Standard Chartered

Annual Report 2017

# Driving commerce and prosperity through our unique diversity

# Notice & Agenda

Notice is hereby given that the Annual General Meeting of Standard Chartered Bank Ghana Limited will be held at the National Theatre, opposite the Efua Sutherland Children's Park, Accra on Thursday 7th June 2018 at 11.00am for the ordinary business of the Company.

**Agenda**

1) To receive and consider the reports of the directors and auditor, the balance sheet as at 31st December 2017 together with the profit and loss and income surplus accounts for the year ended on that date
2) To elect directors
3) To approve directors' remuneration
4) To appoint a new auditor
5) To approve the remuneration of the auditor

**Special Business**

6) To consider and if thought fit, to pass the following resolutions as recommended by the directors, which will be proposed as Special Resolutions:

    a. That an amount of GH¢302million (gross of withholding tax) be transferred from the Company's Income Surplus to Stated Capital.

    b. That the Directors be and are hereby authorised to apply the aforementioned amount to make full payment for 19,251,214 ordinary shares of no par value, such shares to be issued as fully paid to the existing shareholders in proportion of 1 new share for every 6 existing shares held. However these bonus shares will not attract dividend for the financial year ended 31st December 2017, but will be eligible for future dividends.

Dated this 22nd day of February, 2018

**BY ORDER OF THE BOARD**

**SIGNED**
**ANGELA NAA SAKUA OKAI**
**(COMPANY SECRETARY)**

Note: A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such a proxy need not be a member of the Company. A form of proxy is on page 117 in the Annual Report.

# Who we are

**Standard Chartered Bank Ghana Limited is Ghana's premier bank drawing its history from the Bank of British West Africa established in 1896. We are a member of a leading international Bank Group with presence in 63 markets worldwide. Our heritage and values are expressed in our brand promise, Here for good.**

The Bank is made up of client segments supported by Functions. Standard Chartered Bank Ghana Limited is listed on the Ghana Stock Exchange.


For more information please visit sc.com/gh
Follow Standard Chartered Bank Ghana Limited on

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# Contents

## OUR PURPOSE

Driving commerce and prosperity through our unique diversity.

## FINANCIAL KPIs

Return on Equity

2017: 32.30%

2016: 34.00%

Capital Adequacy Ratio

2017: 26.00%

2016: 21.59%

## NON FINANCIAL KPIs

Diversity and Inclusion: Women in senior roles

2017: 44%

2016: 33%

## OTHER FINANCIAL MEASURES

Operating Income

GH¢676.8m

up 9%

Earnings per share

GH¢2.44

up 27%

Profit before Tax

GH¢422.3m

up 22%

## Functions

Our client facing businesses are supported by six functions, which work together to ensure day to day operations run smoothly and are compliant with banking regulations

**Human Resources**
Recruits and builds talent while providing learning and development opportunities to motivate colleagues

**Legal**
Enables sustainable business and protects the Bank from legal-related risk

**IT & Operations**
Responsible for the Bank's operations, systems development and technology infrastructure

## What we do

# Client segments with differentiated expertise

### Corporate & Institutional Banking

Serving large corporations, governments, banks and investors

Operating income

GH¢382.7m

### Commercial Banking

Supporting small and mid-sized companies

Operating income

GH¢63.5m

### Retail Banking

Serving individual clients and small businesses

Operating income

GH¢230.6m

#### Risk & Compliance

Responsible for the sustainability of our business through good management of risk across the Bank and ensuring that business is conducted in line with regulatory expectations

#### Finance

Incorporates Finance, Supply Chain and Property. The leaders of these functions report directly to the Chief Financial Officer

#### Corporate Affairs and Brand & Marketing

Manages the Bank's communications and engagement with stakeholders in order to protect and promote the Bank's reputation, brand and services

# Chairman's statement

> We made significant progress in 2017 posting strong financial performance, a testament to the disciplined execution of the Bank's strategy

Distinguished Shareholders, Ladies and Gentlemen, it is my pleasure to welcome you to the 48th Annual General Meeting of Standard Chartered Bank Ghana Limited and to present your company's Annual Report and Financial Statements for the year ended 31 December 2017.

2017 was characterised by economic uncertainties driven mainly by geopolitical tensions which had direct impact on the global economy with implications for emerging market economies such as ours. However we saw an easing of the macroeconomic conditions towards the end of the year under review, buoyed by accelerated GDP growth.


Ghana's economic performance in 2017 improved significantly following years of difficulties which led to a downturn in growth between 2013 and 2016. The rebound of the economy was characterised by a GDP growth of 8.5 per cent in 2017 from 3.7 per cent in 2016 resulting in increased trade, investor confidence and increased momentum in the business environment.

## Business performance

2017 marked the second full year of implementing our refreshed strategy aimed at making the Bank more efficient and resilient to external shocks while tightening our risk and control measures. Our priorities at the beginning of the year were to focus on our clients, putting them at the center of our operations, ensuring excellent governance and maintaining high ethical standards. These are critical to achieving sustainable long-term growth and improving long-term shareholder value.

We entered 2017 with cautious optimism while focusing on growth opportunities as market conditions improved. We made significant progress in 2017 posting strong financial performance, a testament to the disciplined execution of the Bank's strategy of maintaining a strong balance sheet, improving profitability and driving operational efficiencies. As we reshaped the balance sheet we were cautious about driving revenue growth. Underlying profit before tax however increased by 22 per cent to GH¢422.3 million. Earnings per share increased by 27 per cent from GH¢1.92 to GH¢2.44. We are now in a position to drive revenue growth.

The Management Team has placed business growth on an upward trajectory to deliver accretive returns to benefit our clients, shareholders, employees, communities and all other stakeholders.

## Recapitalisation and dividend

The Central Bank issued a new directive raising the minimum capital requirement for banks to GH¢400million from GH¢120million by December 2018.

The Board has looked at various options to raise the new capital and has decided that the best option is to use our income surplus standing in the books as at the end of 2017 to raise this new capital requirement. Consequently, the Board shall not recommend the payment of dividend on Ordinary shares in 2017.

## Bonus shares

Given that shareholders have always encouraged the Board to consider awarding bonus shares, the Board is recommending 1 share for every 6 shares held.

## Share price performance

It is also noteworthy that during 2017, Standard Chartered Bank Ghana Limited stocks were among the best performing on the Ghana Stock Exchange with the stock appreciating by 107 per cent in 2017.

## Ensuring excellent governance

The banking sector globally and locally continues to undergo many changes with tighter and more stringent regulations. Locally, the Central Bank took several measures in 2017 aimed at building a stronger and robust banking sector and strengthening the corporate governance structures of financial institutions.

As a Bank, we recognise that practising high standards of corporate governance is fundamental to sustainable growth. We continue to embed a culture of ethical banking through our robust conduct management framework. Clients may sometimes feel frustrated by the rigid enforcement of governance by our Bank, but overtime it has become clear to our clients, investors, employees and stakeholders that a robust environment is a safer place to do business and we must all be proud of our Bank.

## Our commitment to sustainability

Being Ghana's premier bank and having operated in this market for over 120 years the Bank is committed to the socio-economic growth of Ghana. We seek to promote sustainable economic and social development in our communities working with local partners to deliver programmes focused on health and education.

In May 2017 we launched Goal, our programme to empower girls and young women through sports and life skills training. The programme has touched over 600 girls from deprived communities in the Greater Accra and Eastern Regions.

Seeing is Believing (SiB) is our flagship programme to tackle avoidable blindness and visual impairment. SiB Phase V launched in 2013 was completed in June 2017. Over the four-year period, the Bank invested over GH¢4million to improve eye health of Ghanaians through integration of primary eye care into primary health care across the 10 regions of Ghana specifically in 35 identified districts working with our partner NGO, Operation Eyesight Universal.

In September 2017, we launched SiB Phase V tranche 3 in partnership with ORBIS aimed at increasing the uptake of eye health services by children (specifically) and adults in four districts of the Ashanti Region - Afigya Kwabre, Ejisu Juaben, Atwima Kwanwoma and Bosomtwe Districts.

The Bank also supported the National Baseline Study on Blindness and Visual Impairment in Ghana. The report was launched in September 2017. The findings will serve as a basis for designing future interventions, setting up monitoring indicators to track performance as well as consolidate the joint efforts of policy makers, partners and eye health professionals.

## Board changes

Two new members were appointed to the Board in July 2017. Mr Henry Baye, Head, Retail Banking was appointed Executive Director and Professor Akua Kuenyehia was also appointed as an Independent Non-Executive Director. She replaced Mrs. Felicia Gbesemete who completed her term and stepped down from the Board in May 2017.

## Summary

Ghana's economic performance improved significantly in 2017 with significant growth of 8.5 per cent. Economic forecasts for Ghana in the medium term are optimistic with economic indicators trending positively, with an expected robust improvement in the macro environment. However, the economy continues to face structural challenges which require attention. The banking sector will also continue to face challenges with the expected tightening of the regulatory environment.

The Board is confident of the Bank's ability to seize the right opportunities for growth while effectively responding to the challenges that can potentially undermine the Bank's performance.

On behalf of the Board, I would like to thank our employees, clients, stakeholders and shareholders for their continued support.
I am grateful to our staff for their dedication, hard work and resilience in executing the Bank's strategy with diligence and passion.

**Ishmael Yamson**
Chairman
22 February, 2018



# Tackling avoidable blindness

## Seeing is Believing Phase V

Seeing is Believing (SiB) is our global flagship programme to tackle avoidable blindness and visual impairment.

Phase V implementation launched in 2013 was completed in June 2017. Over the four-year period, the Bank invested over GH¢4million to improve eye health of Ghanaians through integration of primary eye care into primary health care across the 10 regions of Ghana, specifically in 35 identified districts working with our partner NGO Operation Eyesight Universal. Under the programme, we supported the first National Blindness and Visual Impairment Study.

Our staff were actively engaged in the project through employee volunteering in activities such as screening, awareness creation, and monitoring and evaluation of the project.

## SiB PHASE V – Integration of Primary eye care into primary health care

| SiB contributed towards... | Leading to... | Impacting... |
|---|---|---|
| training of 3,337 primary eye care workers across the 35 project sites | 515,504 eye examinations conducted | the delivery of eye health services by bringing eye health to the door step of the communities |
| training of 92 frontline ophthalmic personnel,11 equipment technicians and orientation for 10 ophthalmologists | the availability of much needed human resource for eye health in partner districts | on the surgical backlog in Ghana by bringing quality services to previously underserved districts |
| the distribution of spectacles, low vision aids and established a system where low vision and refractive error patients could access quality services and treatment | distribution of 1,372 spectacles to the needy | the elimination of avoidable blindness |
| equipment and consumables for 35 district hospitals | 35 districts hospitals fully equipped and functional | availability of quality eye health services at the district and increased access to eye health services |
| development and dissemination of Information Education and Communication materials | Leading to sensitization of over 5,000,000 people | partner districts and communities taking charge of their eye health |
| the conduct of National Blindness and Visual Impairment study | Leading to generation of data and evidence | on advocacy for eye health |

## Key service delivery increase

- Uptake of eye health services in partner districts increased by 300%
- Introduction of low vision services
- Surgery in some districts
- Refractive error services


# Chief Executive's review

> We have made good progress in 2017, putting the business back on an upward growth trajectory underpinned by deepening client relationships, investment in technology and strengthening our control environment.

2017 marked a pivotal point towards improved macroeconomic conditions. The adverse conditions which commenced in 2013 led to curtailed business growth and profitability across many sectors of the Ghanaian economy including the banking sector, which recorded heightened levels of loan impairments. The year in review recorded a growth of 8.5 per cent, up from 3.7 per cent in 2016.

Mansa Nettey,
Chief Executive

This improvement resulted in renewed investor confidence providing the right environment for business growth. As our economy began to show signs of recovery, we as a Bank achieved significant consolidation of our business while prioritising returns and investments into the business and building momentum based on our three core pillar strategy of securing our foundations, getting lean and focused and investing and innovating; adopted during the latter part of 2015.

