the statutory year. Both audited and unaudited financial statements as noted in part C of this guide must be published in at least two daily newspapers of national circulation in Ghana and the website of the Bank. The SDIs are to follow the same principles except that Savings and Loans and Finance Houses are required to make half-yearly and annual publications. The other SDIs and non deposit financial institutions shall follow the same principles except that they shall make annual publications. All publications are required to be made in at least two daily newspapers of national circulation in Ghana and the website of the institutions.

The financial statements should comprise a Statement of Financial Position, a Statement of Comprehensive Income, a Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements including Value Added Statements in the prescribed format. The statements of financial position shall be as at the reference date of reporting, whilst profit or loss and the other comprehensive income shall be for the cumulative (year to date) period ending on that date in accordance with IAS 34.

Banks and Specialised Deposit-taking Institutions which are regulated by other institutions may comply with the publication requirements of those regulatory institutions so long as they do not conflict with this guide. Annual, half yearly and quarterly publications should include the following:

a. <u>Quantitative Disclosures</u>

i. Capital Adequacy Ratio;

ii. Non-performing loan (NPL) ratio

[(Substandard to loss loans/Total gross loans) * 100];

iii Liquid ratio

[Liquid assets/volatile Liabilities]

Liquid assets =Cash + Cash Reserve Ratio balances with BOG + Balances with banks + Bills purchased/discounted up to 1 year + Investments up to one year + Swap funds (sell/ buy) up to one year + Tradable Government notes and Bonds.

Volatile Liabilities: [demand deposits, District Assembly Common Funds (DACF), All Governments Instruments which could be called at short notice] etc.

b. <u>Qualitative Disclosures</u>

i. Dominant risks of the bank and how they arise, giving an indication as to whether they are increasing, decreasing or stable over a three-year period.

ii. Objectives, policies and processes for managing these risks;
iii. Methods used to measure the risks afore-mentioned.
iv. Defaults in prudential requirements including statutory liquidity and the accompanying sanctions, if any.

c. <u>Others</u>

Any other disclosure that is necessary to the understanding of the financial statements by users.

2.2.11 First time adoption disclosures

(a) Reconciliations in the first IFRS financial statements

Where banks, SDIs and non deposit-taking financial institutions are preparing financial statements to comply with IFRS for the first time, then they are required to include a reconciliation of:

- Equity from previous GAAP to IFRS at the transition date and at the end of the latest period presented in the bank's, SDI's or non deposit-taking financial institution's most recent annual financial statement under the previous GAAP.

- Net profit from the previous GAAP to IFRS for the last period in the bank's, SDI's or non deposit-taking financial institution's most recent annual financial statements under the previous GAAP.

The reconciliations should give sufficient detail to enable users to understand the material adjustments to the statements of financial position and statements of comprehensive income to distinguish changes in accounting policies from the correction of errors identified during transition.

(b) Other IFRS first time adoption disclosures

Other disclosures such as disclosures required by IAS 36 and IAS 39/IFRS 9 should also be provided when impairment losses are recognized in the opening IFRS financial position. These disclosures are substantial and include (among others):

- The amount and financial statement line items impacted by the impairment.

- The impairment amount recorded for each reported segment.

- For material impairments:

    - The events leading to the recognition of the impairment.

    - A description of the asset or cash-generating unit.

- What constitutes the remaining recoverable amount of the asset or cash-generating unit.

- The discount rates used in the impairment analysis.

- Significant assumptions used in the impairment analysis.

- The amount of any unallocated goodwill and the reasons why it is unallocated.

In addition, when fair value is used as deemed cost, the aggregate fair values and the aggregate adjustment to the previous carrying amounts should be disclosed for each line item.

The bank, SDI or Group should also explain material adjustments to the cash flow statement.
A bank that applies the optional exemption to classify a financial asset or financial liability at "fair value through profit or loss" must disclose:

- The fair value of the item.

- The carrying amount under previous GAAP.

- The classification under previous GAAP

2.2.12 IFRS 9- Impairment of Financial Instruments

I. Overview

a. Impairment requirements in IFRS 9 (Financial Instruments) are based on an expected credit loss model and replace IAS 39 Financial Instruments: Recognition and Measurement, incurred loss model.
b. The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income, such as loans, debt securities and trade receivables, lease receivables, loan commitments and financial guarantee contracts.
c. Entities are required to recognise an allowance for either 12-month or lifetime expected credit losses (ECLs), depending on whether there has been a significant increase in credit risk since initial recognition.
d. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the best available forward-looking information.
e. The need to incorporate forward-looking information means that:
    i. the application of the standard will rquire considerable judgement as to how changes in macro-economic factors will affect ECLs.

ii. the increased level of judgement required in making the expected credit loss calculation may also mean that it will be more difficult to compare the reported results of different entities.

However, entities are required to explain their inputs, assumptions and techniques used in estimating the ECL requirements, which should provide greater transparency over the entities credit risk and provisioning processes.

f. Judgement as well as new data and processes is required to assess whether there has been any significant increase in credit risk.

g. The new impairment requirement may resulting larger loss allowances for banks and similar financial institutions and for investors in debt securities. On transition, this will reduce equity and have an effect on regulatory capital. The level of allowances will also be more volatile in future, as forecasts change.

h. Since adopting the expected credit losses requirement will require most licensed institutions to make significant changes to their current systems and processes, institutions are encouraged to make early impact assessment **(preferably their year-end 2016 financial statements) as well as plan towards a successful implementation of the project in 2018.**

i. The illustrative financial statement concerning financial instruments is largely based on IAS 39, portions have, however, been modified to reflect IFRS 9.

II. Scope

IFRS 9 requires an entity to recognise a loss allowance for Expected Credit Loss (ECL) on:

a. Financial assets that are debt instruments such as loans, debt securities, bank balances and deposits and trade receivables that are measured at amortised cost.
b. Financial assets that are debt instruments measured at fair fair value through Other Comprehenhive Income (OCI).
c. Lease receivables under IAS 17- Leases.
d. Loan Contracts under IFRS 15 - Revenue from Contracts with customers.

e. Loan Commitments that are not measured at fair value through profit or loss under IFRS 9. The scope excludes loan commitment designated as financial liabilities at fair value through profit and loss and loan commitments that are settled in cash or by delivering or issuing another financial instrument.
f. Financial guarantee contracts that are not measured at fair value through profit or loss under IFRS 9. The scope excludes financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when a continuing involvement approach applies.

III. Approaches

In applying the IFRS 9 impairment requirement, an entity needs to follow the General Approach, the Simplified Approach or the Purchased or originated credit-impaired Approach depending on the nature and status of the financial instrument.

a. General Approach

Under the general approach, at each reporting date, an entity recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as impairment gain or loss. The general approach is considered in stages:

i. Stage One

- For credit exposures where there have not been any significant increase in credit risk (low credit risk) since initial recognition, an entity is required to provide for 12-month ECLs,
  - i.e , a portion of lifetime ECLs that represents ECLs that result from the default events that are possible within the 12-month after the reporting date.
- Loss allowance is updated at each reporting date.
- Interest revenue is calculated based on EIR on the gross carrying amount.
- A financial instrument has low credit risk if:
  - The financial instrument has a low risk of default.

- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term.
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations
- A financial instrument is not considered to have low credit risk simply because it has a low risk of loss (e.g if the value of the collateral is more than the exposure) or it has lower risk of default compared with the entity's other financial instruments or relative to the credit risk of the Ghanaian financial industry.

- Even though the financial system is yet to apply or officially adopt or employ the services of external rating agencies for rating financial instruments, the description of low credit risk is broadly equivalent to 'investment grade' quality assets, equivalent to Standard and Poor's rating BBB or better, Moody's rating of Baa3 or better and Fitch's rating of BBB or better. It must, however, be noted that when applying the low credit risk simplification, financial instruments are not required to be externally rated. The intention of IASB was to use a global comparable notion of low credit risk instead of a level of risk determined.
- The Bank of Ghana, however, requires that institutions should use internal ratings for assessment with the guidance that there is a rebuttable presumption that:
  - Where a facility is less than 30 days past due, it is low risk and attracts a minimum loss rate of 1% (within a range of 1% - 5%) of the principal amount of the facility. The risk profile of the institution/counterparty/customer may further determine whether a higher than the lower band should be applied.
- The loss rate is an industry's composite of probability of defaults (PDs) and loss given defaults (LGD), ie, PD x LGD=LR. Sectoral loss rates in due course may be determined.
- The ECL is PD X LGD X EAD, where EAD is the carrying amount plus other commitments (where necessary).
- The loss rate may be adjusted with reasonable and supportable forecasts of future economic conditions. Such adjustments are based

more on conservative conditions, meaning positive forecasts may not be adjusted.

ii. Stage Two

a. Under this, credit risk of the financial asset is considered to have increased significantly since the initial recognition and the assessment is based on lifetime expected credit losses;

b. The borrower in this case is assessed to be unlikely to meet its obligations to the bank in full without recourse to realising the security (if any);

c. This is because there is a rebuttable presumption that the facility is more than 30 days but less than 90 days past due, therefore, it is considered a significant increase in credit risk and should, therefore, attract a minimum loss rate of 10% (within a range of 10 - 20%). The risk profile of the institution/counterparty/customer may further determine whether a higher than the lower band should be applied;

d. The loss rate is an industry's composite of probability of defaults (PDs) and loss given defaults (LGD), ie, PD x LGD=LR. Sectoral loss rates in due course may be deterimed;

e. The loss rate may be adjusted with reasonable and supportable forecasts of future economic conditions. Such adjustments are based more on conservative conditions, meaning positive forecasts may not be adjusted.

f. Interest revenue is calculated based on EIR on the gross carrying amount.

iii. Stage Three

a. Here, the assessment is based on lifetime expected credit losses

b. Where the facility is 90 days past due, then it is considered credit impaired at the reporting date (but not credit impaired at purchased or date of origination).

c. The past due simplification permits the use of delinquency or past due status, together with other more forward-looking information, to identify a significant increase in credit risk.

d. The standard considers past due information as a lagging indicator and that typically credit increases significantly before a financial instrument becomes past due.
e. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower specific factors (eg modification or restructuring) are observed.
f. When a reasonable and supportable information that is more forward-looking than past due information available without undue cost and effort, it must be used to assess changes in credit risk and an entity cannot rely solely on past due information.
    i. Consequently an entity can rebut the presumption afore noted if it can demonstrate that credit risk has not increased significantly even though contractual payments are more than 90 days past due.
    ii. Evidence of such presumption may include knowledge of missed non-payment due to administrative oversight rather than financial difficulty of the borrower etc.
g. If the likely pattern of default is not concentrated at a specific point during the expected life of the financial instrument, the change in risk of default occurring over the next 12 months may often be a reasonable approximation for the change in risk of a default occurring over the expected remaining life. In these circumstances the standards permits the use of a 12 month risk of default occurring when determining whether credit risk has increased significantly since initial recognition, unless circumstances indicate that a lifetime assessment is necessary.
h. There is a rebutable presumption that default does not occur later than when a financial asset is 90 days past due and hence lifetime assessment shall be made.
i. The standard stresses that an entity needs to consider qualitaitive indicators of default (such as breach of covenant etc.) when appropriate in addition to past due.

j. Determining lifetime assessment is based on deterimining the present value of future cash flows and comparing it with the carrying amount to determine the impairment (as per IAS 39).
k. Where the facility is considered as 90 days past due, then there is rebutable presumption that the cash flow from the primary source of repayment should be considered nil and if there is no eligible security to be discounted by the effective interest rate then the recoverable amount is zero hence the whole facility (carrying amount) is considered impaired.
l. Interest revenue at this stage is calculated based on EIR on amortised cost (ie, gross carrying amount less the loss allowance).

b. Simplified Approach

i. The simplified approach does not require an entity to track the changes in credit risk, but instead, requires the entity to recognise a loss allowance based on lifetime expected credit loss at each reporting date, right from origination.
ii. An entity is required to apply the simplified approach for trade receivables or contract assets that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component, or when the entity applies the practical expedient for contracts for more than one year or less, in accordance with IFRS 15.

c. Purchased or originated credit impaired approach

i. On initial recognition of a financial asset, an entity is required to determine whether an asset is credit impaired.
ii. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that event have occurred.
iii. Evidence that a financial asset is credit impaired is just like as spelt out in IAS 39 which provides loss events for individual and (or) collective assessment.
iv. This means that where a facility is considered as 90 days past due, there is rebutable presumption that the cash flow from the primary source of repayment is considered nil and if there is no

eligible security to be discounted by the effective interest rate then the whole facility is considered impaired.

d. Loan Commitments
   i. Loan commitments are firm commitments to provide credit under specified terms and conditions and financial guarantee contracts are defined in the standard as contracts that require the issuer to make specified payments to reimburse the holder for loss it incurs because a specified debtor fails to make payment when due in accoradance with the original or modified terms of the debt instrument. For undrawn commitments, an entity’s estimate of 12-month ECL should be based on its expectations of the portion of the loan commitment that will be drawn within 12 months of the reporting date.
   ii. IFRS 9 impairments apply to loan commitments and financial guarantee contracts that are not measured at fair value through profit and loss under IFRS 9. It, however, excludes loan commitments designated as financial liabilities at fair value through profit or loss and loan commitments that can be settled net in cash or by delivering or issuing another financial instrument.
e. Revolving line of credit
   i. Financial instruments that include both loan and an undrawn commitment component and the entity’s contractual ability to demand repayment and cancel commitment does not limit the entity’s exposure to credit losses to the contractual notice period.
   ii. The characteristics generally associated with such instruments are as follows:
      a. There are usually no fixed term or repayment structure and usually have a short contractual cancellation period;
      b. The contractual ability to cancel the contract is not enforced in the day-to-day management, but only when the lender is aware of an increase in credit risk at the facility level;
      c. They are managed at collective basis.

iii. In order to calculate the period for which ECLs are assessed, an entity should consider factors such as historical information and experience about:
   a. The period over which the entity was exposed to credit risk on similar financial instruments;
   b. The length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
   c. The credit risk management actions that the entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

IV. Measurement of expected credit losses

a. Measurement of ECL is based on Probability of Default, time value of Money, cash flows (both primary and secondary sources) and reasonable and supportable information.
b. Although PDs are mostly used to determine whether there has been a significant increase in credit risk or not in measuring of ECL, LGD which involves collateral estimation and other credit enhancement are important.
c. Credit Loss is defined by the standard as all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).
d. When estimating the cash flows the entity shall consider:
   i. All contractual terms of the financial instrument over the expected life of the financial instrument,
      - In rare cases when the expected life of the FI cannot be determined reliably, then the entity is required to use the remaining contractual term of the FI.
   ii. Cash flow from the sale of collateral held or other credit enhancement that are integral to the contractual terms.

2.3 Presentation of financial statements

Banks, SDIs and other BOG licensed financial institutions are required to prepare their financial statements in the manner required by the Companies' Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with IFRSs issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants Ghana (ICAG) established by the ICAG Act, 1963 (Act 170). IFRSs and their interpretations change over time and quite frequently hence this Guide should not be used as a substitute for referring to the standards themselves. The illustrative financial statements are based on consolidated financial statements. Banks, SDIs and other BOG licensed financial institutions that are parents and prepare consolidated financial statements are also required to present separate financial statements in accordance with IAS 27. The illustrative financial statements concerning financial instruments are largely based on IAS 39, with portions modified to reflect IFRS 9.

2.4 Format of financial statements of banks/SDIs

A complete set of financial statements comprises:

- A statement of comprehensive income (Profit or loss and other comprehensive income) for the period and a comparative period;
- A statement of financial position as at the end of the period; For the purpose of first time adoption, the statement of financial position shall involve the reporting period, the preceding comparative period and the transition date, (that is, earliest comparative period for which the financial information is presented). For instance, if the publication is for end of 2016, then end 2015 and 2014 (beginning of 2015) shall also be published.
- A statement of changes in equity for the period and a comparative period;
- A statement of cash flows for the period and a comparative period;
- Notes and comparative information, comprising a summary of significant accounting policies and explanatory information; and
- A statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a

retrospective restatement of items in its financial statements, or when it reclassifies items in the financial statements.

In order to further improve transparency, the BOG requires the following to be disclosed by banks/SDIs as part of their financial statements:

- Value Added Statements as per the format prescribed in this document.
- Supplementary schedules and information such as industrial and geographical disclosures, effects of changes in prices, capital adequacy ratio and the forecasted capital position based on a bank's Internal Capital Adequacy Assessment Process (ICAAP) and the ratio of non-performing loans.

2.5 Statement of profit or loss and other comprehensive income

2.5.1 Statement of Profit or Loss

1. **Interest income -** this refers to interest received and receivable from the following financial assets using the effective interest rate method:

   (a) Loans and advances to customers

   (b) Placements (Loans and advances) to banks

   (c) Financial Assets Held-for-Trading

      (i) Held-for-trading Securities

      (ii) Derivatives with Positive Fair Value Held for Trading

   (d) Financial Assets Designated at Fair Value through Profit or Loss (DFVPL)

   (f) Held-to-Maturity (HTM) Financial Assets

   (g) Unquoted Debt Securities Classified as Loans

2. **Interest expense** - this refers to payments and/or monthly accruals of interest on the following financial liabilities:

   (a) Deposits

      (i) Demand Deposits

      (ii) Savings Deposits

      (iii) Fixed / Time Deposits

      (iv) Other deposits

   (b) Bills Payable

      (i) Inter-bank Loans Payable

      (ii) Other Deposit Substitutes

   (c) Bonds Payable

   (d) Subordinated Term Debt

   (e) Redeemable Preferred Shares

   (f) Derivatives with Negative Fair Value Held for Hedging

   (g) Finance Lease Payment Payable

(h) Others

3. **Fee and commission income**

   (a) Payment Services - This refers to fees and commissions income from payment services offered by the banks.

   (b) Intermediation Services - This refers to fee and commission income from intermediation services such as those relating to deposit and lending services.

   (c) Custodianship - This refers to fees and commissions income from the custodianship services offered by the bank.

   (d) Underwriting and Securities Dealership - This refers to fees and commissions income from underwriting (or participating in the underwriting of securities) and securities dealership activities.

   (e) Others - This refers to fees and commission income not classified under any of the foregoing classifications.

4. **Fees and commission expense**

   This refers to fees and commission expense for payments services, intermediation services, custodianship, underwriting and securities dealership, securitization activities and other services provided by the bank.

   Fees and Commissions attributable to a loan must be accounted for in line with the duration of the loan unless they are considered immaterial (equal to or below the minimum fees normally charged by the bank or institution).

5. **Net trading income**

   This refers to the realized gains/losses from purchase and sale of foreign currencies, including realized and unrealized fair value changes, interest and foreign exchange differences.

6. **Net income from other financial instruments**

   (a) Gains/(Losses) on Financial Assets and Liabilities Held for Trading (HFT) – This refers to the gains/(losses) from financial assets and liabilities held for trading comprising the following:

      (i) Realized Gains/(Losses) from Sale or De-recognition of Financial Assets and Liabilities.

(ii) Unrealized Gains/(Losses) from fair value changes - This refers to the unrealized gains/(losses) from change in fair value of financial assets and liabilities held for trading.

(b) Gains/(Losses) on Financial Assets and Liabilities DFVPL - This refers to the gains/(losses) from financial assets and liabilities designated at fair value through profit or loss and comprises the following:

(i) Realized Gains/(Losses) from Sale/Redemption/De-recognition of Financial Assets and Liabilities - This refers to the gains/(losses) from sale or de-recognition of financial assets and liabilities designated at fair value through profit or loss.

(ii) Unrealized Gains/(Losses) from fair value changes - This refers to the unrealized gains/(losses) from change in fair value of financial assets and liabilities DFVPL.

(c) Gains/(Losses) from Sale/Redemption/De-recognition of Non-Trading Financial Assets and Liabilities - This refers to the gains/(losses) from non-trading financial assets (i.e., AFS; HTM; Unquoted Debt Securities Classified as Loans; Loans and Receivables; Investment in Subsidiaries, Associates and Joint Ventures) and liabilities, which comprises the following:

(i) Realized Gains/(Losses) from Sale/Redemption/Derecognition of Financial Assets and Liabilities - This refers to the gains/(losses) incurred in the sale/redemption/ derecognition of non-trading financial assets and liabilities.

(ii) Gains/(Losses) on reclassification from Available-for-sale (AFS) to Held-to-maturity (HTM) - this refers to the gains/(losses) from reclassification of debt securities from AFS to HTM. Any previous gain or loss on AFS debt security that has been recognized directly in equity shall be amortized by debiting or crediting this account over the remaining life of the HTM security using the effective interest rate (EIR) method.

