UNITED BANK FOR AFRICA
(GHANA) LIMITED
2016 ANNUAL REPORT AND ACCOUNTS

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SUSTAINING EXCELLENCE

Africa's global bank

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At UBA, we are committed to generating value for our customers.

We aim for excellence and we consistently strive to be easy to deal with.

As a leading African bank, we are dedicated to the development of the communities in which we live, and to being a great place to work.

AKWAABA

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"We work for one of the strongest and most successful financial services institutions in Africa. Our bank, the United Bank for Africa and our brand have grown significantly and require no introduction across our Continent."

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UBA
United Bank for Africa
“Excellence is never an accident; it is the result of high intention, sincere effort, intelligent direction, skillful direction and the vision to see obstacles as opportunities.”
Anonymous
Africa’s global bank

OVERVIEW

An introduction to the report covering who we are, a snapshot of where and how we do business.

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UBA

“UBA Plc has been rated by “the Financial Times Magazine” as one of the five African banks in the top global 500 banks and the second fastest growing brand in the world and by the Boston Consulting Group as one of the top “40 African Challengers” on account of globalization, workforce and asset diversity, cash flow and leverage ratio.”

January 2005, a pioneering year for United Bank for Africa (Ghana) Limited, as they charted a new path of entry into Ghana, birthing a new generation of foreign banks and changing the landscape of relationship banking.

The vision and strategy of Pan-Africanism was simultaneously birthed by United Bank for Africa (UBA) Plc which until that moment was simply a leading financial service bank operating in all regions of Nigeria. When the subsidiary in Ghana was created, UBA then grew into group status in Sub-Saharan African region, now with presence in 19 African countries: Ghana, Benin Republic, Cote d'Ivoire, Burkina Faso, Guinea, Chad, Cameroon, Kenya, Gabon, Tanzania, Zambia, Uganda, Liberia, Sierra-Leone, Mozambique, Senegal, Congo DR and Congo Brazzaville, as well as United Kingdom, United States of America and France. 2005 was truly historic for UBA as it was in this same year it completed one of the biggest mergers in the history of Nigeria's capital markets with the business combination of Standard Trust Bank (STB) Plc and the then United Bank for Africa.

The origin of UBA dates back to 1949 when it was first referred to as the British and French Bank Limited (BFB). It took over the assets and liabilities of BFB and was incorporated as a limited liability company on 23 February, 1961 under the Compliance Ordinance (Cap 37) 1922. UBA was the first Nigerian bank to make an Initial Public Offering (IPO), following its listing on the Nigerian Stock Exchange (NSE) in1970. It was also the first bank to issue Global Depository Receipts (GDRs).

WHO WE ARE

“We work for one of the strongest and most successful financial services institutions in Africa. Our bank, the United Bank for Africa and our brand have grown significantly and require no introduction across our Continent. We should be proud of what we have achieved and I look forward to welcoming further countries into our family this year, as we deliver on our promise to be Africa's Global Bank.” Kennedy Uzoka UBA GMD, Jan 2017.

UBA is a full financial service institution offering a plethora of unique banking products and services. As Africa's global bank, UBA Ghana has developed a branch footprint and delivery network that has ensured that the bank's services are always within the reach of valued customers. In line with the bank's positioning statement and strategic intent, UBA Ghana has a footprint of 26 fully networked branches, 2 agencies and 49 Visa enabled ATM's spread across Accra, Tema, Tarkwa, Tamale, Takoradi, Kumasi, and Aflao.

WHAT WE DO

UBA Ghana, herein referred to as UBA, is a subsidiary of the United Bank for Africa Plc which is one of Africa's leading financial institutions with assets in excess of US$20 billion and offering services to more than 7.5 million customers across 850 branches and over 2000 ATMs in 19 African countries.

The bank's new goal is simple. Excellent Service … Delivered. We have interrogated ourselves, our processes and the evolving internal and external environments. We have challenged who we are, what we want to be known for and how we want to do business. This exercise, has given us a new Corporate Goal: **‘Excellent Service… Delivered’**

To deliver this, we have fundamentally refined our Core Values, to ensure our commitment to deliver:
Excellence. Execution. Enterprise (EEE).

These values will drive all our actions towards our internal and external customers.

Since August 1, 2016, we have directed efforts in the three critical areas:

- Deployment of customer focused IT systems;
- Re-engineering our processes to speak to what the customers really need; and
- Creating a workforce of engaged and productive People.

Our People:

People are central to our new Corporate Strategy.

Our Processes:

Our Processes speak to how we serve our customers. We are challenging the status quo, to completely align our processes ground-up from the customer's perspective.

Our Technology:
We have continued to increase investment in Information Systems (IS) and Digital Banking Channels reliability to attain overall positive customer experience.

With presence in New York, London and Paris, UBA is connecting people and businesses across Africa through retail and corporate banking and our innovative Africa Trade Platform.

UBA Plc has been rated by "the Financial Times Magazine" as one of the five African banks in the top global 500 banks and the second fastest growing brand in the world and by the Boston Consulting Group as one of the top "40 African Challengers" on account of globalization, workforce and asset diversity, cash flow and leverage ratio.

UBA VISION

To be the undisputed leading and dominant financial services institution in Africa.

UBA MISSION

"We shall be a role model for African businesses by creating superior value for all stakeholders; abiding by the utmost professional and ethical standards and building an enduring institution"

CORE VALUES

Our corporate identity rests on our core values. These values are:

- E Excellence
- E Execution
- E Enterprise

UBA GHANA

UBA GHANA is one of the few truly Pan African banks with the financial backing as well as trade and capital flows that can connect our customers to the faster-growing and developed markets.

This year, our theme is SUSTAINING EXCELLENCE and our objective is to be the winning team of Africa's leading and most respected Pan African banks.

Our purpose is to be where the growth is, connecting customers to opportunities. We will engage businesses to discover their potential and to prosper, by helping people fulfill dreams and realize their ambitions.

We have developed the primary strategy of our Parent company into our own secondary and tertiary strategies that reflect our purpose and distinctive advantage:

- To be a fully automated network of business offices connecting Ghana to Africa and the world. We are well positioned to capture intercontinental trade and to be the conduit for capital inflows. Our reach and range of services place us in a strong position to serve clients as they grow from small enterprises into diverse business all over Ghana and Africa.
- To combine sound financial management with a delicate mix of some embryonic and some maturing wholesale and retail banking on a local scale with a global view: we aim to make the most of opportunities arising from the developing economy we deal in along with the demographic changes in our dynamic industry sectors. We will study the pace carefully and deal in full-scale private and public sector markets and businesses where we can achieve profitable margins at varying levels.

As the flow of goods, agriculture, oil and gas services as well as trade continues to expand, driven by the new FinTech revolution of mobile money, digital and virtual banking and technology, we in turn expect to be within and amongst the top tier in Ghana, becoming strong enough to be termed a Systemically Important Bank by 2018.

The growth of our industry is bringing the people of Ghana into the global middle class, and UBA GHANA is one of the few truly Pan African banks with the financial backing as well as trade and capital flows that can connect our customers to the faster-growing and developed markets. We have a diversified banking model that supports a strong capital and funding base, reduces our risk profile and volatility, and generates stable shareholder returns. These are distinctive competitive advantages that UBA Ghana will bring to its customers, going forward.

AWOOF PROMOTION - CUSTOMER LOYALTY CAMPAIGN

The UBA AWOOF promotion was a loyalty campaign initiated to reward customers after 10 years of successful operations in Ghana. The promotion unveiled nearly all our products to both existing and new customers.

The promotion rewarded both new and existing customers who deposited, opened or reactivated an account at UBA with multiples of GHS200.00. The nine months promotion generated exciting times for all customers at UBA with its constantly increasing instant gifts and the gleaming unending quarterly cash prizes that came with air conditioners, televisions and online vouchers, contributing immensely to the growth in our customer and loyalty base.

Several market storms were organized to attain high patronage in the promotion across the foot print of UBA in Ghana. Notable among them was the one put together by the Corporate Business Office and Accra Central Business offices at the 37 Military Hospital where personnel of the hospital took turns to try their luck in the promotion. One of the most conspicuous came in the second draw in Kumasi, where the city witnessed an intensive activation preceded by a float through the principal streets to the Kwame Nkrumah University of Science and Technology Business Office.

The Grand draw will culminate in a closing ceremony held at the forecourt of a special place. This special place - where the winner of the UBA AWOOF promotion took away the keys to a fully furnished 3-bedroom townhouse in the affluent vicinity of East Legon, in Accra, the first of its kind a bank in Ghana is to give away a loyalty programme prize of that value. The house was provided under a mutual partnership agreement with Mobus Property Holdings Limited, a local real estate development company and a cherished top customer of the bank.

How Customers Qualified for the Draws?

The selection of qualified customers was done using the point system in line with the mechanics of the promo. With this method, we used an electronic system innovated and developed by our UBA I.T. team and endorsed by the National Lottery Authority. Customers were asked to maintain a minimum balance of GHS200 for 90days in order to obtain one chance or ticket in the draw. Customers who obtained points greater than or equal to 90 qualified for one ticket in a particular draw.

The Selection of the actual winning ticket was done using the National Lottery Authority's Caritas platform from data obtained from the calculations, and observed by the UBA Audit and Control teams.

Attainment

Prior to the Awoof loyalty campaign, the Lion Prime Account was introduced. This was therefore a good way to introduce new clients to the bank and to some of our new products. Customers who were able to maintain a certain minimum amount also made their chances to be part of the draw.

From August 1, 2016 until April 27, 2017, over 50 new Lion Prime Individual accounts were opened. The campaign was one of the first to allow customers to enter the promotion digitally. By this, customers remotely completed an online form to express their interest in the promotion and were advised by our dedicated stand-by customer fulfillment centre on the next steps to take. In all, over the 9 month period, UBA Ghana performed admirably.

The National Lotteries Authority (NLA) endorsed the promotion as genuine, authentic and compliant, and by far one of the most rewarding promos that they [NLA] have ever been in charge of.

UBA Awoof…No Hassle!

Presentation of prize at the first draw in Tamale

2017 - THE OUTLOOK

In spite of the macro-economic challenges of 2016, it is our expectation that 2017 will be a year of sustained growth for the Group. We are the one Bank that unites the entire African continent, for the benefit of Africans around the globe.

Our focus will be:

- Continuous delivery of excellent service to our customers, applying the levers of People, Processes and Technology.
- Improving risk management to control macro-economic volatilities
- Harnessing Treasury opportunities by leveraging our expertise and footprint
- Increasing our deposit drive, especially low-cost deposits
- Aggressive digital banking deployment, supported with reliable IT platform
- Attention to brand enhancement, look and feel and our true perception

In all our activities regarding customers the central and pivotal position will remain our People, Processes and Technology. We shall keep our eyes on the goal of ensuring we drive the synergy of becoming One Bank, One People across Africa and the world.

While in Ghana the current environment continues to make its way towards stability we in turn plan to sustain the size of the bank at its current level for the foreseeable future as this depends on the overall profitability of the Group.

Delivering these priorities will create value for our customers and shareholders and contribute to the long-term sustainability of UBAG. In the process, we shall maintain a robust, tiger growth balance sheet and keep our eye on environmentally sustainable business in which our customers can have confidence, our employees can take pride and our communities can trust in us.

GHANA FOOTPRINT

We are expanding our footprints to new capital cities and major commercial centres. Today, we are a true national bank, helping to create new possibilities for business across Ghana.

Greater Accra Region

Head Office
Accra Central
Kantamanto
Achimota
Ring Road
Labone
Abossey Okai
North Industrial Area
Dzorwulu Central
Airport
Abeka Lapaz
Madina
Spintex
Teshie
Tema Community 1
Tema Community 4
East Legon - American House
East Legon - Lagos Avenue

Ashanti Region

Adum
Kejetia
Tanoso
Alabar
Suame
KNUST

Western Region

Takoradi
Tarkwa

Volta Region

Aflao

Northern Region

Tamale

BUSINESS REVIEW

A summary of the changing landscape we operate in, and how that has shaped our strategy and financial position.

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CHAIRMAN'S REPORT

"Our Bank defied the challenging operating environment and finished the year strongly, with an impressive performance."

Dear Shareholders,

I am delighted to present the annual report of our Bank, United Bank for Africa (Ghana) Limited, for the 2016 financial year.

Globally, 2016 was an eventful year. The "Brexit" referendum and regime change in the United States raised concern about the future of globalization. In Africa, economic growth slowed to 1.4%, reflecting the lagged impact of low commodity prices, fiscal constraints, and different kinds of domestic pressure. At home in Ghana, it was an election year. These events impacted our business environment.

It is my pleasure to report that our Bank defied the challenging operating environment and finished the year strongly, with an impressive performance. We achieved new milestones and improved on all key performance metrics. Our result is evidence of proof of the resilience of our business model, strong Board oversight as well as the absolute dedication of the Management and staff.

I will like to discuss the operating environment in greater detail as well as our responses, after which I will review our performance and outlook.

A shifting global order creating uncertainties

The Brexit referendum in the United Kingdom and the U.S. election signalled the emergence of a new world order. These events heightened global economic uncertainties, particularly in the areas of international trade, capital flows, human capital mobility and aid. Even as the European Central Bank, Bank of Japan and Bank of China remained accommodative, the tightening mood of the Federal Reserve in the United States subdued commodity price recovery and strengthened the U.S. Dollar against African currencies (as well as those of peer frontier and emerging economies). Oil prices plunged to a 12-year low of USD28/barrel, before the OPEC collusion, which propped up oil prices towards the end of the year. Whilst gold prices rallied 10%, reflecting investors' risk-off sentiment and the search for a safe haven, cocoa prices on the other hand, plummeted 19% to a 3 year-low due to global glut. With commodity export being the major source of foreign currency earnings for most African countries, local currencies were pressured, as the current accounts and balance of payments were negatively impacted. The Cedi depreciated 10% in the year, following a 16% weakness in 2015. The Central Bank of Nigeria had to devalue the currency by 45% in reaction to the foreign currency scarcity, leading to inflationary pressures. More so, fiscal revenues waned, thus slowing down public sector spending and overall aggregate demand and output across a number of African countries, with Nigeria slipping into recession for the first time in two and half decades.

Domestic operating environment: It was a tipping point in Ghana

The Ghanaian economy grew by 3.6% in 2016, the slowest pace since 1993. The relatively weak GDP growth reflected the tight monetary policy environment, protracted power supply constraints as well as reduced oil, cocoa and gold output. The weak fiscal revenue and attendant budget deficit led to increased public debt financing that crowded out private sector borrowing. The private sector credit grew by 0.3% and, in real term, credit to households shrunk by 8% in 2016. More so, currency weakness and inflationary pressures eroded consumer income, thus weakening aggregate demand in the economy. The moderation in headline inflation rate to 15.4% (from a peak of 19.2%) reinforced the monetary policy authority's sentiment towards loosening the interest rate environment, with a 0.5% cut in the Monetary Policy Rate to 25.5%.

In all, macroeconomic risk remained elevated, especially as it was an election year. The uncertainties slowed down foreign capital flows and overall corporate investments. The cost of doing business increased, given the rise in energy prices, higher utility tariff, broad domestic inflation as well as the imported inflationary effect of a depreciated Cedi. Regulatory oversight was heightened to ensure financial system stability, thus inadvertently increasing the cost of doing business. The market was more competitive than ever, as all the thirty-two (32) banks in Ghana struggled to gain market share or at least defend their existing industry positions.