I am pleased to say that the actions we took to turn the business around as favourable conditions returned are yielding positive results. Underlying profit grew by 22 per cent to GH¢422.3million. Impairment charge of GH¢9.5million was 88 per cent better than prior year position of GH¢81.1million, achieved through our continued focus on recovery of impaired assets. Capital adequacy ratio for the period was 26 per cent, up from 21.59 per cent in 2016.

Maintaining our efforts from the past years, we have made good progress in 2017 putting the business back on an upward growth trajectory underpinned by deepening client relationships, investment in technology and strengthening our control environment. We will continue to drive sustained profitable growth in 2018 and the years ahead, consistent with past trends.

## Securing our foundations

In order to secure our foundations, we have since 2016 been focused on maintaining capital adequacy ratio above prudential limits, aligning business strategy with tightened risk tolerance, managing risk weighted-assets efficiently, improving portfolio standards and risk triggers and delivering profitability guided by our conduct and financial risk programmes.

As referenced in our Chairman's statement, the Board has decided that the best option to meet the minimum capital requirement of GH¢400 million by December, 2018 is to convert the income surplus standing in the books as at the end of 2017.

We remain liquid and well capitalised with an enhanced risk framework that enables us effectively identify and manage current and emerging risks.

In 2017, we conducted a review of our operational risk universe to ensure that the Bank's risk management framework was well aligned to address the emergent risks of regulatory compliance, cyber crime and financial crime compliance to protect our clients and their wealth.

## Getting lean and focused

We continue to pursue prudent cost management strategies and drive operational efficiencies. The savings realised from business efficiencies are invested in technology.

In 2017, we also recommitted to driving a revolutionary service culture change across the Bank by simplifying processes for clients and frontline staff to enable us serve our clients better. We expect that by attaining the right service culture focused on our clients, balanced with an effective financial crime compliance culture, we would be able to deepen our client relationships while delivering sustainable value to our shareholders.

As Standard Chartered continues to focus on supporting Ghana's economic development agenda, Group Board Chairman, Jose Vinals, reiterated to His Excellency Nana Akufo-Addo, President of the Republic of Ghana, during a working visit to Ghana in 2017, our support and commitment to the development of key sectors of the Ghanaian economy.

## Investing and innovating

We have made significant investment in our business since 2015 with the aim of delivering easy and convenient banking via digital channels. We continue to invest to improve client experience through an enhanced end-to-end digital offering, with straightforward platforms and best-in-class digital products and services.

In 2017, we opened two new additional "smart" branches in Ahodwo, Kumasi and at the West Hills Mall, Accra; both of which combine traditional and secure banking services via our award winning digital channels. We will continue to invest in relevant technology and innovative partnerships, backed by our global technology centers, to help us sustain our lead at the forefront of technology for the benefit of our clients.

The construction of our ultramodern head office building project, located at Ridge in Accra, was initiated in February, 2016. The development, which further affirms our brand promise of being Here for good, progressed at an appreciable pace in 2017 and currently remains on track for completion in 2018.

## Business updates

In 2017, we remained focused on the execution of our strategic Business priorities. We repositioned our Corporate and Institutional Banking segment which serves our multinational corporate clients by leveraging on our global capabilities. We continued to deepen our sovereign relationship through the provision of risk management and capital market solutions and market thought leadership that resulted in our winning of key mandates related to liquidity management, trade and infrastructure financing. We also made significant progress in the delivery of our commercial real estate proposition.

We continued with the transformation of the Retail Banking business into a more digital delivery model enhancing client engagement with improved efficiency. We enhanced our product offering with a comprehensive range of wealth, investment management and insurance solutions backed by our global investment advisory capability. In 2018, we expect to finalise arrangements to onboard a strategic Bancassurance partner to help drive our Insurance Service sales.

In our quest to further enhance our offering of seamless banking services, consistent with our digitisation agenda, we successfully launched the Bank's Visa Infinite and Platinum Credit Cards in Ghana supported by a "best in class" visa rewards program.

The Bank will maintain a strong, lean, focused and efficient Retail Banking business through branch optimization, and mobile platform integration to improve client experience while accelerating focused growth.

We have repositioned our Commercial Banking and Business Banking segments to support local corporates and medium enterprises at an early stage of their lifecycle by leveraging on our cross-border network capabilities and broad suite of financial solutions. This is to support their growth aspirations with trade finance, cash management, financial markets, corporate finance, employee banking and personal wealth solutions. We will continue to collaboratively harness the synergies within the ecosystem of our Corporate and Institutional Banking clients to help drive the commerce and prosperity aspirations of the next generation of multinational corporates within our Commercial and Business Banking clients.

## Summary and outlook

Going into 2018, we remain committed to efforts and initiatives that would help us aggressively drive top line growth. We will focus on being the right partner to government, corporates and individuals by delivering on our ratings advisory, capital markets, differentiated wealth management advisory and e-solution capabilities.

Leveraging on our global network, product range, structured trade solution expertise and a renewed focus on exporter clients, we will strive to become the preferred and leading bank of choice for trade financing, payments and collections solutions which will aggressively help reshape the profitability of our Commercial Banking business

We will deepen holdings across the value chain in strategic industries of manufacturing, infrastructure, energy and oil and gas while driving untapped ecosystem banking potential.

We have sustained our focus on maintaining the right levels of controls backed by robust compliance framework, especially in the area of financial crime compliance, and maintaining the right conduct in delivering our services to our clients and in our dealings with our stakeholders and colleagues. We aim to adopt more efficient and effective tools, practices and processes that would position us as leaders in discovering and disrupting financial crime and cyber security risks. Given the recent developments in the banking sector, we will continue to comply with the Bank of Ghana's directives and regulations to ensure the funds and wealth of our clients remain safe with us as they have been over the last twelve decades.

Our outlook for 2018 remains positive as we expect strong economic growth as the external conditions improve. We remain committed to driving income growth to sustain the momentum over the last couple of years and increase our returns in the medium term.

## Our Purpose and Valued Behaviors

As a great organisation backed by a strong brand with rich heritage, we continue to focus on deepening our brand and culture. In 2017, we went through a process to refresh our purpose by identifying the essence of what we stand for, who we are and how we need to behave to deliver our full potential as an organisation. Our efforts resulted in our new purpose statement of "driving commerce and prosperity through our unique diversity".

To make our purpose more meaningful and effective, we followed up with a set of three new valued behaviours of "Do the right thing", "Never settle" and "Better together"; designed to help guide the actions of all staff as we focus on heightening the client experience by putting our clients at the heart of everything we do; at the centre of every plan, every process and every product offering.

In addition to our purpose and valued behaviours, we also adopted the umbrella movement of #makingmemorableexperiences in Ghana to instil a culture of excellence and renewed passion aimed at making the Bank a warm and welcoming place for our clients and staff.

Our purpose and valued behaviours are expected to have a combined effect that will positively influence the way we do business and interact with our clients, shareholders and colleagues, while driving our returns.

## Conclusion

We are proud of the very encouraging progress made over the last two years in executing our refreshed strategy. I believe the choices we have made will continue to help us deliver our best products and services to our clients, who are at the center of all we do, in the most seamless way while delivering sustained value to our shareholders.

Our progress could not have been possible without the hard work and great effort of our staff and key stakeholders. We appreciate each one of them for their resilience and support through the tough times. Going into 2018, we aim to advance our mutually beneficial relationship to help keep our clients at the heart of everything we do.

Finally, I would like to express my gratitude to all our shareholders for your unwavering support throughout the challenging times. We are poised for growth and will continue to focus on our strategy, improve on how we work together by ensuring we live our valued behaviours and think client by putting clients at the heart of everything we do to create incremental value for your investment.

**Mansa Nettey**
Chief Executive
22 February, 2018




# GOAL
## reaching new heights

Standard Chartered Bank is committed to providing positive social and economic development within the communities where we operate. Our community programmes focus on health and education, with youth as a target demographic.

Goal is our global education programme which focuses on adolescent girls and young women. Through sports and life skills training we equip girls with the confidence, knowledge and skills they need to be leaders in their communities. Goal was launched in Ghana in May 2017, and is being implemented by our NGO partner Right to Dream Academy.

Through the Goal curriculum we hope to shatter stereotypes and norms that prevent girls from fulfilling their potential. With Goal we want to celebrate the power and potential of girls. Girls are potential leaders and have the power to change the world.

The Goal curriculum is based on four training modules focusing on:

- Financial literacy – Be Money Savvy
- Communication skills – Be Yourself
- Health and hygiene – Be Healthy
- Confidence and life skills – Be Empowered

# Economic environment

## Overview of the economy

Ghana's economy recorded robust growth in 2017, buoyed by a rebound in oil and gas output. GDP growth was 8.5 per cent in 2017 (from 3.7 per cent for the same period in 2016). While the headline growth was impressive, growth in the non-oil economy was weaker. Inflationary pressures eased considerably, with inflation averaging 12.4 per cent in 2017 (from 17.5 per cent in 2016), allowing the Bank of Ghana to cut its policy rate by a cumulative 550bps to 20 per cent by December from 25.5 per cent at end 2016. Domestic interest rates also declined significantly, largely in response to the debt re-profiling policy of the government. Yields on the 91-day, 182-day and 1-Year treasury instruments dropped to 13.3 per cent, 13.8 per cent and 15 per cent respectively in December (from 16.8 per cent, 18.5 per cent and 21.5 per cent in December 2016). The Ghana Cedi (GH¢) yield curve was also extended following the issuance of 15 year debt instruments, and a shift in the public debt profile from short dated instruments into the longer dates of 7 – 15 year instruments. The external position also improved considerably with the current account deficit narrowing to 4.6 per cent in 2017 (6.6 per cent in 2016), supported by improvements in the merchandise trade balance. Ghana achieved a trade surplus of USD 1.1 billion in 2017 from a deficit of USD 1.8 billion the previous year on higher export receipts, as well as lower imports. Gross FX reserves also increased to USD 7.6 billion (4.3 months import cover) in December 2017, from USD 6.2 billion (3.5 months import cover) in December, 2016.

The GH¢ remained largely stable throughout 2017, with some bouts of volatility on seasonal demand pressures. The GH¢ depreciated by 4.9 per cent against the USD in 2017 compared to the 9.7 per cent depreciation in 2016.

## The outlook for 2018

Growth should remain robust in 2018, supported by continued gains in hydrocarbons output, with new gas production expected from the Sankofa field. The non-oil economy should also benefit from a number of pro-growth initiatives including the rationalisation of taxes, the cumulative effect of interest rate easing, as well as efforts to boost private sector lending.

Monetary policy should remain accommodative given a benign inflation outlook. Downside pressure on the treasury curve may persist as local demand improves throughout the year; the release of TPFA funds is likely to add to the pressure. We expect Government plans to tap into the international capital markets, through its Eurobond issuance to serve as a key gauge of investor perceptions of the strength of Ghana's stabilisation efforts. Higher growth and the debt re-profiling exercise reduced the public debt ratio to 68.7 per cent of GDP in November 2017. However, with external debt comprising approximately 54 per cent of debt, Ghana remains vulnerable to any pronounced FX weakness. We expect the local currency to remain relatively stable in 2018, supported by increased FX reserves and decent portfolio inflows, as well as healthy export receipts.

The market environment report has been produced by our Global Resaerch team. The forecasts for 2018 reflect its projections, and not necessarily those of the Board.

# Business model

## A business model built on long-term relationships

Our business model and strategy focuses on capturing the opportunities in the market by developing deep, long-term relationships with our clients.
Developing these relationships requires utilising resources in a sustainable manner and deploying them to maximum impact on our profitability and returns.

### Our resources

We aim to utilise resources in a sustainable way, to achieve our long term strategic objectives.

#### Human capital

Our diverse employees are our greatest asset. Having been operating in this market for over 120 years, we have become part of the fabric of the nation. We have a deep understanding of the market and our clients' needs.

928 Employees

50% Female

#### Strong brand

We are Ghana's premier bank established in 1896 and a member of a leading international group. We have been at the forefront of financial market development in Ghana.