7. Other operating income

(a) Gains/(losses) arising from derecognition of non-financial assets such as Bank Premises, Furniture, Fixture and Equipment, etc.

(b) Rental Income

(i) Safe Deposit Box - This refers to the earned portion of rental collected in advance from lessees of safe deposit boxes.

(ii) Bank Premises and Equipment - This refers to rental received and receivable from lessees on bank premises and equipment.

8. Other income/miscellaneous income

This refers to the income which cannot be appropriately classified under any of the foregoing income accounts.

9. Net impairment loss on financial assets

This refers to the following:

(a) Provision for credit losses on Loans and Receivables and Other Financial Assets - This refers to the impairment loss on loans and receivables and other financial assets, which shall be debited to set up the allowance for losses on the said financial assets.

(b) Bad debts written off - This refers to loans, advances and other amounts which Management has finally determined to be worthless/uncollectible and written-off from the books in accordance with generally accepted procedures and existing rules and regulations.

10. Personnel expenses

(a) Salaries and wages - This refers to the gross remuneration of officers and employees for regular and overtime services rendered.

(b) Allowances

This refers to the expenses for any good, service or other benefit furnished or granted by the bank/SDI to its officers, in cash or in kind, in addition to basic salaries, such as, but not limited to, housing; vehicles of any kind; household personnel, such as maid, driver and others; interest on loan at less than market rate to the extent of the difference between the market rate for that borrower and the actual rate granted; membership fees, dues and other expenses borne by the bank/SDI for its officers in social and athletic clubs or other similar organizations; expenses for foreign travel; holiday and vacation expenses; educational assistance to officers or their dependents; and life or health insurance and other non-life insurance premiums or similar amounts in excess of what the law allows, in accordance with collective agreements and other regulations, as well as expenses for allowances and other fringe benefits granted to employees in accordance with management policy such as bonuses, profit shared, including those for special studies/seminars but excluding medical, dental and hospitalization benefits.

(c) Director's fees - This refers to the per diems and fees granted to directors in accordance with management policy.

(e) Medical, dental and hospitalization - This refers to the expenses for medical and dental services, including cost of medicine, hospital bills and other related expenses incurred by the bank, in accordance with management policy, for and on behalf of its officers and employees and their dependents.

(f) Contribution to retirement/provident Fund - This refers to the bank's contributions to the retirement/provident fund or any similar fund for its personnel.

(g) Provision for pensions and other post-retirement benefits - This refers to the bank's provisions for pensions and other post retirement benefits.

11. Depreciation and amortization

This refers to the monthly/periodic depreciation of bank premises, furniture, fixtures and equipment and the amortization of other intangible assets.

12. Other administrative expenses

(a) Rent - This refers to the expenses incurred, including monthly amortizations of rent paid in advance, for buildings, spaces and/or equipment leased by the bank for its business.

(b) Utilities (power, light and water) - This refers to the expenses incurred for power, light and water consumption.

(c) Postage, telephone, cables and telegrams - This refers to the expenses incurred for postage, telephone services, cables and telegrams.

(d) Repairs and maintenance - This refers to the expenses for repairs and maintenance incurred to put/keep the bank premises, furniture, fixtures and equipment in working condition but which do not prolong the estimated useful life of the asset or enhance the value thereof.

(e) Security, clerical, messengerial and Janitorial Services - This refers to expenses incurred for the services of security guards, clerks/tellers, messengers and janitors who are not employees of the bank and/or are hired on a contractual basis.

(f) Information technology expenses - This refers to expenses incurred for the operation, maintenance and development of computer hardware and software.

(g) Insurance expenses

(h) Management and other Professional fees - This refers to the expenses for services rendered by individuals/firms on a retainer/ contractual basis, such as the managing company, legal counsel, external auditors and consultants.

(i) Representation and entertainment - This refers to the fixed allowances and/or actual expenses incurred for public relations activities which are directly related to the promotion of the business development and enhancement of the prestige of the bank.

(j) Travelling Expenses - This refers to the expenses incurred for the official travel of directors, officers and employees, including fares, hotel bills, subsistence, porterage and tips. This amount shall also include expenses incurred by directors, officers and employees for fuel and minor repairs in using their own vehicles for official travel.

(k) Fuel and lubricants - This refers to the expenses incurred for fuel and lubricants used for bank-owned/leased vehicles and other equipment.

(l) Advertising and publicity - This refers to the expenses for advertising and publicity in the newspapers, magazines, television, radio and other media, including those for handbills, pamphlets, billboards, brochures and giveaways.

(m) Membership fees and dues - This refers to the expenses incurred for membership fees and dues to civic/bank associations or professional organizations wherein the bank, its officers and/or employees are members.

(n) Donations and charitable contributions - This refers to the donations and contributions to charitable organizations and other non-profit associations, including contributions to victims of fire, flood and other calamities.

(o) Periodicals and magazines - This refers to the expenses incurred for periodicals, magazines and other publications.

(p) Documentary stamps used - This refers to the expenses incurred for documentary stamps used by the bank, excluding those chargeable to customers.

(q) Stationery and supplies used - This refers to the expenses incurred for printed forms, stationery and other office supplies used by the bank or issued from the stockroom to the different departments and branches of the bank, excluding those chargeable to the customers.

(r) Fines, penalties and other charges - This refers to the fines, penalties and other charges imposed on the bank under existing rules and regulations, such as fines/penalties for reserve deficiencies, late submission of reports and violation of rules/regulations.

(s) Litigation/assets acquired expenses - This refers to the expenses incurred in connection with the litigation proceedings and the registration/consolidation of ownership of acquired assets in the name of the bank, as well as those incurred in their preservation/maintenance.

(t) Other expenses - this refers to the items which cannot be appropriately classified under any of the foregoing expense accounts.

13. Income tax expense

This refers to the monthly/annual provision for income tax

14. Other comprehensive income

This refers to gains and losses yet to be realized from a variety of sources including unrealized pension costs, gains and losses on AFS securities and derivatives, foreign currency or cash flow hedges and net foreign investments.

2.6 Statement of financial position

2.6.1 Assets

1. Cash and cash equivalents

(a) Cash on hand - This refers to the total amount of cash in the bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATM) and the like.

(i) Local Currency -This refers to the total amount of cash on hand denominated in Ghana Cedi.

(ii) Foreign Currency -This refers to the total amount of cash on hand denominated in foreign currency.

(b) Cheque and other cash items -This refers to the total amount of cheques and other cash items received after the selected clearing cut-off time until the close of the regular banking hours.

(c) Due from the BOG - This refers to the balance of the deposit account(s) maintained with the BOG.

(d) Due from other banks

(i) Resident Banks -This refers to the balances of deposit accounts maintained with other resident banks excluding loans and advances.

(ii) Non-Resident Banks - This refers to the balances of deposit accounts maintained with non-resident banks/offshore banks.

2. Trading assets

This refers to the debt and equity securities that are acquired principally for the purpose of selling or repurchasing them in the near term; or part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

iii **Derivatives assets held for risk management**

This refers to the positive fair value of derivatives acquired for the bank's trading activities.

3. Investments

This refers to short-term investments other than equity investments. It includes financial instruments such as Government of Ghana treasury notes and tradeable bonds, etc

4. Loans and receivables

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

- I those that the bank intends to sell immediately or in the near term, which shall be classified as HFT, and those that the entity upon initial recognition designates as fair value through profit or loss;
- Ii those that the bank upon initial recognition designates as AFS; or
- Iii those for which the holder may not recover substantially all of its initial investment because of credit deterioration, which shall be classified as AFS.

Loans and receivables shall be measured upon initial recognition at fair value plus transactions costs that are directly attributable to the acquisition of the loans and receivables. After initial recognition, a bank shall measure Loans and Receivables at amortized cost using the effective interest method.

(b) Allowance for credit losses - This refers to the cumulative amount set-up against current operations to provide for losses which may arise from the non-collection of loans receivable.

5. Investment securities

This refers to equity investments and long term non-tradeable bonds.

6. Property, plant and equipment (PPE)

This refers to real and other properties used or to be used for banking purposes which shall be accounted for using the cost or revaluation model based on the bank or Group's business model.

(a) Land - This refers to the acquisition cost of the land or lots by the bank as existing or future sites of its offices, including residential and parking lots used by officers/ employees and clients. Acquisition cost shall consist of the purchase price and all expenditures incurred incidental to acquisition, such as cost of surveying, registration and issuance of title. This amount shall also include the cost of filling and other expenditures which enhance the value of the land.

(b) Building - This refers to the cost of buildings owned and used or to be used by the bank for its business, including residential houses provided for its officers and employees.

(c) Furniture and Fixtures - This refers to the cost of furniture, such as desks, tables and chairs; and fixtures to buildings, which do not form part of "Bank Premises/ Buildings" account, including expenditures incurred for major repairs and maintenance which prolong the life of these assets beyond their original estimated useful life. This account also includes the cost of firearms owned and licensed in the name of the bank.

(d) Information Technology (IT) Equipment- This refers to the cost of IT equipment.

(e) Other Office Equipment - This refers to the cost of office equipment, other than IT equipment.

(f) Motor vehicles - This refers to the cost of motor vehicles.

(g) Capital work in progress - This refers to the total cost of materials, labour and other 'capitalisable' expenditures incurred in connection with a capital project under construction. Upon completion of the building its cost shall be transferred/closed to "Bank Premises, Furniture, Fixture and Equipment " account.

(h) Accumulated Depreciation - This refers to the accumulated depreciation of bank premises, furniture and fixture owned or leased by the bank.

(i) Depreciation charge - This refers to the depreciation charge on bank premises, furniture, fixture and equipment, etc

7. Intangible assets

(a) This refers to identifiable non-monetary asset without physical substance. An intangible asset is expected to have the characteristics of identifiability, control over a resource and existence of future economic benefits. If an item within the scope of Intangible Assets (IAS38) does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognised as an expense when incurred, unless it is acquired in a business combination and therefore, forms part of goodwill recognised at the acquisition date. As a distinction, goodwill acquired may not be separately identifiable.

(c) Accumulated amortization

This refers to the accumulated amortization of intangible assets, which shall be set up monthly against current operations.

(d) Allowance for Losses - This refers to the cumulative amount of impairment loss incurred on other intangible assets.

8. Deferred tax asset

This refers to the amount of income taxes recoverable in future periods in respect of deductible temporary differences, carry forward of unused tax losses and carry forward of unused tax credits.

9. Assets held for sale

This refers to assets whose carrying amount will be recovered principally through a sale transaction rather than through continuity in use as noted by IFRS 5. Repossessed assets and discontinued operations which fall in this category are required to be classified as fair value less expected costs to sell and be sold within one year. The Bank of Ghana would be notified of repossed assets with difficulty in selling the asset within one year.

10. Other assets

This refers to items/transactions, which cannot be appropriately classified under any of the foregoing asset accounts.

2.6.2 Liability

1. **Trading liabilities/financial liabilities held for trading**

   This refers to the obligation of the purchaser/borrower of securities under Reverse Repurchase Agreements/Certificates of Assignment/Participation with Recourse/ Securities Lending and Borrowing Agreements to return the securities purchased/borrowed from the seller/lender; which the former sold/pledged to third parties. These liabilities shall be recorded at fair value and any gain or loss arising from a change in fair value shall be recognized in profit or loss under the account "Gain/(Loss) from Financial Assets and Liabilities Held for Trading".

2. **Derivative liabilities held for risk management**

   This refers to the negative fair value of derivatives acquired for the bank's trading activities.

3. **Deposits from banks**

   This refers to the credit balances of deposit accounts maintained by other local banks with the bank, among other things, for the settlement of interbank claims.

4. **Deposits from customers**

   (a) Demand Deposit - This refers to deposits, subject to withdrawal either by cheque or through the automated teller machines which are otherwise known as current or chequing accounts. The bank may or may not pay interest on these accounts.

   (b) Savings Deposit - This refers to interest-bearing deposits which are withdrawable either upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook or through the automated teller machines.

   (c) Time Certificates of Deposit - This refers to interest-bearing deposits with specific maturity dates and evidenced by certificates issued by the bank.

   (d) Others: - Other forms of deposits not classified as above.

5. **Provisions**

This refers to liabilities of uncertain timing or amount which are recognized when:

(i) an entity has a present obligation as a result of past event;

(ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

(iii) a reliable estimate can be made of the amount of the obligation.

6. **Impairment allowance account**

This refers to impairment for credit losses on exposures established when the recoverable amounts, based on discounted cash flows of loan assets, are less than the carrying amounts.

7. **Current tax liabilities**

This refers to the estimated liability for income tax which shall be set-up monthly against current operations.

8. **Deferred tax liabilities**

This refers to the amount of taxes payable in future periods in respect of taxable temporary differences.

9. **Other liabilities**

This refers to items/transactions, which cannot be appropriately classified under any of the foregoing liability accounts or which have arisen as a result of suspense or reconciliation difficulties.

2.6.3 Equity

1. **Stated capital**

   (a) Ordinary Shares - This refers to the total amount of fully paid common shares, including share dividends, for which the corresponding certificates have been issued.

   (b) Perpetual and Non-cumulative Preferred shares - This refers to the total amount of fully paid perpetual and non-cumulative preferred shares including share dividends, for which the corresponding certificates have been issued.

2. **Retained earnings/income surplus**

   This refers to the undistributed or free portion of the accumulated profits.

3. **Revaluation reserve/available for sale reserve**

   This refers to the effects from the fair value measurement of AFS financial assets after deduction of deferred taxes. It also involves unrealised surplus/gains on non-financial assets. These unrealised gains or losses are not recognised in profit or loss until the asset has been sold/matured or impaired.

4. **Statutory reserve**

   Statutory reserve represents the cumulative amounts set aside from annual net profit after tax as required by Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (ACT 930). When a bank's statutory reserve is less than the amount represented by paid-up capital at the financial year-end, the bank is required to transfer an amount of its net profits after taxes each year to the reserve fund until the deficiency has been eliminated. Thereafter, a minimum annual transfer of 12.5% is required. The proportion of net profits transferred to this reserve ranges from 12.5% to 50% of net profit after tax depending on the ratio of existing statutory reserve fund to paid up capital.

5. **Credit risk reserve**

   This represents additional impairment allowance required by BOG on loans and advances in excess of the IFRS impairment.

2.6.4 Additional disclosures

The BOG requires financial statements of banks, SDI and other BOG licensed financial institutions to include the following disclosures (where applicable):

(a) Capital Adequacy Ratio;
(b) Non-performing loans (amount and ratio);
(c) Liquid ratio;
(d) Statutory liquidity breaches and non-compliance with other prudential requirements;
(e) Risk governance structure;
(f) Risk measurement for credit risk, liquidity risk, interest rate risk, foreign exchange rate risk, operational risk, and other major risks;
(g) Subsidiaries and other affiliated companies;
(h) Amount of loans written-off;
(i) Credit risk reserve, if any;
(j) List of related parties;
(k) Transactions with related parties, stating whether this was at arms length or not;
(l) Amount of repossessed properties/collaterals;
(m) Type and value of asset used as collaterals against liabilities;
(n) Renegotiated loans which have been reclassified;
(o) Year end rates used for foreign exchange translations;
(p) List of shareholders.

PART B:

ILLUSTRATIVE FINANCIAL STATEMENTS

2.6 Background

These illustrative financial statements exemplify the disclosures required by IFRS for accounting periods effective beginning on or after 1 January 2016 but should not be considered to be the only acceptable form of presentation. The form and content of a reporting entity's financial statements are the responsibility of the entity's Management, and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in IFRS, the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions ACT, 2016 (ACT 930).

However, for the purpose of comparison and uniformity, the main structure of the financial statements should not be departed from, unless non-departure may result in a misleading report which may affect its truth and fairness. The references in the left margin of the illustrative financial statements represent the paragraph of the IFRS in which the disclosure requirements appear. These may, however, change based on revision of the standards.

These illustrative financial statements are not a substitute for reading and applying the Standards or for professional judgement as to the fairness of the presentation. They do not cover all possible disclosures required by IFRS. Depending on the circumstances, further specific information may be required in order to ensure fair presentation under the IFRS.

Part B: Illustrative financial statements for annual publication

2.7 Contents of financial statements

9. Net fee and commission income
10. Net trading income
11. Net income from other financial instruments carried at fair value
12. Other operating income
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16. Earnings per share
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2.8 Consolidated statement of profit or loss and other comprehensive income

Reference

Reference		Note	2016		2015	
IAS 1.10(b), 81(a)	**Statement of Profit or Loss for the year ended 31 December**					
IFRS 7.7	*In thousands of GH₵*	***Note***	**2016**		**2015**	
			Bank	Group	Bank	Group
IFRS 7.20(b)	Interest income	8	xxx	XXX	xxx	XXX
IFRS 7.20(b)	Interest expense	8	(xxx)	(XXX)	(xxx)	(XXX)
IAS 1.82(b)						
	Net interest income		**xxx**	**XXX**	**xxx**	**XXX**
IFRS 7.20(c)	Fee and commission income	9	xxx	XXX	xxx	XXX
IFRS 7.20(c)	Fee and commission expense	9	(xxx)	(XXX)	(xxx)	(XXX)
	Net fee and commission income		**(xxx)**	**XXX**	**xxx**	**XXX**
IFRS 7.20(a)	Net trading income	10	xxx	XXX	xxx	XXX
IFRS 7.20(a)	Net income from other financial instruments carried at fair value	11	xxx	XXX	xxx	XXX
IFRS 7.20(a)	Other operating income	12	xxx	XXX	xxx	XXX
IAS 1.99	Other income		xxx	XXX	xxx	XXX
			Xxx	**XXX**	**xxx**	**XXX**
IAS 1.85	**Operating income**		xxx	**XXX**		**XXX**
IFRS 7.20(e)	Net impairment loss on financial asset	21, 22, 23	(xxx)	(XXX)	(xxx)	(XXX)
IAS 1.99	Personnel expenses	13	(xxx)	(XXX)	(xxx)	(XXX)
IAS 17.35(c)	Operating lease expenses	23	(xxx)	(XXX)	(xxx)	(XXX)
IAS 1.99, 38.118(d)	Depreciation and amortisation	23	(xxx)	(XXX)	(xxx)	(XXX)
IAS 1.99	Other expenses	14	(xxx)	(XXX)	(xxx)	(XXX)
IAS 1.85	**Profit before income tax**		**xxx**	**XXX**	**xxx**	**XXX**
IAS 1.82(d), 12.77	Income tax expense	15	(xxx)	(XXX)	(xxx)	(XXX)
IAS 1.82(f)	**Profit for the period**		**xxx**	**XXX**	**xxx**	**XXX**
	Other comprehensive income,					
IAS 1.82(g), 21.52(b)	Foreign currency translation diff. for foreign operations		xxx	XXX	xxx	XXX
IAS 1.82(g), 21.52(b)	Net gain/loss on hedges of net investments in foreign ops and *cash flow hedges*		*xxx*	XXX	xxx	XXX
IAS 1.82(g)	Revaluation of property, plant and equipment		xxx	XXX	xxx	XXX
IAS 1.82(g), 19.93B	Defined benefit plan actuarial gain (loss)		xxx	XXX	xxx	XXX
IAS 1.91(b)	*Related tax*		xxx	XXX	xxx	XXX
	Other comprehensive income - net of tax		**xxx**	**XXX**	**xxx**	**XXX**
	Total comprehensive income for the period		**xxx**	**XXX**	**xxx**	**XXX**

Consolidated statement of profit or loss and other comprehensive income (continued)

Reference

IAS 1.10(b), 81(a)	**for the year ended 31 December**					
IFRS 7.7	*In thousands of GH₵*	***Note***	**2016**		**2015**	
			Bank	**Group**	**Bank**	**Group**
	Profit attributable to:					
IAS 1.83(a)(ii)	Controlling Equity holders of the bank		xxx	XXX	xxx	XXX
IAS 1.83(a)(i)	Non-controlling interest		xxx	XXX	xxx	XXX
	Profit for the period		**xxx**	**XXX**	**xxx**	**XXX**
	Total comprehensive income attributable to:					
IAS 1.83(a)(ii)	Controlling Equity holders of the bank		xxx	XXX	xxx	XXX
IAS 1.83(a)(i)	Non-controlling interest		xxx	XXX	xxx	XXX
	Total comprehensive income for the period		**xxx**	**XXX**	**xxx**	**XXX**
IAS 33.66	Basic earnings per share	16	xxx	XXX	xxx	XXX
IAS 33.66	Diluted earnings per share	16	xxx	XXX	xxx	XXX

Additional line items, headings and subtotals shall be presented on the face of the income statement when such presentation is relevant to the understanding of the entity's financial performance. Note that materiality and the nature and function of the transaction will be crucial in the determination of the additional line item.