An impressive performance amidst macroeconomic uncertainties

Amidst the challenging operating environment, the Bank produced strong results, thanks to the loyalty of our customers and our commitment to delivering superior value to shareholders at all times. The Bank more than doubled gross earnings to GH¢693 million, even as yields on treasury assets moderated through the year. We leveraged our strong asset growth and increased transaction volume, thus growing both interest and non-interest income. We also proactively diversified our offerings, thus generating compensatory business growth in non-oil sectors of the economy, as we noted relative weakness in the oil & gas sector.

Notably, increasing adoption of electronic banking channels by customers is helping to moderate our service provision cost. More so, digital banking offers significant earnings upside, as we increasingly penetrate the market with our novel offerings. We are extracting efficiency gains from our investment in technology and processes, as reflected in our improved cost-to-income ratio. Overall, we grew profit before tax by 134% year-on-year to GH¢ 210.72 million and achieved an impressive post-tax return on average equity of 48%. I am pleased with this performance, as it once again reinforces our commitment and ability to create value for all stakeholders.

We grew total assets and deposits by 55% and 68% respectively. This growth performance reflects our market share gain, when put in the perspective of the industry's total asset and deposit growth of 28% and 25% respectively. We grew shareholders' fund by 24% to GH¢329 million, reinforcing our strong capitalization, as noted in the Bank's BASEL I capital adequacy ratio of 15%. The Bank's capital adequacy and liquidity ratios remained well above regulatory requirement, a testament to the health of our bank.

Dividend: the Board proposes GH¢0.215 per share

In line with regulatory guidelines on the provision of capital reserves and the commitment to consistently create superior value for our shareholders, the Board proposed a dividend of GH¢0.215 per share for the 2016 financial year, a 95% growth over the GH¢ 0.11 dividend per share declared for the 2015 financial year. We will continue to balance our objective of growing the Bank with the commitment to delivering superior and sustainable return to our esteemed shareholders.

Corporate Governance

During the year under review, UBA continued to adopt good corporate governance standards, consistent with mandatory legal and regulatory provisions. The Board, through its Executive Committee, also ensured good internal control processes as well as compliance with regulatory requirements and provisions. The Board of Directors and Management remain committed to upholding the corporate governance standards of transparency, accountability and utmost good faith in all transactions.

Corporate Social Responsibility

As part of UBA Ghana's desire to support the society in the educational sector, we organized a national essay competition across the country for children in second cycle institutions, with the endorsement of the Ghana Education Service. The aim of the competition was to support the "Read Africa" project, aimed at promoting education across the African continent. The winners of the competition were awarded scholarships and educational packages.

UBA also donated items to patients of 37 Military Hospital as part of our social responsibility in promoting good health.

Outlook; our medium term strategic growth imperatives

We are upbeat on the Ghanaian economy over the medium term, as the fundamentals remain strong. Following a seamless political transition, there is increasing clarity on fiscal and monetary policy reforms. Interestingly, the International Monetary Fund expects the Ghanaian economy to grow by 7.4% and 8.4% in 2017 and 2018 respectively. Expected increase in oil production from TEN and Sankofa fields should buoy oil sector growth, especially as price firms above USD50 per barrel. More so, the expansionary budget and reduced taxes should help stimulate economic activities in the agriculture, financial services, construction and real estate sectors of the economy. Cocoa and gold output are expected to improve and the price outlook remains positive. As inflation eases, likely monetary policy accommodation should stimulate private sector and household credit, thus reinforcing our outlook of a stronger economic growth in 2017.

Whilst we are mindful of the downside risks to the economy, especially the risk of external shocks from rising interest rate in the United States and global protectionist phenomenon, we believe the risks are moderate and should have limited impact on the Ghanaian economy, especially as the fundamentals of the economy remain strong.

To deepen our market share, we will entrench the culture of excellence in all customer interactions, as we will consistently create value through the success of these relationships. We are convinced in our ability to achieve our near term target of becoming a Systemically Important Bank, with dominant market share within the top-tier segment of the Ghanaian banking sector. We are balancing our market orientation with a development focus on Retail and Wholesale Banking across the diverse growth sectors of the economy. Our strategy towards attaining this goal is to consolidate our position through a risk-based sustainable growth model, which focuses on customer service. To achieve this, we will diligently execute the following strategies:

- deliver excellent customer service, in line with our reinvigorated ethos of 'Enterprise, Excellence and Execution';
- leverage digital banking offerings to drive increased customer penetration and business development in the most efficient manner;
- attain industry leadership, through prudent asset growth.

Conclusion

On behalf of the Board, I would like to take this opportunity to thank our customers and shareholders for their continued support over the years. I also congratulate the Board, Management and Staff of our Bank for their hard work and commitment. I am confident that our Bank will continue to grow its market share and will reach its goal of attaining a dominant position in the Ghanaian banking industry. I seek everyone's support towards the achievement of our medium term goals.

MANAGING DIRECTOR'S REPORT

"We remain committed to our strategic goals of becoming the dominant financial institution in Ghana and being the undisputed leader in digital banking."

To all our Esteemed Stakeholders,

I am pleased to present to you on behalf of the Board of Directors, the highlights of our performance, for the year ended December 31, 2016.

As we enter our new phase of our strategic intent to become the dominant financial institution in Ghana and the undisputed leader in digital banking, I am delighted to report significant successes in all our areas of focus. These successes are driven by your unwavering support, and were achieved in spite of political, macroeconomic and regulatory policy effects within the year.

Key Strategic Objectives

Our strategy for 2016, was primarily focused on growth and the ramp up of our business and operations, with a focus on

- Consolidation of the position as the undisputed leader in Digital banking
- To be in the top tier of banks in Ghana across all our target performance indicators consisting of Deposit, Risk Assets, Cost to Income (COI) and NPL ratio
- To be consistently excellent in customer service, and be the reference for superior customer satisfaction.
- To grow and drive a robust collections platform across the retail, corporate and public sector market space.
- To make UBA a preferred employer of choice, and the best place to work in Ghana.

The Operating Environment

The global economy still showed lingering overhang from the pressures of low commodity prices in 2015, and there was relatively stagnant growth recorded in 2016, as matured economies continued to underperform. According to the World Bank, Ghana's economy grew by 4.9% during the first quarter 2016 higher than 4.1% during the same period in 2015 supported by the strong services sector performance. However, Ghana's real GDP growth rate for 2016 is 3.6% a decline from 4.2% in 2015 attributable to the oil sector production problems.

International Monetary Fund (IMF) program was a key determinant factor in the dynamics of Ghana's economic performance in 2016. The IMF bailout has helped to put the Ghanaian economy on track towards achieving a stable fiscal policy. Although fiscal policy deficits increased from 6.3% in 2015 to 10.3% of GDP in 2016, its positive outlook is premised on the basis of the political elections, and represents a significant improvement.

Policy rate remained constant for the year at 26% but dropped to 25.5% in November 2016 due to downside risks to growth outweighing the risks to inflation. Annual headline inflation rate eased to 15.4% in 2016 from 17.7% the preceding year.

In 2016, interest rates on bonds and money markets, to a large extent remained at their December 2015 levels. Nevertheless, from November 2016 rates of short dated instruments started falling associated with measures to reduce domestic borrowing. As part of the measures to reduce the domestic debt Ghana issued its fifth Eurobond in September 2016 of USD 750 million with a coupon rate of 9.25% which played a role in this reduction. The bond was more than five times oversubscribed.

The Cedi continued to depreciate in 2016, losing 9.6% of its value against the dollar. However, there was a notable improvement from 2015 (18%).

Major Industry Events in 2016

The year 2016 witnessed the entrance of three new banks into the country which has generally increased competition. This brings the total number of banks to 32 as at December 2016. Competition also came from activities of other financial institutions such as microfinance and savings and loans. Their activities and that of Telcos crowded out banks at the lower-end of the deposit market in respect of branchless banking activities.

Bank of Ghana also directed that Telecommunication companies pay interest on all mobile money accounts following the numerous concerns by customers. The demand for interests has also been at the forefront by mobile money subscribers, a time that patronage of the service is increasing significantly. This represents the general atmosphere in the industry, where customers demanded for higher interest rates on deposits whilst negotiating for lower lending rates and reduced charges.

In spite of the high interest rates on deposits, competition and all other challenges, UBA Ghana was able to harness opportunities and focus on strategy to have a strong competitive edge in the industry.

Overview of UBA 2016 Financial Performance

We remain steadfast in our goals to be the leading institution in Ghana, driven by our commitment to meeting our strategic objectives. This is now evidenced in the robust financial performance for the year. The bank recorded an increase of 114% in Gross Earnings from GHS 323.91 million in 2015 to GHS 692.79 million in 2016. This was primarily driven by the interest income as well as 68% growth in deposits from GHS 1.77 billion to GHS 2.97 billion in 2016. The bank achieved a PBT of GHS 210.72 million in 2016, which represents a 134% growth from 2015 PBT (GHS 90.18 million). The profit after tax of GHS 144.09 million in 2016 represents a 130% growth from GHS 62.65 million.

Furthermore, UBA grew in total assets by 55% from GHS 2.41 million to GHS 3.74 million. The bank's assets were mainly funded by deposits constituting 79% of asset base. The bank also saw an increase in shareholder's fund by 24% from GHS 264.95 million in 2015 to GHS 329.49 million in 2016.

In addition to the significant growth in earnings indices, UBA Ghana also enhanced its operational efficiency and productivity, with cost-to-income ratio reducing by 9.98 percentage points to 30.89% for 2016 as compared to 40.88% in 2015.

We continue to rank as one of the efficient and profitable banks in the industry. This is shown by some key indicators below:

- Return on Equity (ROE) of 44 %
- Return on Assets (ROA) of 3.8%
- Cost to Income (CIR) of 30.89%

Strategic Outlook 2017

To achieve our new corporate objective, we have fundamentally refined our Core Values to reflect our commitment to Enterprise and Execution to deliver Excellent service to our customers (The Three Es).

We seek to be a systematically important bank in Ghana by having more than 10% deposits and PBT share of the banking industry.

Concluding Remarks

The Ghanaian economy is expected to experience growth with a critical dependence on fiscal adjustment, private sector participation and increased regional trade.

In this vein, UBA Ghana will continue its effort of creating value for shareholders and harness the opportunities that the economic growth will create in 2017.

I will like to assure shareholders that we are still committed to executing our strategic goals by striving for excellence in delivering the best of service to our customers. We appreciate all our stakeholders and confidently look forward to 2017 being a successful year.

GHANA ECONOMIC REVIEW

UBA Ghana remains a major force in the Ghanaian Banking System. UBA Ghana's balance sheet size significantly improved by 55.04% in 2016 and ended the year at GHS 3.74 billion.

Though Ghana's economic growth in 2016 slowed marginally relative to the economic growth recorded in the preceding year, it outperformed its target. Ghana's GDP grew by 3.9% a year earlier, but it is estimated to grow at 3.6% in 2016; 0.3 percentage points lower (Ghana's Budget Statement, 2017). With estimated population of about 27.5 million, Ghana's per capita income is projected to end 2016 at US$ 1,481 (GHS6, 220) relative to US$ 1,339 (GHS 5,057) recorded a year earlier.

According to Ghana's 2017 Budget Statement, Ghana's overall fiscal deficit deteriorated to an estimated 10.3% of GDP on commitment basis instead of the 5.3% envisaged under the IMF-supported progam predicated on poor oil and non-oil revenue performance as well as large expenditure overruns. Owing to this, Ghana's debt-to-GDP increased from 71.6% recorded a year earlier to an estimated 73% at the end of 2016 financial year.

Interest rates

Central Bank's monetary policy rate declined by 50 basis points to 25.5% in 2016 from 26% recorded a year earlier due to subdued inflationary pressures. Interbank lending rates however went up marginally to 25.26% from 25.25% recorded at the end of 2015 on the back of 7.9 percentage points decline in broad money supply (M2+). Meanwhile, average lending rate increased to 32.0% at end of 2016 from 27.5% recorded in the same period a year earlier. The 91 and 182 day Treasury bill rates declined by 669 and 676 basis points to record 16.43% and 17.64% respectively while, the 1- year fixed note rate also declined by 475 basis points to end the year at 21% in 2016.

Exchange rates

Though Ghana's Cedi fell against the major trading currencies in 2016, it performed better than it managed a year earlier. The Cedi depreciated by 9.6% in 2016 compared to 15.7% depreciation it managed against the United States dollar a year earlier on the interbank market. It subsequently depreciated by 5.2% in the same period to the Euro compared to 6.1% depreciation it recorded in 2015 but appreciated 10.0% against the Pound Sterling in 2016 compared to 11.5% depreciation it managed in 2015. The relative improvement in the Cedi's performance in 2016 is attributed to significant improvement in Ghana's Overall Balance of Payment from a deficit position of 0.3% of GDP in 2015 to a surplus position 0.6% of GDP at the end of 2016 on the back of Ghana's trade balance that improved from USD 3,109.3 million deficit a year earlier to a USD1,689.2 million deficit at the end of 2016, resulting in USD277.1 million improvement in gross foreign assets over the position recorded at the end of 2015.

Inflation

The year 2016 ended with headline inflation at 15.4% down from 17.7% recoded at end of 2014. The 2.3

percentage point decline in 2016 inflation reflected the policy tightness, relative stability in the value of the Ghana Cedi during the first three quarters of 2016, improvement in energy supply and improved food production output.

The Banking Sector Performance

Total Assets of the Ghanaian Banking System improved from GHS 63.4 billion in 2015 to GHS 80.9 billion in 2016 which represents 27.6% year-on-year growth compared to 23.2% recorded a year earlier. Industry's total advances subsequently improved to GHS 35.5 billion at 2016 close from GHS 30.1 billion recorded a year earlier; an increase of 18.1% in 2016 compared to 24.9% recorded in 2015. The increase in total advances was mainly funded from GHS 10.1 billion increase in the industry's total deposits and closed year at GHS 51.4 billion representing 24.5% year-on-year growth down from 27.3% year-on-year growth recorded in 2015.

The Banking Industry's Capital Adequacy Ratio closed 2016 at 17.6%, 0.2 percentage point lower than 17.8% recorded at the close of 2015. Though marginally declined, the industry remains financially sound to create additional assets since the 17.6% capital adequacy ratio recorded far exceed the regulatory 10% capital requirement.

Invariably, the quality of the industry's advances worsened during 2016. Industry's total non-performing loans ratio rose to 17.4% at close of 2016 from 14.7% recorded at the end of 2015 while advances in the loss category also deteriorated to 8.4% at close of 2016 from 6.8% a year earlier. The decline in the industry's assets quality is largely associated with the industry's exposure to Bulk Oil Distribution Companies and Energy Sector debts as well as the adverse impact of current economic challenges. .

UBA Ghana's Performance

UBA Ghana remains a major force in the Ghanaian banking sector. UBA Ghana's balance sheet size significantly improved by 55.04% in 2016 and ended the year at GHS 3.74 billion. The significant rise in the bank's total balance size was mainly funded with a whopping 68.26% increase in total customer deposits to close 2016 with GHS 2.97 billion.

UBA Ghana closed 2016 with operating income of GHS 430.60 million up from GHS 231.62 million recorded a year earlier. Though the downside effect of BDCs debt portfolio on profit before taxes remains a major challenge to the Banking Industry in Ghana, UBA Ghana ended 2016 financial year with an impressive profit before tax of GHS 210 million relative to its balance sheet size.