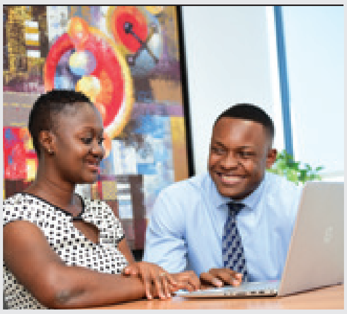
#### International network

Being part of an international group with presence in over 65 markets we connect companies, institutions, and individuals to and in the worlds most dynamic regions.

### What makes us different

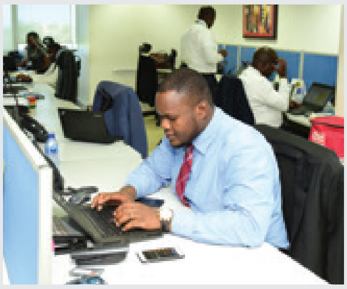
Our Purpose is what sets us apart. Our strategy helps us achieve our purpose.

We drive commerce and prosperity through our unique diversity



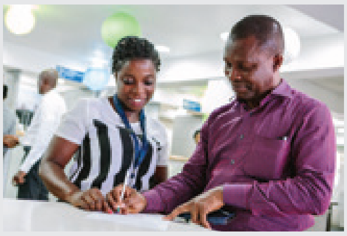
#### Client focus

We put our clients at the heart. of everything we do and we build long-term relationships with them.



#### Robust risk management

Our risk management approach helps us to grow in a sustainable manner



#### Distinct proposition

By combining our local expertise and international network, we offer our clients superior tailored proposition

## What we deliver

We deliver a differentiated set of solutions, products and services, adapted to the needs of our clients

### Client Segments

- Corporate & Institutional Banking
- Retail Banking
- Commercial Banking

See our client segment reviews on pages 20 to 25

### Products and services

**Retail Products**
- Deposits
- Savings
- Credit cards
- Debit cards
- Personal loans
- Other retail banking products

**Wealth Management**
- Investments
- Insurance and advice
- Planning services

**Transaction Banking**
- Cash management
- Payments and transactions
- Securities holdings
- Trade finance products

**Financial Markets**
- Investment
- Risk management
- Debt capital markets

## The value we create

We aim to create long term value to a broad range of stakeholders, in a sustained manner

### Clients

We enable individuals to grow and protect their wealth. We support businesses to trade, transact, invest and expand. We also help a variety of financial institutions – including banks, public sector clients and development organisations – with their banking needs.

### Employees

We provide learning and development opportunities to create a highly engaged and values-driven team

### Society

We collaborate with local partners and support small and medium sized businesses to promote social and economic development.

### Regulators and governments

We engage with governing bodies to support the effective functioning of the financial system and the broader economy.

### Shareholders

We aim to deliver robust returns and long-term sustainable value for our shareholders.

See our stakeholders and responsibilities section on pages 28 to 30

## Our strategy

# **Delivering against** our strategic objectives


### 1 Secure the foundations

We have substantially strengthened our foundations for sustainable growth.

**Capital Adequacy Ratio**

| 2017 | 2016 |
|---|---|
| 26% | 21.59% |

Maintain a strong capital position

**Loan Impairments**

| 2017 | 2016 |
|---|---|
| GH¢9.5m | GH¢81.1m |

Continue efforts to further strengthen risk controls

### 2 Get lean and focused

We have aligned our business model to enable us deliver sustainable profitable growth

**Profit before tax**

| 2017 | 2016 |
|---|---|
| GH¢422.3m | GH¢346m |

Drive income within our desired risk appetite

**Return on Equity**

| 2017 | 2016 |
|---|---|
| 32.30% | 34.00% |

Sustain the momentum in capital and returns

### 3 Invest and innovate

We continue to invest in our business to improve the way we serve our clients.

**Digitisation and analytics driving efficiency and superior client service**

Ambitious investment plan in technology to drive business

Invest in our people and culture

Leverage on our unique diversity to serve our clients better

Driving commerce & prosperity through our unique diversity

# Banking on the go

Standard Chartered Bank Ghana Limited continues to invest in digital banking, rolling out innovations on our mobile and online banking platform. Innovations on SC Mobile platform include one-time bill payment options, online and mobile credit card services and instant client registration on mobile devices.

We also invested in our alternate channels by deploying additional Cash Deposit Machines (CDMs)/Intelligent ATMs. Clients can pay their credit card bills via these CDMs. The CDMs have cardless functionality allowing clients and third parties to lodge deposits at their own convenience.

# Corporate and Institutional Banking

Profit before taxation

2017

GH¢306.5m

2016

GH¢258.8m

Risk-weighted assets

2017

GH¢1bn

2016

GH¢1.4bn

Return on risk-weighted assets

31%
2017

14%
2016

“Grow annuity business by deepening our hold on the industries we specialise in and aggressively commercialise solutions.”

Xorse Godzi,
Head, Global Banking
Corporate and Institutional Banking

## Segment overview

Corporate and Institutional Banking (CIB) supports our clients with Transaction Banking, Corporate Finance, Financial Markets and Lending products and services. We provide solutions to over 560 clients across different industries. Our clients are segmented into Global Subsidiaries made up of Multinational Corporates and Industries, Financial Institutions which covers Banks, Non-Banking Financial Institutions as well as Development Organisations and Public Sector Enterprises.

## Strategic Objectives

Our primary goal is to ensure our business is resilient and has the right foundation to continually remain profitable throughout different economic cycles. We have a valuable franchise, core financial strength, outstanding client relationships and the best people. Our clients value our services. Our global model gives us a competitive advantage of drawing on best practices and adapting to the needs of our local clients. We have differentiated offerings in products that deliver good return.

Our priorities for the segment are:

- Maintain leadership in the Sovereign solutions space through being a partner and provision of Risk Management solutions to the Sovereign and key State-Owned Enterprises. In some cases we would also extend appropriately structured balance sheet support to drive investments in the economy.
- Deepen our existing wallet share of Multinational Corporates and Manufacturing clients through our market leading Transaction Banking platform and also provide efficient solutions across our clients' value chain via Ecosystem banking.
- Leverage on Securities Services offering to broaden engagement with foreign global custodians and also build relationships with local pension funds and asset management companies.
- Grow annuity business by deepening our hold in the industries we specialise in and aggressively commercialise solutions.
- Leverage on the Group's leading asset distributions capability to originate and distribute both new and existing assets to increase balance sheet efficiency and better mitigate against risks.
- Explore new areas of growth in Debt Capital Markets and Commercial Real Estate.
- Continue to drive our corridor value proposition particularly around The Belt & Road Initiative or One Belt One Road (OBOR).

## Performance Highlights

- We continue to reposition the business following years of macro-economic challenges by driving the core fundamentals of prudent banking. Our balance sheet is very liquid. Income increased slightly driven by good performance from our overall cash or liabilities business. Our Financial Markets Trading business also contributed significantly to our bottom line.
- Significantly reduced loan impairments resulted in increase in profit for the period.
- Balance sheet momentum improved supported by cautiously selected assets

## Progress against strategic objectives

- Streamlined our client coverage model to improve efficiency and reduce overlaps
- Leveraged on the Group's referrals to on-board new clients

in the Global subsidiaries space for whose business the Group's network is a differentiator

- Won multiple key mandates to provide working capital solutions in targeted industries such as mining and manufacturing
- We continue to maintain our sovereign ratings and investment engagement advisor role.
- Resolution of the non performing loans in the public sector through dedicated and sustained action by the government.
- Enhanced our Chinese desk to deepen our coverage of clients operating within the Ghana - China corridor
- We continue to focus on major infrastructure developments such as seaport, railways and airport in the country.
- The Bank continues to play significant roles in traditional trade finance space, particularly in the cocoa sector
- Standard Chartered Bank supports key corporate clients with financial markets solutions such as provision of plain foreign currency cover and currency and interest rate management tools.

## Financial performance summary

Stabilisation in performance of our clients is reflective of the positive effects of our stabilizing economy. Our client revenue was largely flat year on year. Even though operating expenses increased by 24 per cent in 2017, strides made in the recovery of non-performing loans resulted in an 18 per cent increase in profit before taxation.

## Income

CIB income of GH¢382.7million was up 2 per cent year-on-year as a result of the stabilising economy, robust business strategy and strong financial markets.

Transaction banking income rose by 15 per cent year-on-year to GH¢ 159 million. Trade revenues rose by over 100 per cent driven by new initiatives to ensure we capture our clients Trade business. Growth in liabilities and upturn in the securities services business led to significant increases in cash management and custody revenues.

Financial markets income grew by 7 per cent year-on-year to GH¢ 243.7 million. The increase was driven by an up-lift in the performance of the Asset and Liability Management (ALM) and Emerging Markets (EM) Rates desks.

Corporate Finance income declined significantly caused by the aftermath of the downturn in the commodity business from the previous year. The business has taken steps to completely de-risk the commodities portfolio. The Corporate Finance income was also impacted by one key impairment provision that we had to make in compliance with laid down rules by the Regulator. We are however confident that this major impairment would be reversed in the next 18 months as we continue to work with the counter party which is still a going concern.

Lending income recovered from the 65 percent fall in 2016 and increased by 300 per cent to GH¢ 20 million reflecting increased utilisation in line with efforts to deepen wallet share of existing client's business.

## Expenses

Operating expenses increased by 24 per cent year-on-year to GH¢86 million from GH¢69 million in 2016. The increase emanated from reduction of 2016 costs as some one-off costs were reversed.

## Impairment

We have posted a significantly improved loan impairment position reflecting work that has been done to ensure recovery. Whilst the CIB is firmly on the trajectory of growth, we will continue to focus our attention on sound credit underwriting principles and working to clear the few remaining challenging loans.

The lingering non-performing loans in the public sector particularly the Energy sector, resulted in heavy impairment losses in 2015 and 2016. Standard Chartered Bank (SCB) is proud to be associated with the solution – Joint Lead Manager for the ESLA Bond. SCB benefited from proceeds from the first tranche of the energy bond resulting in the reduction of impairment losses for the year.

## Balance sheet

Total earnings asset was up by 54 per cent year-on-year as asset momentum improved supported by growth in Trade Finance and Lending balances and also Investment securities.

Total earnings liabilities were up by 17 per cent year-on-year driven by operating account balances, corporate term deposits and custody clients.

## Outlook for 2018

The Corporate and Institutional Banking business which is strong, both in terms of liquidity and capital has positioned itself for further growth in 2018. Our business thrives when there is positive macro and fiscal external environment. There have been improvements in the macro-economic indicators including GDP growth and easing of inflation culminating in the declining interest rates in 2018. We believe these positive developments, if sustained, will spur on investment activities in the productive sectors of the economy which will propel our business, enabling us to play an effective and profitable role as a financial intermediary in the market.

# Retail Banking

**Profit before taxation**

2017

GH¢96.3m

2016

GH¢80.6m

**Risk-weighted assets**

2017

GH¢661m

2016

GH¢562m

**Return on risk-weighted assets**

15% 2017

14% 2016

"We remain intently focused on building an increasingly more efficient business. Efficiency for us is derived from optimising the gains from our digital investments and ensuring our channels of distribution are sized right."

Henry Baye,
Executive Director and Head,
Retail Banking

## Segment overview

Retail Banking represents a third of the Bank's income and profits. We aim to deliver convenient and easy banking for clients in our chosen segments. Our clients continue to show us the way they want to do business. They desire deep relationships that help them build and protect their wealth. Our clients want to bank through channels that save them money, make them more efficient and are totally secure.

These have been our ardent pre-occupation. We are steadfastly heading in the right direction to provide cutting edge digital solutions for banking and payments while growing a sustainable business.

## Strategic objectives

We have made significant progress in transforming our business, channels and footprint. This has sharpened our competitive advantage and better positioned us for the future

Our priorities for the segment are:

- Drive business momentum and growth. We continue to remain innovative in our product offers and back them with relationship deepening in our managed segments to drive business growth.
- We remain intently focused on building an increasingly more efficient business. Efficiency for us is derived from optimising the gains from our digital investments and ensuring our channels of distribution are sized right.
- We will continue to build the right culture around risk, conduct and compliance to build a business that assures stakeholders of the safety of the incomes their business generates.
- Embed the right key tenets of the Bank's new purpose and valued behaviours. Our belief is that, when we change our culture, our clients experience with the Bank becomes a positively memorable one.
- We have a clear programme on client experience that we are implementing to ensure that we keep our service commitments to our clients. We are on a path of continuously improving our processes to ensure that clients' feedback is leading to improvements in the way we serve them.