The notes on pages XX to XX are an integral part of these consolidated financial statements.

2.9 Consolidated statement of financial position

Reference

	as at 31 December					
IAS 1.10(a), 60,113						
IFRS 7.7	*In thousands of GH₵*	***Note***	**2016**		**2015**	
			Bank	Group	Bank	Group
	Assets					
IAS 1.54(i)	Cash and cash equivalents	18	xxx	XXX	xxx	XXX
IAS 1.54(d)	Non-Pledged Trading assets	19	xxx	XXX	xxx	XXX
IAS1.54(d) XXX	Pledged Trading assets	19	xxx	XXX		xxx
IAS 1.54(d)	Derivative assets held for risk management	20	xxx	XXX	xxx	XXX
IAS 1.54(d)	Investments (other than securities)	20a	xxx	xxx	xxx	xxx
IAS 1.54(d)	Loans and advances to customers	21	xxx	XXX	xxx	XXX
IAS 1.54(d)	Investment securities	22	xxx	XXX	xxx	XXX
	Investment in Associates					
	Investment in Subsidiaries					
IAS 1.54(o)	Deferred tax assets	25	xxx	XXX	xxx	XXX
IAS 1.54(c)	Intangible assets	24	xxx	XXX	xxx	XXX
IAS 1.54(c)	Other assets	26	xxx	XXX	xxx	xxx
IAS 1.54(a)	*Property, Plant and Equipment*	23	xxx	XXX	xxx	XXX
	Total assets		**xxx**	**XXX**	**xxx**	**XXX**
	Liabilities					
IAS 1.54(m)	Trading liabilities	19	xxx	XXX	xxx	XXX
IAS 1.54(m)	Derivative liabilities held for risk management	20	xxx	XXX	xxx	XXX
IAS 1.54(m)	Deposits from banks, SDIs & other BOG licensed FIs	27	xxx	XXX	xxx	XXX
IAS 1.54(m)	Deposits from customers	28	xxx	XXX	xxx	XXX
IAS 1.54(m)	Borrowings	29	xxx	XXX	xxx	XXX
IAS 1.54(n)	Current tax liabilities	25	xxx	XXX	xxx	XXX
IAS 1.54(o)	Deferred tax liabilities	25	xxx	XXX	xxx	XXX
	Employee benefit liabilities	30	xxx	XXX	xxx	XXX
	Other liabilities	30	xxx	XXX	xxx	XXX
	Total liabilities		**xxx**	**XXX**	**xxx**	**XXX**
	Equity					
IAS 1.54(r)	Stated capital	31	xxx	XXX	xxx	XXX
IAS 1.54(r)	Income surplus	31	xxx	XXX	xxx	XXX
IAS 1.54(r)	Revaluation reserve		xxx	XXX	xxx	XXX
IAS 1.54(r)	Statutory reserve		xxx	XXX	xxx	XXX
IAS 1.54(r)	Translation reserve		xxx	XXX	xxx	XXX
IAS 1.54(r)	Credit risk reserve	31	xxx	XXX	xxx	XXX
IAS 1.54(r)	Other reserves	31	xxx	XXX	xxx	XXX
IAS 1.54(r)	**Total equity attributable to equity holders**		**xxx**	**XXX**	**xxx**	**XXX**
IAS 1.54(q), 27.27	Non-controlling interest	31	xxx	XXX	xxx	XXX
	Total equity		**xxx**	**XXX**	**xxx**	**XXX**
	Total liabilities and equity		**xxx**	**XXX**	**xxx**	**XXX**

The notes on pages XX to XX are an integral part of these consolidated financial statements.

2.10 Consolidated statement of changes in equity

Reference

Reference	*In thousands of GH₵*	Attributable to equity holders of the Bank									
		Stated capital	**Credit risk reserve**	**Statutory reserve**	**Translation reserve**	**Revaluation Reserve**	**Other reserve**	**Income surplus**	**Total**	**Non controlling interest**	**Total equity**
	Balance at 1 January 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX
	Total comprehensive income, net of income tax										
IAS 1.106(d)(i)	Profit for the year	-	-	-	-	-	-	XXX	XXX	XX	XXX
IAS 1.106(d)(ii)	**Other comprehensive income, net of income tax**										
IAS 1.82(g), 21.52(b)	Foreign currency translation difference for foreign operations	-	-	-	XXX	-	-	-	XXX	-	XXX
IAS 1.82(g), 21.52(b)	Net gain/loss on hedges of net investments in foreign operations	-	-	-	XXX	-	-	-	XXX	-	XXX
IAS 1.82(g), 19.93B	Defined benefit plan actuarial gain (loss)	-	-	-	XXX	-	-	-	XXX	-	XXX
IAS 1.82(g)	Revaluation of property, plant and equipment	-	-	-	-	XXX	-	-	XXX	-	XXX
	Total other comprehensive income	-	-	-	XXX	XXX	-	-	XXX	-	XXX
IAS 1.106(a)	Total comprehensive income for the period	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX

Consolidated statement of changes in equity (continued)

Reference

		Attributable to equity holders of the Bank									
	In thousands of GH₵	**Stated capital**	**Credit risk reserve**	**Statutory reserve**	**Translation reserve**	**Revaluation Reserve**	**Other reserve**	**Income surplus**	**Total**	**Non controlling interest**	**Total equity**
	Transfers from income surplus to reserves and transactions with owners, recorded directly in equity										
	Transfer to credit risk reserve	-	XXX	-	-	-	-	(XXX)	-	-	-
	Transfer to statutory reserve	-	-	XXX	-	-	-	(XXX)	-	-	-
IAS 1.106(d)(iii)	Dividend paid to equity holders	-	-	-	-	-	-	(XXX)	(XXX)	-	(XXX)
	Total transfers and transactions with owners	-	XXX	XXX	-	-	-	(XXX)	(XXX)	-	(XXX)
	Balance at 31 December 2016	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX

The notes on pages xx to xx are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

Reference

Reference	*In thousands of GH₵*	**Stated capital**	**Credit risk reserve**	**Statutory reserve**	**Translation reserve**	**Revaluation Reserve**	**Other reserve**	**Income surplus**	**Total**	**Non controlling interest**	**Total equity**
		Attributable to equity holders of the Bank									
	Balance at 1 January 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX
	Total comprehensive income, net of income tax										
IAS 1.106(d)(i)	Profit for the year	-	-	-	-	-	-	XXX	XXX	XX	XXX
IAS 1.106(d)(ii)	**Other comprehensive income, net of income tax**										
IAS 1.82(g), 21.52(b)	Foreign currency translation difference for foreign operations	-	-	-	XXX	-	-	-	XXX	-	XXX
IAS 1.82(g), 21.52(b)	Net gain/loss on hedges of net investments in foreign operations	-	-	-	XXX	-	-	-	XXX	-	XXX
IAS 1.82(g), 19.93B	Defined benefit plan actuarial gain (loss)	-	-	-	XXX	-	-	-	XXX	-	XXX
IAS 1.82(g)	Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
	Total other comprehensive income	-	-	-	XXX	XXX	-	-	XXX	-	XXX
IAS 1.106(a)	Total comprehensive income for the period	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX

Consolidated statement of changes in equity (continued)

Reference

		Attributable to equity holders of the Bank									
	In thousands of GH¢	**Stated capital**	**Credit risk reserve**	**Statutory reserve**	**Translation reserve**	**Revaluation Reserve**	**Other reserve**	**Income surplus**	**Total**	**Non controlling interest**	**Total equity**
	Transfers from income surplus to reserves and transactions with owners, recorded directly in equity										
	Transfer to credit risk reserve	-	XXX	-	-	-	-	(XXX)	-	-	-
	Transfer to statutory reserve	-	-	XXX	-	-	-	(XXX)	-	-	-
IAS 1.106(d)(iii)	Dividend paid to equity holders	-	-	-	-	-	-	(XXX)	(XXX)	-	(XXX)
	Total transfers and transactions with owners	-	XXX	XXX	-	-	-	(XXX)	(XXX)	-	(XXX)
	Balance at 31 December 2015	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX

** A Separate financial Statement on changes in equity should be prepared as well if a consolidated position is given

The notes on pages xx to xx are an integral part of these consolidated financial statements.

2.11 Consolidated statement of cash flows (indirect method)

For the year ended 31 December

In thousands of GH₵	*Note*	2016 Bank	2016 Group	2015 Bank	2015 Group
Cash flows from operating activities					
Profit for the period		xxx	XXX	xxx	XXX
Adjustments for:					
Depreciation and amortisation	*23, 24*	xxx	XXX	xxx	XXX
Impairment on non-financial assets	*23, 24*	xxx	XXX	xxx	XXX
Impairment on financial assets	*21, 22, 23*	xxx	XXX	xxx	XXX
Net interest income		xxx	XXX	xxx	XXX
Income tax expense		xxx	XXX	xxx	XXX
		Xxx	**XXX**	**xxx**	**XXX**
Change in trading assets		xxx	XXX	xxx	XXX
Change in pledged assets		xxx	XXX	xxx	XXX
Change in derivative assets held for risk management		xxx	XXX	xxx	XXX
Change in loans and advances to Financial Institutions		xxx	XXX	xxx	XXX
Change in loans and advances to customers		xxx	XXX	xxx	XXX
Change in other assets		xxx	XXX	xxx	XXX
Change in deferred tax assets		xxx	XXX	xxx	XXX
Change in trading liabilities		xxx	XXX	xxx	XXX
Change in derivative liabilities held for risk management		xxx	XXX	xxx	XXX
Change in deposits from banks		xxx	XXX	xxx	XXX
Change in deposits from customers		xxx	XXX	xxx	XXX
Change in other liabilities and provisions		xxx	XXX	xxx	XXX
		Xxx	**XXX**	**xxx**	**XXX**
Interest and dividends received		xxx	XXX	xxx	XXX
Interest paid		xxx	XXX	xxx	XXX
Income tax paid		xxx	XXX	xxx	XXX
Net cash used in operating activities		**xxx**	**XXX**	**xxx**	**XXX**
Cash flows from investing activities					
Purchase of investment securities		xxx	XXX	xxx	XXX
Proceeds from sale of investment securities		xxx	XXX	xxx	XXX
Purchase of property, plant and equipment	*23*	xxx	XXX	xxx	XXX
Proceeds from the sale of property, plant and equipment	*23*	xxx	XXX	xxx	XXX
Purchase of intangible assets	*24*	xxx	XXX	xxx	XXX
Net cash used in investing activities		**xxx**	**XXX**	**xxx**	**XXX**
Cash flows from financing activities					
Increase in debt securities issued		xxx	XXX	xxx	XXX
Increase in subordinated liabilities		xxx	XXX	xxx	XXX
Issue of shares on exercise of share options		xxx	XXX	xxx	XXX
Dividends paid	17	xxx	XXX	xxx	XXX
Net cash from financing activities		**xxx**	**XXX**	**xxx**	**XXX**

Consolidated statement of cash flows (continued)

For the year ended 31 December

In thousands of GH₵	***Note***	**2016**	**2015**
Net increase / (decrease) in cash and cash equivalents		xxx XXX	xxx XXX
Cash and cash equivalents at 1 January	*18*	xxx XXX	xxx XXX
Effect of exchange rate fluctuations on cash held		xxx XXX	xxx XXX
Cash and cash equivalents at 31 December	***18***	**xxx XXX**	**xxx XXX**

The notes on pages XX to XX are an integral part of these consolidated financial statements.

2.12 Notes to the consolidated financial statements

1. Reporting entity

(The “Bank”) is a company domiciled in Ghana¢. The address of the Bank’s registered office is [address]. The ultimate holding company of the Bank is XYZ Limited, which is a limited liability company incorporated and domiciled in XXX. The consolidated financial statements of the Group as at and for the year ended 31 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

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on [date].

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- investment property is measured at fair value
- PPEs re-valued to reflect the fair value option

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

3. Significant accounting policies

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

(a) Consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Associates

An associated company is that in which the Group participates in their financial and operating policies, but have no control over them. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associated company on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. Consolidation adjustments are also made to ensure consistency with the group's accounting policies. The bank in separate financial statements accounts for associates by using the equity method.

(b) Foreign currency

(i) 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 or financial instruments designated as a hedge of the net investment in a foreign operation which are recognised in OCI(see (iii) below).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Ghana cedis (*GH₵)* at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Ghana Cedis (*GH₵*) at exchange rates at the dates of the transactions.

Foreign currency differences on foreign operations are recognised directly in equity.

(iii) Hedge net Investment in Foreign operations

Exchange differences on monetary items that qualify as hedging instruments in cash flow hedge are recognised initially in other comprehensive income to the extent that the hedge is effective.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise. Also, exchange differences arising from monetary items that form part of the reporting entities net investment in a foreign operation shall be recognized in profit or loss in the separate financial statements of the foreign operation. However, in the consolidated financial statements such exchange differences shall initially be recognized in OCI and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on non-monetary item is recognized in OCI, any exchange component of that gain or loss shall be recognized in OCI. Conversely, when a gain or loss on non-monetary item is recognized in P & L, any exchange component of the gain or loss shall be recognized in P & L.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(c) Interest

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the organisation and it can be reliably measured. It is income derived from the 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 income statement on straight-line basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

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

Interest income and expense presented in the P & L and OCI include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis
- Interest on available-for-sale investment securities on an effective interest rate basis
- the effective portion of qualifying hedge derivatives designated in a cash flow hedge if the hedged item is recorded in interest income/expense
- fair value changes in qualifying derivatives (including hedge ineffectiveness) and related hedged items when interest rate risk is the hedged risk

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.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial instruments carried at fair value in the P & L account.

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or 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 draw-down 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.

(e) 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, interest, dividends and foreign exchange differences.

3. Significant accounting policies (continued)

(f) Net income from other financial instruments at fair value

Net income from other financial instruments at fair value relates to non-qualifying derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(h) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the P&L/OCI 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 balance sheet 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. Significant accounting policies (continued)

(i) Financial assets and liabilities

(i) 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 liabilities (including 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.

(ii) 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 expired.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, 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 balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of 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.

(iv) 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 rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) 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 Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like

options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

3. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

For more complex instruments, the Group uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is normally the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

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 balance sheet.

(vi) 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 bank or 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 bank or 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.

3. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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 recognised through OCI.

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

(vii) 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; or
- the asset or liability contains an embedded derivative that significantly modifies the cash
  flows that would otherwise be required under the contract.

Note 7 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.

(j) 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 cash flow characteristics of the asset.

(k) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the bank or 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.

(l) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The treatment of changes in their fair value depends on their classification into the following categories: (see iv and v below).

(iv) Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedging relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income on other financial instruments carried at fair value.

(v) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Group accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract.

(m) 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 bank or Group does not intend to sell immediately or in the near term.

When the bank or Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the financial asset is recognised within loans and advances.

When the bank or 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 bank or 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 bank or Group chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy (l).

(n) 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.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the bank or 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 rate 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 HTM assets are classified as amortised cost.

(ii) Fair value through profit or loss

The bank or Group carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy (I) (vii).

(iii) 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 rate 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 recognised 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.

(o) Property, plant and equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Revaluation model

After recognition of an asset, an item of property, plant and 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 two capital with respect to capital adequacy ratio computation.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and 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:

• Buildings	40 years
• IT equipment	3 - 5 years
• Fixtures and fittings	5 - 10 years

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

(p) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. The bank or Group holds some investment properties as a consequence of the ongoing rationalisation of its retail branch network. 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.

(q) Intangible assets

An Intangible asset is generally considered as an identifiable non-monetary asset without physical substance. It is distinguished from goodwill based on the identifiability concept. It is recognised when future economic benefits will flow to the bank or 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 intangibles at each reporting date and the appropriate adjustments made.

(i) Goodwill

Goodwill/negative goodwill arises on the acquisition of subsidiaries and other businesses.

Goodwill subsequent to initial recognition is measured at cost less accumulated impairment losses.

(ii) Software

Software acquired by the bank or 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 bank or Group is able to demonstrate its intention and ability to complete the development and use of 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 estimate useful life of software is three to five years.

(r) Leased assets – lessee

Leases in terms of which the bank or Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the bank's/Group's statement of financial position. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value.

(s) Impairment of non-financial assets

The carrying amounts of the bank or 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. The recoverable amount of goodwill is estimated at each reporting date.

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.

(t) Provisions

A provision is recognised if, as a result of a past event, the bank or 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 bank or 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 bank or 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 bank or Group recognises any impairment loss on the assets associated with that contract.

(u) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A bank or Group may operate a number of pension and other post-employment benefit plans. These plans may include both defined benefit and defined contribution plans and various other post-employment benefits such as post-employment healthcare.

Payment to defined contribution plans and state-managed retirement benefit plans, where the bank's or Group's obligation under the plans are equivalent to a defined contribution plan, are charged as an expense as the employees render service.

The defined pension costs and present value of defined benefit obligations are to be calculated at the reporting date by the schemes' actuaries. The net charge to the statement of comprehensive income should comprise the current service cost, plus the unwinding of the discount rate on plan liabilities, less the expected return on plan asset. Past service cost are charged immediately to profit and loss to the extent that the benefits have vested and are otherwise recognised on a straight-line basis over the average period until the benefits vest. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in OCI in the period in which they arise.

The defined benefit liability recognised in the statement of financial position represents the present value of defined obligations adjusted for unrecognised past service cost and reduced by the fair value of plan assets. Any net defined benefit surplus is limited to unrecognized past service costs plus the present value of available refunds and reductions in future contributions to the plan.

The cost of obligation arising from other post-employment defined benefit plans, such as defined benefit healthcare plans is accounted for on the same basis as the defined benefit plans.

(iv) Termination benefits

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

(v) Short-term benefits

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

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

(vi) Share-based payments

The grant date fair value of equity settled share-based payments arranged with employees is recognised as an employee expense, with a corresponding credit to retained earnings over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

(v) Share capital and reserves

(i) Perpetual bonds/Irredeemable preference shares

The bank or Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The bank's or Group'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.

(ii) Share issue costs

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

(w) Earnings per share

The bank or Group 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 period. 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.

(x) Segment reporting

A segment is a distinguishable component of the bank or Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The bank's or Group's primary format for segment reporting is based on business segments.

(y) Dividends

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

(z) Offsetting of financial assets and liabilities

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

(aa) 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 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.

(ab) Acceptances, letters of credit, Financial Guarantees and Commitments

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

(ac) 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 the income statement over the period of the borrowings. Borrowings and other forms of financial liabilities shall be de-recognised from the books only when they are extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expired.

4. Financial risk management

(a) Introduction and overview

The bank or Group has exposure to the following risks arising from the use of financial instruments. Typical of such risks are as follows:

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

These are principal risks of the bank or the Group. This note presents information about the bank or the Group exposure to these risks, including the objectives, policies and processes for measuring and managing the risks as well as their impact on earnings and capital.

Risk management framework

This depends mainly on the Risk Management framework set out by the Central Bank. Bank specific framework based on the overall structure of the bank or Group ensures that the Board of Directors has overall responsibility for the establishment and oversight of the bank's or Group's risk management framework. The Board has established the Group Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The bank or Group Audit Committee is responsible for monitoring compliance with the bank's or Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the bank or Group. The bank/Group Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

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

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

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its bank or Group Credit Committee. A separate bank/Group Credit department, reporting to the bank/Group Credit Committee, is responsible for oversight of the bank or Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation and structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Head of Credit Committee or the Board of Directors (or its Sub-Committee on Credit) as appropriate.
- Reviewing and assessing credit risk. The bank's/Group's Credit Function/Committee/Department/Head assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the bank or Group Risk Function.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to bank or Group Credit committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance, specialist skills and training to business units to promote best practice throughout the bank or Group in the management of credit risk.