UBA Ghana managed to improve its shareholders wealth by 24.36% in 2016 to close the year with GHS 329.50 million (higher than the new regulatory required minimum capital of GHS 250 million) after paying annual dividend amounting to GHS 79.56 million to its shareholders. The Bank also closed the year with capital adequacy ratio of 15%.

Ghana's Economic Outlook (2017)

The Ghanaian economy has been projected to grow at 6.3% in 2017 up from 3.6% growth estimated for 2016 (Ghana's Budget Statement, 2017) on the back of the projected 11.2% growth in the industrial sector (championed by 39.6% projected growth in the upstream petroleum subsector) and subsequently grow by 9.1% and 6.9% in 2018 and 2019 respectively. Meanwhile, Ghana's fiscal challenges, the external environment and significant tax cuts pose major risk to realization of the forecasted 6.3% GDP in 2017.

According to Moody's, Ghana's debt is estimated to peak at 76% of GDP in 2017 from the current 73% debt-to-GDP ratio before it declines in 2018. This affirms the fact that debt servicing (projected at 6.9% of GDP in 2017) shall continue to be a major challenge to Government of Ghana's fiscal operations in 2017and could drain the fiscal space beyond the current 6.4% debt service-to-GDP.

The probable shortfall in global oil supply on the international market in 2017 due to the combined effect of US$ 300 billion (41%) decline in oil and gas investments since 2014 and OPEC's decision to cut production to rebalance the oil market will cause the crude oil prices to rise further and hover around US$ 55 per barrel in 2017.

Though Tullow Oil Plc anticipate an average shortfall of 5,200 barrels per day on the Jubilee Oil Fields over production output of 73,700 bpd achieved in 2017 due to 12-week shutdown associated with the next phase of the remediation works, Ghana's oil revenue is forecasted to increase by 231.2% (1.2% of GDP) in 2017 over 2016 outturn on the back of expected 23,000 bpd from TEN Oil Fields and projected rise in crude oil prices on the international market. The expected rise in oil revenue shall improve further Ghana's Overall balance of payment and cushion the value of the Cedi in 2017 with all other factors held constant.

Plans are also afoot by the New Government to ensure enhancement in revenue mobilization measures including review of tax exemptions to businesses, increasing the tax bracket etc, in order to reduce the fiscal deficit. The 2017 Budget Statement presented by the Government outlines measures expected to provide a stimulus to businesses by lessening the tax burden in a bid to increase their production capacity, which will spur growth and increase domestic revenues via corporate taxes. These measures are expected to stimulate real GDP growth, which is projected to trend upwards to 6.3% in 2017, and reduce the Budget deficit to 6.5% to GDP.

The broad outline of tax reliefs granted businesses in the Budget is meant to reduce the cost of doing business in the country and create a competitive business environment. The Financial Sector is a beneficiary of the tax relief, with the repeal of the 17.5% VAT/ NHIL tax on all Financial Services, and this intervention is expected to enhance financial intermediation.

Government's focus on Agriculture, which is the main stay of the economy, will further boost growth and improve economic activity in the Country. The Industrialization drive being embarked upon by the New Government through the setting up of a Factory in all 216 Districts in Ghana is expected to deepen economic activity and broaden the base of the economy. UBA through its wide branch network and e-products delivery channels will provide the platform to actualize the nation's plans.

DIGITAL BANKING REPORT

Sustaining A Digital Revolution

The World's Digital Revolution is now in full flight and gaining steady motion impacting the way business is conducted in Ghana as with many parts of Africa. United Bank for Africa, with a track record in creating innovative products and services, has become a trusted leader amongst providers of digital financial solutions and services. With a group-wide culture for innovation and a deep commitment to superior technology, United Bank for Africa is progressively dominating the Ghanaian digital banking space as a result of the seamless products we strive to provide our customers.

UBA Ghana is defending its commanding leadership position of delivering bespoke solutions and secured transactional platforms which empower our customers with digital options ranging from Unstructured Supplementary Service Data (USSD) to web and mobile apps to customizable Point of Sale (POS) terminals. We are passionately and consistently delivering exceptional digital experiences to our customers across all customer segments.

We want our customer to be at the centre of everything we do, and so we have carefully crafted our digital banking product portfolio with a deep sense of care and due consideration, keeping in mind current and anticipatory trends in customer preferences with the full leverage of world class technology, made locally relevant in the most impactful way. We are not just influencing the way in which private and public institutions are doing business, but as vanguards in digital Banking and showcasing our strength as Africa's Global Bank, we are also birthing new innovative solutions which bring new values and benefits uniquely positioning our customers and partners.

In the year past our digital banking products evolved to allow for self and personalized experiences thus putting our customers at the forefront of a full range of banking services online, via mobile or card services.

UBA Ghana has made it possible for our customers and the public to pay their bills for schools, donations to churches and other non-governmental agencies as well as making National Social Security Contributions and import declaration form payment among other payments online on a 24/7-365 basis. UBA InstantBillPayment Online service is powering small, medium and large scale institutions to collect monies online in the most secured and convenient manner with a fuss-free user experience. The UBA suite of cards remains robust and provides the most secured cards offering in the industry, UBA being the first bank in Ghana to be PCI-DSS Certified. Our Prepaid cards remain a reliable shoppers' and travellers' companion for unfettered access to funds in any currency, anywhere in the world.

UBA Business Direct is a corporate internet banking platform designed to give our corporate and public sector customers, safeguarded access to their accounts and other accounts at other banks. It is an integrated single sign-on product suite, through which corporate institutions are provided with cash management and transaction banking services including payments, collections, direct debits, liquidity management, corporate mobility, balance reporting, cash flow forecasting, e-treasury and supply chain financing. UBA is one of the few banks in Ghana with established integration for instant payment across banks via Ghana Inter-Bank Payment and Settlement Systems (GhIPSS).

UBA worked with relevant stakeholders to deliver the novel B-Tracking platform which provides the Government of Ghana an unparrelled access to financial information on all government accounts with various banks within the Ghanaian Banking System. The benefit of this platform which is the first of its kind is immense for good governance, liquidity management and accountability.

We are committed to driving financial inclusion with digital culture and have renewed our engagement with mobile money platforms for delivering our excellent banking services across all levels. We are also empowering and working with significant payment aggregators and Fintech institutions within the ecosystem to deliver value added services to the array of customers in diverse forms through various business engagements.

Sequel to Bank of Ghana approval, we are piloting UBA agency banking partnership with some significant partners. This is intended to democratize access to banking services including account opening, deposit into bank accounts, mobile money service, remittance termination, bill payment, card acceptance etc. In sustaining this digital revolution which has taken absolute charge of banking, we have embarked on simplifying product process flows to deliver user friendly services which will effectively serve our customers.

As a responsible financial institution, we deliver secured digital solutions by creating an appropriate balance between providing exceptional customer experience and meeting our risk and regulatory responsibilities

We shall continue to work hard by being aggressive in capturing the market through the provision of innovative and user friendly digital banking services as well as enthusiastic engagement of existing and potential customers. Digitally delivering exceptional customer experience would continue to be pivotal thrust and most important assets as we strive to be the best and innovative digitally focused bank in the financial services industry.

CORPORATE SUSTAINABILITY

The review of the progress the Bank is making towards building a sustainable banking franchise in Ghana.

- UBA Ghana Touching Lives in 2016 22 /
- National Essay Competition & Book Donation 22 /
- Bonding in 2016 23

UBA Ghana Touching Lives In 2016

The year 2016 was one full of adventure for our customers, our stakeholders and our staff in general. Some climbed hills in their quest to demonstrate stamina; others showed tenacity and strength on the turf while many others stuck to board games during our regular quarterly game away days. The second quarter opened us to a whole new experience of what was termed UBA Mini-Olympics. The dynamics of our new quarterly games opened us to new ways of team building and bonding accompanied with the exhibition of different skills.

For our customers and the communities within which we operate, it was a year of exponential growth for all. UBA embarked on some community involvement projects like the support led by our Head Office Branch to the 37 Military Hospital during their 75th Anniversary, and our East Legon One branch providing over 20 bags of rice to Beacon House, an NGO focusing on the physically challenged, poor but needy and HIV children with a total population of about 300.

The Teshie Community Clinic which also doubles as a maternity and antenatal care was recognised for their good deeds by our Teshie Branch. After our initial interaction with the Management, we realised we could impact these people by replacing the broken down BP monitoring machine, the Foetus Doppler (monitoring of the baby's heart beat) and a few bed sheets with pillow cases. What a joy it is to re-visit our community and see the difference we made.

UBA's calendar for Community Involvement projects was climaxed by our much acclaimed UBA National Essay Competition. It has been our continuous desire to support the society in the area of education. We organized the third successive national essay competition across the country for our children in the second cycle institution with the endorsement of the Ghana Education Service.

This initiative is not only seek to improve reading and writing skills at the senior high school level but also, to reward and financially assist senior high school leaving students by offering the top three winners educational grants to attend any University of their choice in any African Country. Winners of the competition are given scholarship and educational packages. The aim of the competition is to support the read Africa project in promoting education in Africa.

UBA has funded this part of our CSR with about close to USD100, 000 in prizes and the promotion of the competition. In 2016 alone, three finalists were awarded with financial aid to study in any African University of their choice.

The policy has been very successful and has therefore received the support of the Government of Ghana through the Ghana Education Service (GES). The GES is very active in this annual project. They provide technical support and raise awareness about the competition. Professors from top Universities in Ghana serve as Judges to the competition and this has been commendable.

UBA is the only bank in the country that organizes essay competition. We realize that there is a need for a social contract between the bank, the community and its people; we have made it a priority to promote the culture of writing in Africa. We believe that education is a right and every African child, irrespective of their background should have access to education.

UBA, making strides in touching lives.

NATIONAL ESSAY COMPETITION AND BOOK DONATION

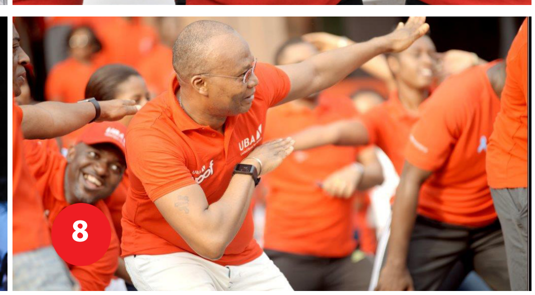
4 QUALITY EDUCATION

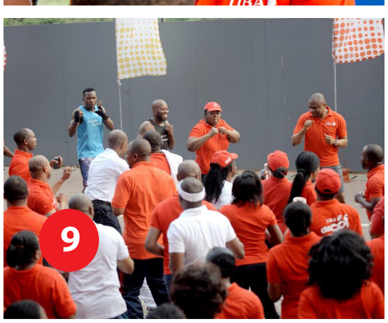
1. From left MD (Abiola Bawuah)Winner (Hannah Akahoho Segbefia) CEO UBA Foundation (Ijeoma Aso)
2.From left DMD (Sony Anwal) One of the top 12 (Papa Kobina Nketsia Etsibah)
3.Top 3 winners with Abiola Bawuah MD-Ghana, Ijeoma Aso, CEO UBA Foundation, and Soni Anwal, DMD, Ghana
Kasha Kuipo (1st runner up)
Hannah Akahoho Segbefia (Winner)
Nathaniel Awentiirin Angaag (2nd runner up)
4.MD (Abiola Bawuah) with 2nd runner up (Nathaniel Awentiirin Angaag)
5.The 12 finalists
6. Representative of the Ministry of Education, Mrs Felicia Boakye–Yiadom, the Director for Curriculum Research and Development with Joanitta Mends Armstrong, one of the finalists

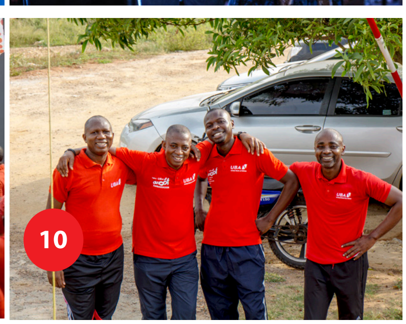
Joining hands to achieve the Sustainable Development Goals in 2016

BONDING IN 2016

1. MD / GMD
2. UBA Ghana Exco Members
3. Staff celebrating after winning trophy
4. MD|CEO & DMD presenting trophy to Abiola Rangers
5. Staff posing with trophy
6. Face painting time
7. Long service award
8. GMD ready to bolt
9. MD and RCEO
10. Teams pose for fair play
11. Jogging to Win







GOVERNANCE

The governance framework, including what our Board does and how it does it underpins the delivery of long-term sustainable success.

- The Board 26 /
- Executive Committe 30 /
- Director's Report 32 /
- Independent Auditor's Report 34
- Corporate Governance Report 36

BOARD OF DIRECTORS

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The Board of Directors has delegated responsibility for the Directors of credit risk to its Sub-Committee on Risk Directors.

Kenneth Chikezie Orji
Chairman

Mr. Orji was educated at University of Ibadan, Nigeria where he was a J. F. Kennedy Scholar, having emerged national first place winner of the John F. Kennedy Memorial Essay Contest, organized by the US Government. He graduated with BSc Hons. and was awarded the Sir James Robertson Prize and Medal for Outstanding Performance in Economics. He also obtained MSc Accounting and Finance from London School of Economics and attended Harvard Business School (Program for Management Development).

Mr. Orji has over 33 years' experience, primarily in banking and finance, human capital development, consulting and advisory services. He began his banking career at International Merchant Bank Limited, Nigeria (affiliate of First National Bank of Chicago). He then moved to Diamond Bank Limited where he was General Manager and Head of Divisions responsible for Corporate Banking, Commercial and Consumer Banking, Treasury, Investment Banking, Energy Unit, Project Finance, Public Sector, Private Banking, Strategic Planning, Financial Control, Risk Management and Systems/Technology. He contributed to major innovations in the Nigerian banking industry and was involved in national policy development as a pioneer member of the Nigerian Economic Summit Group and the Technical Committee of Nigeria's Vision 2010 project. Mr. Orji is currently Chairman/CEO of Centennial Capital Limited and Director of several companies

Abiola Bawuah
MD/CEO

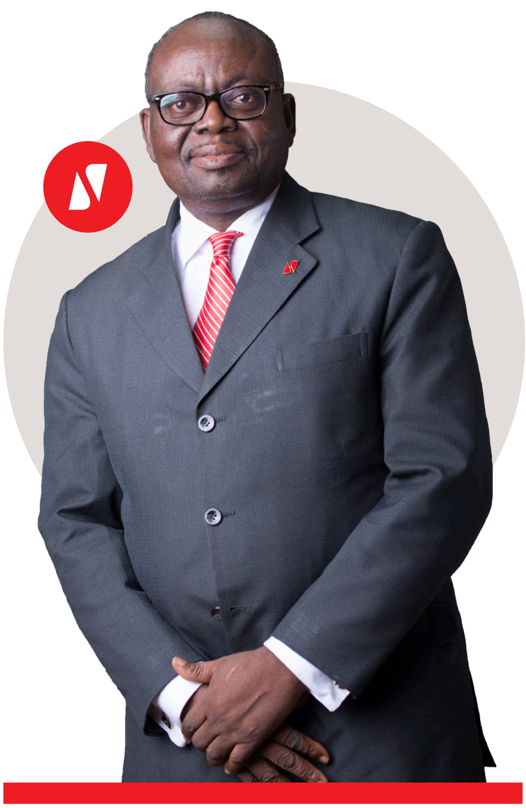
Mrs. Abiola Bawuah is the MD/CEO of UBA Ghana with enormous experience in retail banking and marketing. In 2013, she left Zenith Bank; where she was the Executive Director; having previously held the positions of a General Manager, Marketing and Group Head, Retail Banking; and joined UBA Ghana as Deputy Managing Director the same year.