## 2017 Performance Highlights

### Income

Retail Banking delivered a strong financial performance in 2017, achieving double digit growth in income and operating profit. Total Income went up by 29 per cent year-on-year from GH¢179 million to GH¢231 million which was mainly driven by growth in income from Assets, Deposits and Wealth Management. Operating profit grew by 19 per cent year-on-year from GH¢81m to GH¢96 million. The revenue streams of the business are well diversified by customer segments. Our performance is very much in line with our strategic direction. All customer segments delivered strong performance and the business remains well positioned to deliver superior performance in 2018.

## Expenses

Expenses went up by 42 per cent year-on-year from GH¢92 million to GH¢131 million which is largely attributable to investment in our digital platforms, distribution network and the launch of credit cards to deliver convenient banking experience for our clients. We will continue to manage cost very tightly to release funds for further investments.

## Impairments

We saw a significant improvement in our Loan Impairment which dropped by 46 per cent year-on-year from GH¢6m to GH¢3m. This was achieved through enhanced portfolio performance and recoveries.

## Balance Sheet

Deposits grew by 18 per cent year-on-year from GH¢1,185 million to GH¢1,397 million. Growth in deposits was mainly driven by various initiatives including competitive product offerings and sales campaigns. Loans and Advances went up by 24 per cent from GH¢397 million to GH¢492 million mainly driven by personal loans. We quadrupled lending to our Business Banking relationships during the year and this will continue to be our direction.

## Updates on strategic objectives

- We were committed to serving our clients better by listening and paying attention to their needs. In 2017, we successfully rolled out enhanced products for clients including; Best in Class Credit card and Higher Value Personal Loans
- The Retail Banking business made significant progress in 2017 in driving its digital agenda. Various investments were made into our digital banking platform – with the revamp of our mobile/online banking platform. A range of digital innovations were rolled out including; One-time bill payment options, online and mobile credit card services, credit card payments on cash deposit machines and instant client registration on mobile. We were also the first to offer GhIPSS instant pay on our mobile app.
- We also invested in our alternate channels by deploying additional Cash Deposit Machines/Intelligent ATMs. We increased our stock of Cash Deposit Machines (CDMs) to a total of 22 in 2018 and still counting. These CDMs have cardless functionality enabled allowing clients and third parties to lodge deposits at their own convenience.
- Good progress was made in delivering on our strategic initiatives of deepening our share of market and wallet in our chosen segments. In 2017, we opened two new branches and rationalised some of our branches at key strategic locations to help us serve our clients better. The strategic shift towards banking the ecosystem is also taking shape and this will remain one of the main focus areas as we move into 2018.

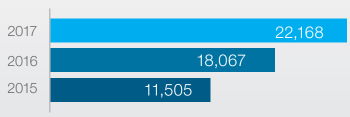
## Outlook for 2018

2017 was a good year for Retail Banking and we expect to build and sustain this performance. However, 2018 will inevitably have its own challenges, but we are clear on what we want to achieve. We will continue to focus on the shift to build a more diversified and robust balance sheet to better hedge the book and work harder on providing the wealth solutions that have become crucial in helping our clients manage their personal wealth. The changes we have made over the last two years to transform the business have taken shape and placed us on a trajectory to accelerate towards achieving greater heights. In 2018, our main focus will be to grow our customer base, rollout innovative and best in class product offerings to meet the ever changing needs of our clients and revolutionise client experience. We will continue to invest heavily in our digital capabilities to provide a full end to end automation of banking transactions.

KPIs

### Retail Online Banking Adoption

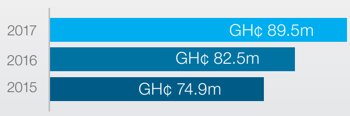
Aim: Become the digital main bank for our clients providing end to end digital capabilities with straight through processing to improve client experience




Analysis: Total active online clients went up by 23 per cent in 2017 from 18,067 clients in 2016 to 22,168 clients. In 2017, 79.2 per cent of total transactions were carried out on our digital platforms compared to 76.6 per cent achieved in 2016.

### Retail Banking Priority and Business Banking Focus

Aim: Increase the proportion of income from Priority and Business Banking clients reflecting the strategic shift in client mix towards affluent and emerging affluent clients.




Analysis: The share of Retail Banking income from Priority and Business Banking clients increased to GH¢89.5 million in 2017, an upside of 8.5 per cent from 2016 position which was supported by more than 1,100 new-to-bank Priority and Business clients in the year.

# Commercial Banking

Profit / loss before taxation

2017

GH¢19.5m

2016

GH¢ (1.2m)

Risk-weighted assets

2017

GH¢1.1bn

2016

GH¢569m

Return on risk-weighted assets

1.8% 2017

(0.2)% 2016

"Improve efficiency, productivity and service quality by leveraging on our solution suite and technology capabilities."

Yvonne Gyebi,
Head, Commercial Banking

## Segment overview

The Commercial Banking business in Ghana is made up of small and mid-sized companies. We serve our clients through dedicated Relationship Managers, providing financial solutions and services in areas such as trade finance, cash management, foreign exchange and interest rate & currency hedging. These financial solutions and services help our clients achieve their international expansion and growth ambitions.

In 2017, we took a series of measures to put clients at the heart of our business. We migrated all our clients unto our improved client on-boarding and account maintenance system, rolled out analytic dashboards for our frontline to drive sales productivity, improved penetration and utilization of our digital banking channels, upgraded the skill set of our people and continued to focus on banking our clients' networks.

## Strategic Objective

Our ambition is to be our clients' partner of choice as they build their businesses internationally.

## Progress against Strategic Objective

In 2017, we attained the following milestones:

- Enhanced credit risk management by implementing refreshed portfolio standards for originating business based on the Ghanaian business operating and economic environment and the expectations for 2018.
- Increased cash and trade solution management training for our frontline staff.
- Successfully passed two (2) audit reviews of the business with acceptable control environment and established management control approach outcomes. This positions the business as being fit for growth.
- Rolled out mobile money payroll payment solutions for clients and collaborated with our Employee Banking partners to deliver a full suite of banking solutions to the management and staff of our clients in line with our one-bank agenda.

## Financial Performance Summary - Commentary

We saw a strong performance on all key lines in 2017. The various measures undertaken in prior years to re-engineer the business resulted in a return to profitability in 2017.

Operating income increased by 5 per cent from GH¢60.2 million to GH¢63.2 million. This was driven by the clinical execution of the relationship management (sales and recovery) teams as a result of their increased training and the launch of analytic dashboards during the year.

Operating profit of GH¢19.5 million in 2017 reversed the operating loss position of GH¢1.2m in 2016. This positive outcome was the result of a 15 per cent and 43 per cent reduction in operating expenses and loan impairments respectively in 2017 as compared to 2016. We take comfort in the fact that the 2017 provisions were taken on 2014/2015 legacy names which struggled during the economic down turn in Ghana, but not on newly on-boarded clients.

Our footings remain strong and substantial to enable us grow revenue along funded and non-funded lines while maintaining risk discipline.

## Performance highlights

- Positive operating JAWS of 20 per cent with incomes growing by 5 per cent and costs dropping by 15 per cent in 2017.
- Improved lending portfolio efficiency with increased Risk Weighted Assets (RWA) resulting from growth in Total Assets in 2017. Return on RWA improved significantly from (0.36 per cent) to 6 per cent in 2017.
- Asset to Deposit Ratio improvement from 1.29 per cent to 1.24 per cent in view of the 15 per cent increase in Customer Deposits relative to the 6 per cent increase in Total Assets

## Outlook for 2018

Our priorities for the next phase of growth are:

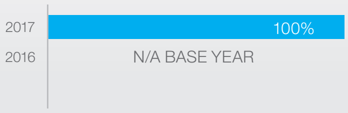
- Focus on clients and cross-bank collaboration to improve client experience and drive growth.
- Improve efficiency, productivity and service quality by leveraging on our solution suite and technology capabilities.
- Strengthen the risk and control foundations of the business by continuing to improve the standard of our client due diligence and credit risk management.
- Embed innovation, digitisation and analytics into our business model to become leaner and efficient.
- Invest in our people and strengthen our culture and conduct, to continue delivering peak performance in a sustainable manner.

KPIs

### NTB Ecosystem Clients

Aim: Bank the SCB Group's clients' network of buyers and suppliers based in Ghana and refer international buyers and suppliers to our counterparts in other markets (the ecosystem)

**100%** increase in clients

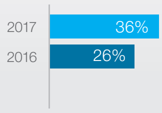



Analysis: The number of clients on-boarded through our 'banking the ecosystem' initiative increased 100 per cent in 2017.

### S2B Utilization

Aim: Improve client experience and service turnaround time on cash, trade and FX

**36%** increase in clients




Analysis: Straight2Bank utilization increased 35.3 per cent in 2017. By the end of 2017, 36 per cent of active Commercial Banking clients were using the capability, up from 26.6 per cent in 2016

# Chief Financial Officer's review

## Performance Summary

The significant improvement in the Bank's profitability in 2017 was a direct consequence of the many operational and financial actions taken since 2015 and provides a solid base on which to improve shareholder value over the coming years.

- Profit before tax of GH¢422.3 million was an improvement weighed against the previous year.
- Underlying operating income of GH¢676.8 million was up 9 per cent year-on-year due to good progress made across all businesses.
- Operating expenses of GH¢244.9 million was 26 per cent higher year-on-year primarily resulting from the implementation of some programmes aimed at enhancing financial performance
- Impairment of loans and advances of GH¢9.5 million was significantly below the level it was in 2016 reflecting management actions towards recovery and restructuring.
- The Bank's Capital Adequacy Ratio (CAR) of 26.0 per cent is above the statutory limit of 13% (10%+ 3% buffer). Customer loans and advances grew 10 per cent in the year, and deposits 7 per cent

## Underlying income

Operating income of GH¢676.8 million was up 9 per cent year-on-year. Good momentum has been achieved across all businesses.

- Corporate & Institutional Banking income was 2 per cent higher than the 2016 position.
- Retail Banking income was 29 per cent higher year-on-year. The Bank's focus on Priority clients resulted in a strong performance in Wealth Management and Deposits.
- Commercial Banking income was 5 per cent higher year-on-year with broad based growth in products.

## Operating expenses

Operating expenses went up by 26 per cent primarily driven by administrative and staff related costs which remain the dominant cost component. Cost/income ratio has increased to 36.2 per cent from 31.2 per cent in 2016.

## Underlying impairment

Loan impairment of GH¢9.5 million was below the level seen in 2016 benefiting from past actions taken to recover and restructure impaired assets. The Bank remains watchful for emerging risks in view of persistent challenging conditions as well as continued geopolitical uncertainty.

## Profit before tax

As a consequence of the many actions taken during the period, underlying profit before tax of GH¢422.3 million, was 22 per cent higher year-on-year. These actions have resulted in improved operating profit across most client segments.

## Balance sheet

Net loans and advances to customers were up 10 per cent year-on-year to GH¢1,385.7 million reflecting the Bank's resolve at increasing the loan base.

Customer deposits of GH¢3,420.2 million were up 7 per cent year-on-year as the Bank continued to focus on improving the quality and mix of its liabilities. As a result, the Bank's customer advances to customer deposits ratio was 40.5

Kweku Nimfah - Essuman
Chief Financial Officer

per cent compared to 39.5 per cent as at 31 December 2016.

### Capital Adequacy Ratio (CAR)

The Bank is adequately capitalised with a CAR at the end of 2017 of 26 per cent compared to 21.59 per cent recorded in 2016.

### Credit quality and liquidation portfolio

The credit quality of the Bank overall has improved year-on-year with the focus on better quality origination within a more granular risk appetite driving improvement across all client segments.

### Non-performing loans

Gross non-performing loan (NPLs) in the ongoing business were GH¢740 million which was lower than 2016 position of GH¢824 million. Gross non-performing loans loss ratio is 35 per cent (2016: 45 per cent).