Each business unit is required to implement bank or Group credit policies and procedures, with credit approval authorities delegated from the bank or Group Credit Committee. Each business unit has a Credit Risk officer who reports on all credit related matters to local management and the bank or Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

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

Exposure to credit risk

		Loans and advances to customers		**Loans and advances to banks**		**Investment securities**	
In thousands of GH₵	***Note***	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount	*21, 22, 23*	XXX	XXX	XXX	XXX	XXX	XXX
Individually impaired							
Grade 6: Impaired (loss)		XXX	XXX	XXX	XXX	XXX	XXX
Grade 7: Impaired (Loss)		XXX	XXX	XXX	XXX	XXX	XXX
Grade 8: Impaired (doubtful)			XXX	XXX	XXX	XXX	XXX
XXX							
Gross amount		XXX	XXX	XXX	XXX	XXX	XXX
Allowance for impairment	*22, 23, 24*	XXX	XXX	XXX	XXX	XXX	XXX
Carrying amount		XXX	XXX	XXX	XXX	XXX	XXX
Collectively impaired							
Grade 1-3: Normal		XXX	XXX	XXX	XXX	XXX	XXX
Grade 4-5: Watch list		XXX	XXX	XXX	XXX	XXX	XXX
Gross amount		XXX	XXX	XXX	XXX	XXX	XXX
Allowance for impairment	*22*	XXX	XXX	XXX	XXX	XXX	XXX
Carrying amount		XXX	XXX	XXX	XXX	XXX	XXX
Past due but not impaired							
Grade 1-3: Normal		XXX	XXX	XXX	XXX	XXX	XXX
Grade 4-5: Watch list		XXX	XXX	XXX	XXX	XXX	XXX

Carrying amount	XXX	XXX	XXX	XXX	XXX	XXX
Past due comprises:						
30-60 days	XXX	XXX	XXX	XXX	XXX	XXX
60-90 days	XXX	XXX	XXX	XXX	XXX	XXX
90-180 days	XXX	XXX	XXX	XXX	XXX	XXX
180-360 days +	XXX	XXX	XXX	XXX	XXX	XXX
Carrying amount	XXX	XXX	XXX	XXX	XXX	XXX
Neither past due nor impaired						
Grade 1-3: Normal	XXX	XXX	XXX	XXX	XXX	XXX
Grade 4-5: Watch list	XXX	XXX	XXX	XXX	XXX	XXX
Carrying amount	XXX	XXX	XXX	XXX	XXX	XXX
Includes loans with renegotiated terms	XXX	XXX	XXX	XXX	XXX	XXX
Total carrying amount	XXX	XXX	XXX	XXX	XXX	XXX

****This format may be extended to include financial guarantees, loan commitments, derivatives and other financial exposures where necessary.**

Impaired loans and securities

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

Past Due or Non-Performing but not impaired loans

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

Loans with renegotiated terms

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

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

Allowances for impairment

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

Write-off policy

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

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

Loans and advances	**Loans and advances to customers**		**Investment securities**			
In thousands of GH₵	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
31 December 2016						
Grade 6: Individually impaired	XXX	XXX	XXX	XXX	XXX	XXX
Grade 7: Individually impaired	XXX	XXX	XXX	XXX	XXX	XXX
Grade 8: Individually impaired	XXX	XXX	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX	XXX	XXX
31 December 2015						
Grade 6: Individually impaired	XXX	XXX	XXX	XXX	XXX	XXX
Grade 7: Individually impaired	XXX	XXX	XXX	XXX	XXX	XXX
Grade 8: Individually impaired	XXX	XXX	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX	XXX	XXX

Collateral of Impaired exposures

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

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. It must, however, be noted that collateral values of impaired loans are at cash flows of the forced sale values less estimated costs of sale as discounted to present values:

In thousands of GH₵	Loans and advances to customers 2016	2015	Loans and advances to banks 2016	2015
Against individually impaired				
Property	XXX	XXX	XXX	XXX
Debt securities	XXX	XXX	XXX	XXX
Equities	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
Against collectively impaired				
Property	XXX	XXX	XXX	XXX
Debt securities	XXX	XXX	XXX	XXX
Equities	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
Against past due but not impaired				
Property	XXX	XXX	XXX	XXX
Debt securities	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
Against neither past due nor impaired				
Property	XXX	XXX	XXX	XXX
Debt securities	XXX	XXX	XXX	XXX
Equities	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX

Repossessed Assets

The type and carrying amount of collateral that the bank or Group has taken possession of in the period are measured at the lower of its carrying amount and fair value less costs to sell and stated as per below:

In thousands of GH₵	Loans and advances to customers 2016	2015	Loans and advances to banks 2016	2015
Against individually impaired				
Property	XXX	XXX	XXX	XXX
Debt securities	XXX	XXX	XXX	XXX
Equities	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
Total	XXX	XXX	XXX	XXX

All assets possessed are to be sold within one year of possession and approval has to be sought from the Bank of Ghana for those which efforts towards sale have not been successful within one year.

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

		Loans and advances to customers		**Loans and advances to banks**		**Investment securities**	
In thousands of GH₵	***Note***	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount	*22, 23, 24*	XXX	XXX	XXX	XXX	XXX	XXX
Concentration by sector							
Agricultural		XXX	XXX	XXX	XXX	XXX	XXX
Manufacturing		XXX	XXX	XXX	XXX	XXX	XXX
Service industry		XXX	XXX	XXX	XXX	XXX	XXX
Mining		XXX	XXX	XXX	XXX	XXX	XXX
Others		XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX

** Depending on how significant other concentrations such as products, geographical locations etc. are, they may be disclosed.

Settlement risk

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

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

(c) Liquidity risk

Liquidity risk is the risk that the bank or Group will encounter difficulty in meeting obligations from its financial liabilities as they fall due. The risk arises from mismatches in cash flows.

Management of liquidity risk

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

Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank or Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries and foreign branches with local regulatory limits on a daily basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the bank or Group and operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Exposure to liquidity risk

The key measure used by the bank or Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported bank or Group (liquid ratio) ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	2016	**2015**
At 31 December	XX.X%	XX.X%
Average for the period	XX.X%	XX.X%
Maximum for the period	XX.X%	XX.X%
Minimum for the period	XX.X%	XX.X%

Residual contractual maturities of financial liabilities

In thousands of GH₵	***Note***	**Carrying amount**	**Gross nominal inflow / (outflow)**	**Less than 1 month**	**1-3 months**	**3-6 months**	**6-1 year**	**1-3 years**	**More than 3 years**
31 December 2016									
Non-derivative liabilities									
Trading liabilities	*19*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Deposits from banks	*27*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Deposits from customers	*28*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Debt securities issued	29	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Subordinated liabilities	*30*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Derivative liabilities									
Trading: outflow	*19*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Trading: inflow		XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Risk management: outflow	*20*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Risk management: inflow		XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
Unrecognised loan Commitments		XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX
31 December 2015									
Non-derivative liabilities									
Trading liabilities	*19*	XXX	XXX	XXX	XXX	XXX	XXX	xxx	XXX

Deposits from banks	*27*	XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Deposits from customers	*28*	XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Debt securities issued	29	XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Subordinated liabilities	*30*	XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
		XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Derivative liabilities							
Trading: outflow	*19*	XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Trading: inflow		XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Risk management: outflow	*20*	XXX	XXX	XXX	XXX	XXX	XXX xxx XXX
Risk management: inflow		XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
		XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
Unrecognised loan commitments		XXX	XXX	XXX	XXX	XXX	XXX xxxXXX
		XXX	XXX	XXX	XXX	XXX	XXX xxxXXX

* The time band and limits is based on the prudential requirement of the Bank of Ghana

(c) Liquidity risk (continued)

The previous table shows the undiscounted cash flows on the bank's or Group's financial liabilities and assets and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The bank's or Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (for example, forward exchange contracts and currency swaps).

(d) Market risk

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

Management of market risk

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

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

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

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposure within the bank's or Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the bank or Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The bank or Group uses VaR limits for total market risk and specific foreign exchange, interest rate, and equity and other price risks. The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to Group Risk and regular summaries are submitted to ALCO.

A summary of the VaR position of the bank's or Group's trading portfolios at 31 December and during the period is as follows:

In thousands of GH₵	**At 31 Dec**	**Average**	**Maximum**	**Minimum**
2016				
Foreign currency risk	XXX	XXX	XXX	XXX
Interest rate risk	XXX	XXX	XXX	XXX
Other price risk	XXX	XXX	XXX	XXX
Covariance	XXX	XXX	XXX	XXX
Overall	XXX	XXX	XXX	XXX
2015				
Foreign currency risk	XXX	XXX	XXX	XXX
Interest rate risk	XXX	XXX	XXX	XXX
Other price risk	XXX	XXX	XXX	XXX
Covariance	XXX	XXX	XXX	XXXX
Overall	XXX	XXX	XXX	XXXX

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the bank or Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the bank's or Group's overall position.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

In thousands of GH₵	***Note***	**Carrying amount**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**More than 3 years**
31 December 2016							
Cash and cash equivalents	*18*	XXX	XXX	XXX	XXX	XXX	XXX
Pledged assets	*19*	XXX	XXX	XXX	XXX	XXX	XXX
Loans and advances to customers	*21*	XXX	XXX	XXX	XXX	XXX	XXX
Investment securities	*22*	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX
Deposits from banks	*27*	XXX	XXX	XXX	XXX	XXX	XXX
Deposits from customers	*28*	XXX	XXX	XXX	XXX	XXX	XXX
Debt securities issued	29	XXX	XXX	XXX	XXX	XXX	XXX
Subordinated liabilities	*30*	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX
Effect of derivatives held for risk management	*20*	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX
31 December 2015							
Cash and cash equivalents	*18*	XXX	XXX	XXX	XXX	XXX	XXX
Pledged assets	*19*	XXX	XXX	XXX	XXX	XXX	XXX
Loans and advances to customers	*21*	XXX	XXX	XXX	XXX	XXX	XXX
Investment securities	*22*	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX
Deposits from banks	*27*	XXX	XXX	XXX	XXX	XXX	XXX
Deposits from customers	*28*	XXX	XXX	XXX	XXX	XXX	XXX
Debt securities issued	29	XXX	XXX	XXX	XXX	XXX	XXX
Subordinated liabilities	*30*	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX
Effect of derivatives held for risk management	*20*	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the bank's or Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

In thousands of GH₵	**100 bp parallel increase**	**100 bp parallel decrease**	**50 bp increase after 1 year**	**50 bp decrease after 1 year**
2016				
At 31 December	(XXX)	XXX	(XXX)	XXX
Average for the period	(XXX)	XXX	(XXX)	XXX
Maximum for the period	(XXX)	XXX	(XXX)	XXX
Minimum for the period	(XXX)	XXX	(XXX)	XXX
2015				
At 31 December	(XXX)	XXX	(XXX)	XXX
Average for the period	(XXX)	XXX	(XXX)	XXX
Maximum for the period	(XXX)	XXX	(XXX)	XXX
Minimum for the period	(XXX)	XXX	(XXX)	XXX

Overall non-trading interest rate risk positions are managed by Central Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the bank's or Group's non-trading activities. The use of derivatives to manage interest rate risk is described in note 20.

Exposure to other market risks – non-trading portfolios

Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Central Treasury and equity price risk is subject to regular monitoring by bank/Group Risk, but is not currently significant in relation to the overall results and financial position of the bank or Group.

The result of structural foreign exchange positions on the bank's or Group's net investments in foreign subsidiaries and branches, together with any related net investment hedges (see note 20), is recognised in equity. The bank's or Group's policy is only to hedge such exposures (which not done) would have a significant impact on the regulatory capital ratios of the bank/Group and its banking subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered.

(e) Operational risks

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

The bank's or Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's or Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank or Group standards for the management of operational risk in the following areas:

- Rrequirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

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

(f) Capital management

Regulatory capital

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

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

(f) Capital management (continued)

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

- Tier 1 capital, which includes ordinary share capital, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

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

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

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

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

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

The Group's regulatory capital position at 31 December was as follows:

In thousands of GH₵	***Note***	**2016**		**2015**	
		Bank	Group	Bank	Group
Tier 1 capital					
Ordinary share capital	*31*	xxx	XXX	xxx	XXX
Perpetual bonds	*31*	xxx	XXX	xxx	XXX
Retained earnings	*31*	xxx	XXX	xxx	XXX
Translation reserve	*31*	xxx	XXX	xxx	XXX
Non controlling interests	*31*	xxx	XXX	xxx	XXX
Less intangible assets	*24*	xxx	XXX	xxx	XXX
Other regulatory adjustments		xxx	XXX	xxx	XXX
Total		xxx	XXX	xxx	XXX
Tier 2 capital					
Fair value reserve for available-for-sale equity securities	*33*	xxx	XXX	xxx	XXX
Qualifying subordinated liabilities	29	xxx	XXX	xxx	XXX
Total		xxx	XXX	xxx	XXX
Total regulatory capital		xxx	XXX	xxx	XXX
Risk-weighted assets					
Investment bank		xxx	XXX	xxx	XXX
Retail bank, corporate bank and central treasury		xxx	XXX	xxx	XXX
Total risk-weighted assets		xxx	XXX	xxx	XXX
Capital ratios					
Total regulatory capital expressed as a percentage of total risk-weighted assets		xx.x%	XX.X%	xx%	X.X%
Total tier 1 capital expressed as a percentage of risk-weighted assets		xx.x%	XX.X%	xx%	X.X%

Capital allocation

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

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the bank or Group to particular operations or activities, it is not the sole basis used for decision making. Consideration also is made of synergies with other operations and activities, the availability of management and other resources, and the capability of the activity with the bank's or Group's longer term strategic objectives. The bank's or 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 Committee the development, selection and disclosure of the bank or 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).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(i) (vi).

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. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters are used in determining collective allowances.

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(i) (v). 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.

Critical accounting judgements in applying the bank's or Group's accounting policies

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

Financial asset and liability classification

The bank's or 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(k).
- In designating financial assets or liabilities at fair value through profit or loss, the bank or Group has determined that it has met one of the criteria for this designation set out in accounting policy 3(i) (vii).

- 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(n) (i).

Details of the bank's or Group's classification of financial assets and liabilities are given in note 7.

6. Operating segments

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

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

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

Business segments

The bank or Group comprises the following main business segments:

Investment Banking	Includes the bank's or Group's trading and corporate finance activities
Corporate Banking	Includes loans, deposits and other transactions and balances with corporate customers
Retail Banking	Includes loans, deposits and other transactions and balances with retail customers
Asset Management	Operates the bank's or Group's funds management activities

- *Central Treasury* Undertakes the bank's or Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

The bank or Group also has a central Shared Services operation that manages the bank's or Group's premises and certain corporate costs. Cost-sharing agreements are used to allocate central costs to business segments on a reasonable basis.

6. Operating segments (continued)
Business segments
2016

Reference	*In thousands of GH₵*	*Note*	Corporate banking	Retail banking	Central treasury	Shared services	Unallocated	Consolidated
IFRS 8.23(a)	External revenue							
IFRS 8.23(c),(d)	Net interest income	*8*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Net fee and commission income	*9*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Net trading income	*10*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Net income from other financial instruments carried at fair value	*11*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Other operating income	*12*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(b)	Intersegment revenue		XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.32	Total segment revenue		XXX	XXX	XXX	XXX	XXX	XXX
	Segment result		XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(h)	Income tax expense	*15*						XXX
IFRS 8.21(b)	Profit for the period							XXX
IFRS 8.21(b)	Segment assets		XXX	XXX	XXX	XXX	XXX	XXX
	Unallocated assets							XXX
	Total assets							XXX
IFRS 8.21(b)	Segment liabilities		XXX	XXX	XXX	XXX	XXX	XXX
	Unallocated liabilities							XXX
	Total liabilities							XXX
IFRS 8.23(i)	Impairment losses on financial assets	*21, 22, 23*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(e)	Depreciation and amortisation	*23, 24*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(i)	Restructuring costs	*14*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(i)	Capital expenditure	*23, 24*	XXX	XXX	XXX	XXX	XXX	XXX

6. Operating segments (continued)
Business segments
2015

Reference	*In thousands of GH₵*	*Note*	Corporate banking	Retail banking	Central treasury	Shared services	Unallocated	Consolidated
IFRS 8.23(a)	External revenue							
IFRS 8.23(c) ,(d)	Net interest income	*8*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Net fee and commission income	*9*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Net trading income	*10*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Net income from other financial instruments carried at fair value	*11*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(f)	Other operating income	*12*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(b)	Intersegment revenue		XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.32	Total segment revenue		XXX	XXX	XXX	XXX	XXX	XXX
	Segment result		XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(h)	Income tax expense	*15*						XXX
IFRS 8.21(b)	Profit for the period							XXX
IFRS 8.21(b)	Segment assets		XXX	XXX	XXX	XXX	XXX	XXX
	Unallocated assets							XXX
	Total assets							XXX
IFRS 8.21(b)	Segment liabilities		XXX	XXX	XXX	XXX	XXX	XXX
	Unallocated liabilities							XXX
	Total liabilities							XXX
IFRS 8.23(i)	Impairment losses on financial assets	*21, 22, 23*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(e)	Depreciation and amortisation	*23, 24*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(i)	Restructuring costs	*14*	XXX	XXX	XXX	XXX	XXX	XXX
IFRS 8.23(i)	Capital expenditure	*23, 24*	XXX	XXX	XXX	XXX	XXX	XXX

Notes to the consolidated financial statements

7. Financial assets and liabilities

IFRS 7.6, 8, 25

Accounting classifications and fair values

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

In thousands of GH₵	***Note***	**Trading**	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other amortised cost**	**Total carrying amount**	**Fair value**
31 December 2016									
Cash and cash equivalents	*18*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Trading assets	*19*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Pledged assets	*19*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Derivative assets held for risk management	*20*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Loans and advances to customers	*21*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Investment securities	*22*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Trading liabilities	*19*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Derivative liabilities held for risk management	*20*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Deposits from banks	*27*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Deposits from customers	*28*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Debt securities issued	29	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Subordinated liabilities	*30*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
31 December 2015									
Cash and cash equivalents	*18*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Trading assets	*19*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Pledged assets	*19*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Derivative assets held for risk management	*20*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Loans and advances to customers	*21*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Investment securities	*22*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Trading liabilities	*19*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Derivative liabilities held for risk management	*20*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Deposits from banks	*27*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Deposits from customers	*28*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Debt securities issued	29	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Subordinated liabilities	*30*	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

Notes to the consolidated financial statements

8. Net interest income

In thousands of GH₵	***Note***	**2016** Bank	Group	**2015** Bank	Group
Interest income					
Cash and cash equivalents	*18*	xxx	XXX	xxx	XXX
Loans and advances to customers	*21*	xxx	XXX	xxx	XXX
Investment securities	*22*	xxx	XXX	xxx	XXX
Other		xxx	XXX	xxx	XXX
Total interest income		xxx	XXX	xxx	XXX
Interest expense					
Deposits from banks	*27*	xxx	XXX	xxx	XXX
Deposits from customers	*28*	xxx	XXX	xxx	XXX
Debt securities issued	29	xxx	XXX	xxx	XXX
Other		xxx	XXX	xxx	XXX
Dividend on redeemable preference shares		xxx	XXX	xxx	XXX
Total interest expense		xxx	XXX	xxx	XXX
Net interest income		xxx	XXX	xxx	XXX

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

Included within interest income on investment securities for the year ended 31 December 2016 is *GH₵* …. (2015: *GH₵* ….) relating to debt securities held-to-maturity.

The only components of interest income and expense reported above that relate to financial assets or liabilities carried at fair value through profit or loss are the income and expense on derivative assets and liabilities held for risk management purposes.

9. Net fee and commission income

In thousands of GH₵	**2016** Bank	Group	**2015** Bank	Group
Fee and commission income				
Retail banking customer fees	xxx	XXX	xxx	XXX
Corporate banking credit related fees	xxx	XXX	xxx	XXX
Other	xxx	XXX	xxx	XXX
Total fee and commission income	xxx	XXX	xxx	XXX
Fee and commission expense				
Brokerage	xxx	XXX	xxx	XXX
Inter bank transaction fees	xxx	XXX	xxx	XXX
Other	xxx	XXX	xxx	XXX
Total fee and commission expense	xxx	XXX	xxx	XXX
Net fee and commission income	xxx	XXX	xxx	XXX

10. Net trading income

In thousands of GH₵		**2016**		**2015**	
		Bank	Group	Bank	Group
Fixed income		xxx	XXX	xxx	XXX
Foreign exchange		xxx	XXX	xxx	XXX
Other		xxx	XXX	xxx	XXX
Net trading income	*18*	xxx	XXX	xxx	XXX

11. Net income from other financial instruments carried at fair value

In thousands of GH₵	***Note***	**2016**		**2015**	
		Bank	Group	Bank	Group
Net income on other derivatives held for risk management purposes:	*20*				
Interest rate		xxx	XXX	xxx	XXX
Credit		xxx	XXX	xxx	XXX
Foreign exchange		xxx	XXX	xxx	XXX
OTC structured derivatives		xxx	XXX	xxx	XXX
Investment securities at fair value through profit or loss:	*22*				
Bonds		xxx	XXX	xxx	XXX
Loans and advances at fair value through profit or loss	21	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

At 31 December 2016, the accumulated amount of the change in fair value attributable to changes in credit risk on financial liabilities designated at fair value through profit or loss was *GH₵* …. (2015: *GH₵* …….).