Mrs. Bawuah also worked with Standard Chartered Bank as a Head of Sales; with CAL Bank as Relationship Manager; Strategic African Securities as an authorized dealing broker and with the then Bentsi-Enchi and Letsa; now Bentsi-Enchil, Letsa and Ankomah law firm as an investment officer. Mrs. Bawuah holds a BSc in Actuarial Science from the University of Lagos, Nigeria, an LLB from the University of London, a diploma in Marketing from GIMPA and an EMBA (Finance) from the University of Ghana.

She also has numerous leadership qualifications from Harvard Business School, Columbia, University of New York, INSEAD and Institut Villa Pierrefeu in Switzerland.

Professor Kwamena Ahwoi
Non-executive Director

Professor Ahwoi is a Hertford College, Oxford University Scholar and a University of Ghana Scholar. He holds a Bachelor of Civil Law (BCL) and a Bachelor of Law (LL.B.) respectively from the two universities. He was a lecturer in Law at the Faculty of Law of the University of Ghana, Legon, before joining the Government of the Provisional National Defence Council in 1982. Mr. Ahwoi was PNDC Secretary (Minister) of Local Government from 1988 to 1993. In 1997/98, Professor Ahwoi had the unique distinction of holding both the Local Government and Foreign Affairs ministerial portfolios simultaneously. He has considerable international experience in the area of local government and decentralization. As a legal academic, Professor Ahwoi's passion was Jurisprudence. His seminal article on "Kelson, the Grund Norm and the 1979 Constitution" published in the University of Ghana Law Journal is still compulsory reading in the course on the "Pure Theory of Law" at the University of Ghana Law Faculty. At GIMPA, where he is currently a Professor of Governance, he has written and published extensively on local government and Decentralization.



Samuel Ofori-Adjei
Non-executive Director

Mr. Ofori-Adjei is an educationist and the current Headmaster of Accra Academy Senior High School. In addition to serving on the Board of UBA Ghana, Mr. Ofori-Adjei also serves as the Board Chairman for the Teachers Fund and is a Member of the Ghana National Committee of the West African Examinations Council. He is president of the Conference of Heads of Assisted Secondary Schools (CHASS) Mr. Ofori-Adjei holds a Bachelor of Arts degree and a Master's degree in Public Administration.

Alexander Kofi-Mensah Mould
Non-executive Director

Mr. Mould has over twenty years of international managerial leadership experience, seven of which were spent in the downstream oil business focusing on refining, crude and petroleum products supply and risk management. He also spent thirteen years in corporate and investment banking focusing on transaction originating and client relationship management, product management, strategic planning, business strategy and development. Alex spent the last seven years of his thirteen years in wholesale banking and was responsible for the client revenue business as an executive director ensuring good governance and focusing on protecting and enhancing sustainability of a multinational franchise in Ghana.

He holds a BSc in Chemical Engineering (KNUST), Masters of Management from the North Western University, Illinois, USA and a Postgraduate Diploma, (Oil and Economics) from Oxford University.

Oliver Alawuba
Non-executive Director

Mr. Alawuba has over twenty years' experience in the banking industry and academia. His extensive banking experience cuts across such areas as investment, retail and commercial banking, corporate finance as well as project management. Oliver was an Executive Director at Finbank, Nigeria Plc prior to his appointment as Managing Director for UBA Cote d'Ivoire Plc in 2010, and subsequently as the Managing Director for UBA Ghana in 2011. Oliver has a Master's degree in Banking and Finance from the Olabisi Onabanjo University, Nigeria and an MSc in Food Technology from the University of Ibadan, Nigeria. He is an alumnus of the AMP and SEP programmes of the prestigious Insead Business School and London Business School respectively.

Soni Anwal
Deputy Managing Director

Mr. Anwal comes with over 20 years of banking experience and has spent the latter years of this experience in target marketing.

Prior to his appointment as Deputy Managing Director, Mr. Anwal was the Regional Bank Head for United Bank for Africa Plc in Lagos, Nigeria. Between 2009 and 2011, he was the Managing Director for UBA (Sierra Leone), where he provided leadership for the day to day running of the bank. He has worked in various capacities in Nigeria's financial services industry where he acquired strong strategic management, leadership, marketing and people skills. Mr. Anwal is a senior executive with international experience in retail banking, business strategy, credit risk and analysis, relationship management and general banking. He is highly skilled at building and leading strong teams to meet set objectives. Mr. Soni Anwal obtained an MSC degree in Economics from the Enugu State University of Science and Technology Business School in Nigeria.

EXECUTIVE COMMITTEE

UBA Ghana Executive Committee is made up of highly skilled and well talented professionals manning the various directorate of the Bank.

Adedayo Adesipo
Chief Operating Officer

Adedayo Marcus Adesipo is the Chief Operating Officer for UBA Ghana Ltd. He started his Banking career in Nigeria with the defunct Crystal Bank of Africa Ltd; and was a pioneering staff of Standard Trust Bank Plc before its merger with United Bank for Africa Plc. He is an astute Banker with 24 years' experience spanning all areas of branch banking operation. He has also served and overseen the Banks Operations Directorate at Zonal, Regional and Group levels. He has a Bachelor of Science degree in Fisheries Management with a Post graduate Diploma in Management.

Nkechi Akunyili
WAMZ Treasurer

Nkechi Akunyili is a treasury professional. She has a Bsc. in Economics and Msc in Finance and investment. Nkechi has over 20years banking experience spanning across treasury and capital risk management, portfolio management, project finance, investment analysis and corporate finance. Since the commencement of her Treasury career in 1998, Nkechi has made tremendous impact in Nigeria and Ghana markets, having pioneered market developments in both markets and other English speaking West African countries as the Regional Treasurer for WAMZ.

Olayiwola Sofolahan
Chief Risk Officer

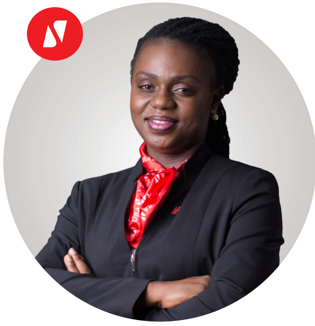
Layi is an Accounting graduate of Obafemi Awolowo University Ile-Ife Nigeria and a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN). He has over 18 years banking experience covering the entire spectrum of Risk Management. He was with UBA Group Risk Management in Lagos before his secondment to UBA Ghana.

Johnson Olakunmi
Head, Digital Banking

Johnson is directly involved in the deployment and marketing of various customized digital banking and other product offerings to corporate and retail customers. He has over sixteen years banking experience, majorly in managerial capacity, with in-depth knowledge and understanding of the dynamics of banking business and operations in Ghana and Nigeria. He Holds a BSC-First Class Honours, in Banking and Finance from the University of Ado-Ekiti with a Master's degree in Business Administration (MBA) from the University of Ghana, Legon. Johnson is a Certified Information System Auditor (CISA) and a certified strategist with Meirc Professional Certification (MPC). He has attended various training in Europe, Middle East and Africa including an Executive Education Program at the London Business School.

Adedeji Adeyelure
Chief Financial Officer

Deji Adeyelure holds degrees in Accounting and applied accounting from the University of Lagos (Nigeria) and Oxford Brookes University (UK) and fellow of ACCA. Deji's work experience spans several industries with stints in investment banking, Telecomunications and Audit.



Jocelyn E. Ackon
Head, Human Capital

Jocelyn has a first and second degree in Human Resource Management as well as a Post Graduate Diploma in Organisation Development. Jocelyn has been in Human Resource Management practice for over 13 years, with the greater part in management. Her experience in Human Resource Management covers diverse sectors such as Transportation, Pharmaceutical and Banking.

Chiedu Okonta
Country Chief Inspector

Chiedu, a fellow of the Institute of Chartered Accountants of Nigeria and holder of Executive MBA from the prestigious Lagos Business School, with second class upper degree in Accounting has vast post qualification experience that spans over 23 years in Audit, Internal Controls, Banking Operations, Financial Control, Head Office functions, Credits Analysis and Monitoring and Strategic Management. He joined UBAG from DRC where he held a pioneering role as the Country Head of Audit & Control-UBA DRC.

Kwame Aduansere
Head, IT

Kwame Aduansere holds a BSc. in Computer Science from Kwame Nkrumah University of Science and Technology (KNUST), and is a member of the International Information Systems Security Certification Consortium (ISC2) and Information Systems Audit and Control Association (ISACA) with various international professional certifications including Certified Information Security Manager (CISM), (CRISC) and (CISSP). Kwame has extensive experience and has deployed major IT infrastructure solutions, core banking solutions and electronic banking systems.

Philip Odoom
Head, Compliance

Philip is a Chartered Accountant and a member of Association of Chartered Certified Accountants. He is an associate member of Association of Certified Fraud Examiners. He holds first degree in Bachelor of Commerce (B.COM) from the University of Cape Coast. He has over 10 years banking experience covering Audit, Internal Controls and Compliance and Anti-Money Laundering/Counter Financing of Terrorism function. He has knowledge and understanding of applicable banking operations and Anti-Money Laundering/Counter Financing of Terrorism laws, regulations and international best standards.

Evans Amenyo Sallah
Head Internal Control

Evans is a result oriented young man with over ten years banking experience. He has expertise in information security, risk management, internal control and audit. He joined United Bank for Africa (Ghana) Limited in 2007 as an Information Systems Auditor and holds a BSc. (Hons) degree in Computer Science from the Kwame Nkrumah University of Science and Technology. Evans is a member of the Information Systems Audit and Control Association (ISACA) and holds international certifications in Information Systems Auditing (CISA) and Information Security Management (CISM).

Petrina Frimpong
Head, Legal & Company Secretary

Petrina is a corporate legal practitioner with over seven years banking experience. She has held positions in other Banks as Head of Credit Administration and Manager of Legal Services. She also holds a BA (Hons.) in Social Sciences (English Language and Sociology) from the Kwame Nkrumah University of Science & Technology. She is a member of the Ghana Bar Association.

Katherine-Lois Tosan Woode
Head, Marketing & Corporate Communications

Katherine is an accomplished customer service executive with a sales and marketing vision. Trained and groomed in policy, procedure and aviation safety compliance, she demonstrates the ability to deliver mission –critical results to help shape the marketing pitch of the companies she has worked with. She holds a B.Sc. in Economics from the University of Lagos and a Certificate in Management from Oxford Brookes University as well as an Executive MBA from GIMPA. Prior to changing her career to banking, Katherine worked for 19 years in the Aviation industry in various capacities including operations, sales, management, safety, security and compliance.

DIRECTORS' REPORT

In accordance with the requirements of Section 132 of the Companies Act 1963 (Act 179), we the Board of United Bank for Africa (Ghana) Limited (the 'Bank') submit herewith the Annual Report on the state of affairs of the Bank for the year ended 31 December 2016.

Statement of directors' responsibilities

The Companies Act 1963 (Act 179) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year.

It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act 1963 (Act 179) and the Banking Act, 2004 (Act 673) (as amended by the Banking (Amendment) Act, 2007 (Act 738). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act 1963 (Act 179) and the Banking Act, 2004 (Act 673) (as amended by the Banking (Amendment) Act, 2007 (Act 738). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Head Office

The Bank is a subsidiary of United Bank for Africa Plc of Nigeria.

Principal activity

The principal activity of the Bank during the year continues to be banking and finance.

Directors

The names of the directors who served during the year are provided on Page 79 of this report.

No director had a material interest, at any time during the year, in any contract of significance, other than a service contract with the Bank.

DIRECTORS REPORT (CONTINUED)

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

Financial report and dividend

The financial results are set out below:

	2016	2015
Operating income	**430,292,385**	231,618,896
Profit before tax	**210,716,743**	90,181,480
From which is deducted:		
Income tax expense and national fiscal stabilization levy	**(66,624,584)**	(27,528,823)
Leaving a net profit after tax of	**144,092,159**	62,652,657
Which is to be added to the amount brought forward from the previous year of	**40,802,146**	25,019,077
Making a total of	**184,894,305**	87,671,734
Out of which is deducted:		
Transfer to statutory reserve fund of	**(18,011,520)**	(7,831,582)
Transfer to credit risk reserve fund of	**(52,648,517)**	
Dividend declared	**(79,556,000)**	(39,038,006)
Leaving a net balance on the income surplus account of	**34,678,268**	40,802,146

Auditor

The directors recommend that, Messrs PricewaterhouseCoopers will continue in office as auditors of the Bank in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179).

On behalf of the Board

Director
Kenneth Orji
Chairman
21 March 2017

Director
Abiola Bawuah
MD/CEO
21 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED BANK FOR AFRICA (GHANA) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of United Bank for Africa (Ghana) Limited (the "Bank") for the year ended 31 December 2016.

The financial statements on pages 38 to 78 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- he notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the Overview Report, Strategy and Business Review Report including the Chairman's Statement and Managing Director's Report, Responsibility and Sustainability Report, Directors' Report, Corporate Governance Report, Statements of Value Added and the Shareholder Information but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Overview Report, Strategy and Business Review Report including the Chairman's Statement and Managing Director's Report, Responsibility and Sustainability Report, Corporate Governance Report, Statements of Value Added and the Shareholder Information, which are expected to be made available to us after that date.

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

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

Other information (continued)

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

When we read the Overview Report, Strategy and Business Review Report including the Chairman's Statement and Managing Director's Report, Responsibility and Sustainability Report, Corporate Governance Report, Statements of Value Added and the Shareholder Information and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED BANK FOR AFRICA (GHANA) LIMITED (CONTINUED)

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

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

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

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

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

Report on other legal and regulatory requirements

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

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
iii. the Bank's balance sheet (Bank's statement of financial position) and Bank's profit and loss account (part of the Bank's statement of comprehensive income) are in agreement with the books of account.

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

i. in our opinion, the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;
ii. we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor; and
iii. in our opinion, the Bank's transactions were within its powers.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138).

PricewaterhouseCoopers (ICAG/F/2017/028)
Chartered Accountants
Accra, Ghana
26 March 2017

CORPORATE GOVERNANCE REPORT

The Managing Director and all staff of United Bank for Africa (Ghana) Ltd are strictly guided by the generally accepted international corporate governance standards, which is enshrined in the Bank's core values and internal policies. The United Bank for Africa [Ghana] Limited entire workforce is measured by its Code of Professional conduct & Ethics at every business level and within all its activities. UBA Ghana Limited ensures full compliance with the following guiding regulations in Ghana throughout 2016

- Banks and Specialized Deposit-Taking Institutions Act, 2016 (ACT 930), Companies Act 1963 (Act 179) and all other relevant directives, notices and letters of the Bank of Ghana".

These standards include national and international regulations issued by Bank of Ghana and its regulatory and legislative body, and all other forms of generally accepted business standards within Ghana.

UBA Ghana Board Members

UBA Ghana is led by a well selected team of Directors drawn from a wide spectrum of professions and geographies with huge experiences relevant to banking business in Ghana.