### Cover ratio

The cover ratio of NPLs in the ongoing portfolio increased from 85 per cent at 31 December 2016 to 112.68 per cent at 31 December 2017. The cover ratio reflects the degree of provisions held against the NPLs.

### Summary

The Bank continues to make encouraging progress transforming the institution into good momentum in key investment areas contributing to significant improvements in both underlying and statutory profits.

Competition remains strong and certain geopolitical tensions are elevated but economic conditions are improving.

It is encouraging to see the improvement in profitability and the increased balance sheet momentum.

Strategies have been initiated to achieve the GH¢400million new regulatory minimum capital. Management is set to achieving the capital requirement by the target date.

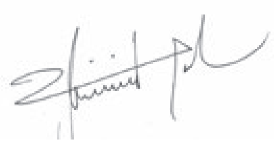
Management is investing to enhance controls and improve productivity to make the Bank safer and simpler to do business with. Cost efficiencies are funding the investments in systems and processes that will enable the Bank to engage more confidently and effectively with our clients.

Building a sustainable business is an integral part of our long-term strategy to enhance shareholder value. In that regard, we are constantly challenging ourselves on how to positively impact the environment we operate in. We know what our shareholders expect from us; to deliver double digit income growth, double digit earnings growth and higher return on equity.

The focus now is on ensuring that the Bank shares in the natural sectoral growth in our market through maintaining and developing ever-closer relationships with our clients, further reducing our cost of funds and realising the benefits of our continuing technology investments.

Banking remains a risk-based industry and we will remain prudent in our management and pricing risk. At the same time, we are well placed to take advantage of any opportunity that will undoubtedly arise.

We are not complacent about the future but are confident we will deliver strong performances in the years ahead.



**Kweku Nimfah-Essuman**
Chief Financial Officer
22 February 2018

Stakeholders and responsibilities

# Our stakeholders

## Our stakeholders

### Clients

#### How we serve and engage our clients

In 2017, we improved our client experiences across our businesses through innovation and continued investment in technology. We invested in digital; enhancing capabilities on SC Mobile and online banking platforms. We also increased the number of Cash Deposit Machines (CDMs) across our networks and introduced credit card payment services on them. All these were done with our goal of becoming #simplerfasterbetter, and making our clients' lives hassle-free. A great experience transcends borders and it is equally important to us to ensure there is consistency in service across all our channels of delivery.

In 2017, we also took a number of initiatives to improve our client engagement and streamline our processes. We held several focus group discussions to hear directly from our clients about how we can be better partners. We celebrated a client appreciation week to further engage with our clients, appreciate their loyalty and enhance our overall relationship.

In 2018, we are still committed to putting our clients at the centre of everything we do.

### Regulators and Governments

#### How we serve

We continuously engage with all regulators and authorities to effectively support the financial industry and the Ghanaian economy. As a result there is total commitment to comply with regulations and directives applicable to the business in Ghana. Our commitment is deeply rooted in the need to ensure that regulatory obligations are adhered to at all times and that the franchise operates within the requisite framework that effectively supports the financial industry and the economy as a whole.

The Governmental Regulatory and Relationship Plan is the regulatory tool and framework within which we engage with government and regulators for our mutual benefit. This supports the resilience of our franchise and the Group as a whole. The Compliance function has the responsibility to identify all regulatory changes be it in new and or amended regulations, which affect the banking industry and ensure compliance to manage these relationships effectively.

#### How we manage regulators

SCB Ghana's active engagement with regulators and government is deeply rooted in mutual respect. The drive to be Here for good means we are here to bank the communities we operate in by driving investment, trade and creating wealth without compromising in any way our adherence to standards of conduct and policies regulating the banking industry. The constant exchange of expertise and technical knowhow on policies and related matters with regulators and policy makers greatly supports development and prudent industry practice. We continue to nurture these relationships and endeavour to widen the reach whenever possible.

Our commitment to open dialogue, participation in banking forums and our thought leadership interventions continue to impact the banking industry in Ghana.

### Colleagues

#### Developing people

Our focus in 2017 was on engaging the hearts and minds of our people, and developing the skill set necessary for them to succeed in the work place, as well as understand the strategy of the Bank and work towards achieving that.

We emphasised on building the skills and capabilities of our people through targeted development for line managers as well as their teams. 15 employees had exposures to other markets within the Group through short term assignments and permanent international transfers. The flagship Africa and Middle East Accelerator program which is aimed at building talent pools across the Region was launched in 2017 with nine participants from Ghana, and since its launch 70 per cent of our people have been promoted into senior roles, moved into permanent assignments outside the country and others have taken on stretch roles and projects to further enhance their skills.

To improve knowledge across the Bank, we continued with the cross business and function rotations which led to 30 employees gaining experience outside of their key areas of responsibility. We have seen the huge opportunities this creates for employees as it reflected in 80% of roles filled internally, and increased collaboration across the Bank in 2017.

Our people managers still remain pivotal in employee engagement as well as retention, and so our New Manager Program and the Management Mastery Series continue to be key in developing the skills of our managers. This was further enhanced with the implementation of a talent evaluation tool that enriched the performance and career conversations between line managers with their teams.

## **Colleagues** continued

We launched two peer mentoring programmes, the 'Manager Mentoring Manager' as well as the 'Women Mentoring Women' Programmes which were both aimed at upskilling our people and building succession to ensure the sustainability of the business in Ghana. Forty (40) employees had diverse development opportunities through this, and we aim to increase the number in 2018 to ensure that our employees (both mentors and mentees) build on their communication and personal skills, develop their leadership capabilities, increase their confidence and motivation and encourage them to take control of their own career journey.

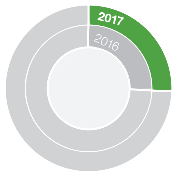
Engaging our people proactively was very critical as a retention strategy in 2017. The first step in this was the Country Management Team's adoption of branches and First Hand Days which sought to enhance leadership connection with staff across the Bank and ultimately improve the client experience. The second step involved strengthening employee touchpoints through management roadshows and focused engagement sessions with targeted groups, such as millennials, junior staff and senior managers. This further strengthened the commitment of our employees towards making the Bank succeed.

In 2018, we will continue to develop our people and create opportunities for them to progress in their career. We will focus on leveraging on their strengths and building their leaders to engage them better.

### Female Representation

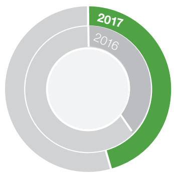
**Board**

Female
2017: 25%
2016: 25%



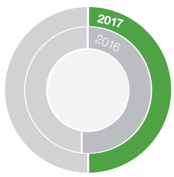

**Management Team**

Female
2017: 47%
2016: 36%




**Employees**

Female
2017: 50%
2016: 51%

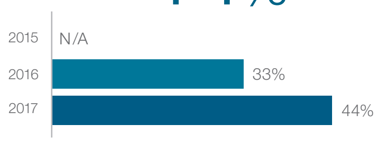



### Diversity and Inclusion KPI

#### Gender diversity in senior roles

Aim: Improve gender diversity in the Bank's top levels of management by supporting, developing, promoting and retaining senior women employees

44%




Analysis: In 2016, the Group signed the UK HM Treasury Women in Finance Charter and announced an overall target of having women occupy 30% of our top four levels of management by December 2020. In 2016, Ghana was at 33%, and improved further to 44% in 2017, which is far ahead of the Group target.

## **Colleagues** continued

### Leveraging diversity

Diversity and Inclusion is critical in ensuring business success and we are committed to creating an inclusive environment that allows our employees to bring their uniqueness to bear in making a difference within the organisation and the society as a whole.

In 2017 we relaunched our Flexible Working Arrangement to ensure that our employees have a choice in how they work, so that they are able to manage their personal and work life better; offering them the convenience of choosing to work part time, flexible time or from home. The number of employees who have taken this up continues to improve every month, and we will continue to raise awareness amongst employees on this in 2018.

We also enhanced our parental leave in 2017 and increased maternity leave from three to five months and paternity leave from five days to two weeks.

Within the year, we also delivered various 'Unconscious Bias' workshops as we acknowledge that our biases can potentially get in the way of leveraging the full impact of our diversity.

Our partnership with the Ghana Federation of the Disabled continues to be important in our quest to meaningfully contribute to our society, and in 2017, we worked with them to deliver the career workshop for students with disability, which we have done for five consecutive years. Through this, we have improved the employability of people with disability and given them opportunities to work with the Bank.

# Stakeholders and responsibilities continued

## Colleagues continued

### Transforming culture

Our culture is key to the way we behave towards each other, and ultimately to our clients, and it is an important part of our existence as an organisation. In 2017, we set out to have an organisational culture that makes us truly human to both our employees and clients. In Ghana, we launched #makingmemorableexperiences which focused on four pillars namely People First, Culture, Client Experience and Millennial Leadership. Throughout the year, there were various engagements and workshops to ensure that all employees were conscious and committed to driving these key pillars so that we become a Bank of choice to our clients and an employer of choice to our employees.

During the latter part of the year, we launched our valued behaviours which clearly articulates how we want to achieve our goals- DO THE RIGHT THING, NEVER SETTLE and BETTER TOGETHER. These valued behaviours emphasise the need to do everything with integrity, challenge the status quo in order to drive innovation, leverage on our unique diversity and build for the long term.

We are passionate about building an organisational culture that makes our Bank a great place to work, and delivers an exceptional client experience.

## Communities

### Investing in communities

At Standard Chartered, we seek to promote sustainable economic and social development in our communities. Seeing is Believing (SiB) is our global flagship programme to tackle avoidable blindness. Visual impairment diminishes an individual's quality of life and negatively impacts economic growth. It often prevents individuals from attending school or entering the workforce. By funding projects implemented by international eye health organisations, SiB provides access to affordable and quality eye health services to people in lower income communities. Eye health is a critical component of health care. We launched SiB in 2007 and have reached over 10 million people through various awareness and sensitisation programmes. Projects undertaken through SiB include the construction of fully equipped eye clinics complete with surgery facilities to the training of health workers in identifying and dealing with primary eye health cases. These projects delivered medical interventions, supported health education and improved access to eye-care.

In October 2017, we launched a three-year pilot program with our partners to develop capacity to teach ophthalmic nursing and low vision at an enhanced level.

Goal, our programme to empower young girls and women through sports and life skills training was launched in 2017. The has programme reached over 600 young girls.

## Communities continued

Financial Education provides the tools for financial security. Our Financial Education programmes use Employee Volunteering to empower youth with basic financial knowledge so they can make wise financial choices in future. In 2017, working with 9 Senior High Schools our Financial Education programme for Youth reached more than 6000 young people, 50% of which were girls.

As part of our contribution to the UN Sustainable Development Goals, Standard Chartered Bank Ghana Limited with oversight from the Environmental Protection Agency has planted over 2,000 trees at the Ramsar site (ecological conservation site) through staff-led tree planting campaigns. The site has been preserved by the government and acts as a flood buffer for Accra, the capital city.

Employee volunteering is an important component of our community investment. We encourage our staff to effect positive change in our communities by providing three volunteering days per year and in 2017 we contributed over 700 days.

# Corporate governance

# Corporate Information

## Board of directors

| | |
|---|---|
| Ishmael Yamson | Chairman |
| Mansa Nettey | Chief Executive Officer / Managing Director |
| Dr. Emmanuel Oteng Kumah | Independent Non-Executive Director |
| Felix Addo | Independent Non-Executive Director |
| David Adepoju | Non-Executive Director |
| Kweku Nimfah-Essuman | Executive Director |
| Henry Baye | Executive Director (Appointed 27 July 2017) |
| Professor (Mrs) Akua Kuenyehia | Independent Non-Executive Director (Appointed 27 July 2017) |
| J. Kweku Bedu-Addo | Resigned from the board on 1 March 2017 |
| Felicia Gbesemete | Stepped down from the board on 4 May 2017 |

## Secretary

Angela Naa Sakua Okai

## Auditors

Deloitte & Touché
Chartered Accountants
The Deloitte Place
Plot No. 71, off George Walker Bush Highway,
North Dzorwulu, Accra.