12. Other operating income

In thousands of GH₵	***Note***	**2016**		**2015**	
		Bank	Group	Bank	Group
Gain on sale of available-for-sale securities:	*22*				
Government bonds		xxx	XXX	xxx	XXX
Corporate bonds		xxx	XXX	xxx	XXX
Foreign exchange gain		xxx	XXX	xxx	XXX
Change in fair value of investment property	*26*	xxx	XXX	xxx	XXX
Rental income		xxx	XXX	xxx	XXX
Other		xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

13. Personnel expenses

In thousands of GH₵	***Note***	**2016**		**2015**	
		Bank	Group	Bank	Group
Salaries		xxx	XXX	xxx	XXX
Contributions to defined contribution plans		xxx	XXX	xxx	XXX
Equity-settled share-based payments		xxx	XXX	xxx	XXX
Cash-settled share-based payments		xxx	XXX	xxx	XXX
Increase in liability for defined benefit plans	*32*	xxx	XXX	xxx	XXX
Increase in liability for long service-leave	*32*	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

Share-based payments

IFRS 2.44, 45(a) On 1 January 2015 the bank or Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Bank. On 1 January 2016 a further grant on similar terms was offered to these employee groups. In accordance with these programmes options are exercisable at the market price of the shares at the date of grant.

Additionally, two share option arrangements granted before XXX exist. The recognition and measurement principles in Share-based Payments (IFRS 2) have not been applied to these grants.

On 1 January 2016 the bank or Group granted share appreciation rights (SARs) to other employees that entitle the employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the bank between grant date and vesting date.

IFRS 2.45(a) The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares, while share appreciation rights are settled in cash:

13. Personnel expenses (continued)

In thousands of options **Grant date / employees entitled**	**Number of instruments**	**Vesting conditions**	**Contractual life of options**
Option grant to senior employees at 1 January 2002	25	3 years' service and 10 percent increase in operating income each of the 3 years	10 years
Option grant to senior employees at 1 January 2003	15	3 years' service and 10 percent increase in operating income each of the 3 years	10 years
Option grant to senior employees at 1 January 2015	10	3 years' service and 10 percent increase in operating income each of the 3 years	10 years
Option grant to other employees at 1 January 2015	10	3 years' service	10 years
Option grant to senior employees at 1 January 2016	25	3 years' service and 10 percent increase in operating income each of the 3 years	10 years
Option grant to other employees at 1 January 2016	10	3 years' service	10 years
Total share options	95		
SARs granted to other employees at 1 January 2003	10	3 years' service	
SARs granted to other employees at 1 January 2016	30	3 years' service	
Total SARs	40		

13. Personnel expenses (continued)

IFRS 2.45(b) The number and weighted average exercise price of share options is as follows:

Reference	*In thousands of options*	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015	Number of options 2015
IFRS 2.45(b)(i)	Outstanding at 1 January	*GH₵*XX.X	XX.X	*GH₵*XX.X	XX.X
IFRS 2.45(b)(iii)	Forfeited during the period	*GH₵*XX.X	XX.X	*GH₵*XX.X	XX.X
IFRS 2.45(b)(iv)	Exercised during the period	*GH₵*XX.X	XX.X	*GH₵*XX.X	XX.X
IFRS 2.45(b)(ii)	Granted during the period	*GH₵*XX.X	XX.X	*GH₵*XX.X	XX.X
IFRS 2.45(b)(vi)	Outstanding at 31 December	*GH₵*XX.X	XX.X	*GH₵*XX.X	XX.X
IFRS 2.45(b)(vii)	Exercisable at 31 December	*GH₵*XX.X	XX.X	*GH₵*XX.X	XX.X

IFRS 2.45(d) The options outstanding at 31 December 2016 have an exercise price in the range of *GH₵*XX.X to *GH₵*XX.X and a weighted average contractual life of X.X years.

IFRS 2.45(c) The weighted average share price at the date of exercise for share options exercised in 2016 was XX.X (2015: XX.X).

IFRS 2.46, 47(a)(i) The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:

Reference **Notes to the consolidated financial statements**

13. Personnel expenses (continued)

	Fair value of share options and assumptions	Key management personnel 2016	Key management personnel 2015	Senior employees 2016	Senior employees 2015
IFRS 2.47(a)	Fair value at measurement date	*GH₵*XX.X	*GH₵*XX.X	*GH₵*XX.X	*GH₵*XX.X
IFRS 2.47(a)(i)	Share price	*GH₵*XX.X	*GH₵*XX.X	*GH₵*XX.X	*GH₵*XX.X
IFRS 2.47(a)(i)	Exercise price	*GH₵*XX.X	*GH₵*XX.X	*GH₵*XX.X	*GH₵*XX.X
IFRS 2.47(a)(i)	Expected volatility (weighted average volatility)	XX.X%	XX.X%	XX.X%	XX.X%
IFRS 2.47(a)(i)	Option life (expected weighted averaged life)	X.X years	X.X years	X.X years	X.X years
IFRS 2.47(a)(i)	Expected dividends	X.X%	X.X%	X.X%	X.X%
IFRS 2.47(a)(i)	Risk free interest rate (based on government bonds)	X.X%	X.X%	X.X%	X.X%

Employee expenses

	In thousands of GH₵	***Note***	**2016** Bank	**2016** Group	**2015** Bank	**2015** Group
IFRS 2.51(a)	Share options granted in 2015		xxx	XXX	xxx	XXX
IFRS 2.51(a)	Share options granted in 2016		xxx	XXX	xxx	XXX
IFRS 2.51(a)	Expense arising from SARs granted in 2016		xxx	XXX	xxx	XXX
IFRS 2.51(a)	Effect of changes in the fair value of SARs		xxx	XXX	xxx	XXX
IFRS 2.51(a)	Total expense recognised as employee costs		xxx	XXX	xxx	XXX
IFRS 2.51(b)(i)	Total carrying amount of liabilities for cash-settled arrangements	*33*	xxx	XXX	xxx	XXX
IFRS 2.51(b)(ii)	Total intrinsic value of liability for vested benefits		xxx	XXX	xxx	XXX

The carrying amount of the liability at 31 December 2015 was settled in 2016.

Reference **Notes to the consolidated financial statements**

14. Other expenses

In thousands of GH₵	*Note*	2016 Bank	2016 Group	2015 Bank	2015 Group
Software licensing and other information technology costs		xxx	XXX	xxx	XXX
Impairment loss on property and equipment	*23*	xxx	XXX	xxx	XXX
Branch closure cost provisions	*31*	xxx	XXX	xxx	XXX
Redundancy provisions	*31*	xxx	XXX	xxx	XXX
Auditors' remuneration		xxx	XXX	xxx	XXX
Depreciation		xxx	XXX	xxx	XXX
Amortisation of prepaid operating lease rentals		xxx	XXX	xxx	XXX
Other		xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

15. Income tax expense

IAS 12.79 **Recognised in the income statement**

Reference	*In thousands of GH₵*	*Note*	2016		2015	
	Current tax expense					
IAS 12.80(a)	Current year		xxx	XXX	xxx	XXX
IAS 12.80(b)	Adjustments for prior years		xxx	XXX	xxx	XXX
			Xxx	XXX	xxx	XXX
	Deferred tax expense					
IAS 12.80(c)	Origination and reversal of temporary differences		xxx	XXX	xxx	XXX
IAS 12.80(f)	Recognition of previously unrecognised tax losses		xxx	XXX	xxx	XXX
		25	xxx	XXX	xxx	XXX
	Total income tax expense		xxx	XXX	xxx	XXX

IAS 12.81(c) **Reconciliation of effective tax rate**

In thousands of GH₵	2016	2016	2015	2015
Profit before income tax		XXX		XXX
Income tax using the enacted corporation tax rate	XX.X%	XXX	XX.X%	XXX
Non-deductible expenses	XX.X%	XXX	XX.X%	XXX
Tax exempt income	XX.X%	XXX	XX.X%	XXX
Recognition of previously unrecognised tax losses	XX.X%	XXX	XX.X%	XXX
(Over) provided in prior years	XX.X%	XXX	XX.X%	XXX
Total income tax expense in income statement	XX.X%	XXX	XX.X%	XXX

16 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of *GH₵* XX million (2015: *GH₵* XX million) and a weighted average number of ordinary shares outstanding of X,XXX.X million (2015: X,XXX.X million), calculated as follows:

IAS 33.70(a)

Profit attributable to ordinary shareholders

In thousands of GH₵	***Note***	**2016**		**2015**	
		Bank	Group	Bank	Group
Net profit for the period attributable to equity holders of the Bank		xxx	XXX	xxx	XXX

IAS 33.70(b)

Weighted average number of ordinary shares

In thousands of shares	***Note***	**2016**		**2015**	
Issued ordinary shares at 1 January	*34*	xxx	XXX	xxx	XXX
Effect of share options exercised	*34*	xxx	XXX	xxx	XXX
Weighted average number of ordinary shares at 31 December		xxx	XXX	xxx	XXX

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2016 was based on the profit attributable to ordinary shareholders of *GH₵* XXmillion (2015: *GH₵* XX million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of X,XXX.X million (2015: X,XXX.X million), calculated as follows:

IAS 33.70(a)

Profit attributable to ordinary shareholders (diluted)

In thousands of GH₵	**2016**		**2015**	
	Bank	Group	Bank	Group
Profit for the period attributable to ordinary shareholders	xxx	XXX	xxx	XXX

IAS 33.70(b)

Weighted average number of ordinary shares (diluted)

In thousands of GH₵	***Note***	**2016**		**2015**	
		Bank	Group	Bank	Group
Weighted average number of ordinary shares (basic)	*34*	xxx	XXX	xxx	XXX
Effect of share options on issue	*13*	xxx	XXX	xxx	XXX
Weighted average number of ordinary shares (diluted) at 31 December		xxx	XXX	xxx	XXX

Notes to the consolidated financial statements

17. Dividend per share

At the Annual General Meeting to be held on XX/XX/2015, a final dividend in respect of the year ended 31 December 2016 of *GH₵*XXX (2015 – *GH₵*XXX) for every ordinary share of *GH₵*XXX is to be proposed. An interim dividend of *GH₵*XXX (2015 – *GH₵*XXX) for every ordinary share, was declared and paid during the year. This will bring the total dividend for the year to *GH₵*XXX (2015 – *GH₵*XXX).

At the Annual General Meeting to be held on XX/XX/2015, a final dividend in respect of the year ended 31 December 2016 of *GH₵*XXX (2015 – *GH₵*XXX) for the preference shares is to be proposed. An interim dividend of *GH₵*XXX (2015 – *GH₵*XXX) was declared and paid during the year. This will bring the total dividend for the year to *GH₵*XXX (2015 – *GH₵*XXX).

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

Dividends on the preference shares are paid at the rate of XX.X% per annum on the issue price of *GH₵*XXX per share.

Reference **Notes to the consolidated financial statements**

IAS 7.45

18. Cash and cash equivalents

In thousands of GH₵

	2016 Bank	**2016** Group	**2015** Bank	**2015** Group
Cash and balances with banks	xxx	XXX	xxx	XXX
Unrestricted balances with the Central Bank	xxx	XXX	xxx	XXX
Restricted balances with Central Bank	xxx	XXX	xxx	XXX
Money market placements	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

19. Trading assets and liabilities

In thousands of GH₵ *2016* **2015**

IFRS 7.8(a)(ii)

Trading asset	pledged	non Pledged	Total	Pledged	non	Total Pledged
Government bonds	xxx			xxx	xxx	XXXxxx XXX
Corporate bonds					xxx	XXX xxx XXX
Treasury bills					xxx	XXX xxx XXX
Other					xxx	XXX xxx XXX
Derivative assets:						
Interest rate					xxx	XXX xxx XXX
Credit					xxx	XXX xxx XXX
Foreign exchange					xxx	XXX xxx XXX
OTC structured derivatives					xxx	XXX xxx XXX
					Xxx	XXX xxx XXX

IFRS 7.8(e)(ii)

Trading liabilities				
Derivative liabilities:				
Interest rate	xxx	XXX	xxx	XXX
Credit	xxx	XXX	xxx	XXX
Foreign exchange	xxx	XXX	xxx	XXX
OTC structured derivatives	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

20. Derivatives held for risk management

In thousands of GH₵

		2016		2015	
		Bank	Group	Bank	Group
	Derivative assets held for risk management				
	Instrument type:				
	Interest rate	xxx	XXX	xxx	XXX
	Credit	xxx	XXX	xxx	XXX
	Equity	xxx	XXX	xxx	XXX
	Foreign exchange	xxx	XXX	xxx	XXX
	OTC structured derivatives	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX
	Derivative liabilities held for risk management				
	Instrument type:				
	Interest rate	xxx	XXX	xxx	XXX
	Credit	xxx	XXX	xxx	XXX
	Equity	xxx	XXX	xxx	XXX
	Foreign exchange	xxx	XXX	xxx	XXX
	OTC structured derivatives	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX
	Net derivatives held for risk management				
IFRS 7.22(b)	Fair value hedges of interest rate risk	xxx	XXX	xxx	XXX
IFRS 7.22(b)	Cash flow hedges of foreign currency debt securities issued	xxx	XXX	xxx	XXX
IFRS 7.22(b)	Net investment hedges	xxx	XXX	xxx	XXX
	Other derivatives held for risk management	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

IFRS 7.22

Fair value hedges of interest rate risk

The Group uses interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate Ghana cedis (*GH₵)* notes and certain loans and advances. Interest rate swaps are matched to specific issuances of fixed rate notes or loans.

20. Derivatives held for risk management (continued)

IFRS 7.22, 23(a)

Cash flow hedges of foreign currency debt securities issued

The bank or Group uses cross-currency interest rate swaps to hedge the foreign currency and interest rate risks arising from its issuance of floating rate notes in foreign currencies. The cash flows on the cross-currency interest rate swaps substantially match the cash flow profile of the floating rate notes.

IFRS 7.22

Net investment hedges

The bank or Group uses a mixture of forward foreign exchange contracts and foreign currency denominated debt to hedge the foreign currency translation risk on its net investment in foreign subsidiaries.

The fair value of the forward contracts used to hedge the bank's or Group's net investment in foreign subsidiaries is the amount shown in the table above. The foreign currency denominated debt used to hedge the net investment in the bank's or Group's US dollar denominated subsidiaries in the Americas has a fair value equal to its carrying amount, which is included within debt securities issued (see note 30).

Other derivatives held for risk management

The bank or Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate, equity market and credit risks. The instruments used include interest rate swaps, cross-currency interest rate swaps, forward contracts, futures, options, credit swaps and equity swaps. The fair values of those derivatives are shown in the table above.

21. Loans and advances to customers

Reference	*In thousands of GH₵*	2016 Bank	2016 Group	2015 Bank	2015 Group
IFRS 7.8(a)(i)	Loans and advances to customers & FI at fair value through profit or loss	xxx	XXX	xxx	XXX
	Loans and advances to customers &FI at amortised cost	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

Loans and advances to customers at amortised cost

In thousands of GH₵	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		2016			2015	
Retail customers:						
Mortgage lending	XXX	XXX	XXX	XXX	XXX	XXX
Personal loans	XXX	XXX	XXX	XXX	XXX	XXX
Credit cards	XXX	XXX	XXX	XXX	XXX	XXX
Corporate customers:						
Financial Institutions Lending	XXX	XXX	XXX	XXX	XXX	XXX
Finance leases	XXX	XXX	XXX	XXX	XXX	XXX
Other secured lending	XXX	XXX	XXX	XXX	XXX	XXX
Reverse repos	XXX	XXX	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX	XXX	XXX

Allowances for impairment

Reference	*In thousands of GH₵*	2016 *Bank*	2016 *Group*	2015 *Bank*	2015 *Group*
IFRS 7.16	**Individual allowances for impairment**				
	Balance at 1 January	xxx	XXX	xxx	XXX
IFRS 7.20(e)	Impairment loss for the year				
	Charge for the year	xxx	XXX	xxx	XXX
	Recoveries	xxx	XXX	xxx	XXX
	Effect of foreign currency movements	xxx	XXX	xxx	XXX
	Write-offs	xxx	XXX	xxx	XXX
	Balance at 31 December	xxx	XXX	xxx	XXX

21. Loans and advances to customers (continued)

Reference	*In thousands of GH₵*	2016 Bank	2016 Group	2015 Bank	2015 Group
IFRS 7.16	**Collective allowances for impairment**				
	Balance at 1 January	xxx	XXX	xxx	XXX
	Impairment loss for the year				
IFRS 7.20(e)	Charge for the year	xxx	XXX	xxx	XXX
	Balance at 31 December	xxx	XXX	xxx	XXX
	Total allowances for impairment	xxx	XXX	xxx	XXX

Loans and advances to customers at fair value through profit or loss

Loans and advances to customers held by the Corporate banking business have been designated at fair value through profit or loss as the Group manages these loans and advances on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

At 31 December 2016 the maximum exposure to credit risk on loans and advances at fair value through profit or loss was *GH₵* XX million (2015: *GH₵* XX million). The Group has mitigated the credit risk exposure to these loans and advances by purchasing credit risk protection in the form of credit derivatives. These derivative contracts provided a notional principal protection of *GH₵* XX million (2015: *GH₵* XX million).

Details of changes in the fair value recognised on these loans and advances and related derivatives on account of credit risk changes are set out below:

In thousands of GH₵	For the year 2016	Cumulative	For the year 2015	Cumulative
Loans and advances at fair value through profit or loss	XXX	XXX	XXX	XXX
Related credit derivative contracts	XXX	XXX	XXX	XXX

Reference **Notes to the consolidated financial statements**

22. Investment securities

In thousands of GH₵	Reference	2016		2015	
		Bank	Group	Bank	Group
Investment securities at fair value through profit or loss	*IFRS 7.8(a)(i)*	xxx	XXX	xxx	XXX
Held-to-maturity investment securities	*IFRS 7.8(b)*	xxx	XXX	xxx	XXX
Available-for-sale investment securities	*IFRS 7.8(d)*	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

Investment securities at fair value through profit or loss

Corporate bonds	xxx	XXX	xxx	XXX
Treasury bonds	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

IFRS 7.21, B5(a) Investment securities have upon initial recognition been designated at fair value through profit or loss when the Group holds related derivatives at fair value through profit or loss, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Held-to-maturity investment securities

In thousands of GH₵	***Note***	2016		2015	
		Bank	Group	Bank	Group
Government bonds		xxx	XXX	xxx	XXX
Corporate bonds		xxx	XXX	xxx	XXX
Less individual allowances for impairment		xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

Available-for-sale investment securities

Government bonds	xxx	XXX	xxx	XXX
Corporate bonds	xxx	XXX	xxx	XXX
Less individual allowances for impairment	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

IFRS 7.16 **Individual allowances for impairment**

	Reference				
Balance at 1 January		xxx	XXX	xxx	XXX
Impairment loss for the year	*IFRS 7.20(e)*				
Charge for the year		xxx	XXX	xxx	XXX
Balance at 31 December		xxx	XXX	xxx	XXX

23. Property, plant and equipment

IAS 16.73(d), (e)

	In thousands of GH₵	Land and buildings	IT equipment	Fixtures and fittings	Total
	Cost				
	Balance at 1 January 2015	XXX	XXX	XXX	XXX
	Acquisitions	XXX	XXX	XXX	XXX
	Disposals	XXX	XXX	XXX	XXX
	Balance at 31 December	XXX	XXX	XXX	XXX
	Balance at 1 January 2016	XXX	XXX	XXX	XXX
	Acquisitions	XXX	XXX	XXX	XXX
	Disposals	XXX	XXX	XXX	XXX
	Balance at 31 December 2016	XXX	XXX	XXX	XXX
	Depreciation and impairment losses				
	Balance at 1 January 2015	XXX	XXX	XXX	XXX
	Depreciation for the period	XXX	XXX	XXX	XXX
IAS 36.126(a)	Impairment loss	XXX	XXX	XXX	XXX
	Balance at 31 December 2015	XXX	XXX	XXX	XXX
	Balance at 1 January 2016	XXX	XXX	XXX	XXX
	Depreciation for the period	XXX	XXX	XXX	XXX
IAS 36.126(a)	Impairment loss	XXX	XXX	XXX	XXX
	Balance at 31 December 2016	XXX	XXX	XXX	XXX
IAS 1.78(a)	**Carrying amounts**				
	Balance at 1 January 2015	XXX	XXX	XXX	XXX
	Balance at 31 December 2015	XXX	XXX	XXX	XXX
	Balance at 31 December 2016	XXX	XXX	XXX	XXX

IAS 36.129(a), 131 During 2015 and 2016, the retail banking operations reconsidered their future requirements in relation to certain IT equipment and have recognised an impairment in line with its planned replacement in the near term.