Mr. Kenneth Chikezie Orji – Chairman
Mrs. Abiola Bawuah – MD/CEO
Mr. Soni Anwal – DMD
Mr. Oliver Alawuba – Member
Mr. Alex Mould – Member
Mr. Samuel Ofori-Adjei – Member
Prof. Kwamena Ahwoi – Member

Note: Mr Usman Isiaka and Mr Kennedy Uzoka were on the board until their retirement on May 24, 2016 and July 15, 2016 respectively. Mr Soni Anwal was appointed to the Board on June 1 2016.

United Bank for Africa (Ghana) Ltd is committed to creating value for all its stakeholders whilst meeting its statutory and regulatory obligations. This includes maintenance of strict zero tolerance to regulatory infractions and maintenance of the highest ethical standards.

The Managing Director and all staff of United Bank for Africa (Ghana) Ltd are strictly guided by the generally accepted international corporate governance standards, which is enshrined in the Bank's core values and internal policies. The United Bank for Africa [Ghana] Limited entire workforce is measured by its Code of Professional conduct & Ethics at every business level and within all its activities. UBA Ghana Limited ensures full compliance with the following guiding regulations in Ghana throughout 2016

- Banks and Specialized Deposit-Taking Institutions Act, 2016 (ACT 930), Companies Act 1963 (Act 179) and all other relevant directives, notices and letters of the Bank of Ghana".

These standards include national and international regulations issued by Bank of Ghana and its regulatory and legislative body, and all other forms of generally accepted business standards within Ghana.

UBA GHANA BOARD AUDIT COMMITTEE

The composition of the Bank's Audit Committee, which further strengthens the Bank's corporate governance structure, is as follows

1. Alexander Kofi-Mensah Mould - BAC Chairman
2. Prof Kwamena Ahwoi - BAC Member
3. Oliver Alawuba - BAC Member

The Bank's vision is to be the undisputed leading and dominant financial services institution in Africa. There is a strong and positive correlation between the principles of good governance and the Bank's growth trajectory.

FINANCIALS

The statutory financial statements of the Bank and associated audit report.

- Statement of Comprehensive Income 38 /
- Statement of Financial Position 39
- Statement of Changes in Equity 40
- Statement of Cash Flows 42 /
- Notes 43 /

STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2016	2015
Interest income	7	**640,176,495**	277,720,365
Interest expense	8	**(262,492,166)**	(92,289,758)
Net interest income		**377,684,329**	185,430,607
Fee and commission income	9	**31,779,956**	24,477,675
Net trading income	10	**20,329,077**	21,708,089
Other operating income	11	**499,023**	2,525
Net fees and commissions income		**52,608,056**	46,188,289
Operating income		**430,292,385**	231,618,896
Loan impairment charges	12	**(86,648,507)**	(46,759,368)
Personnel expenses	13	**(43,749,932)**	(37,735,364)
Depreciation and amortisation	14	**(2,900,106)**	(2,197,380)
Other operating expenses	15	**(86,277,097)**	(54,745,304)
Profit before tax		**210,716,743**	90,181,480
Income tax expense	16	**(66,624,584)**	(27,528,823)
Profit after tax		**144,092,159**	62,652,657
Other comprehensive income		**-**	-
Total comprehensive income for the year		**144,092,159**	62,652,657

The notes on pages 43 to 76 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

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

	Note	2016	2015
Assets			
Cash and cash equivalents	18	707,575,260	212,324,328
Non pledged trading assets	19	616,400	-
Investment securities	20	1,128,439,566	1,365,106,887
Loans and advances to customers	21	1,845,645,572	764,609,838
Other assets	22	42,555,462	44,982,382
Property and equipment	23	13,994,907	10,240,464
Intangible assets	24	1,181,108	1,024,389
Income tax asset	16	570,660	14,259,392
Deferred income tax asset	17	2,186,757	1,579,128
Total assets		3,742,765,692	2,414,126,808
Liabilities			
Customer deposits	25	2,973,611,756	1,767,284,187
Borrowing from banks	26	286,059,609	299,559,206
Other liabilities	27	152,933,004	82,215,641
Deferred income tax liability	17	679,098	121,708
Total liabilities		3,413,283,467	2,149,180,742
Shareholders' funds			
Stated capital	28	74,659,061	74,659,061
Income surplus		34,678,268	40,802,146
Credit risk reserve	5	52,648,517	-
Statutory reserve	29	167,496,379	149,484,859
Shareholders' funds	27	329,482,225	264,946,066
Total liabilities and shareholders' funds		3,742,765,692	2,414,126,808

The financial statements on pages 38 to 76 were approved by the board of directors on 24 March 2017 and were signed on its behalf by:

Mr. Kenneth Orji
(Chairman)

Abiola Bawuah
(MD/CEO)

STATEMENT OF CHANGES IN EQUITY

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

For the year ended 31 December 2016

	Note	Stated capital	Income surplus	Statutory reserves	Regulatory credit risk reserve	Total
Period ended 31 December 2016						
At 1 January 2016		74,659,061	40,802,146	149,484,859	-	264,946,066
Profit for the year		-	144,092,159	-	-	144,092,159
Other comprehensive income		-	-	-	-	-
Total comprehensive income			**144,092,159**			**144,092,159**
Transaction with equity holders						
Dividend declared for 2016		-	(79,556,000)	-	-	(79,556,000)
Total transaction with equity holders		-	**(79,556,000)**	-	-	**(79,556,000)**
Transfer to statutory reserve	**29**	-	(18,011,520)	18,011,520	-	-
Transfer to credit risk reserve	**5**	-	**(52,648,517)**	-	**52,648,517**	-
At 31 December 2016		**74,659,061**	**34,678,268**	**167,496,379**	**52,648,517**	**329,482,225**

The notes on pages 43 to 76 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

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

	Note	Stated capital	Income surplus	Statutory reserves	Regulatory credit risk reserve	Total
Period ended 31 December 2015						
At 1 January 2015		74,659,061	25,019,077	141,653,277	-	241,331,415
Profit for the year		-	62,652,657	-	-	62,652,657
Other comprehensive income		-	-	-	-	-
Total comprehensive income			**62,652,657**			**62,652,657**
Transaction with equity holders						
Dividend declared for 2015	33	-	(39,038,006)	-	-	(39,038,006)
Total transaction with equity holders		**-**	**(39,038,006)**	**-**	**-**	**(39,038,006)**
Transfer to statutory reserve	29	-	(7,831,582)	7,831,582	-	-
At 31 December 2015		**74,659,061**	**40,802,146**	**149,484,859**	**-**	**264,946,066**

The notes on pages 43 to 76 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

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

	Note	2016	2015
Operating activities			
Cash generated from operating activities	30	1,247,412,063	(10,933,734)
Income tax paid	16	(52,986,091)	(40,879,688)
Net cash generated from / (used in) operating activities		1,194,425,972	(51,813,422)
Investing activities			
Purchase of property and equipment	23	(6,186,197)	(2,923,405)
Purchase of intangible assets	24	(625,070)	(705,756)
Proceeds from disposal of property and equipment	23	125,470	2,525
Net cash used in investing activities		(6,685,797)	(3,626,636)
Financing activities			
Dividend paid	33	(39,038,006)	(19,980,158)
Net cash used in financing activities		(39,038,006)	(19,980,158)
Increase/(decrease) in cash and cash equivalents		1,148,702,169	(75,420,216)
Cash and cash equivalents at 1 January	18	232,460,360	307,880,576
Cash and cash equivalents at 31 December	18	1,381,162,529	232,460,360

The notes on pages 43 to 76 are an integral part of these financial statements

NOTES

REPORTING ENTITY

United Bank for Africa (Ghana) Limited ("the Bank") is a limited liability company and is incorporated and domiciled in Ghana. The registered office is Heritage Towers, Ambassadorial Enclave, Accra. The Bank operates under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738). The Bank is a subsidiary of United Bank for Africa Plc of Nigeria. The Bank provides retail, corporate banking and investment banking services.

The financial statements for the year ended 31 December 2016 was approved for issue by the Board of Directors on 24 March 2017. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for Available For Sale financial assets carried at fair values through profit and loss. Additional information required under the Companies Act, 1963 (Act 179) the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) have been included, where appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2.2 Changes in accounting policies and disclosures

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

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2016. However, these standards and amendments as detailed below, do not significantly impact the financial statements of the Bank. The nature and the impact of each new standards and amendments are described below:

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including materiality, disaggregation and subtotals, notes and other comprehensive income arising from investments accounted for under the equity method. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/ accounting policies are not required for these amendments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

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

Amendments to IAS 16,'Property, plant and equipment' and IAS 38 'Intangible assets'

This amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome if either:

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

(b) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting period and have not been applied in preparing this financial statement. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes

NOTES (CONTINUED)

the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective (continued)

IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Bank is assessing the impact of IFRS 15.

IFRS 16, 'Leases'

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is the customer (lessee) and the supplier (lessor). IFRS 16 is effective from 1st January, 2019 and the group can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 "Revenue from Contracts with Customers". IFRS 16 replaces the previous leases standard, IAS 17 "Leases" and related interpretations. The Bank is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

The financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The Ghana Interbank Exchange rates are used to translate foreign currency items into the functional currency.

Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

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

2.4 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in due to other banks or customer deposits, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or due from other banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.5 Financial assets and liabilities

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

2.5.1 Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. The Directors determine the classification of financial assets at initial recognition.

a) Loans and receivables

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

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

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

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

2.Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

a) Loans and receivables (continued)

Loans and receivables are initially recognised at fair value – which is

NOTES (CONTINUED)

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

b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank designates as available for sale; and

(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in profit or loss and reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in profit or loss as 'Net gains/(losses) on government securities'.

c) Financial assets at fair value through profit or loss

A financial asset is held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Trading assets include government securities acquired by the Bank with the intention of making a short-term profit from price or dealer's margin.

d) Recognition

The Bank uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.2 Financial liabilities

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

2.5.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities on the Ghana Stock Exchange.

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

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

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

2.5.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2. Summary of significant accounting policies (continued)

2.6 Classes of financial instruments

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

NOTES (CONTINUED)

<table>
<tr><th colspan="2">Category (as defined by IAS 39)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclasses</th></tr>
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The carrying amounts of the respective financial instruments are disclosed in the related notes.

2.7 Impairment of financial assets

a. Assets carried at amortised cost

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

2. Summary of significant accounting policies (continued)

2.7 Impairment of financial assets (continued)

a. Assets carried at amortised cost (continued)

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) Significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter Bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively

NOTES (CONTINUED)

assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.Summary of significant accounting policies (continued)

2.7 Impairment of financial assets (continued)

a. Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to Banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

Summary of significant accounting policies (continued)

2.7 Impairment of financial assets (continued)

a. Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

b. Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated and repayments are being received regularly are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

2.8 Offsetting financial instruments

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

2.9 Leases

Leases are divided into finance leases and operating leases.

a. The Bank is the lessee

(i) Operating lease

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

(ii) Finance lease

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from Banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES (CONTINUED)

Summary of significant accounting policies (continued)

2.9 Leases (continued)

(ii) Finance lease (continued)

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

b. The Bank as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Rental incomes from operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

c. Fees paid in connection with arranging leases

The Bank makes payments to agents for services in connection with negotiating lease contracts with the Bank's lessees. For operating leases, the letting fees are capitalised within the carrying amount of the related property, and depreciated over the life of the lease.

2.10 Property, plant and equipment

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

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	2.5%
Leasehold improvement	Over the period of lease
Computers	20%
Motor vehicles	25%
Equipment, furniture and fittings	20%

Summary of significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in profit or loss.

Capital work-in-progress (CWIP)

These are costs in respect of property, plant and equipment and other construction work-in-progress that will eventually be capitalised.

Amounts paid or accrued either in a lump sum or on an installment basis related to the construction, alteration, or renovation of premises, installations, and equipment (including special equipment such as computers) that are not yet functional or in use are accumulated in capital work-in-progress subaccounts that are reported in the appropriate fixed asset accounts. Payments made for capital work-in-progress projects that will eventually be expensed are expensed as incurred.

Depreciation will commence when the assets are available for use.

2.11 Intangible assets

Intangible assets comprise computer software licences and other intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding four (4) years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Bank have a definite useful life. At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES (CONTINUED)

Summary of significant accounting policies (continued)

2.13 National Fiscal Stabilisation Levy

The National Stabilisation Levy is assessed under the National Fiscal Stabilisation Levy Act (Act 781) of 2010 at 5% on accounting profit before tax and became effective on 1 July 2010. The levy is not tax deductible and it is accounted for on accrual basis.

2.14 Income tax

Current income tax

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

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

Deferred income tax

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

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

Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Summary of significant accounting policies (continued)

2.15 Employee benefits

Pension obligations

The Bank makes contributions to a statutory pension scheme and a defined contribution to a provident fund for eligible employees. Contributions by the Bank to the mandatory pension scheme are determined by law and are accounted for on accrual basis. The provident fund contributions are currently managed by the Treasury Department in collaboration with Human Capital Department.

Other entitlements

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

2.16 Provisions

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

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

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

2.17 Stated capital

a. Ordinary shares

Ordinary shares are classified as ''Stated capital" in equity.

b. Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

Summary of significant accounting policies (continued)

2.18 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities; credit risk, liquidity risk, market risk-comprising currency, interest rate and other price risk.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity at the date of acquisition, including cash in hand, deposits held at call with other Banks, and other short term highly liquid investments with original maturities of three months or less.

NOTES (CONTINUED)

2.20 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.21 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The most important types of risk include; credit risk, liquidity risk and market risk- comprising currency, interest rate and other price risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The Board has established a Risk Management Committee in support of their risk oversight objectives and responsibilities. There is also a Risk Management Department which has responsibility for the implementation of the Bank's risk control principles, frameworks and processes across the entire risk spectrum.

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

3.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's exposure to loans and advances to customers and other Banks and investment securities.

3.1.1 Management of credit risk

The Board of Directors has delegated responsibility for the Directors of credit risk to its Sub-Committee on Risk Directors. A separate Credit Department, reporting to the Chief Risk Officer, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Board Committee on Risk Management.
- Reviewing and assessing credit risk. The Credit department 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, and industries for loans and advances.

Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Management of credit risk (continued)

- 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's 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 four grades reflecting varying degrees of default or risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving Board of Directors. Risk grades are subject to regular reviews by the Risk Management Division.

NOTES (CONTINUED)

The Bank's internal credit ratings scale and classifications are as follows:

Rating	Classification	Description of the grade
1	Performing	Credits with overwhelming capacity to repay obligations or no evidence exists that obligation will not be honoured when due
2	Watch list Credit/ Other loans exceptionally mentioned	Existing credits that have shown signs of deterioration. Immediate corrective actions required to avoid complete loss
3	Substandard and Doubtful	Strong doubt exists that full repayment of principal and interest will occur but the exact extent of the loss is not certain
4	Bad or Loss	When all or part of the outstanding loans are uncollectible based on present conditions

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the credit department on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

3.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

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

Financial risk management (continued)

3.1.2 Risk limit control and mitigation policies

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

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

Some other specific control and mitigation measures are outlined below:

(a) Collateral

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

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

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

(b) Financial covenants (for credit related commitments and loan books)

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

Financial risk management (continued)

3.1.2 Risk limit control and mitigation policies (continued)

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements.