## Solicitors

Bentsi-Enchill, Letsa & Ankomah
1st Floor Teachers' Hall Complex
Education Loop (off Barnes Road)
Adabraka
P. O. Box GP 1632
Accra

## Registrars

GCB Bank Limited
Share Registry Department
Thorpe Road,
John Evans Atta Mills High Street
P.O. Box 134
Accra

## Registered office

Standard Chartered Bank Building
John Evans Atta Mills High Street
P. O. Box 768,
Accra

# Board of Directors

Ishmael Yamson (75)
Chairman

Appointed: Board Chairman in 2005

Experience: Ishmael Yamson is a seasoned and well-known corporate executive in Ghana. He joined Unilever Ghana in 1966 from the University of Ghana, Legon, and worked for the Company for 38 years in various capacities, the last 18 years of which he was Chief Executive Officer and Chairman. During that period he restructured and transformed the Company and set it on a path of sustained growth for more than 15 years. He holds a B. Sc. Economics (Hons) degree.

Ishmael's corporate life transcended Unilever. He was deeply involved in the development of Ghana's private sector having played key roles in key Associations including, Ghana Chamber of Commerce (President), Ghana Employers' Association (President) and Ghana Private Enterprise Foundation (President). He was also a founding Director of the Ghana Stock Exchange and a founding member and Director of the Centre for Policy Analysis (CEPA). He was a member of the team that developed the first Ghana Investment Promotion Centre Act, 1994 (Act 478).

He has received two national awards namely; The Order of the Volta and the Companion of the Order of the Volta and an Honorary Doctorate Degree, Honoris Causa, from the University of Ghana, Legon.

External Appointments: Ghacem Ghana Limited, (Director), Benso Oil Palm Plantation Limited (Board Chairman) Mantrac Ghana Limited (Board Chairman), Scancom Limited (MTN) (Board Chairman), Ishmael Yamson and Associates (Board Chairman), Nosmay Ghana Limited (Board Chairman), Kosmos Energy Ghana (Advisory Council Member) and University of Ghana, College of Health Sciences Postgraduate Endowment Fund (Trustee).

Mansa Nettey (51)
Chief Executive & Managing Director

Appointed: March 2017

Mansa Nettey was appointed Chief Executive on March 1, 2017 as the first female CEO in the Bank's 120 year history in Ghana.

Mrs. Nettey has more than 20 years of experience in banking, having held various senior roles in Corporate and Institutional Banking in Standard Chartered including managing across the West Africa sub-region.

Mansa has extensive experience in financial and capital markets and has contributed significantly to financial markets development including pioneering risk management solutions for Governments.

Prior to being appointed CEO, Mansa was appointed first female Executive Director of Standard Chartered Bank Ghana Limited in 2013 and in 2015 was appointed a Non-Executive Director of the Board of Standard Chartered Bank, Nigeria Limited.

Mansa is passionate about the youth and advocates for developing the next generation of leaders.

Mansa holds a Bachelor of Pharmacy Degree from the University of Science and Technology, Ghana and a Masters in Business Administration from Manchester Business School in the United Kingdom.

Kweku Nimfah-Essuman (49)
Executive Director & Chief Financial Officer

Appointed: November 2016

Experience: Kweku was appointed Chief Financial Officer in October 2016, after acting as the Chief Financial Officer, from August 2015. He is responsible for providing leadership and plays a critical role in the delivery of financial controls and maintenance of high standards in finance and regulatory reporting in addition to tax risk management of the Bank. Kweku has a strong finance, regulatory and audit background. He was the Bank's Financial Controller from June 2009 till August 2015. Prior to this, Kweku held various positions including Regulatory Reporting Manager and Financial Controls Manager.

Before joining the Bank in 2005, Kweku worked with the Banking Supervision Department of the Bank of Ghana for a period of eight (8) years as a Bank Examiner.

He is a Chartered Accountant by profession and holds BSc Administration (Accounting option) and an Executive MBA in Finance from the University of Ghana Business School.

Judge Professor (Mrs) Akua Kuenyehia (70)
Independent Non-Executive Director

Appointed: July 2017

Experience: Her Excellency Judge Professor (Mrs) Akua Kuenyehia retired in March 2015 from the International Criminal Court at The Hague (the ICC) after serving the maximum possible term of twelve years. She was elected an inaugural judge of the ICC at the inception of the court in 2003 serving as a judge and First Vice President from 2003 to 2009 and then as a judge of the Appeals Division of the Court from 2009 to March 2015.

Prior to the ICC, Her Excellency was in academia. She joined the law faculty of University Of Ghana in 1972 and rose to become a Professor of Law. She was the first female to be employed by the Faculty, the first female Professor of Law and the first female Dean of the Faculty of Law. She has also been a visiting professor at the University of Pennsylvania School of Law, Temple University, Northwestern University, USA and Imo State University, Nigeria. She is an honorary fellow of Somerville College Oxford, her alma mater, and the life patron of the Akua Kuenyehia Foundation.

She has been the recipient of numerous awards and accolades including the Order of the Star of Ghana (the highest award conferred by the Government of the Republic of Ghana on an individual).

She holds a Bachelor of Laws (LLB) degree from the University of Ghana and a Bachelor of Civil Laws (BCL) degree from the University of Oxford. She has published widely in leading academic journals, written or edited books and book chapters and delivered over a hundred research papers. Together with Professor Cynthia Bowman of Cornell University she authored “Women and Law in Sub Saharan Africa”.

Committees: Member, Board Audit Committee,
Member, Board Risk Committee

Felix E. Addo (62)
Independent Non-Executive Director

Appointed: August 2015

Experience: Felix E. Addo is a past Country Senior Partner and a former member of the PwC Africa Governance Board. Felix has more than 30 years of practice and consulting experience in corporate finance and recovery, financial and forensic auditing, organizational restructuring and performance improvement in both developed and developing economies. Mr. Addo has worked on a number of important projects including the privatization of Ashanti Gold Fields Limited and GCB Bank Limited and served as the transaction advisor to the Government of Ghana on the acquisition of VALCO.

Felix has professional memberships in the Institute of Chartered Accountants, Ghana; Institute of Chartered Accountants, Sierra Leone and the American Institute of Certified Public Accountants, USA. Felix holds an MA (Professional Accounting) from Loyola College, Maryland (USA).

External Appointments: Felix serves on various Boards and Committees: He is a member of the KOSMOS Advisory Council, Advisory Council of the University of Ghana College of Education, The Ghana American Chamber of Commerce (Vice-President), Ghana Association of Restructuring and Insolvency Advisors, Board member of AIESEC Ghana, KEK Insurance Brokers Limited, Guinness Ghana Breweries Ltd and Payswitch Ghana Ltd.

Committees:
Chair, Board Audit Committee
Member, Board Risk Committee

Angela Naa Sakua Okai (44)
Company Secretary

Appointed: April 2014

Experience: Angela is a lawyer with a wealth of experience in Branch banking having served in many roles, including Branch Manager, within the Retail Segment of the Bank. She joined the Legal and Compliance Department as a Compliance Officer in 2008, transitioning to the role of Legal Counsel for the Corporate and Institutional Clients Segment in 2010. In her role as Company Secretary, Angela is the first female to have held this position in the Bank’s history in Ghana. Angela has oversight responsibilities for Subsidiary Governance, West Africa (excluding Nigeria), with responsibility for providing leadership and support to Cameroon, Cote D’Ivoire, Gambia and Sierra Leone to ensure that the Group’s subsidiary governance standards are fully implemented. Angela is a member of the Ghana Bar Association, the Commonwealth Lawyers Association and an alumni of the 2010 Fortune / US State Department Global Women’s Mentoring Program.

David Adepoju (43)
Non-Executive Director.

Appointed: February 2016

Experience: David has over 16 years banking experience in financial markets having worked in 14 different markets in Africa, the U.K. and the Middle East. He is a specialist in asset and liability management, market risk and fixed income trading. He has a strong appreciation of Risk Management (with a focus on Market Risk), a sustained revenue track record and active involvement in market development across multiple markets through partnership with respective regulators.

External Appointments: David is the past President of the Financial Markets Dealers Association, Nigeria. He is a Director on the Board of Standard Chartered Capital Nigeria, a member of the Institute of Directors and an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria.

Committees:

Member, Board Audit Committee
Member, Board Risk Committee

Dr. Emmanuel Oteng Kumah (62)
Independent Non-Executive Director

Appointed: October 2013.

Experience: Dr. Kumah is an International Economic Consultant and Advisor, and has served in several high profile roles including the International Monetary Fund (IMF), where he served for 25 years as Division Chief, IMF Resident Representative in Djibouti and Deputy Division Chief at the Balance of Payments and External Debt Division. During 1993-1994, he was Coordinator and Advisor of the Research Department of the Bank of Ghana. He also served as Senior Advisor, Bank of Ghana from 1997 to 1999, where he provided key macroeconomic advice to the Government of Ghana.

Dr. Kumah has lectured at many institutions and written many articles on International Finance and Banking. He is currently Chairman of KEDSS Consulting, an economic and financial consulting company.

Committees:

Chair, Board Risk Committee
Member, Board Audit Committee

Henry Baye (48)
Executive Director and Head,
Retail Banking

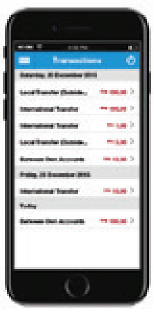
Appointed: July 2017

Experience: Henry Baye was appointed Executive Director in July 2017. He is currently the Head of Retail Banking.

Henry has 20 years of banking experience. He commenced his banking career in Standard Chartered Bank Ghana Limited in 1997. Henry has extensive experience in senior roles across three banks. During his first eleven years in Standard Chartered he served in various roles including Branch Manager, General Manager Unsecured Lending, General Manager Distribution and Wealth all in Ghana and then General Manager, Wealth Management, West Africa. He also worked for Barclays Bank Ghana Limited as Head of Distribution and then as Head of Consumer Banking in Merchant Bank Ghana Limited, now Universal Merchant Bank, during which time he also doubled as Head of Corporate Banking. In his current role, Henry is a member of the Retail Banking Management team for Africa and Middle East.

Standard Chartered

# A bank in your pocket

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Here for good

# Management Team

Mansa Nettey
*Chief Executive*

Kweku Nimfah-Essuman
*Chief Financial Officer*

Henry Baye
*Head, Retail Banking*

Xorse Godzi,
*Head, Global Banking*
*Corporate and Institutional Banking*

Appointed: November 2015

Experience: Xorse Godzi was appointed Country Head of Global Banking in December 2016 having served as Head, International Corporates and Financial Institutions from November 2015. Xorse's previous roles include Regional Head, Commodity Traders and Agri-business, based in Johannesburg.

Xorse is in his sixteenth year with the Bank and has worked in various roles in a number of geographies. He has rich experience in client coverage having worked as Director, Global Corporates, London between 2006 and 2010. He was in charge of the Bank's coverage of commodity and agri-business clients in our footprints in Africa between 2013 and 2015 and was based in South Africa. He also previously held senior roles in Corporate and Institutional Clients business in Ghana. Xorse is tasked with developing and executing our country client strategy within Corporate and Institutional Banking to optimise revenue and adequate returns on capital employed. He takes overall responsibility for in-country (CIB) relationships.

Sheikh Jobe
*Chief Information Officer*

Appointed: November 2015

Experience: Sheikh Jobe was appointed Chief Information Officer, in November 2015.

Sheikh has 23 years of banking experience at global, regional and country level across banking technology and operations, operational risk management, financial crime risk management, compliance, audit and branch banking. These include positions held as Global Head, Lending Operations and Technology based in Singapore between 2007 and 2012 and Africa Regional CIO based in Nigeria between 2014 and 2015.

Prior to joining Standard Chartered in 1994, Sheikh worked with National Audit Office of The Gambia.

Joan Essel-Appiah
*Head, Compliance*

Appointed: November 2015

Experience: Joan was appointed Head, Compliance, in November 2015 and is responsible for leading and strengthening the Bank's compliance and regulatory framework, across West Africa. She moved to this role after leading the Legal and Compliance from April 2014 till end October 2015. Prior to that Joan headed Compliance when she joined the Bank in May 2011.