23. Property and equipment (continued)

IAS 17.35

Operating leases

Non-cancellable operating lease rentals are payable as follows:

In thousands of GH₵	**2016**	**2015**
Less than one year	XXX	XXX
Between one and five years	XXX	XXX
More than five years	XXX	XXX
	XXX	XXX

IAS 17.35(d) The bank or Group leases a number of branch and office premises under operating leases. The leases typically run for a period of up to XX years, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect market rentals.

24. Intangible assets

IAS 38.118(c), (e)

In thousands of GH₵	**Purchased software**	**Developed software**	**Total**
Cost			
Balance at 1 January 2015	XXX	XXX	XXX
Acquisitions	XXX	XXX	XXX
Internal development	XXX	XXX	XXX
Balance at 31 December 2015	XXX	XXX	XXX
Balance at 1 January 2016	XXX	XXX	XXX
Acquisitions	XXX	XXX	XXX
Internal development	XXX	XXX	XXX
Balance at 31 December 2016	XXX	XXX	XXX

24. Intangible assets[1] (continued)

IAS 38.118(c), (e)	*In thousands of GH₵*	Purchased software	Developed software	Total
	Amortisation and impairment			
	Balance at 1 January 2015	XXX	XXX	XXX
	Amortisation for the period	XXX	XXX	XXX
IAS 36.126(a)	Impairment loss	XXX	XXX	XXX
	Balance at 31 December 2015	XXX	XXX	XXX
	Balance at 1 January 2016	XXX	XXX	XXX
	Amortisation for the period	XXX	XXX	XXX
IAS 36.126(a)	Impairment loss	XXX	XXX	XXX
	Balance at 31 December 2016	XXX	XXX	XXX
IAS 38.118(c)	**Carrying amounts**			
	Balance at 1 January 2015	XXX	XXX	XXX
	Balance at 31 December 2015	XXX	XXX	XXX
	Balance at 31 December 2016	XXX	XXX	XXX

IAS 36.129(a), 131 During 2015 and 2016, the retail banking operations reconsidered their future requirements in relation to customer information software and have recognised an impairment in line with its planned replacement in the near term.

25. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

IAS 12.81(g)(i) Deferred tax assets and liabilities are attributable to the following:

In thousands of GH₵	Assets	Liabilities	Net	Assets	Liabilities	Net
		2016			2015	
Property and equipment, and software	XXX	XXX	XXX	XXX	XXX	XXX
Available-for-sale securities	XXX	XXX	XXX	XXX	XXX	XXX
Allowances for loan losses	XXX	XXX	XXX	XXX	XXX	XXX
Tax loss carry-forwards	XXX	XXX	XXX	XXX	XXX	XXX
Share-based payments	XXX	XXX	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX	XXX	XXX
Net tax assets (liabilities)	XXX	XXX	XXX	XXX	XXX	XXX

Reference **Notes to the consolidated financial statements**

25. Deferred tax assets and liabilities (continued)

IAS 12.82A
IAS 12.81(e)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

In thousands of GH₵	2016 Bank	2016 Group	2015 Bank	2015 Group
Tax losses	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

The tax losses relate to an overseas investment banking subsidiary and expire in 2015. Deferred tax assets have not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Movements during the year

In thousands of GH₵	**Opening balance**	**Recognised in profit or loss**	**Recognised in equity**	**Closing balance**
2016				
Property, Plant and equipment, and software	XXX	XXX	XXX	XXX
Available-for-sale securities	XXX	XXX	XXX	XXX
Allowances for loan losses	XXX	XXX	XXX	XXX
Tax losses carry-forwards	XXX	XXX	XXX	XXX
Share-based payments	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX
2015				
Property, plant and equipment, and software	XXX	XXX	XXX	XXX
Available-for-sale securities	XXX	XXX	XXX	XXX
Allowances for loan losses	XXX	XXX	XXX	XXX
Tax loss carry-forwards	XXX	XXX	XXX	XXX
Share-based payments	XXX	XXX	XXX	XXX
Other	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX

IAS 1.77

26. Other assets

Reference	*In thousands of GH₵*	2016		2015	
		Bank	Group	Bank	Group
IAS 1.54	Assets held for sale	xxx	XXX	xxx	XXX
IAS 1.54(b)	Investment property	xxx	XXX	xxx	XXX
IAS 1.54(h)	Accounts receivable and prepayments	xxx	XXX	xxx	XXX
IAS 1.54(h)	Accrued income	xxx	XXX	xxx	XXX
IAS 7.48	Restricted deposits with central banks	xxx	XXX	xxx	XXX
	Other	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

Restricted deposits with central banks are not available for use in the bank's or Group's day-to-day operations.

The Group holds some investment property as a consequence of the ongoing rationalisation of its retail branch network. Other properties have been acquired through enforcement of security over loans and advances.

IAS 40.75(d), (e) The carrying amount of investment property is the fair value of the property as determined by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the bank's or Group's investment property.

27. Deposits from banks

In thousands of GH₵	2016		2015	
	Bank	Group	Bank	Group
Money market deposits	xxx	XXX	xxx	XXX
Other deposits from banks	xxx	XXX	xxx	XXX
Items in the course of collection	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

28. Deposits from customers

In thousands of GH₵	2016 Bank	2016 Group	2015 Bank	2015 Group
Retail customers:				
Term deposits	xxx	XXX	xxx	XXX
Current deposits	xxx	XXX	xxx	XXX
Corporate customers:				
Term deposits	xxx	XXX	xxx	XXX
Current deposits	xxx	XXX	xxx	XXX
Other	xxx	XXX	xxx	XXX
	Xxx	XXX	xxx	XXX

29. Borrowings

Shortterm Borrowings : Borrowing less than one year

Longterm Borrowing: Borrowings more than one year

30. Other Liabilities (Provisions)

Reference	*In thousands of GH₵*	*Note*	Redund-ancy	Branch closures	Onerous contracts	Total
IAS 37.84(a)	Balance at 1 January 2016		XXX	XXX	XXX	XXX
IAS 37.84(b)	Provisions made during the year	*14*	XXX	XXX	XXX	XXX
IAS 37.84(d)	Provisions reversed during the year	*14*	XXX	XXX	XXX	XXX
IAS 37.84(e)	Unwind of discount		XXX	XXX	XXX	XXX
IAS 37.84(a)	Balance at 31 December 2016		XXX	XXX	XXX	XXX

IAS 37.85(a), (b), 1.87(b)

Redundancy

In accordance with the *Delivery Channel Optimisation* plans announced by the bank or Group in XXX, the bank or Group is in the process of rationalising its retail branch network and related processing functions. The remaining provision relates to the XXX regions and is expected to be used during 2016.

IAS 37.85(a), (b), 1.87(b)

Branch closures

In accordance with the plans announced by the bank or Group in XXX, the bank or Group is in the process of rationalising the branch network to optimise its efficiency and improve overall services to customers. One part of this plan continues to involve the closure of some branches. Twenty three of the branches outlined on the Group's *Delivery Channel Optimisation Plan* were closed during 2015 and 2016. The remaining provision relates to the balance of the branches set out in that plan, which will be completed during 2016.

30. Provisions (continued)

IAS 37.85(a), (b)

Onerous contracts

Partly as a result of the Group's restructuring of its retail branch network, the Group is lessee in a number of non-cancellable leases over properties that it no longer occupies. In some cases, the rental income from sub-leasing these properties is lower than the rental expense. The present value of the future lease payments less the lease receivables for those properties has been provided for.

30. Other liabilities (sundry)

Reference	*In thousands of GH₵XXX*	***Note***	**2016**		**2015**	
			Bank	Group	Bank	Group
IAS 1.78(d)	Recognised liability for defined benefit obligations		xxx	XXX	xxx	XXX
IAS 1.78(d)	Liability for long-service leave		xxx	XXX	xxx	XXX
IAS 1.78(d)	Cash-settled share-based payment liability	13	xxx	XXX	xxx	XXX
IAS 1.78(d)	Short-term employee benefits		xxx	XXX	xxx	XXX
IAS 1.54(j)	Creditors and accruals		xxx	XXX	xxx	XXX
	Others		xxx	XXX	xxx	XXX
			Xxx	XXX	xxx	XXX

Defined benefit obligations

IAS 19.120A(b) The bank or Group makes contributions to a non-contributory defined benefit plans that provide pension and medical benefits for employees upon retirement. Plans entitle a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service the employee provided, and to the reimbursement of certain medical costs.

The amounts recognised in the statement of financial position are as follows:

Reference	*In thousands of GH₵XXX*	**2016**		**2015**	
		Bank	Group	Bank	Group
IAS 19.120A(d), (f)	Present value of unfunded obligations	xxx	XXX	xxx	XXX
IAS 19.120A(d), (f)	Present value of funded obligations	xxx	XXX	xxx	XXX
	Total present value of obligations	xxx	XXX	xxx	XXX
	Fair value of plan assets	xxx	XXX	xxx	XXX
IAS 19.120A(d), (f)	Present value of net obligations	xxx	XXX	xxx	XXX
IAS 19.120A(f)	Recognised liability for defined benefit obligations	xxx	XXX	xxx	XXX

Reference	**Notes to the consolidated financial statements**

30. Other liabilities (continued)

IAS 19.14) Plan assets consist of the following:

	In thousands of GH₵XXX	**2016**		**2015**	
		Bank	Group	Bank	Group
IAS 19.14(b)	Equity securities	xxx	XXX	xxx	XXX
IAS 19.14(c)	Government bonds	xxx	XXX	xxx	XXX
IAS 19.143)	Property occupied by the bank or Group	xxx	XXX	xxx	XXX
IAS 19.143)	Bank's own ordinary shares	xxx	XXX	xxx	XXX
		Xxx	XXX	xxx	XXX

IAS 19.140) **Movement in the liability for defined benefit obligations**

	In thousands of GH₵	**2016**		**2015**	
	Liability for defined benefit obligations at 1 January	xxx	XXX	xxx	XXX
IAS 19.141(g))	Benefits paid by the plan	xxx	XXX	xxx	XXX
IAS 19.141(a)(b)	Current service costs and interest (see below)	xxx	XXX	xxx	XXX
	Liability for defined benefit obligations at 31 December	xxx	XXX	xxx	XXX

IAS 19.140 **Movement in plan assets**

	In thousands of GH₵	**2016**		**2015**	
	Fair value of plan assets at 1 January	xxx	XXX	xxx	XXX
IAS 19.141 (f))	Contributions paid into the plan	xxx	XXX	xxx	XXX
IAS 19.141(g))	Benefits paid by the plan	xxx	XXX	xxx	XXX
IAS 19.141 (c) (i))	Return on plan assets	xxx	XXX	xxx	XXX
	Fair value of plan assets at 31 December	xxx	XXX	xxx	XXX

30. Other liabilities (continued)

IAS 19.135(b) **Expense recognised in profit or loss**

Reference	*In thousands of GH₵*	*Note*	2016 Bank	2016 Group	2015 Bank	2015 Group
IAS 19.141(a))	Current service costs		xxx	XXX	xxx	XXX
IAS 19.120(b)	Net Interest on net defined benefit liability		xxx	XXX	xxx	XXX
		13	xxx	XXX	xxx	XXX
IAS 19.141(c)	Actual return on plan assets		xxx	XXX	xxx	XXX

Actuarial assumptions

IAS 19.144 Significant actuarial assumptions at the reporting date (expressed as weighted averages):

Reference		2016	2015
IAS 19.76(b)(i)	Discount rate at 31 December	XX.X%	XX.X%
IAS 19.76(b)(ii)	Future salary increases	XX.X%	XX.X%
IAS 19.76(a)(v)	Medical cost trend rate	XX.X%	XX.X%
IAS 19.76(b)iii)	Future pension increases	XX.X%	XX.X%

IAS 19.81) Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 65 is 18 for males and 20 for females.

IAS 19.145 Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

Reference	Notes to the consolidated financial statements

30. Other liabilities (continued)

	In thousands of GH₵	One percentage point increase	One percentage point decrease
IAS 19.145(b)	Effect on the aggregate service and net interest cost	XX	XX
IAS 19.145(a)	Effect on defined benefit obligation	XX	XX

IAS 19.135

Historical information

	In thousands of	2016	2015	2014	2013	2012
IAS 19.120A(p)(i)	Present value of the defined benefit obligation	XXX	XXX	XXX	XXX	XXX
IAS 19.120A(p)(i)	Fair value of plan assets	XXX	XXX	XXX	XXX	XXX
IAS 19.120A(p)(i)	Deficit in the plan	XXX	XXX	XXX	XXX	XXX
	Experience adjustments arising on plan liabilities	XXX	XXX	XXX	XXX	XXX
	Experience adjustments arising on plan assets	XXX	XXX	XXX	XXX	XXX

The bank or Group expects to pay *GH₵* XX million in contributions to defined benefit plans in 2017.

Reference

Notes to the consolidated financial statements

31. Statement of changes in equity

IAS 1.79(a)(iv)

Share capital

In thousands of shares	Ordinary shares 2016	Ordinary shares 2015	Perpetual bonds 2014	Perpetual bonds 2013	Redeemable preference shares 2012	Redeemable preference shares 2011
On issue at 1 January	XXX	XXX	XXX	XXX	XXX	XXX
Exercise of share options	XXX	XXX	XXX	XXX	XXX	XXX
IAS 1.79(a)(ii) On issue at 31 December	XXX	XXX	XXX	XXX	XXX	XXX

The Group has also issued employee share options (see note 13).

IAS 1.79(a)(i), (iii) At 31 December 2016, the authorised share capital comprised XX billion ordinary shares (2015: XX billion), XXX million thousand perpetual bonds (2015: XXX million) and XXX million redeemable preference shares (2015: XXX million). All of these instruments are of no par value . All issued shares are fully paid. The redeemable preference shares are classified as liabilities.

IAS 1.79(a)(v) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. Holders of perpetual bonds receive a non-cumulative discretionary coupon of X.X percent. Perpetual bonds and preference shares do not carry the right to vote. All shares rank equally with regard to the Bank's residual assets, except that perpetual bondholders and preference shareholders participate only to the extent of the face value of the shares plus any accrued coupon/ dividends.

Translation reserve

IAS 1.79(b) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the bank's net investment in foreign operations.

Statutory reserve

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by the Banks and Specialised Deposit-Taking Act, 2016 (ACT 930) .

Credit risk reserve

Banks/financial institutions shall continue to comply with the IFRS impairment rules. However, where the IFRS impairment rules result in a lower provision than would be the case if the BOG's prudential norms were applied, the difference should be charged to Income Surplus and credited to a Credit Risk Reserve and in case the opposite happens subsequently a reversal should be made to the extent of the credit balance in the Credit Risk Reserve.

The Credit Risk Reserve so created is not available for distribution as dividend and inclusion in the adjusted capital base for purposes of the Capital Adequacy Ratio (CAR) computation.

A reconciliation of Impairment Allowance and BOG Provisioning Norm should be provided.

Dividends

IAS 1.107 The following dividends were declared and paid by the Group for the year ended 31 December:

In thousands of GH₵	**2016**	**2015**
*GH₵*0.15 per ordinary share (2015: *GH₵*0.15)	XXX	XXX
*GH₵*0.04 per perpetual bond (2015: *GH₵*0.04)	XXX	XXX
	XXX	XXX

Reference

31. Statement of changes in equity (continued)
Dividends (continued)

IAS 1.137(a), 10.13, 12.81(i) After 31 December 2016 the following dividends were proposed by the directors in respect of 2016.
The dividends have not been provided for and there are no income tax consequences.

In thousands of GH₵	
*GH₵*0.15 per ordinary share	XXX
*GH₵*0.04 per perpetual bond	XXX
	XXX

32. Off balance sheet contingencies and commitments

Bank or Group

In the ordinary course of business, the bank or Group 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:

In thousands of GH₵	***Note***	**2016**	**2015**
Guarantees and standby letters of credit		XXX	XXX
Letters of credit, acceptances and other documentary credits		XXX	XXX
Performance bonds and warranties		XXX	XXX
		XXX	XXX

Derivatives/commitments were as follows:

Forward foreign exchange contract amounts	XXX	XXX

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the 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.

Forward foreign exchange contracts are commitments to either purchase or sell a designated financial instrument at a specified future date for a specified price and may be settled in cash or another financial asset. The fair values of the respective currency forwards are carried under other assets and other liabilities as appropriate.

33. Other contingencies

IAS 37.86(a), (b) A subsidiary is defending an action brought by a consumer rights organisation in Ghana in relation to the marketing of specific pension and investment products from XXX to XXX. While liability is not admitted, if defence against the action is unsuccessful, fines and legal costs could amount to *GH₵* XX million. Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the bank or Group's financial position.

34. Bank or Group entities

IAS 24.12 **Significant subsidiaries**

	Country of incorporation	Ownership interest 2016	Ownership interest 2015
XYX Limited	Liberia	XX%	XX%
PQ Limited	Gambia	XX%	XX%

35. Related parties

IAS 24.17 **Transactions with key management personnel**

Key Management personnel and their immediate relatives have transacted with the bank or Group during the period as follows:

IAS 124.17(a), (b) *In thousands of GH₵*	2016 Maximum balance	2016 Closing balance	2015 Maximum balance	2015 Closing balance
Mortgage lending and other secured loans	XXX	XXX	XXX	XXX
Credit card	XXX	XXX	XXX	XXX
Other Loans	XXX	XXX	XXX	XXX
	XXX	XXX	XXX	XXX

Interest rates charged on balances outstanding are a quarter of the rates that would be charged in an arm's length transaction. The mortgages and secured loans granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the period 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 period end.

Reference

Notes to the consolidated financial statements
Related parties (continued)

Key Management personnel compensation for the period comprised:

In thousands of GH₵	**2016**	**2015**
Short-term employee benefits	XXX	XXX
Long-service leave	XXX	XXX
Post-employment benefits	XXX	XXX
Share-based payments	XXX	XXX
	XXX	XXX

In addition to their salaries, the bank or Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, directors and executive officers retire at age 60 and are entitled to receive annual payments equivalent to 70 percent of their salary at the date of retirement until the age of 65, at which time their entitlement falls to 50 percent of their salary at the date of retirement.

Executive officers also participate in the bank or Group's share option programme (see note 13).

In thousands of GH₵	**2016**	**2015**
(a)Loans and advances to employees		
Balance at 1 January	XXX	XXX
Loans advanced during the year	XXX	XXX
Loans repayments received	XXX	XXX
Balance at 31 December	XXX	XXX

Interest earned on staff loans during the year amounted to *GH₵*XXX (2015 – *H₵*XXX).

(b) Loan and advances to directors and their associates

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

In thousands of GH₵	**2016**	**2015**
Gross amount at 1 January	XXX	XXX
Interest charged	XXX	XXX
Loans disbursed	XXX	XXX
Cash received	XXX	XXX
Net movement in overdraft balances	XXX	XXX
Net amount at 31 December	XXX	XXX

Included in loans and advances is *GH₵*XXX (2015 – *GH₵*XXX) advanced to companies where relationship exists by virtue of shareholding and/or representation in the respective companies' Board of Directors. The companies in which the bank or Group is a shareholder are set out under Note 34. The advances are at arms length in the ordinary course of business and are adequately secured.

The related interest income in 2016 was *GH₵*XXX (2015 – *GH₵*XXX).

Reference **Notes to the consolidated financial statements**

Related parties (continued)

(c) Included in deposits is *GH₵* XXX (2015 – *GH₵*XXX) due to a subsidiary company. Interest paid on these deposits during the year amounted to *GH₵*XXX (2015 – *GH₵*XXX).

(d) All the transactions with the related parties with the exception of key Management personnel (as reference in page 110) are priced on arm's length basis and have been entered into in the normal course of business.