Loans and advances to banks and customers form 70.2% of the total maximum exposure (2015: 41.8%); 29.4% represents investments in government securities (2015: 56.3%) and 0.4% represent balances included in other assets (2015: 1.9%).

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the loan and advances portfolio and government securities

NOTES (CONTINUED)

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

based on the following:

66% of the loans and advances portfolio is categorised in grade 1 of the internal rating system and are considered neither past due nor impaired (2015: 77%).

Due from other banks, cash and balances with Bank of Ghana and other assets are neither past due nor impaired.

All the investments in government of Ghana securities are not exposed to any significant risk.

All credit exposures arise in Ghana. The following table breaks down the Bank's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Bank's counterparties.

3. Financial risk management (continued)

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

At 31 December 2016	Loans and advances to customers	Balances with Bank of Ghana	Due from other Banks	Trading assets	Government Securities	Other Assets (less prepayments)	Total
Agriculture	280,374	-	-	-	-	-	280,374
Manufacturing	2,049,261	-	-	-	-	-	2,049,261
Commerce and Finance	131,831,160	388,319,776	319,255,484	616,400	1,128,439,566	14,265,159	1,982,727,545
Transport and communications	1,153,970,799	-	-	-	-	-	1,153,970,799
Building and construction	540,240	-	-		-	-	540,240
Services	25,756,173	-	-		-	-	25,756,173
Oil and Gas	575,107,466	-	-		-	-	575,107,466
Power	-	-	-		-	-	-
Miscellaneous (Consumer)	98,362,549	-	-		-	-	98,362,549
Total	**1,987,898,022**	**388,319,776**	**319,255,484**	**616,400**	**1,128,439,566**	**14,265,159**	**3,838,794,407**

3. Financial risk management (continued)

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

At 31 December 2015	Loans and advances to customers	Balances with Bank of Ghana	Due from other Banks	Government Securities	Other Assets (less prepayments)	Total
Agriculture	12,317,326	-	-	-	-	12,317,326
Manufacturing	2,496,153	-	-	-	-	2,496,153
Commerce and Finance	144,655,332	79,793,996	113,273,090	1,365,106,887	40,305,243	1,743,579,410
Transport and communications	1,828,142	-	-	-	-	1,828,142
Building and construction	67,306	-	-	-	-	67,306
Services	18,719,777	-	-	-	-	18,719,777
Oil and Gas	587,063,513	-	-	-	-	587,063,513
Power	287	-	-	-	-	287
Miscellaneous (Consumer)	54,204,590	-	-	-	-	54,204,590
Total	**821,352,426**	**79,793,996**	**113,273,090**	**1,365,106,887**	**40,305,243**	**2,420,276,504**

NOTES (CONTINUED)

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

3. Financial risk management (continued)

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

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

	2016	2015
Off- balance sheet items		
Letters of credit	**6,313,841**	4,369,639
Letters of guarantee	**289,819,266**	126,619,825
Loan commitments	**16,553,518**	259,999,245
	312,686,625	390,988,709

3.1.4 Loans and advances

The table represents the maximum credit risk exposure in respect of loans and advances to customers without taking into account any collateral held or other credit enhancements.

At 31 December 2016	To customers GH¢	To Banks GH¢
Neither past due nor impaired	**1,319,456,742**	319,255,484
Past due but not impaired	**38,461,055**	-
Impaired	**629,980,225**	-
Gross	**1,987,898,022**	319,255,484
Less impairment :		
Specific	**(133,505,425)**	-
Collective	**(8,747,025)**	-
Net	**1,845,645,572**	319,255,484
At 31 December 2015		
Neither past due nor impaired	**631,130,883**	113,273,090
Past due but not impaired	**137,535,029**	-
Impaired	**52,686,514**	-
Gross	**821,352,426**	113,273,090
Less impairment :		
Specific	**(50,426,074)**	-
Collective	**(6,316,514)**	-
Net	**764,609,838**	113,273,090

NOTES (CONTINUED)

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

3. Financial risk management (continued)

3.1.5 Impaired loans

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are considered "non performing" in the Bank's internal credit risk grading system and are rated 3 or 4.

Past due but not impaired loans

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 30 days past due are not usually considered impaired, unless other information is available to indicate the contrary. These are considered ''the Watch list credit" in the Bank's internal credit risk grading system and are rated 2.

Neither past due nor impaired loans

These are loans for which no evidence exists that the obligations will not be honoured when due. They are considered ''performing" credit and are rated 1 in the Bank's internal credit risk grading system.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the Bank's 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 writes off a loan / security balance (and any related allowances for impairment losses) when the Credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Loan write off requires approval of the Board of Directors and the Bank of Ghana.

Collateral held

The Bank holds collateral against loans and advances to customers in the form of cash, 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 generally is not held over placements with other Banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

3. Financial risk management (continued)

3.1.5 Impaired loans (continued)

Financial effect of collaterals

The financial effect of collateral held by the Bank as at 31 December 2016 was a reduction in impairment charge of GH¢ 2,503,401 (2015: GH¢ 2,260,439).

	2016	2015
Past due but not impaired		
1 - 30 days	38,461,055	137,535,029
Impaired loans:		
Individually impaired		
Grade 3:	622,280,014	43,257,501
Grade 4:	7,700,211	9,429,013
Allowance for impairment	(133,505,425)	(50,426,074)
Carrying amount	496,474,800	2,260,440
Collectively impaired		
Grade 1:	1,319,456,742	631,130,884
Grade 2:	38,461,055	137,535,029
Allowance for impairment	(8,747,025)	(6,316,514)
Carrying amount	1,349,170,772	762,349,399

Accrued interest on impaired loans amounts to GH¢ 34,695,704 during the year (2015: GH¢ 3,375,040).

NOTES (CONTINUED)

3.2 Liquidity risk

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

3. Financial risk management (continued)

3.2.1 Management of liquidity risk

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

i. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

ii. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

iii. Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and

iv. Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets

The Bank's Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3.2.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank's Treasury to maintain a wide diversification by currency, provider, product and term.

3.2.3 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment 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.

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

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

NOTES (CONTINUED)

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

3. Financial risk management (continued)

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

At 31 December 2016	Up to 3 months	3-6 months	6-12 months	Over I year	Total
Financial liabilities					
Customer deposits	1,434,780,918	411,820,010	374,138,207	916,433,615	3,137,172,750
Other liabilities	94,944,326	20,369,990	37,618,688	-	152,933,004
Deposit from banks	300,648,649	-	-	-	300,648,649
Total financial liabilities	**1,830,373,893**	**432,190,000**	**411,756,895**	**916,433,615**	**3,590,754,403**
Financial Assets					
Cash and cash equivalents	707,575,260	-	-	-	707,575,260
Trading assets	-	-	94,150	522,250	616,400
Government securities	967,202,773	3,639,628	157,597,165	-	1,128,439,566
Loans and advances	386,488,611	125,130,750	40,085,585	1,293,940,626	1,845,645,572
Assets held for managing liquidity risk	**2,061,266,644**	**128,770,378**	**197,776,900**	**1,294,462,876**	**3,682,276,798**
Net liquidity gap	**230,892,751**	**(303,419,622)**	**(213,979,995)**	**378,029,261**	**91,522,395**

At 31 December 2015	Up to 3 months	3-6 months	6-12 months	Over I year	Total
Financial liabilities					
Customer deposits	382,764,042	268,239,679	374,374,633	940,659,660	1,966,038,014
Other liabilities	63,894,001	5,369,094	12,952,546	-	82,215,641
Due to other banks	304,990,774	-	-	-	304,990,774
Total financial liabilities	751,648,817	273,608,773	387,327,179	940,659,660	2,353,244,429
Financial Assets					
Cash and cash equivalents	99,051,238	-	-	-	99,051,238
Government securities	99,930,028	1,261,023,671	104,917	4,048,271	1,365,106,887
Loans and advances	139,441,443	471,669,861	42,904,792	110,593,742	764,609,838
Assets held for managing liquidity risk	451,695,799	1,732,693,532	43,009,709	114,642,013	2,342,041,053
Net liquidity gap	**(299,953,018)**	**1,459,084,759**	**(344,317,470)**	**(826,017,647)**	**(11,203,376)**

The net liquidity gap over one year is funded by the shareholders funds as well as the excess liquidity under three months.

NOTES (CONTINUED)

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

3. Financial risk management (continued)

3.2.5 Assets held for managing liquidity risk

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

i. Cash and balances with Bank of Ghana;
ii. Placement and balances with other Banks;
iii. Government bonds and other securities that are readily acceptable in repurchase agreements
iv. Short term loans and advances

3.3 Market risks

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

Overall responsibility for management of market risk rests with the Assets and Liability Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies. The Board Sub-Committee on Risk Management has oversight responsibility for market risk management.

3.3.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Bank Treasury.

Interest rates on advances to customers and other risk assets are based on the individual risk profile of the customer, taking into account the Bank's cost of fund.

The Asset and Liability Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

3. Financial risk management (continued)

3.3.1 Interest rate risk (continued)

The table below summarises the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual reprising or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

At 31 December 2016	Up to 3 months	3-6 months	6-12 months	Over I year	Non-interest bearing	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Financial assets						
Cash and cash equivalents	319,255,484	-	-	-	388,319,776	707,575,260
Trading assets	-	-	94,150	522,250	-	616,400
Government securities	967,202,773	3,639,628	157,597,165	-	-	1,128,439,566
Loans and advances to customers (net)	386,488,611	125,130,750	40,085,585	1,293,940,626	-	1,845,645,572
Other assets	-	-	-	-	42,555,462	42,555,462
Total financial assets	**1,672,946,868**	**128,770,378**	**197,776,900**	**1,294,462,876**	**430,875,238**	**3,724,832,260**
Financial liabilities						
Customer deposits	1,081,016,722	152,452,005	11,023,000	2,495,198	1,726,624,831	2,973,611,756
Borrowing from banks	286,059,609	-	-	-	-	286,059,609
Other liabilities	-	-	-	-	152,933,004	152,933,004
Total financial liabilities	**1,367,076,331**	**152,452,005**	**11,023,000**	**2,495,198**	**1,879,557,835**	**3,412,604,369**
Interest rate sensitivity gap	**305,870,537**	**(23,681,627)**	**186,753,900**	**1,291,967,678**		**1,760,910,488**

NOTES (CONTINUED)

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

3. Financial risk management (continued)

3.3.1 Interest rate risk (continued)

At 31 December 2015	**Up to 3 months** **GH¢**	**3-6 months** **GH¢**	**6-12 months** **GH¢**	**Over I year** **GH¢**	**Non-interest bearing** **GH¢**	**Total** **GH¢**
Financial assets						
Cash and cash equivalents	113,273,090	-	-	-	99,051,238	212,324,328
Government securities	99,930,028	1,261,023,671	104,917	4,048,271	-	1,365,106,887
Loans and advances to customers (net)	139,441,443	471,669,861	42,904,792	110,593,742	-	764,609,838
Other assets	25,887,252	-	-	-	19,095,130	44,982,382
Total financial assets	378,531,813	1,732,693,532	43,009,709	114,642,013	118,146,368	2,387,023,435
Financial liabilities						
Customer deposits	215,098,007	34,312,028	1,817,645	1,005,675	1,515,050,832	1,767,284,187
Borrowing from banks	299,559,206	-	-	-	1,515,050,832	299,559,206
Other liabilities	-	-	-	-	82,215,641	82,215,641
Total financial liabilities	514,657,213	34,312,028	1,817,645	1,005,675	1,597,266,473	2,149,059,034
Interest rate sensitivity gap	(136,125,400)	1,698,381,504	41,192,064	113,636,338	-	1,717,084,506

3. Financial risk management (continued)

3.3.1 Interest rate risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

Sensitivity analysis

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

Sensitivity analysis of interest rate risks - Increase of 100 basis points in net interest margin.

	2016	**2015**
Interest income impact	32,939,570	22,688,771
Interest expense impact	15,330,465	5,517,926
Net impact on profit	**17,609,105**	17,170,845

A decrease of a 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

3.3.2 Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent Banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline of 10% and 20% of the core capital for single currency position and aggregate currency position respectively as stipulated by the Bank of Ghana. These positions are reviewed on a daily basis by management.

NOTES (CONTINUED)

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

3. Financial risk management (continued)

3.3.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at the reporting date. (All figures are in Ghana cedis)

As at 31 December 2016	GH¢	USD	EUR	Others	Total
Financial assets					
Cash and balances with Bank of Ghana	428,850,887	242,505,137	14,188,168	22,031,068	707,575,260
Government securities	616,400	-	-	-	616,400
Due from other banks	1,128,439,566	-	-	-	1,128,439,566
Loans and advances to customers	1,554,934,926	290,710,646	-	-	1,845,645,572
Other assets (less prepayments)	10,375,369	4,477,824	-	-	14,853,193
Total financial assets	3,123,217,148	537,693,607	14,188,168	22,031,068	3,697,129,991
Financial liabilities					
Customer deposits	2,680,686,427	262,426,761	13,736,558	18,762,010	2,975,611,756
Other liabilities	122,852,440	28,111,839	245,359	1,723,366	152,933,004
Due to other banks	-	284,448,805	-	1,610,804	286,059,609
Total financial liabilities	2,803,538,867	574,987,405	13,981,917	22,096,180	3,414,604,369
Net balance sheet position	319,678,281	(37,293,798)	206,251	(65,112)	282,525,622
Off balance sheet items					
Letters of credit	-	6,313,841	-	-	6,313,841
Letters of guarantee	289,819,266	-	-	-	289,819,266
Loan commitments	16,553,518	-	-	-	16,553,518

NOTES (CONTINUED)

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

As at 31 December 2015	**GH¢**	**USD**	**EUR**	**Others**	**Total**
Financial assets					
Cash and balances with Bank of Ghana	100,997,267	88,854,825	15,238,414	7,233,822	212,324,328
Government securities	1,365,106,887	-	-	-	1,365,106,887
Loans and advances to customers	319,203,716	445,406,122	-	-	764,609,838
Other assets (less prepayments)	39,209,705	1,095,538	-	-	40,305,243
Total financial assets	1,824,517,575	535,356,485	15,238,414	7,233,823	2,382,346,297
Financial liabilities					
Customer deposits	1,497,574,464	238,418,379	14,095,385.31	17,195,959	1,767,284,187
Other liabilities	67,801,357	14,016,235	285,171	112,878	82,215,641
Due to other banks	10,855,445	286,045,686	2,658,075	-	299,559,206
Total financial liabilities	1,576,231,266	538,480,300	17,038,631	17,308,837	2,149,059,034
Net balance sheet position	248,286,309	(3,123,815)	(1,800,217)	(10,075,014)	233,287,263
Off balance sheet items					
Letters of credit	4,369,639	-	-	-	4,369,639
Letters of guarantee	126,619,825	-	-	-	126,619,825
Loan commitments	259,999,245	-	-	-	259,999,245

NOTES (CONTINUED)

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

Financial risk management (continued)

3.3.2 Foreign exchange risk (continued)

Sensitivity analysis

A 5% strengthening of the cedi against foreign currencies at 31 December 2016 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015:

	2016	201 5
Profit / (loss)	(1,952,146)	(749,952)

A 5% weakening of the Ghana cedi against foreign currencies at 31 December 2016 would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

3.3.3 Fair value hierarchy

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

Level 1 - Quoted prices (adjusted) in active markets for identical assets or liabilities. This level includes equity securities listed on the Ghana Stock Exchange.