Joan has over 26 years extensive experience in the legal profession both in the public and private sectors and has for the past ten years also practiced in the regulatory and Compliance sphere in the banking industry. She was Director, Legal in CAL Bank just before she joined Standard Chartered Bank Ghana Limited. Before that she was Senior and later Principal Counsel at the Volta River Authority. Joan also worked as Head of Legal in the Ghana National Fire Service.

Joan has an LLM from the University of Warwick, Coventry, an LLB from the University of Ghana and a BL from the Ghana School of Law.

Simon Burutu
*Chief Risk Officer and Senior Credit Officer*

Appointed: November 2015

Experience: Simon Burutu was appointed Country Chief Risk Officer and Senior Credit Officer in November 2015. Before his current role, he was Chief Risk Officer and Senior Credit Officer from 2012 to 2014, Senior Credit Officer (East Africa-Kenya, Tanzania and Uganda) from 2009 to 2011, Senior Credit Officer (Zambia and Zimbabwe) from 2007 to 2008, Senior Credit Officer (Zimbabwe) from 2005 to 2006, Head of Credit from 2002 to 2004, Senior Manager (Agri Business) from 1999-2001 and Regional Account Relationship Manager from 1996 to 1998.

Simon has had a long and successful career at Standard Chartered spanning over 30 years and has held roles in both Corporate and Retail Banking.

Setor Quashigah
*Head, Wealth Management*

Appointed: November 2015

Experience: Setor was appointed Executive Director, Wealth Management in April 2016, responsible for delivering world class wealth products and solutions in Ghana.

She joined Standard Chartered as a Management trainee. 18 years on Setor has a vast banking experience ranging from branch banking as a Sales Consultant, Customer Services manager and Branch Manager. Setor has held other managerial roles including Head, Direct Banking, Head, Proximity and Remote banking, and General Manager, Preferred and Priority Banking. Setor built a team of high performing Relationship Managers, best in class Trusted Advisors managing our Priority Clients segment. Setor has an excellent track record in Sales, Relationship and Portfolio Management.

Prior to joining Standard Chartered, Setor's career started in 1997 at Unilever Ghana Ltd.

Setor has an MBA from the University of Leicester, UK. and B.A from the Kwame Nkrumah University of Science and Technology in Ghana.

Kwame Asante
*Head, Transaction Banking*

Appointed: November 2015

Experience: Kwame Asante was appointed as Head of Transaction Banking, Ghana in November 2015. He is responsible for leading the Transaction Banking product agenda for Corporate & Institutional and Commercial Banking in Ghana. Prior to this role, Kwame was the Regional Head of Transaction Banking Sales, Commercial Clients, Africa.

Kwame joined Standard Chartered Bank Ghana Limited in 2006 and has held a variety of roles across Africa including, Interim Head of Corporate Sales, Transaction Banking, South Africa; Country Head of Transaction Banking, Botswana and Director, Transaction Banking Sales, Ghana.

Kwame is a graduate of Kwame Nkrumah University of Science and Technology in Ghana, and holds a postgraduate degree from the University of Leicester, UK.

Asiedua Addae
*Head, Corporate Affairs and Brand & Marketing*

Appointed: November 2015

Experience: Asiedua Addae was appointed Head, Corporate Affairs and Brand and Marketing in November 2015. She is responsible for promoting and protecting the Bank's reputation through Corporate Affairs and Brand and Marketing activities in Ghana. Asiedua joined Standard Chartered Bank Ghana Limited in 2012 and has held various positions in the Bank including Head, Business Marketing and Head, Brand and Marketing.

Asiedua has over 17 years of experience working with a number of global brands across geographies. Prior to joining Standard Chartered Bank Ghana Limited, Asiedua worked with Unilever and L'Oreal. Asiedua has an MBA from Fordham University in New York.

Harry Dankyi
*Head of Audit*

Appointed: November 2015

Experience: Harry was appointed Head of Audit in November 2015. He is responsible for providing independent assurance on the state of the Bank's control environment to key stakeholders.

Harry joined the bank in September 2002 and has held various roles within Finance, Risk and Compliance. In his previous role as Head Compliance and Assurance, he was responsible for ensuring adherence to Group and local policies. In this capacity he provided functional leadership and direction, and embedded a robust compliance culture within the Country.

Prior to joining the Bank, he worked at the Volta River Authority (VRA), as a Financial Accountant and in various other capacities within the company.

He is a graduate of the University of Ghana and holds an MBA (Finance) from the same university. He is also a fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Chartered Accountants (Ghana),

Gifty Fordwuo
*Head, Human Resources*

Appointed: December 2016

Experience: Gifty Fordwuo was appointed Head, Human Resources on 1st December, 2016. Prior to this role, Gifty was the Senior HR Business Partner for Retail Banking and Information Technology & Operations for Ghana.

Gifty joined the Bank in 1997 as a Graduate Trainee, and has a proven track record of over 18 years experience in Standard Chartered Bank, having worked in Branch Banking, Channels Management, Products and Human Resources.

Gifty is a Chartered Member of the Chartered Institute of Personnel and Development, UK, and holds a Post Graduate Degree in Human Resources from the University of Ghana, Legon.

Alikem Adadevoh
*Head, Legal*

Appointed: January 2017

Experience: Alikem was appointed Head, Legal, Ghana on January 23, 2017 and is responsible for leading the legal team in the country. She has a Master of Laws (LLM) Degree in International Banking and Finance Law from the University of London and twenty five years of experience as a legal practitioner. Alikem has over twelve years of experience in private legal practice working with the law firm, Fugar and Company. She also has diverse and extensive experience in corporate and commercial law practice and worked with the African Development Bank (AfDB) at its headquarters in Abidjan and Tunisia respectively. Alikem also spent six years in the mining industry where she was the Legal and Compliance Manager of Golden Star Resources Limited, a Canadian mining company, based in Denver, Colorado, USA with key mining operations in Ghana. Prior to joining Standard Chartered Bank, she worked as the Director, Legal Services of The First Group (Ghana) Limited, an investment and management services company.

Adoteye Anum
*Head, Financial Markets*

Appointed: May 2017

Experience: Adoteye Anum was appointed Head, Financial Markets Ghana and Head, Treasury Markets for West Africa (excluding Nigeria) in May 2017. Adoteye was previously the Head of Treasury Markets before assuming the added responsibility of managing the Financial Markets business.

Adoteye has worked in various senior capacities in the Bank. He was Head of Global Markets in Uganda and Sierra Leone from 2007 to 2008.

He previously worked in senior roles at Ecobank Transnational Incorporated and Treasury Warehouse, providing advisory services on treasury management, balance sheet, ALCO framework and ALM management.

Yvonne Fosua Gyebi
*Head, Commercial Banking*

Appointed: October 2017

Experience: Yvonne Gyebi was appointed Country Head of Commercial Banking in October 2017 and is responsible for developing and executing client strategy in an effective environment. She served as Head of Client Relationships, Ghana & West Africa (excluding Nigeria) from January 2015 where she played an instrumental role in the implementation of the refreshed retail strategy across the distribution network.

Yvonne joined Standard Chartered Bank in August 2012 as the Head of Medium Enterprises. She took on the additional role of Acting Head, Small & Medium Enterprises(SME) after six months in the Bank and was confirmed in the role as General Manager SME in October 2013, during which time she led the team to ramp up revenue contribution. She then transitioned into the Head of Business Clients from August 2014 till December 2014. She started her banking career in 2005 as a Management Trainee through the Young Professional Program with Ecobank and progressed to Senior Relationship Manager handling SMEs.

Yvonne is a graduate of Kwame Nkrumah University of Science and Technology and holds an MBA from A. B Freeman School of Business, Tulane University in the United States.

Sam Kwaku Peprah
*Business Planning Manager*

Appointed: December 2015

Experience: Sam is the Business Planning Manager supporting the Chief Executive Officer in formulating and executing the business strategy, ensuring the achievement of performance indicators through strategic functional and business alignment and enforcing exemplary control and governance standards.

Sam joined the Bank's Wholesale Banking International Graduate training programme in 2010, subsequently working as Business Planning Manager for the Transaction Banking business across West Africa and Product Sales Manager for the Bank's Global Corporate clients in Ghana. Prior to joining Standard Chartered Bank, he held sales and consulting roles with Fidelity Investments in Massachusetts, and Deloitte Touche Tomahatsu in New York respectively.

He holds an MPA in Finance and Fiscal Policy from Cornell University in Ithaca, New York.

# Statement On Corporate Governance
## for the year ended 31 December 2017

Standard Chartered Bank Ghana Limited is a key player in the banking industry in Ghana. The Company has consistently practised high standards of corporate governance in order to contribute to the promotion of an environment where such standards are upheld and practiced by all industry players. The Company recognises that exemplary governance is key to sustaining the viability of the Company in the long term and is also at the heart of its commitment to be "Here for good".

To this end, the Company has committed resources to ensure that business is conducted in an ethical manner; in compliance with all legal and regulatory requirements. The Company maintains a Code of Conduct, the key principles of which underpin the conduct of all employees in their dealings with one another, clients, suppliers and other stakeholders. The Board is ultimately responsible for ensuring adherence to the Code of Conduct. The Code is reviewed and staff are required to recommit to the Code on an annual basis. The last such review and recommitment was in September 2017.

### The Board

The Board is the ultimate decision making body for all material matters within the Company. It is responsible for providing leadership, setting the strategic direction of the Company and monitoring Management to ensure effective execution of such strategy. The Board's mandate is set out in the Matters reserved for the Board, key amongst which are the reviewing and tracking of the Company's strategy, financial performance, approving any changes to capital, ensuring a sound system of internal controls and risk management, delegation and monitoring of authorities for expenditure and other significant commitments. The Matters reserved for the Board is reviewed by the Board periodically.

The Board is diverse, with a good mix of experience and skills. The areas of expertise and age of the directors are as follows:

| | Status | Expertise | Age |
|---|---|---|---|
| Ishmael Yamson | Chairman (Independent) | Economist | 75 |
| Mansa Nettey | Executive Director | Banking/Financial Services | 51 |
| Professor Akua Kuenyehia | Independent | Lawyer | 70 |
| Emmanuel Oteng Kumah | Independent | Economist | 62 |
| Felix Addo | Independent | Chartered Accountant | 62 |
| David Adepoju | Non-Executive | Banking/Financial Services | 43 |
| Kweku Nimfah-Essuman | Executive | Chartered Accountant | 49 |
| Henry Baye | Executive | Banking/Financial Services | 48 |

The Board has a total of 8 members; 5 non-executive directors (4 of whom, including the Chair are independent) and 3 executive directors. There is a very cordial working relationship between executive and non-executive directors, characterised by a healthy level of challenge and debate. Non-executive directors also have access to Management and staff at all levels.

Mrs. Felicia Gbesemete, an independent non-executive director completed her term on the Board and stepped down on 4th May 2017. Mr. Kweku Bedu-Addo, an executive director, resigned from the Board on 1st March 2017 to pursue another role within the Standard Chartered Group.

### Roles of the Board Chair and Chief Executive Officer

The roles of the Board Chair and the Chief Executive Officer are kept separate. Except for direction and guidance on general policy, the Board has delegated the conduct of the day-to-day business to the Chief Executive Officer and the Executive Committee.

### Independent non-executive directors

The majority of the non-executive directors are independent and free of any business relationship or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining their independence, the directors are

required to declare, on an ongoing basis, any interests that may give rise to a potential or perceived conflict of interest. Non-executive directors are appointed for an initial term of two years with an option for renewal.
The Board is made aware of the other commitments of the individual non-executive directors and is satisfied that largely, these do not conflict with their duties and time commitments as directors of the Company.

## Professional Development and Training Activities

The Company has a very comprehensive and tailored induction process for new directors.
The induction process covers the Company's business operations, the risk and compliance functions, as well as the legal, regulatory and other personal obligations and duties of a director of a listed company.
Aside the induction programme, the Company ensures a continuous development programme which is needs-based and is designed for individual directors, Committees or for the Board as indicated by the Annual Board training plan.