36. New standards and interpretations

A brief write up on the under listed is required:

(a) New and amended standards adopted by the bank or Group
(b) New and amended standards and interpretations mandatory for the financial year beginning 1 January 2016 but not relevant to the bank or Group
(c) Standard and interpretations issued but not yet effective

37. Value Added Statements

Value Added Statements for the year ended 31 December 2016

	2016		2015	
	Bank *GH₵*	Group *GH₵*	Bank *GH₵*	Group *GH₵*
Interest earned and other operating income	XXX	XXX	XXX	XXX
Direct cost of Services	(XXX)	(XXX)	(XXX)	(XXX)
Value added by banking services	XXX	XXX	XXX	XXX
Non-banking Income	XXX	XXX	XXX	XXX
Impairments	XXX	XXX	XXX	XXX
Value Added	**XXX**	**XXX**	**XXX**	**XXX**
Distributed as follows:	XXX	XXX	XXX	XXX
To Employees:-				
Directors (without executives)	XXX	XXX	XXX	XXX
Executive directors	XXX	XXX	XXX	XXX
Other employees	XXX	XXX	XXX	XXX
To Government:				
Income tax	XXX	XXX	XXX	XXX
To providers of capital				
Dividends to shareholders	XXX	XXX	XXX	XXX
To expansion and growth				
Depreciation	XXX	XXX	XXX	XXX
Amortisation	XXX	XXX	XXX	XXX
Retained earnings	XXX	XXX	XXX	XXX

PART C:
ILLUSTRATIVE FINANCIAL STATEMENTS FOR QUARTERLY PUBLICATIONS

4.0 Introduction

In order to improve transparency in financial reporting in the country, the BOG requires all banks, in addition to the annual publication of their audited financial statements, to make quarterly publications of their unaudited financial statements the period ending 31st March, 30th June and 30th September in accordance with relevant provisions of IAS 34 and other specifications noted in this section of the document. The fourth quarter publication of the unaudited financial statements could be replaced with the annual audited financial statements to be published three months after the statutory financial year. The first, second and third quarters publications must be made one month after each quarter except the fourth quarter which must be made three months after the statutory year. Both audited and unaudited financial statements must be published in at least two daily newspapers of national circulation in Ghana and the website of the Bank. The NBFIs and the Deposit-taking MFIs are to follow the same principles except that whilst NBFIs are required to make half-yearly publications, Deposit-taking MFIs are to make annual publications at their websites. The second half unaudited publication of the NBFIs could be replaced with the audited annual publication. Annual publications for Banks, NBFIs and Deposit-taking MFIs are required to be published in at least two daily newspapers of national circulation in Ghana and the website of these institutions.

The statements of financial position shall be as at the date of reporting, whilst statements profit or loss and other comprehensive income shall be for the cumulative period (year to date) ending on that date.

4.1 An illustrative format for quarter year financial statements and disclosures

ABC Bank Limited
(Unaudited) Statement of financial position

In thousands of GH₵	**June 2016**	**June* 2015**
Assets		
Cash and cash equivalents	XXX	XXX
Trading assets	XXX	XXX
Derivative assets held for risk management	XXX	XXX

Loans and advances to customers	XXX	XXX
Investment securities	XXX	XXX
Property, plant and equipment	XXX	XXX
Intangible assets	XXX	XXX
Deferred tax assets	XXX	XXX
Other assets	XXX	XXX
Total assets	**XXX**	**XXX**
Liabilities		
Trading liabilities	XXX	XXX
Derivative liabilities held for risk management	XXX	XXX
Deposits from banks	XXX	XXX
Deposits from customers	XXX	XXX
Provisions	XXX	XXX
Current tax liabilities	XXX	XXX
Deferred tax liabilities	XXX	XXX
Retirement benefit obligations	XXX	XXX
Other liabilities	XXX	XXX
Total liabilities	**XXX**	**XXX**
Equity		
Stated capital	XXX	XXX
Income surplus	XXX	XXX
Revaluation reserve	XXX	XXX
Statutory reserve	XXX	XXX
Translation reserve	XXX	XXX
Credit risk reserve	XXX	XXX
Other reserves	XXX	XXX
Total equity	**XXX**	**XXX**
Total liabilities and equity	**XXX**	**XXX**

**Please note that the comparative should be the unaudited quarter position of the immediate past year as published.*

Banks which prepare consolidated financial statements are also required to present separate parent entity financial information.

ABC Bank Limited

4.3 (Unaudited) Statement of comprehensive income

In thousands of GH₵	**June** *2016*	**June*** **2015**
Interest income	XXX	XXX
Interest expense	(XXX)	(XXX)
Net interest income	**XXX**	**XXX**
Fee and commission income	XXX	XXX
Fee and commission expense	(XXX)	(XXX)
Net fee and commission income	**XXX**	**XXX**
Net trading income	XXX	XXX
Net income from other financial instruments carried at fair value	XXX	XXX
Other operating income	XXX	XXX
Other income	XXX	XXX
	XXX	**XXX**
Operating income	**XXX**	**XXX**
Net impairment loss on financial asset	(XXX)	(XXX)
Personnel expenses	(XXX)	(XXX)
Operating lease expenses	(XXX)	(XXX)
Depreciation and amortisation	(XXX)	(XXX)
Other expenses	(XXX)	(XXX)
Profit before income tax	**XXX**	**XXX**
Income tax expense	(XXX)	(XXX)
Profit for the period	**XXX**	**XXX**
Other comprehensive income, net of income tax		
Foreign currency translation diff. for foreign operations	XXX	XXX
Net gain/loss on hedges of net investments in foreign operations	XXX	XXX
Revaluation of property, plant and equipment	XXX	XXX
Defined benefit plan actuarial gain (loss)	XXX	XXX
Other comprehensive income (net of income tax)	**XXX**	**XXX**
Total comprehensive income for the period	**XXX**	**XXX**

**Please note that the comparative should be the unaudited position of the corresponding period of the immediate preceding year.*

4.4 ABC Bank Limited

(Unaudited) Statement of cash flows

in thousands of GH₵	**June 2016**	***June 2015**
Cash flows from operating activities		
Profit for the period	XXX	XXX
Adjustments for:		
Depreciation and amortisation	XXX	XXX
Impairment on non-financial assets	XXX	XXX
Impairment on financial assets	XXX	XXX
Net interest income	XXX	XXX
Income tax expense	XXX	XXX
	XXX	**XXX**
Change in trading assets	XXX	XXX
Change in pledged assets	XXX	XXX
Change in derivative assets held for risk management	XXX	XXX
Change in loans and advances to banks	XXX	XXX
Change in loans and advances to customers	XXX	XXX
Change in other assets	XXX	XXX
Change in deferred tax assets	XXX	XXX
Change in trading liabilities	XXX	XXX
Change in derivative liabilities held for risk management	XXX	XXX
Change in deposits from banks	XXX	XXX
Change in deposits from customers	XXX	XXX
Change in other liabilities and provisions	XXX	XXX
	XXX	**XXX**
Interest and dividends received	XXX	XXX
Interest paid	XXX	XXX
Income tax paid	XXX	XXX
Net cash used in operating activities	**XXX**	**XXX**
Cash flows from investing activities		
Purchase of investment securities	XXX	XXX
Proceeds from sale of investment securities	XXX	XXX
Purchase of property, plant and equipment	XXX	XXX
Proceeds from the sale of property, plant and equipment	XXX	XXX
Purchase of intangible assets	XXX	XXX
Net cash used in investing activities	**XXX**	**XXX**
Cash flows from financing activities		
Increase in debt securities issued	XXX	XXX
Increase in subordinated liabilities	XXX	XXX
Issue of shares on exercise of share options	XXX	XXX
Dividends paid	XXX	XXX
Net cash from financing activities	**XXX**	**XXX**

ABC Bank Limited
(Unaudited) Statement of cash flows - continued

In thousands of GH₵	**June 2016**	**June* 2015**
Net increase / (decrease) in cash and cash equivalents	XXX	XXX
Cash and cash equivalents at 1 January / 1 July	XXX	XXX
Effect of exchange rate fluctuations on cash held	XXX	XXX
Cash and cash equivalents at 30 June / 31 December	**XXX**	**XXX**

**Please note that the comparative should be the unaudited position of the immediate preceding year.*

4.5 Notes to the unaudited financial statements for the period ended 30 June 2016

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants, Ghana (ICAG) and are consistent with those applied in the preparation of the annual consolidated financial statements.

2. Quantitative disclosures

		June 2016	June 2015
(a)	Capital Adequacy Ratio (CAR)	XX.X%	XX.X%
(b)	Non-Performing Loan (NPL) Ratio	XX.X%	XX.X%

3. Qualitative disclosures

Please provide a write-up for the under listed:

(a) Dominant risks of the bank and how they arise, giving an indication as to whether they are increasing, decreasing or stable over a three-year period.
(b) Objectives, policies and processes for managing these risks;
(c) Methods used to measure the risks afore-mentioned.

4. Defaults in statutory liquidity and accompanying sanctions (if any)

		June 2016	June 2015
(a)	Default in statutory liquidity	X times	X times
(b)	Sanctions	*GH₵XXX*	*GH₵XXX*

Please state the default even if no sanctions were applied by the Bank of Ghana

5. Others

Please provide a write-up for any other disclosure that is necessary to the understanding of the financial statements by users.

PART D:
FORMAT FOR CREDIT RISK (IFRS 9)
(Culled from KPMG'S IFRS9 dummy presentation)

1. Reporting entity

ABC bank is a bank domiciled in Ghana. The Bank's registered office is at XXX. These consolidated financial statements comprise the Bank and its subsidiaries (collectively, the Group). The Group is primarily involved in investment, corporate and retail banking, and in providing asset management services (see XXX).

2. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Bank's Board of Directors on [*date*].

Details of the Group's accounting policies, including changes during the year, are included in Notes xx and xx. As explained in Note xx the Group has early adopted IFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2016 though the official adoption for the country is January 2018.

3. Functional and presentation currency

These consolidated financial statements are presented in cedis, which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

4. Use of judgements and estimates

In preparing these consolidated financial statements, Management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

•• Applicable to 2016 only

– Note xx – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

•• Applicable to 2016 and 2015

– Note xx – determination of control over investees.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2016 is included in the following notes.

•• Applicable to 2016 only

– Note xx – impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

•• Applicable to 2016 and 2015

– Note xx – determination of the fair value of financial instruments with significant unobservable inputs.

– Note xx – measurement of defined benefit obligations: key actuarial assumptions.

– Note xx – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

– Note xx – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts.

– Notes xx and xx – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

– Note xx – impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Financial risk review

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

A. Credit risk

For the definition of credit risk and information on how credit risk is mitigated by the Group, see Note xx.

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments (2016) and available-for-sale debt assets (2015). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note xx.

	2016					2015
In millions of cedis	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit – impaired**	**Total**	**Total**
Loans and advances to banks at amortised cost						
Grades 1–6: Low–fair risk/Current	**xxxx**	**xxx**	**-**	**-**	**xxxx**	xxxx
Grades 7–9: Watch list/OLEM	**-**	**-**	**-**	**-**	**-**	-

Grade 10: Substandard	-	-	Xx	-	xx	xx
Grade 11: Doubtful	-	-	X	-	x	x
Grade 12: Loss	-	-	X	-	x	x
	xxxx	xxx	Xx	-	xxxx	xxxx
Loss allowance	(x)	(x)	(x)	-	(xx)	(x)
Carrying amount	xxxx	Xxx	xx	-	xxxx	xxxx
Loans and advances to customers at amortised cost						
Grades 1–6: Low–fair risk/Current	xxxxx	xxxx	-	-	xxxxx	xxxxx
Grades 7–9: Watch list/OLEM	-	xxxx	-	-	xxxx	xxxx
Grade 10: Substandard	-	-	xxxx	-	xxxx	xxxx
Grade 11: Doubtful	-	-	xxxx	xxx	xxxx	xxxx
Grade 12: Loss	-	-	xxx	xx	xxx	xxx
	xxxxx	xxxx	xxxx	xxx	xxxxx	xxxxx
Loss allowance	(xxx)	(xxx)	(xxxx)	(xx)	(xxxx)	(xxxx)
Carrying amount	xxxxx	xxxx	xxxx	xxx	xxxxx	xxxxx
Lease receivables						
Grades 1–6: Low–fair risk/Current		xxx	-		xxx	xxx
Grades 7–9: Watch list/OLEM		-	-		-	-
Grades 10–12: Credit-impaired		-	xx		xx	xx
		xxx	xx		xxx	xxx
Loss allowance		(x)	(xx)		(xx)	(xx)
Carrying amount		xxx	xx		xxx	xxx

	2016				**2015**
In millions of cedis	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Debt investment securities at amortised cost (2015: held-to-maturity)					
Grades 1–6: Low–fair risk/Current	xxx	-	-	xxx	xxx
Loss allowance	(x)	-	-	(x)	-
Carrying amount	xxx	-	-	xxx	xxx
Debt investment securities at FVOCI (2015: available-for-sale)					

Grades 1–6: Low–fair risk/Current	**xxxx**	**xxx**	**-**	**xxxx**	xxxx
Grades 7–9: Watch list/OLEM	**xx**	**xxx**	**-**	**xxx**	xxx
Grade 10: Substandard	**-**	**-**	xx	**xx**	xx
Grade 11: Doubtful	**-**	**-**	xx	**xx**	xx
Grade 12: Loss	**-**	**-**	xx	**xx**	x
	xxxx	**xxx**	xxx	**xxxx**	xxxx
Loss allowance	**(x)**	**(x)**	(xx)	**(xx)**	(xx)
Gross carrying amount	**xxxx**	**xxx**	xxx	**xxxx**	-
Carrying amount – fair value	**xxxx**	**xxx**	xx	**xxx**	xxxx
Loan commitments					
Grades 1–6: Low–fair risk/Current	**xxxx**	**-**	**-**	**xxxx**	xxxx
Loss allowance	**(x)**	**-**	**-**	**(x)**	-
Carrying amount (provision)	**(x)**	**-**	**-**	**(x)**	(x)
Financial guarantee contracts					
Grades 1–6: Low–fair risk/Current	**xxx**	**-**	**-**	**xxx**	xxx
Loss allowance	**(x)**	**-**	**-**	**(x)**	-
Carrying amount (provision)	**(xx)**	**-**	**-**	**(xx)**	(xx)

The following table sets out the credit analysis for non-trading financial assets measured at FVTPL.

In millions of cedis	**2016**	**2015**
Loans and advances to customers		
Grades 1–6: Low–fair risk/Current	**xxxx**	xxxx
Grades 7–9: Watch list/OLEM	**xxx**	xxx
Grade 10: Substandard	**xxx**	xxx
Grade 11: Doubtful	**xxx**	xx
Grade 12: Loss	**xx**	xx
Total carrying amount	**xxxx**	xxxx
Debt investment securities		
Grades 1–6: Low–fair risk/Current	**xxxx**	xxxx
Grades 7–9: Watch list/OLEM	**xxx**	xxx
Grade 10: Substandard	**xxx**	xxx
Grade 11: Doubtful	**xxx**	xx
Grade 12: Loss	**xxx**	xx
Total carrying amount	**xxxx**	xxxx

The following table sets out the credit quality of trading debt securities. The analysis has been based on [*Rating Agency X*] ratings.

In millions of cedis	***Note***	**2016**	**2015**
Government bonds and treasury bills			
Rated AAA	*20*	**xxx**	xxxx
Rated AA- to AA+	*20*	**xxxx**	xxxx
Rated A- to A+	*20*	**xxxx**	xxxx
Rated BBB+ and below	*20*	**xxx**	xxx
		xxxxx	xxxx
Corporate bonds			
Rated AA- to AA+	*20*	**xxxx**	xxxx
Rated A- to A+	*20*	**xxxx**	xxx
Rated BBB+ and below	*20*	**xxx**	xxx
		xxxx	xxxx
Asset-backed securities			
Rated AA- to AA+	*20*	**xxx**	xxx
Rated A- to A+	*20*	**xxx**	xx
Rated BBB+ and below	*20*	**xx**	xx
		xxx	xxx

The following table shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Group are generally fully collateralised by cash. For further discussion of collateral and other credit enhancements, see Note xx

					Over-the-counter			
	Total		**Exchange-traded**		**Central counterparties**		**Other bilateral collateralised**	
In millions of cedis	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
2016								
Derivative assets	**xxxxx**	**xxxx**	**xxx**	**xxx**	**xxxx**	**xxxx**	**xxxx**	**xxx**
Derivative liabilities	**xxxxx**	**(xxxx)**	**xxx**	**(xxx)**	**xxxx**	**(xxx)**	**xxxx**	**(xxx)**
2015								
Derivative assets	xxxxx	xxxx	xxx	xxx	xxxx	xxx	xxxx	xxxx
Derivative liabilities	xxxxx	(xxxx)	xxx	(xxx)	xxxx	(xxx)	xxxx	(xxx)

Cash and cash equivalents

The Group held cash and cash equivalents of GhȻxxx million at 31 December 2016 (2015:

GhȻ xxx million). The cash and cash equivalents are held with central banks and financial institution counterparties that are rated at least AA- to AA+, based on [*Rating Agency X*] ratings.

ii. Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure

		Percentage of exposure that is subject to collateral requirements		
In millions of euro	***Note***	**31 December 2016**	**31 December 2015**	**Principal type of collateral held**
Trading derivative assets[a]	*20*	**xxx**	xxx	Cash
Derivative assets held for risk management[a]	*21*	**xxx**	xxx	Cash
Loans and advances to banks	*22*			
Reverse sale-and-repurchase agreements[a]		**xxx**	xxx	Marketable securities
Securities borrowing[a]		**xxx**	xxx	Marketable securities
Loans and advances to retail customers	*23*			
Mortgage lending		**xxx**	xxx	Residential property
Personal loans		**-**	-	None
Credit cards		**-**	-	None
Loans and advances to corporate customers	*23*			
Finance leases		**xxx**	xxx	Property and equipment
Other		**xx**	xx	Commercial property, floating charges over corporate assets
Reverse sale-and-repurchase agreements		**xxx**	xxx	Marketable securities
Investment debt securities	*24*	**-**	-	None

Derivatives, reverse sale-and-repurchase agreements and securities borrowing

The Group mitigates the credit risk of derivatives, reverse sale-and-repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivative transactions are transacted on exchanges, with CCPs or entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group executes a credit support annex in conjunction with the ISDA agreement, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs.

The Group's sale-and-repurchase, and reverse sale-and-repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

Derivatives, reverse sale-and-repurchase agreements and securities borrowing (continued)

Quantification of the collateral arrangements relating to derivatives, securities, repurchase and reverse repurchase agreements and securities borrowing and lending is set out in Note xx

Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

In millions of cedis	***Note***	**31 December 2016**	**31 December 2015**
LTV ratio			
Less than 50%		**xxxx**	xxxx
51–70%		**xxxx**	xxxx
71–90%		**xxxx**	xxxx
91–100%		**xxx**	xxx
More than 100%		**xxx**	xxx
Total	*23*	**xxxxx**	xxxxx

Credit-impaired loans

In millions of cedis	**2015**
Less than 50%	**xxx**
51–70%	**xxx**
More than 70%	**xxx**
Total	**xxxx**

Commitments to advance residential mortgage loans

In millions of cedis	**31 December 2016**	**31 December 2015**
LTV ratio		
Less than 50%	**xxx**	xxx
51–70%	**xxx**	xxx
71–90%	**xxx**	xxx
91–100%	**xx**	xx
More than 100%	**-**	-
Total	**xxxx**	xxxx

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note xx). However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list or enters the OLEM category and the loan is monitored more closely. For credit-impaired loans, the Group obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2016, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to GhȻxxx million (2015: GhȻxxx million) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to GhȻxxx million (2015: GhȻxxxmillion). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan that is held against.

Investment securities designated as at FVTPL

At 31 December 2016, the maximum exposure to credit risk of the investment securities designated as at FVTPL is their carrying amount of GhȻxxx million. The Group has mitigated the credit risk exposure on some of these investment securities by purchasing credit risk protection in the form of credit derivatives. At 31 December 2016, these derivative contracts provided notional principal protection of GhȻxxx million.

The Group has recognised the following changes in fair value of these investment securities and the related credit derivatives.

In millions of Cedis	**For the year 2016**	**Cumulative 2016**
Investment securities at FVTPL: change in fair value attributable to credit risk	**(xx)**	**(xx)**
Related credit derivative contracts: full fair value change	**xx**	**xx**

The change in fair value attributable to changes in credit risk is determined based on changes in the prices of credit-default swaps referenced to similar obligations of the same borrower when such prices are observable, because these credit swaps best reflect the market assessment of credit risk for a particular financial asset. When such prices are not observable, the change in fair value attributable to change in credit risk is determined as the total amount of the change in fair value that is not attributable to changes in the observed benchmark interest rate or in other market rates. In the absence of specific observable data, this approach provides a reasonable approximation of changes attributable to credit risk because it estimates the change of margin above the benchmark that the market may require for the financial asset.

Loans and advances to customers designated as at FVTPL

At 31 December 2016, the maximum exposure to credit risk of loans and advances to customers designated as at FVTPL is their carrying amount of GhȻxxx million. The Group has mitigated the credit risk exposure of these loans and advances by purchasing credit risk protection in the form of credit derivatives. At 31 December 2015, these derivative contracts provided a notional principal protection of GhȻxxx million.