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

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

This hierarchy of the financial assets of the Scheme at the end of the period are as follows:

	Level 2
Government securities held for trading	616,400

The financial assets and liabilities not measured at fair value in the statement of financial position for which the fair values are disclosed in Note 3.3.4 are categorised as level 3 other than the investment securities classified as held to maturity which are categorised as level 2.

3. Financial risk management (continued)

3.3.4 Financial assets and liabilities classification, measurement and fair values

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

At 31 December 2016	Held-to-maturity	Held for trading	Loans and receivables	Amortised cost	Total	Fair value
Cash and cash equivalents	-	-	707,575,260	-	707,575,260	707,575,260
Government securities	1,128,439,566	616,400	-	-	1,129,055,966	1,220,264,809
Loans and advances to customers	-	-	1,845,645,572	-	1,845,645,572	1,867,793,319
	1,128,439,566	616,400	2,553,220,832	-	3,682,276,798	3,795,633,388
Deposits from customers	-	-	-	2,973,611,756	2,973,611,756	2,838,312,421
Borrowing from banks	-	-	-	286,059,609	286,059,609	261,029,393
	-	-	-	3,259,671,365	3,259,671,365	3,099,341,814

NOTES (CONTINUED)

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

At 31 December 2015

	Held-to-maturity	Held for trading	Loans and receivables	Amortised cost	Total	Fair value
Cash and cash equivalents	-	-	212,324,328	-	212,324,328	212,324,328
Government securities assets	1,365,106,887	-	-	-	1,365,106,887	1,140,354,396
Loans and advances to customers	-	-	764,609,838	-	764,609,838	1,867,793,319
	1,365,106,887	-	976,934,166	-	2,342,041,053	3,220,472,043
Deposits from customers	-	-	-	1,767,284,187	1,767,284,187	1,711,968,192
Borrowing from banks	-	-	-	299,559,206	299,559,206	284,234,675
				2,066,843,393	2,066,843,393	1,996,202,867

4. Capital management

Regulatory capital

Bank of Ghana sets and monitors capital requirements for the Bank.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To safeguard the Banks ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the Bank of Ghana.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, based on the guidelines set by Bank of Ghana (the regulator), for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by the Bank's Risk Management Department and comprises two tiers:

i. Tier 1 capital: stated capital (net of any book values of the treasury shares), statutory reserve, retained earnings and reserves created by appropriations of retained earnings; and

ii. Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

The Bank of Ghana requires each Bank to:

i. Hold the minimum level of regulatory capital of GH¢60 million; and

ii. Maintain a ratio of total regulatory capital to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2016 and 2015. During those two years, the Bank complied with all of the externally imposed capital requirements.

5. Regulatory credit reserve

IAS 39 requires the Bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, Bank of Ghana prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in

NOTES (CONTINUED)

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

4. Capital management (continued)

Tier 1 capital	2016	2015
Stated capital	**74,659,061**	74,659,061
Statutory reserve	**167,496,379**	149,484,859
Income surplus	**34,678,268**	40,802,146
Less: intangible assets	**(27,702,269)**	(4,232,277)
Total qualifying Tier 1 capital	**249,131,439**	260,713,789
Tier 2 capital	**-**	-
Total regulatory capital	**249,131,439**	260,713,789
Risk-weighted assets:		
On-balance sheet	**1,020,223,660**	854,996,226
50% of net open position	**7,363,782**	2,327,442
100% of 3 years average annual gross income	**297,688,524**	229,397,812
Off-balance sheet	**296,133,107**	130,989,464
Total risk-weighted assets	**1,621,409,073**	1,217,710,944
Capital adequacy ratio	**15%**	21%

addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of income surplus and not expenses in determining profit or loss. These amounts are dealt with in the regulatory credit risk reserve. The provision for this additional impairment amounts is to be made only when impairment amounts provided under IFRS rules is lower than the figure to be provided under Bank of Ghana Prudential Guidelines.

The movements in regulatory credit risk reserve during the year were as follows :

	2016	2015
At 1 January	**-**	-
Transfer from income surplus	**52,648,517**	-
At 31 December	**52,648,517**	
		-
IFRS impairment provisions	**142,252,450**	56,742,588
Bank of Ghana provisions	**194,900,967**	51,957,805
Regulatory credit risk reserve	**52,648,517**	-

6. Critical accounting estimates and judgements in applying the bank's accounting policies

The Bank's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

a. Impairment losses on loans and advances

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

NOTES (CONTINUED)

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

7. Interest income

	2016	2015
Loans and advances :		
To banks	**23,298,491**	5,929,192
To customers	**308,621,998**	157,112,596
Investment securities	**308,256,006**	114,678,577
	640,176,495	277,720,365

8. Interest expense

	2016	2015
On customer deposits:		
Fixed deposits	**215,690,235**	28,298,201
Savings deposits	**1,619,695**	1,528,239
Demand and call deposits	**18,004,990**	7,881,296
	235,314,920	37,707,736
On deposits and takings from banks	**27,177,246**	54,582,022
	262,492,166	92,289,758

9. Fees and commissions

	2016	2015
Commission on turnover	**5,060,219**	4,078,796
Fees and charges	**19,226,812**	3,968,387
Trade finance fees	**1,176,412**	2,273,125
Guarantees charges and commissions	**893,659**	728,650
Other commissions	**5,422,854**	13,428,717
	31,779,956	24,477,675

10. Net trading income

Gains on foreign exchange transactions	**20,329,077**	21,708,089
	20,329,077	21,708,089

11. Other operating income

	2016	2015
Profit on disposal	**125,470**	2,525
Other income	**373,553**	-
	499,023	2,525

NOTES (CONTINUED)

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

12. Loan impairment charges

a)	2016	2015
Specific impairment	**84,217,996**	43,698,474
Collective impairment	**2,430,511**	3,060,894
	86,648,507	46,759,368
b) Specific impairment Charges		
At 1 January	**50,426,074**	6,727,600
Increase in impairment during the year	**84,217,996**	43,698,474
Amounts written off during the year as uncollectible	**(1,138,645)**	-
	133,505,425	50,426,074
c) Collective impairment Charges		
At 1 January	**6,316,514**	3,255,620
Increase in impairment during the year	**2,430,511**	3,060,894
	8,747,025	6,316,514
At 31 December		
Loan loss provision ratio	**7.20%**	6.91%
Gross non-performing loans ratio	**32%**	6.41%

13. Personnel expenses

Salaries and wages	**16,712,469**	12,720,125
Social security fund contribution	**1,749,315**	1,506,639
Staff provident fund	**1,750,527**	1,476,756
Other staff related costs	**22,262,150**	21,300,500
Directors' fees	**1,275,471**	731,344
	43,749,932	37,735,364
Number of staff at year end	**503**	476

14. Depreciation and amortisation

	2016	2015
Depreciation	**2,431,754**	1,993,591
Amortisation	**468,352**	203,789
	2,900,106	2,197,380

NOTES (CONTINUED)

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

15. Other operating expenses

	2016	2015
Premises expenses	**11,138,445**	7,184,210
Motor vehicle expenses	**9,986,753**	8,223,790
Telephone and telex.	**3,699,825**	2,896,247
Advertisement	**2,378,832**	992,786
Equipment expenses	**2,327,025**	1,226,178
Security services	**1,527,497**	1,336,763
Business travels	**1,195,101**	1,295,206
Correspondent bank expenses	**1,022,073**	728,969
Audit remuneration	**450,450**	437,166
General stationery	**614,529**	533,907
Subscriptions	**585,536**	353,416
Clearing charges & expenses	**363,865**	214,321
Cheque book expenses	**257,968**	42,119
Donations and social responsibility	**132,272**	77,272
General administrative expense	**50,596,926**	29,202,954
	86,277,097	54,745,304

16. Income tax

	2016	2015
Current income tax	**56,138,986**	23,557,874
National fiscal stabilisation levy	**10,535,837**	4,509,074
Deferred income tax	**(50,239)**	(538,125)
Income tax expense	**66,624,584**	27,528,823
Reconciliation of actual to effective tax rate		
Profit before income tax	**210,716,743**	90,181,480
Tax calculated at the tax rate of 25% (2015: 25%)	**52,679,186**	22,545,370
National fiscal stabilization levy	**10,535,837**	4,509,074
Expenses not deductible for tax purposes	**4,340,888**	1,443,765
Income not subject to tax	**(931,327)**	(969,386)
	66,624,584	27,528,823

NOTES (CONTINUED)

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

16. Income tax (continued)

Current income tax

Year of assessment	Balance at 1 January	Charge for the year	Payment	Balances at 31 December
Up to 2015	(11,648,102)	-	-	(11,648,102)
2016	-	56,138,986	(43,394,066)	12,744,920
	(11,648,102)	56,138,986	(43,394,066)	1,096,818
National fiscal stabilisation levy				
Up to 2015	(2,611,290)	-	-	(2,611,290)
2016	-	10,535,837	(9,592,025)	943,812
	(2,611,290)	10,535,837	(9,592,025)	(1,667,478)
	(14,259,392)	66,674,823	(52,986,091)	(570,660)

17. Deferred income tax asset

	Property and equipment	Collective Impairment	Total
At 1 January 2016	121,708	(1,579,128)	(1,457,420)
Debited/(credited) to profit or loss	557,390	(607,629)	(50,239)
At 31 December 2016	679,098	(2,186,757)	(1,507,659)
At 1 January 2015	**(105,390)**	(813,905)	(919,295)
Credited to profit or loss	227,098	(765,223)	(538,125)
At 31 December 2015	**121,708**	(1,579,128)	(1,457,420)

18. Cash and cash equivalents

a) Cash and Balances with Bank of Ghana		
Cash on hand	28,755,021	19,257,242
Balances with Bank of Ghana	359,564,755	79,793,996
	388,319,776	99,051,238
b) Due from other banks		
Items in course of collection	19,572,903	7,713,369
Placement and balances with local Banks	-	229,036
Placement with foreign Banks	257,957,633	105,330,685
Nostro account balances	41,724,948	-
	319,255,484	113,273,090
	707,575,260	212,324,328

NOTES (CONTINUED)

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

18. Cash and cash equivalents (continued)

Balances with Bank of Ghana include mandatory deposit reserve of GH¢297,361,175 (2015: GH¢ 79,793,996) which is not available for day to day operations.

	2016	2015
a) Cash and cash equivalents for purposes of the statements of cash flows		
Cash and balances with Bank of Ghana	388,319,776	99,051,238
Mandatory deposit reserve)	(297,361,176)	(79,793,996)
Unrestricted cash and bank balances	90,958,600	19,257,242
Due from other banks	319,255,485	113,273,090
Short term treasury bills (Note 20)	970,948,444	99,930,028
	1,381,162,529	232,460,360

19. Non pledged trading assets

1- Year Notes	94,150	-
3- Year Fixed Bond	522,250	-
	616,400	-
Current	94,150	-
Non-current	522,250	-
	616,400	-

20. Government securities

(a)Treasury Bills – Held to maturity		
		-
14-Day B.o.G Bill	967,308,816	-
28-Day B.o.G Bill	-	99,151,343
91-Day Treasury Bill	3,639,628	778,685
182-Day Treasury Bill	157,491,122	1,261,023,671
	1,128,439,566	1,360,953,699
(b) Government Bonds – Held to maturity		
1- Year Notes	-	104,917
3- Year Fixed Bond	-	3,540,050
3- Year Floating Bond	-	508,221
	-	4,153,188

NOTES (CONTINUED)

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

20. Government securities (continued)

	2016	2015
Treasury bill	1,128,439,566	1,360,953,699
Government bonds	-	4,153,188
	1,128,439,566	1,365,106,887
Current	1,128,439,566	1,361,058,616
Non-current	-	4,048,271

21. Loans and advances to customers

Analysis by type of advance

	2016	2015
Overdrafts	**698,615,524**	259,592,023
Loans	**1,289,282,498**	561,760,403
Gross loans and advances	**1,987,898,022**	821,352,426
Specific allowance for impairment	**(133,505,425)**	(50,426,074)
Collective impairment	**(8,747,025)**	(6,316,514)
Net loans and advances	**1,845,645,572**	764,609,838
Analysis by type of customer		
Private enterprises	**1,963,787,406**	776,678,900
Individuals	**18,725,644**	37,534,797
Staff	**5,384,972**	7,138,730
Gross loans and advances	**1,987,898,022**	821,352,426
Specific allowance for impairment	**(133,505,425)**	(50,426,074)
Collective impairment	**(8,747,025)**	(6,316,514)
Net loans and advances to customers	**1,845,645,572**	764,609,838
Current	**551,704,946**	695,824,870
Non- current	**1,293,940,626**	68,784,968

22. Other assets

Prepayments	**27,702,269**	4,232,277
Stationery stocks	**588,033**	444,861
Mobile money	**2,972,685**	28,317,067
Others	**11,292,475**	11,988,177
	42,555,462	44,982,382
Current	**41,364,146**	44,768,230
Non- current	**1,191,316**	214,152

NOTES (CONTINUED)

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

23. Property and Equipment

Cost	Land and building	Leasehold improvements	Office fittings and equipment	Motor vehicles	Computers	Capital work in progress	Total
31 December 2016							
At 1 January	2,328,288	4,514,715	9,946,854	4,910,922	3,169,090	2,197,288	**27,067,157**
Additions	347,164	809,356	1,257,325	281,756	377,770	3,112,826	**6,186,197**
Disposal	-	-	(15,562)	(387,561)	-	-	**(403,123)**
Transfers	1,050,006	1,699,227	1,214,067	87,297	323,509	(4,374,106)	**-**
At 31 December	3,725,458	7,023,298	12,402,684	4,892,414	3,870,369	936,008	**32,850,231**
Depreciation							
At 1 January	152,808	3,363,219	7,563,757	3,396,617	2,350,292	-	**16,826,693**
Charge for year	49,210	395,497	1,006,539	696,108	284,400	-	**2,431,754**
Disposal	-	-	(15,562)	(387,561)	-	-	**(403,123)**
At 31 December	202,018	3,758,716	8,555,594	3,705,164	2,634,692	-	**18,855,324**
						-	
Net book value	3,523,440	3,264,582	3,847,950	1,187,250	1,235,677	936,008	**13,994,907**

Cost	Land and building	Leasehold improvements	Office fittings and equipment	Motor vehicles	Computers	Capital work in progress	Total
31 December 2015							
At 1 January	2,290,741	4,464,028	8,999,505	4,910,922	2,719,250	886,852	**24,271,298**
Additions	26,127	41,187	492,069	-	166,735	2,197,288	**2,923,405**
Disposal	-	-	(124,972)	-	(2,575)	-	**(127,547)**
Transfers	11,420	9,500	580,252	-	285,680	(886,852	**-**
At 31 December	2,328,288	4,514,715	9,946,854	4,910,922	3,169,090	2,197,288	**27,067,157**
Depreciation							
At 1 January	118,210	3,017,965	6,954,959	2,692,246	2,177,270	-	**14,960,650**
Charge for year	34,598	345,254	733,770	704,371	175,597	-	**1,993,590**
Disposal	-	-	(124,972)	-	(2,575)	-	**(127,547)**
At 31 December	152,808	3,363,219	7,563,757	3,396,617	2,350,292	-	**16,826,693**
Net book value	2,175,480	1,151,496	2,383,097	1,514,305	818,798	2,197,288	**10,240,464**

NOTES (CONTINUED)

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

23. Property and equipment (continued)

The profit or (loss) on disposal is as follows:

	2016	2015
Cost	**403,123**	127,547
Depreciation	**(403,123)**	(127,547)
Net book value	**-**	-
Proceeds	**125,470**	(2,525)
Profit on disposal	**125,470**	(2,525)

24 Intangible assets

Intangible assets represent computer software purchased by the Bank. The movement during the year is as follows:

	2016	2015
Cost		
At 1 January	**2,523,614**	1,817,858
Additions	**625,070**	705,756
At 31 December	**3,148,684**	2,523,614
Amortisation		
At 1 January	**1,499,224**	1,295,435
Charge for the year	**468,352**	203,789
At 31 December	**1,967,576**	1,499,224
Net book value	**1,181,108**	1,024,389

25. Customer deposits

Savings deposits	**83,116,702**	70,118,853
Demand and call deposits	**1,773,968,450**	1,493,822,627
Fixed deposits	**1,116,526,604**	203,342,707
	2,973,611,756	1,767,284,187
Current	**2,912,727,259**	1,727,323,401
Non-current	**60,884,497**	39,960,786

26. Borrowing from banks

Takings from local banks	**284,444,563**	212,321,500
Takings from foreign banks	**-**	61,615,249
Due to local banks	**4,242**	-
Nostro account balances	**1,610,804**	25,622,457
	286,059,609	299,559,206

All due to other banks are current.