Details of changes in the fair value of these loans and advances attributable to credit risk and fair value changes of the related derivatives are set out below.

In millions of cedis	**For the year 2015**	**Cumulative 2015**
Loans and advances at FVTPL	xx	xx
Related credit derivative contracts	(xx)	(xx)

The above changes in fair value attributable to changes in credit risk are determined in the same manner as described above for investment securities.

Other types of collateral and credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

At 31 December 2016, the Group did not hold any financial instruments for which no loss allowance is recognised because of collateral.

During the period, there was no change in the Group's collateral policies.

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Group during the year by taking possession of collateral held as security against loans and advances and held at the year end, are shown below.

In millions of cedis	**2016**	**2015**
Property	**xxx**	xxx
Debt securities	**xxx**	xxx
Other	**xx**	xx
[redacted]		

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

iii. Amounts arising from ECL[a]

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note xx

Significant increase in credit risk

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

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

•• the remaining lifetime probability of default (PD) as at the reporting date; with

•• the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

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

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

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

Corporate exposures	Retail exposures	All exposures
•• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of	•• Internally collected data on customer behaviour – e.g. utilisation of credit card facilities •• Affordability metrics •• External data from credit reference agencies including industry-standard credit scores	•• Payment record – this includes overdue status as well as a range of variables about payment ratios •• Utilisation of the granted limit •• Requests for and granting of forbearance •• Existing and forecast changes

management, senior management changes •• Data from credit reference agencies, press articles, changes in external credit ratings •• Quoted bond and credit default swap (CDS) prices for the borrower where available •• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

[*Disclosure of use of different approaches for different portfolios]. Relevant information would typically include a description of different methods used – e.g. simpler methodology for smaller portfolios – and the size of portfolios both in terms of value and number of items.*]

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than *a* predetermined percentage/range.

[*Disclosure of what increase in credit risk the bank considers significant for each type of product/ portfolio.*]

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. [*Disclosure of relevant qualitative indicators, including different criteria used for different portfolios – e.g. retail mortgages, credit cards, commercial real estate etc.*]

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for [*certain types of exposure*], more than 15 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.[a]

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as if it is a new loan at fair value in accordance with the accounting policy set out in Note xx. However, the status of such a renegotiated loan does not change until the customer has made payments on two consecutive terms.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group’s forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group’s ability to collect interest and principal and the Group’s previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower’s payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note xx /in default). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of default

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

•• the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

•• the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

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

•• qualitative – e.g. breaches of covenant;

•• quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and

•• based on data developed internally and obtained from external sources.

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

The definition of default largely aligns with that applied by the Group for regulatory capital purposes (see (D)(i)).

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2016 included the following ranges of key indicators for [*Country X*] for the years ending 31 December 2016 and 2017.

	2017	**2018**
Unemployment rates	Base 8% Range between 7 and 10%	Base 6% Range between 5 and 8%
Interest rates	Base 1% Range between 0.5 and 2%	Base 2% Range between 1 and 3%
GDP growth	Base 1.5% Range between 0 and 2.5%	Base 2% Range between 0.5 and 3%
House prices	Base 2% growth Range between reduction of 15% and increase of 18%	Base 3% growth Range between reduction of 10% and increase of 12%

[*Disclosure of estimates for other periods and countries that may have a material impact on ECL estimates.*]

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 to 15 years.

[*Disclosure of uncertain events that are relevant to the risk of default occurring but where, despite best efforts, the bank is not able to estimate the impact on ECL because of lack of reasonable and supportable information. Also disclosure of other information that has been excluded from the determination of ECL.*]

Measurement of ECL

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

•• probability of default (PD);

•• loss given default (LGD);

•• exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

•• instrument type;
•• credit risk gradings;
•• collateral type;
•• LTV ratio for retail mortgages;
•• date of initial recognition;
•• remaining term to maturity;
•• industry; and

•• geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

		External benchmarks used	
	Exposure	**PD**	**LGD**
Portfolio 1 [*describe*]	[*amount*]	Moody's default study	S&P recovery studies
Portfolio 2 [*describe*]	[*amount*]	Moody's default study	S&P recovery studies
Portfolio 3 [*describe*]	[*amount*]	Moody's default study	S&P recovery studies

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note xx. Comparative amounts for 2015 represent allowance account for credit losses and reflect measurement basis under IAS 39.

	2016				**2015**
In millions of euro	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Loans and advances to banks at amortised cost					
Balance at 1 January	x	-	x	x	-
Transfer to 12-month ECL	-	-	-	-	
Transfer to lifetime ECL not credit-impaired	(x)	x	-	-	
Transfer to lifetime ECL credit-impaired	-	(x)	x	-	
Net remeasurement of loss	-	x	x	x	x

allowance					
New financial assets originated or purchased	**x**	**-**	**-**	**x**	
Financial assets that have been derecognised	**-**	**-**	**(x)**	**(1)**	-
Write-offs	**-**	**-**	**(x)**	**(1)**	-
Recoveries of amounts previously written off	**-**	**-**	**x**	**1**	-
Changes in models/risk parameters	**x**	**-**	**-**	**1**	
Foreign exchange and other movements	**(x)**	**-**	**x**	**-**	-
Balance at 31 December	**x**	**x**	**x**	**xx**	x

In millions of euro	**2016** 12-month ECL	**2016** Lifetime ECL not credit-impaired	**2016** Lifetime ECL credit-impaired	**2016** Purchased credit-impaired	**2016** Total	**2015** Individual	**2015** Collective	**2015** Total
Loans and advances to customers at amortised cost*								
Balance at 1 January	**xxx**	**xxx**	**xxx**	**xx**	**xxxx**	xxx	xxx	xxxx
Transfer to 12-month ECL	**xx**	**(xx)**	**(x)**	**-**	**-**			
Transfer to lifetime ECL not credit-impaired	**(xx)**	**xxx**	**(xx)**	**-**	**-**			
Transfer to lifetime ECL credit-impaired	**(xx)**	**(xxx)**	**xxx**	**-**	**-**			
Net remeasurement of loss allowance	**xx**	**xx**	**xxx**	**x**	**xxx**	xxx	xx	xxx
New financial assets originated or purchased	**xx**	**-**	**-**	**-**	**xx**			
Financial assets that have been derecognised	**-**	**-**	**(xx)**	**-**	**(xx)**	(xx)	(xx)	(xx)
Write-offs	**-**	**-**	**(xx)**	**-**	**(xx)**	(x)	(x)	(x)
Recoveries of								

amounts previously written off	-	-	xx	-	x	x	x	xx
Changes in models/ risk parameters	x	x	-	-	x			
Foreign exchange and other movements	(x)	(x)	(xx)	-	(xx)	xx	xx	xx
Balance at 31 December	xxx	xxx	xxxx	xx	xxxx	xxx	xxx	xxxx

	2015				
In millions of cedis	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Purchased credit-impaired**	**Total**
Loans and advances to customers at amortised cost – retail customers*					
Balance at 1 January	xxx	xxx	xxx	-	xxxx
Transfer to 12-month ECL	xx	(xx)	(x)	-	-
Transfer to lifetime ECL not credit-impaired	(xx)	xx	(xx)	-	-
Transfer to lifetime ECL credit-impaired	(xx)	(xx)	xx	-	-
Net remeasurement of loss allowance	xx	xx	xx	-	xxx
New financial assets originated or purchased	xx	-	-	-	xx
Financial assets that have been derecognised	-	-	(xx)	-	(xx)
Write-offs	-	-	(xx)	-	(xx)
Recoveries of amounts previously written off	-	-	xx	-	xx
Changes in models/risk parameters	x	x	-	-	x
Foreign exchange and other movements	(x)	(x)	(xx)	-	(xx)
Balance at 31 December	xxx	xxx	xxx	-	xxxx

* The loss allowance in these tables includes ECL on loan commitments for certain retail

products such as credit cards and overdrafts, because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.[a]

In millions of cedis	2016				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Loans and advances to customers at amortised cost – corporate customers					
Balance at 1 January	xxx	xxx	xxx	xx	xxxx
Transfer to 12-month ECL	xx	(xx)	(x)	-	-
Transfer to lifetime ECL not credit-impaired	(xx)	xx	(xx)	-	-
Transfer to lifetime ECL credit-impaired	(xx)	(xx)	xxx	-	-
Net remeasurement of loss allowance	xx	xx	xx	x	xxx
New financial assets originated or purchased	xx	-	-	-	xx
Financial assets that have been derecognised	-	-	(xx)	-	(xx)
Write-offs	-	-	(xx)	-	(xx)
Recoveries of amounts previously written off	-	-	xx	-	xx
Changes in models/risk parameters	x	x	-	-	x
Foreign exchange and other movements	(x)	(x)	(x)	-	(x)
Balance at 31 December	xxx	xxx	xxx	xx	xxxx

In millions of cedis	2016 12-month ECL	2016 Lifetime ECL not credit-impaired	2016 Lifetime ECL credit-impaired	2016 Total	2015 Total
Debt investment securities at FVOCI (2015: debt available-for-sale investment securities)					
Balance at 1 January	x	x	xx	x	xx
Transfer to 12-month ECL	x	(x)	-	-	
Transfer to lifetime ECL not credit-impaired	(x)	x	(x)	-	
Transfer to lifetime ECL credit-impaired	-	(x)	x	-	
Net remeasurement of loss allowance	x	x	x	xx	xx
New financial assets originated or purchased	x	-	-	x	
Financial assets that have been derecognised	-	-	(x)	(x)	-
Write-offs	-	-	(x)	(x)	-
Recoveries of amounts previously written off	-	-	x	x	-
Changes in models/risk parameters	x	-	x	x	
Foreign exchange and other movements	(x)	(x)	(x)	(x)	(x)
Balance at 31 December	x	x	xx	xx	xx

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI (2015: available-for-sale) is their fair value.

In millions of euro	2016 12-month ECL	2015 Total
Debt investment securities at amortised cost		
Balance at 1 January	x	-
Net remeasurement of loss allowance	x	-
New financial assets originated or purchased	x	
Foreign exchange and other movements	-	-
Balance at 31 December	x	-

Cash and cash equivalents				
Balance at 1 January			**x**	-
Net remeasurement of loss allowance			**x**	-
Net decrease in cash and cash equivalents			**(x)**	-
Foreign exchange and other movements			**-**	-
Balance at 31 December			**x**	-
Loan commitments and financial guarantee contracts				
Balance at 1 January			x	-
Net remeasurement of loss allowance			**(x)**	-
New loan commitments and financial guarantees issued			**x**	-
Foreign exchange and other movements			**(x)**	-
Balance at 31 December			**xx**	-
		2016		**2015**
In millions of euro	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Financial lease receivable				
Balance at 1 January	**x**	**xx**	**xx**	xx
Net remeasurement of loss allowance	**-**	**(x)**	**(x)**	x
New financial assets originated or purchased	**-**	**x**	**x**	
Financial assets that have been derecognised	**-**	**(x)**	**(x)**	-
Foreign exchange and other movements	**-**	**x**	**x**	(x)
Balance at 31 December	**x**	**xx**	**xx**	xx

The total amount of undiscounted ECL at initial recognition on purchased credit-impaired financial
assets that were initially recognised during the period was as follows.

In millions of euro	**2015**
Loans and advances to corporate customers	**xx**

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2015 Impact: increase/(decrease)		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Loans and advances to customers at amortised cost			
The acquisition of a prime mortgage portfolio increased the residential mortgage book by €4,000 million	**xx**		
The expected increase in unemployment in region [*Y*]		**xx**	
Debt investment securities at FVOCI			
The write-off of a portfolio of securities following the collapse of the local market			**(x)**
Loan commitments and financial guarantee contracts			
Increase in retail credit card loan commitments due to strategic growth initiative which resulted in acquisition of new customers	**x**		

Credit-impaired financial assets (2015: impaired financial assets)

See accounting policy in Note xx.

Credit-impaired loans and advances are graded 10 to 12 in the Group's internal credit risk grading system (see Note xx.

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired (2015: impaired) loans and advances to customers.[a]

In millions of cedis	2016	2015
Credit-impaired (2015: impaired) loans and advances to customers at 1 January	**xxxx**	xxxx
Change in allowance for impairment	**(xxx)**	(xxx)
Classified as credit-impaired (2016: impaired) during the year	**xxxx**	xxxx
Transferred to not credit-impaired (2016: impaired) during the year	**(xxx)**	(xxx)
Net repayments	**(xx)**	(xx)
Recoveries of amounts previously written off	**xx**	xx
Disposals	**(xxx)**	(xxx)
Other movements	**xxx**	xx
Credit-impaired (2015: impaired) loans and advances to customers at 31 December	**xxxx**	xxxx

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2016 and that are still subject to enforcement activity is Gh₵xx million.

Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

In millions of cedis	**2016**
Financial assets modified during the period	
Amortised cost before modification	**xxx**
Net modification loss	**xx**
Financial assets modified since initial recognition	
Gross carrying amount at 31 December of financial assets for which loss allowance has changed to 12-month measurement during the period	**xx**

iv. Impaired financial assets – Comparative information under IAS 39

In millions of euro	**Loans and advances to customers 2015**	**Investment securities 2015**
Loans with renegotiated terms		
Gross carrying amount	xxx	
Impaired amount	xxx	
Allowance for impairment	(xxx)	
Net carrying amount	xxx	
Neither past due nor impaired		
Grades 1–6: Low–fair risk	xxxxx	xxx
Grades 7–9: Watch list	xxxx	-
	xxxxx	xxx
Past due but not impaired		
30–60 days	xxx	
61–90 days	xx	
91–180 days	x	
181 days+	x	
	xxx	
Individually impaired		
Grade 10: Substandard	xxxx	xx
Grade 11: Doubtful	xxxx	xx
Grade 12: Loss	xxx	x
	xxxx	

Allowance for impairment		
Individual	xxx	xx
Collective	xxx	-
Total allowance for impairment	xxxx	

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Loans and investment debt securities that are past due but not impaired

Loans and investment debt securities that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at FVTPL.

v. Concentrations of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below.

In millions of cedis	***Note***	**Loans and advances to customers 2016**	**2015**	**Investm 2**
Carrying amount	*22*	**xxxxx**	xxxxx	**5,8**
Amount committed/guaranteed	*, 23*			
Concentration by sector	*, 24*			
Corporate:		**xxxxx**	xxxxx	**4,8**
Real estate		***xxxxx***	*xxxxx*	***2,3***
Transport		***xxxxx***	*xxxxx*	***2,4***
Funds		***xxxx***	*xxxx*	
Other		***xxxx***	*xxxx*	
Government		**-**	-	**8**
Banks		**-**	-	
Retail:		**xxxxx**	xxxxx	
Mortgages		***xxxxx***	*xxxxx*	
Unsecured lending		***xxxx***	*xxxx*	
		xxxxx	xxxxx	**5,8**

Concentration by location			
North America	**xxxxx**	xxxxx	**2,3**
Europe	**xxxxx**	xxxxx	**2,4**
Asia Pacific	**xxxx**	xxxx	**5**
Middle East and Africa	**xxxx**	xxxx	**4**
	xxxxx	xxxxx	**5,8**

Concentration by location for loans and advances, loan commitments and financial guarantees, is based on the cust Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

vi. Offsetting financial assets and financial liabilities

The disclosures set out in the following tables include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The 'similar agreements' include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, sale-and-repurchase agreements, reverse sale-and-repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the following tables unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements (see (ii)) do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale-and-repurchase, and reverse sale-and-repurchase, agreements; and
- securities lending and borrowing.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

				Related amounts not offset in the statement of financial position		
31 December 2015 *In millions of euro*	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral received**	**Net amount**
Types of financial assets						
Derivatives – trading assets	xxx	-	xxx	(xxx)	(xxx)	x
Derivatives held for risk management	xxx	-	xxx	(xxx)	(xxx)	x
Reverse sale-and-repurchase, securities borrowing and similar agreements	xxxx	-	xxxx	(xxxx)	-	-
Loans and advances to customers	xxx	(xx)	xx	-	-	xx
Total	xxxx	(xx)	xxxx	(xxxx)	(xxxx)	xx

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

			Related amounts not offset in the statement of financial position	
Gross amounts of recognised	**Gross amounts of recognised financial assets offset in the statement**	**Net amounts of financial liabilities presented in the statement**	**Financial instruments (including**	**Cash**

31 December 2016 *In millions of cedis*	financial liabilities	of financial position	of financial position	non-cash collateral)	collateral pledged	Net amount
Types of financial liabilities						
Derivatives – trading liabilities	**xxx**	**-**	**xxx**	**(xxx)**	**(xxx)**	**x**
Derivatives held for risk management	**xxx**	**-**	**xxx**	**(xxx)**	**(xxx)**	**x**
Sale-and-repurchase, securities lending and similar agreements	**xxx**	**-**	**xxx**	**(xxx)**	**-**	-
Customer deposits	**xx**	**(xx)**	**-**	**-**	**-**	**-**
Total	**xxxx**	**(xx)**	**xxxx**	**(xxx)**	**(xxx)**	**x**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2015 *In millions of cedis*	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
Types of financial assets						
Derivatives – trading assets	xxx	-	xxx	(xxx)	(xxx)	x
Derivatives held for risk management	xxx	-	xxx	(xxx)	(xxx)	x
Reverse sale-and-						

repurchase, securities borrowing and similar agreements	xxxx	-	xxxx	(xxxx)	-	xx
Loans and advances to customers	xxx	(xx)	xx	-	-	xx
Total	xxxx	(xx)	xxxx	(xxxx)	(xxxx)	xx

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

				Related amounts not offset in the statement of financial position		
31 December 2015 *In millions of cedis*	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets offset in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral pledged**	**Net amount**
Types of financial liabilities						
Derivatives – trading liabilities	xxx	-	xxx	(xxx)	(xxx)	x
Derivatives held for risk management	xxx	-	xxx	(xxx)	(xxx)	x
Sale-and-repurchase, securities lending and similar agreements	xxx	-	xxx	(xxx)	-	-
Customer deposits	xx	(xx)	-	-	-	-
Total	xxxx	(xx)	xxxx	(xxx)	(xxx)	x

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

•• derivative assets and liabilities – fair value;

•• assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and-repurchase agreements and securities lending and borrowing – amortised cost;

•• loans and advances to customers – amortised cost; and

•• customer deposits – amortised cost.

The following tables reconcile the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position

31 December 2016 *In millions of cedis* **Types of financial assets**	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial assets not in scope of offsetting disclosures**	***Note***
Derivatives – trading assets	xxx	Non-pledged trading assets	xxxx	xxxxx	*20*
Derivatives held for risk management	xxx	Derivative assets held for risk management	xxx	-	*21*
Loans and advances to customers	xx	Loans and advances to customers	xxxxx	xxxxx	*23*
Reverse sale-and-repurchase, securities	xxxx				
borrowing and similar agreements	xxxx	Loans and advances to banks	xxxx	xxxx	*22*

31 December 2016 *In millions of cedis* **Types of financial liabilities**	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial liabilities not in scope of offsetting disclosures**	***Note***
Derivatives – trading liabilities	xxx	Trading liabilities	xxxx	xxxx	*20*

Derivatives held for risk management	**xxx**	Derivative liabilities held for risk management	**xxx**	**-**	*21*
Sale-and-repurchase, securities lending and similar agreements	**xxx**	Deposits from banks	**xxxxx**	**xxxxx**	*28*
Customer deposits	**-**	Deposits from	**xxxxx**	**xxxxx**	*29*

A. Credit risk (continued)

vi. Offsetting financial assets and financial liabilities (continued)

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position (continued)

31 December 2015 *In millions of cedis* **Types of financial assets**	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial assets not in scope of offsetting disclosures**	***Note***
Derivatives – trading assets	xxx	Non-pledged trading assets	xxxxx	xxxx	*20*
Derivatives held for risk management	xxx	Derivative assets held for risk management	xxx	-	*21*
Loans and advances to customers	xx	Loans and advances to customers	xxxxx	xxxxx	*23*
Reverse sale-and-repurchase, securities borrowing and similar agreements	xxxx xxxx	Loans and advances to banks	xxxx	xxxx	*22*

31 December 2015 *In millions of cedis* **Types of financial liabilities**	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial liabilities not in scope of offsetting disclosures**	***Note***
Derivatives – trading liabilities	xxx	Trading liabilities	xxxx	xxxx	*20*
Derivatives held for risk management	xxx	Derivative liabilities held for risk management	xxx	-	*21*
Sale-and-repurchase, securities lending and similar agreements	xxx	Deposits from banks	xxxxx	xxxx	*28*
Customer deposits	-	Deposits from customers	xxxxx	xxxxx	*29*