NOTES (CONTINUED)

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

27. Other Liabilities

	2016	**2015**
Africash payable	**31,332**	91,170
Accruals	**32,719,613**	20,302,048
Provision for legal claims	**864,275**	712,611
Drafts payable	**3,788,928**	3,144,661
Withholding tax payable	**376,826**	172,831
Visa payable	**-**	230,066
Inward transfers payable	**401,813**	293,778
Sundry liabilities	**35,194,217**	18,230,470
Dividend payable (note 31)	**79,556,000**	39,038,006
	152,933,004	82,215,641

All other liabilities are current

28. Stated capital

	Number of shares	**2016**	Number of shares of shares	**2015**
Issued :				
For cash consideration	**3,700,250,000**	**74,659,061**	3,700,250,000	74,659,061

29. Statutory reserve

Statutory reserve represents transfer of 12.5% of profit after tax to reserve in compliance with Bank of Ghana's regulatory requirement. The statutory reserve is not distributable.

	2016	2015
At January 1	**149,484,859**	141,653,277
Transfer from income surplus	**18,011,520**	7,831,582
At December 31	**167,496,379**	149,484,859

NOTES (CONTINUED)

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

30. Reconciliation of profit before tax to cash generated from operations

	2016	2015
Reconciliation of profit before tax to cash generated from operations		
Operating profit before tax	**210,716,743**	90,181,480
Adjustments for:		
Loan impairment charges	**86,648,507**	46,759,368
Depreciation and amortisation	**2,900,106**	2,197,379
Profit on disposal of property and equipment	**(125,470)**	2,525)
Operating cash flow before investment in working capital	**300,139,886**	139,135,702
Increase loans and advances	**(1,081,035,734)**	(7,942,258)
Decrease/(increase) in other assets	**2,426,920**	(22,671,309)
Decrease/(increase) in investment in government securities	**979,902,835**	(345,810,110)
Increase in customer deposits	**1,206,327,569**	724,962,190
Increase/(decrease) in other liabilities	**70,717,363**	21,649,103
Decrease in due to other banks	**(13,499,597)**	(473,896,443)
Increase in mandatory deposit reserve	**(217,567,179)**	(46,360,609)
Cash generated from/(used in) operations	**1,247,472,063**	(10,933,734)

31 . Contingent liabilities and commitments

a. Legal proceedings

There were legal cases proceeding against the Bank at 31 December 2016. Beside provision of GHS 864,275.45 (2015: GHS) made in respect of these cases, no contingent liability associated with legal actions has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

b. Capital commitments

At 31 December 2016, the Bank had capital commitments of GHS 936,007 (2015: GHS 2,197,287.42) in respect of equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

NOTES (CONTINUED)

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

31. Contingent liabilities and commitments (continued)

c. Loan commitments, guarantee and other financial facilities

At 31 December 2016, the Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2016	2015
Letters of credit	6,313,841	4,369,639
Guarantees and indemnities	289,819,266	126,619,825
Loan commitments	16,553,518	259,999,245
	312,686,625	390,988,709

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

32. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is a subsidiary of UBA Plc which owns 91% of the issued ordinary shares. UBA Plc is also the ultimate controlling party of the Bank.

All transactions with related parties are done in the normal course of business.

Details of related party balances are as follows:

	2016	2015
Loans to key management staff	758,103	354,620
Due from banks	218,359,453	98,854,600
Total	219,117,556	99,209,220
Interest income - key management staff	21,450	-
Deposits from key management staff	316,559	450,317
Dividend Payable to parent(UBA Plc)	72,395,960	35,433,568
Due to Parent (UBA Plc)	1,610,804	25,974,500
Due to other UBA affiliates	12,608,697	35,293,500
Total	86,932,020	97,151,885
Interest expense - key management staff	7,365	-

NOTES (CONTINUED)

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

32. Related party transactions (continued)

Key management compensation

The remuneration of key management staff during the year were as follows:

	2016	2015
Salaries and other short-term employment benefits	6,071,998	5,428,400
Defined contribution for key management staff	175,407	157,918

Key management staff constitutes members of the Executive Committee

Directors' remuneration

Fees for services as a director	616,145	731,344

33. Dividend declared

During the year the Bank declared a dividend of 2.15 pesewas (2015: 1.1 Pesewas) per share amounting to GH¢79,556,000 (2015: GH¢ 39,038,006). Payment of dividend is subject to withholding tax at a rate of 8%.

	2016	2015
Dividend payable:		
At 1 January	39,038,006	19,980,158
Dividend declared	79,556,000	39,038,006
Dividend paid	(39,038,006)	(19,980,158)
	79,556,000	39,038,006

34. Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

NOTES (CONTINUED)

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

Shareholder information

Shareholder	Shareholding	% holding
United Bank For Africa Plc	3,358,600,375	90.77%
Gold Coast Investment Project Ltd	248,820,107	6.72%
Teachers Fund	50,000,000	1.35%
Kwame Pianim	13,522,250	0.37%
Consortium Investment Trust	11,416,278	0.31%
Unique Insurance Co Ltd	11,366,659	0.31%
Labour Enterprises Trust Co. Ltd	6,524,331	0.18%
Totals	**3,700,250,000**	**100%**

Value added statement

	2016	2015
Interest and other operating income	**671,956,451**	302,198,040
Direct cost of services	**(348,769,263)**	(147,035,062)
Value added by banking services	**323,187,188**	155,162,978
Non-banking income	**20,828,100**	21,710,614
Impairments	**(86,648,507)**	(46,759,368)
Value added	**257,366,781**	130,114,224
Distributed as follows:		
To employees:-		
Directors (without executives)	**1,275,471**	731,344
Executive directors	**1,455,234**	1,682,171
Other employees	**41,019,227**	35,321,849
To government:		
Income taxes	**66,624,584**	27,528,823
To expansion and growth		
Depreciation	**2,431,754**	1,993,591
Amortisation	**468,352**	203,789
	144,092,159	62,652,657

CORPORATE INFORMATION

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UBA
United Bank for Africa

April 4, 2017

Mr. Kenneth Orji
Chairman/CEO
Centennial Capital Ltd
5A Fola Osibo Road
Lekki Phase I
Lagos, Nigeria

Dear Sir,

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of United Bank for Africa (Ghana) Limited has been scheduled for Thursday, May 11, 2017 at Heritage Tower, near Cedi House, Ambassadorial Enclave, off Liberia Road, West Ridge, Accra at 11 :30am to transact the following business:

AGENDA

1. To consider, ratify and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended December 31, 2016
2. To authorize the Directors to fix the remuneration of the Auditors
3. To transact any other business to be dealt with at an Annual General Meeting

BY ORDER OF THE BOARD

COMPANY SECRETARY

United Bank for Africa (Ghana) Limited
Heritage Tower, Ambassadorial Enclave, Ridge
P.M.B. 29, Ministries, Accra, Ghana
Tel: +233-302-683526-30 Fax: +233-302-680666

CORPORATE INFORMATION

United Bank for Africa (Ghana) Ltd – Directors

UBA Ghana is led by a well selected team of Directors drawn from a wide spectrum of professions and geographies with huge experiences relevant to banking business.

1. Directors:

Mr. Kenneth Chikezie Orji – Chairman
Mrs. Abiola Bawuah – MD/CEO
Mr. Soni Anwal – DMD
Mr. Oliver Alawuba – Member
Mr. Alex Mould – Member
Mr. Samuel Ofori-Adjei – Member
Prof. Kwamena Ahwoi – Member

Note: Mr Usman Isiaka and Mr Kennedy Uzoka were on the board until their retirement on May 26, 2016 and July 15, 2016 respectively. Mr Soni Anwal was appointed to the Board on June 1 2016.

2. Executive Committee Members

UBA Ghana Executive Committee is made up of highly skilled and well talented professionals manning the various directorate of the Bank.

1. Abiola Bawuah -Managing Director/CEO- Chairman
2. Soni Anwal –Deputy Managing Director – Vice Chairman
3. Adedayo Adesipo - Chief Operating Officer – Member
4. Nkechi Akunyili- WAMZ Treasurer - Member
5. Olayiwola Sofolahan –Chief Risk Officer- Member
6. Johnson Olakunmi – Head, Digital Banking - Member
7. Adedeji Adeyeluye- Chief Financial Officer - Member
8. Jocelyn E. Ackon – Head, Human Capital - Member
9. Chiedu Okonta – Country Chief Inspector- In attendance
10. Kwame Aduansere - Head, IT- Member
11. Philip Odoom- Head, Compliance - Member
12. Evans Sallah – Head, Internal Control - Member
13. Petrina Frimpong- Head, Legal & Company Secretary
14. Katherine-Lois Tosan Woode - Head, Marketing & Corporate Communications

3. Shareholder Information

S/N	Name Of Shareholder	Total Shares	Shareholding Structure
1	United Bank For Africa plc	3,358,600,375.00	90.77%
2	Gold Coast Investment Project Ltd	248,820,107.00	6.72%
3	Teachers Fund	50,000,000.00	1.35%
4	Kwame Pianim	13,522,250.00	0.37%
5	Consortium Investment Trust	11,416,278.00	0.31%
6	Unique Insurance Co Ltd	11,366,659.00	0.31%
7	Labour Enterprises Trust Co. Ltd	6,524,331.00	0.17%
	Total	**3,700,250,000.00**	**100%**

Board Secretary

Petrina Frimpong
Heritage Towers,
Near Cedi House,
Ambassadorial Enclave,
Off Liberia Road,
PMB 29, Ministries, Accra

Auditors

PricewaterhouseCoopers
Chartered Accountants
No. 12 Airport City
UNA Home, 3rd Floor
PMB CT 42 Cantonment
Accra, Ghana

Registered office

Heritage Tower,
Near Cedi House,
Ambassadorial Enclave,
Off Liberia Road,
PMB 29, Ministries, Accra

BUSINESS OFFICE NETWORKS

ACCRA

CORPORATE BUSINESS OFFICE
Address: Heritage Tower, Ambassadorial Enclave, Near Cedi House, Off Liberia Road, Ridge.
Tel.: 0302680094 / 0302681224 / 302681224 / 0302689000

LABONE
Address: Hse. No. 96B Sithhole St., 5th Circular Road – Opp. Bosphorus Restaurant & Café, Labone
Tel.: 0302 783015 / 6 / 782234

ABEKA LAPAZ
Address: Abeka Lapaz,Akro-Gate Towers, Off Akwetyman,Lapaz, Road Accra - Ghana
Tel.: 03024 14474 / 407547 / 416682

ABOSSEY OKAI
Address: Urban Rose Plaza,13 Winneba road, Pamprom Traffic Light, - Abossey Okai
Tel.: 0289 555189 / Fax.: 302661108

ACCRA CENTRAL
Address: No. 507 Cerby Avenue, White Chapel Building, Okaishie
Tel.: 0302 674085 / 674056 / 674112 / 674099 / 89

KANTAMANTO
Address: Tarzan Building Complex, Kantamanto
Tel.: 0302 681319 / 674112

RING ROAD CENTRAL
Address: Ring Road, Opposite Swiss School
Tel.: 0302 246066 / 8

NORTH INDUSTRIAL AREA
Address: NIA No. 612 Dadeban Road NTC
Tel.: 0302 2581778 / 257177 / 258177

ACHIMOTA
Address: Achimota Banking Farm, Mile 7, ABC Junction
Tel.: 0303- 976099/ 0303976100

AIRPORT
Address: 59 Patrice Lumumba Road, Airport Residential Area.
Tel.: 0302 766172 / 3

DZORWULU
Address: No. 47 Blohum Street, Near Medi-fem Clinic, Dzorwulu
Tel.: 0302 774038

EAST LEGON - AMERICAN HOUSE
Address: 4 Boundary Road East Legon, (Near America House)
Tel.: 0302 520497 / 8 / 520493

EAST LEGON - LAGOS AVENUE
Address: No. 382, Lagos Avenue St., East Legon - Residential Area.
Tel.: 0289 532533 / Fax.: 509038072

MADINA
Address: Hollywood Shopping Complex - REDCO, Madina
Tel.: 0302 520770 / 4 / 520778 / 9 / 0201352992
Fax.: 302520772

TESHIE
Address: Lascala junction,Near KAIPC,Teshie
Tel.: 0289549669 / 0289549889

SPINTEX
Address: 120B Spintex Road, Agapet Filling Station
Tel.: 0289 549821 / 0289 549838

TEMA COMMUNITY 4
Address: Konadu Shopping complex, Near Chemu Sec School, Comm. 4
Tel.: 03032 00847

TEMA COMMUNITY 1
Address: Greenwich Tower, Opp. former Black Star Line, Meridian Road,Community
Tel.: 03032 12162 / 65
Fax.: 303212180

ASHANTI

ADUM
Plot 2, Block II A Palace Road, OTA Adum-Kumasi
Tel.: 03220 41006 / 8

KEJETIA
Opposite Unicom House,Kumasi Station,Kejetia, Kumasi
Tel.:03220 43898
Fax.: 322043898

ALABAR
ZE 66 Manhyia Road, Alabar - Kumasi
Tel.: 03220 31130

TANOSO
University of Education-Winneba (Kumasi campus)
Tel.: 03220 52490 / 52495 / 52489

SUAME
Address: Plot 3 Block A, Suame Takwa Layout
Tel.: 03220 49101 / 3

KNUST
Opp. Old administration block, KNUST campus, Kumasi
Tel.: 03220 64400
Fax.: 322064403

VOLTA

AFLAO
Aflao Border, Exit gate, Southern – end, Aflao
Tel.: 0362099821 / 036099822
fax.: 96230906

WESTERN

TAKORADI
Address: No. 52/1 John Sarbah Road, Former BHC Building, Market Circle.
Tel.: 03120 26330 / 26437 / 25787

TARKWA
Address: St. Matthew Catholic Church, Obuoso Road, Tarkwa.
Tel: 0312 292952/

NORTHERN

TAMALE
Address: Ward M, Plot C4, North Lamashegu Res. Area.
Tel: 0372099002

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