The directors are kept updated on all regulations and laws that are enacted which may affect the operations of the Company and are also advised of the legal, regulatory and other obligations of a director of a listed company on an ongoing basis. The directors have access to independent professional advice to enable them to discharge their duties.

The Board and its Committees received training in 2017 on the Company's Conduct agenda, Operational Risk Framework, Data/Cyber security, the Banks and Specialised Deposit Taking Institutions Act 2016, Act 930, macroeconomic changes in the business as well as the banking environment, amongst others.

## Performance Evaluation Process

A performance evaluation of the Board is conducted on an annual basis. The last Board evaluation was conducted in September 2017. The evaluation was conducted via an online process called the "Linstock" tool. The evaluation covered members' views on overall Board interactions, the effectiveness of the Company's strategy and risk management, top risks facing the Company, conduct of business, meetings, effectiveness of the Board committees, succession planning for the Board and Management and scope of control exercised by the directors. Following the evaluation exercise, the directors identified areas that required further consideration by the Board. These would be addressed through specific trainings and on-site visits by directors.

## Board meetings and attendance

The full Board meets at least four times a year, and has a special strategy session annually. In 2017, two strategy sessions were held. A rolling agenda of matters to be discussed is maintained. There is a process in place to ensure that directors receive reports in a timely manner to enable them to ask appropriate questions and make informed decisions.

Aside the formal meetings, the directors are engaged informally throughout the year. This creates an environment that encourages challenge, consultation, information sharing, innovative thinking and openness in communication. The directors are encouraged to interact with the staff and to broaden their understanding of the Company's operations through their annual branch visits.

The following table shows the number of Board meetings held during the year and the attendance by the directors:

Number of Board meetings held in 2017

| Board members | Scheduled meetings 4 | Ad hoc 2 | Remarks |
|---|---|---|---|
| Ishmael Yamson | 4/4 | 2/2 | |
| J. Kweku Bedu-Addo | 1/4 | 0/2 | Resigned from the Board on 1 March 2017 |
| Mansa Nettey | 4/4 | 2/2 | |
| Felicia Gbesemete | 2/4 | 0/2 | Stepped down from the Board on 4 May 2017 |
| Emmanuel Oteng Kumah | 4/4 | 2/2 | |
| Felix Addo | 4/4 | 2/2 | |
| David Adepoju | 3/4 | 2/2 | |
| Kweku Nimfah-Essuman | 4/4 | 2/2 | |
| Henry Baye | 2/4 | 2/2 | Appointed to the Board on 27 July 2017 |
| Professor Akua Kuenyehia | 2/4 | 2/2 | Appointed to the Board on 27 July 2017 |

- The adhoc meetings were held to discuss and approve the Bank's strategy.

## Board Committees

The Board has three Committees with specific delegated authorities. These are the Board Audit Committee, the Board Risk Committee and the Executive Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. The functions of the various Committees and attendance of members are found on page 49 and 50.

## Directors' remuneration

Remuneration for independent non-executive directors is reviewed every two years.  The review is based on surveys carried out on the going market rates for non-executive directors. Depending on the results of the survey, directors' remuneration is either maintained or reviewed to ensure that the levels of remuneration and compensation are appropriate and competitive.

The independent non-executive directors are paid annual fees and a sitting allowance for meetings attended. Information on the aggregate amount of emoluments and fees paid to directors is disclosed in Note 13b of the financial statements.

Executive directors' remuneration is based on the reward, support and benefits arrangements the Company has for all staff.

## Conflicts of interest

The Company has a comprehensive policy on Conflicts of Interest and staff as well as directors are required to abide by it. Directors are made aware of their obligation to avoid conflict of interest at the induction and through ongoing training. There is a robust process which requires directors to disclose outside business interest before they are entered into. The provisions on conflict of interest are embodied in the directors' letters of appointment and Induction Handbook and is also a legal requirement under the Companies Code 1963, Act 179.

## External Directorships and Other Business Interests

Details of the directors' external directorships can be found in their profiles on pages 34 to 36. Before committing to an additional role, directors are required to confirm that no conflicts will arise . They must also provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as director of the Company. The Board's executive directors are permitted to hold only one external non-executive directorship.

## Internal controls

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, manage and ensure compliance with applicable laws and regulations and enhance resilience to external events. The Company has a process in place to ensure that any changes in legislation are captured and monitored effectively. A comprehensive gap analysis is conducted once the laws are passed. The Compliance Department ensures that the business units put in place controls to ensure compliance with the various laws and regulations. The Compliance Department also performs compliance monitoring reviews and submits its findings to the Board Audit Committee. The effectiveness of the Company's internal control system is reviewed regularly by the Board through a Management framework and the Internal Audit function. The Internal Audit function monitors compliance with policies and standards and the effectiveness of internal control structures of the Company through its programme of business audits. The work of the Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Internal Audit function reports to the Board Audit Committee.

## Financial statements

# Report of the Directors

The Directors have pleasure in submitting their report and the financial statements of the Bank for the year ended 31 December 2017. The financial statements have been drawn and presented in accordance with the Companies Act, 1963, (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB).

On behalf of the Board, the Audit Committee has reviewed the Annual Report and the process by which the Bank believes that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance of the Bank. Following its review, the Audit Committee has advised the Board that such a statement can be made in the Annual Report.

## Nature of business

The Bank is licensed to carry out universal banking business in Ghana. There was no change in the nature of the Bank's business during the year. The financial statements and the notes thereon as shown from page 58 to 112 provide the business performance and position for the year ended 31 December, 2017.

## The Board and its Committees

The Board is accountable for the long term success of the Bank and it is responsible for ensuring leadership, approving the strategy, and ensuring that the Bank is suitably resourced to achieve its strategic aspirations. In doing so, the Board considers its responsibilities to, and the impact of its decisions on its stakeholders including shareholders, employees, customers, suppliers, the environment and the communities the Bank operates in.

The Board also delegates certain responsibilities to its Committees to ensure its independent oversight. In addition, the Board also delegates authority for the operational management of the Bank to the Managing Director/Chief Executive Officer and the Executive Committee in respect of matters which are necessary for the day to day running and management of the Bank.

The Board remains very diverse with a distinct mixture of backgrounds, experience, skills and comprises Executive and Non-Executive directors. Risk and governance, shareholder and stakeholder relationships, strategy and budget, financial performance oversight, business development and people were some of the key activities the Board focused its time on in 2017 as it provided guidance to Management in steering the Bank through a turbulent period in the economy and banking industry.

The Board met regularly throughout the year. In addition to substantial strategy discussions held at each meeting, the Board held off-site strategy sessions in November and December 2017 at which it had a systematic and comprehensive discussion around the strategy and direction of the Bank.

Mr. Henry Baye and Professor (Mrs) Akua Kuenyehia were appointed as Executive Director and Independent Non-Executive Director respectively of the Bank by the Board on 27 July 2017. Mrs. Felicia Gbesemete stepped down from the Board on 4 May 2017. Mr. J. Kweku Bedu-Addo also resigned from the Board on 1 March 2017.

At the time of the approval of the 2017 Annual Report on 22 February 2018, the Board was made up of eight (8) Directors: three (3) Executive Directors and five (5) Non-Executive Directors and the list is as stated below:

| Board members | Standard Chartered Bank Ghana Limited Board | Board Audit Committee | Board Risk Committee |
|---|---|---|---|
| Ishmael Yamson | Yes | No | No |
| Mansa Nettey | Yes | No | No |
| Kweku Nimfah-Essuman | Yes | No | No |
| Emmanuel Oteng Kumah | Yes | Yes | Yes |
| Felix Addo | Yes | Yes | Yes |
| David Adepoju | Yes | Yes | Yes |
| Henry Baye | Yes | No | No |
| Professor (Mrs) Akua Kuenyehia | Yes | Yes | Yes |

## Board roles and key responsibilities

### Chairman

The Chairman is responsible for leading the Board and its overall effectiveness and governance, promoting high standards of integrity and ensuring effective communication between the Board, Management, shareholders and other stakeholders.

### Managing Director (MD)/Chief Executive Officer (CEO)

The MD/CEO is responsible for managing all aspects of the Bank's business, developing the strategy in conjunction with the businesses, the Chairman and the Board and leading its implementation.

### Non-Executive Directors (NEDs)

NEDs provide an independent perspective, constructive challenge and monitor the performance and delivery of the strategy within the risk and controls set by the Board.

### Board Committees

The Board made a conscious decision to delegate a broader range of issues to the Board committees, namely Audit and Risk. The linkages between the Committees and the Board are critical for the smooth running of the Bank.

The Board duly received the minutes and updates from each of the Committees meetings throughout the reporting period.

The Bank has effective mechanisms in place to ensure that there are no gaps or unnecessary duplication between the remit of each Committee.

### Audit Committee

The Audit Committee oversees the management of the financial and internal controls. The Committee's role is to review, on behalf of the Board, the Bank's internal controls; to identify, assess, manage and monitor financial risks. It is also responsible for oversight and to give advice to the Board on internal controls and matters relating to financial reporting. In discharging its responsibilities, the Committee acknowledges and embraces its role of protecting the interest of shareholders.

Number of Board Audit Committee meetings held in 2017

| Board members | Scheduled meetings 4 | Remarks |
|---|---|---|
| Felix Addo (Chairman) | 4/4 | |
| Akua Kuenyehia | 2/4 | Appointed to the Board on 27/7/2017 |
| Emmanuel Oteng Kumah | 4/4 | |
| David Adepoju | 3/4 | |
| Felicia Gbesemete | 2/4 | Stepped down from the Board on 04/5/2017 |

## Risk Committee

The Board Risk Committee maintains oversight accountability for credit, capital, market, liquidity, operational, cross border and pension risks. In discharging its responsibilities, the Committee monitors risk positions and seeks assurance on behalf of the Board around the Bank's Risk Management Framework which assigns accountability and responsibility for the management and control of risk.

# Report of the Directors continued

Number of Board Risk Committee meetings held in 2017

| Board members | Scheduled meetings 4 | Remarks |
|---|---|---|
| Emmanuel Oteng Kumah (Chairman) | 4/4 | Appointed Chairman on 27/4/2017 |
| Felix Addo | 4/4 | |
| Akua Kuenyehia | 2/4 | Appointed to the Board on 27/7/2017 |
| David Adepoju | 3/4 | |
| Felicia Gbesemete | 2/4 | Stepped down from the Board on 04/5/2017 |

### Interaction with Management

On an annual basis, the Committee members meet individually with our statutory auditor, Deloitte and Touche Ghana, Chief Financial Officer, Head of Internal Audit, Head of Compliance and Chief Risk Officer. These meetings allow the Committee members to discuss freely matters relating to the auditor's remit and issues arising from the audit.

### Directors' securities transactions

The Directors' beneficiary interest in the ordinary shares of the Bank as at 31 December 2017 is as shown as per note 34 of the financial statement:

## Going concern

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

## Parent company

The Bank is a subsidiary of Standard Chartered Holdings (Africa) B.V., a company incorporated in The Netherlands.

## Area of operation

The Bank comprises a network of 25 branches and Head Office as at the time of signing this account.

## Subsidiary

The Bank maintains a special purpose legal entity, Standard Chartered Ghana Nominee Limited, to warehouse assets held in trust on behalf of custody clients in the conduct of its fiduciary activities. The assets and income due to such clients arising thereon are not the bonafide property of the Bank and therefore not consolidated with these financial statements. Refer to note 22(b) for the necessary disclosures on this nominee company.

## Auditor

The Board recommends the appointment of a new external auditor to replace Deloitte & Touché in line with the provisions of Section 81(4) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

## Sufficiency of public float

As at the date of this report, the Bank has maintained the prescribed public float governing the listing of securities on the Ghana Stock Exchange based on the information publicly available to the Bank and within the knowledge of the Directors.

## Political donations

No political donations were made in the year ended 31 December 2017 (2016: Nil).

## Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit- Taking Institutions Act, 2016 (Act 930) and the Securities and Exchange Commission Regulations (L.I 1728); 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.

## Business Performance

- Operating income increased by 9.0 per cent from GH¢620.8 million to GH¢676.8 million.
- Profit after tax increased to GH¢283.6 million from GH¢224.5 million recorded in 2016, representing 26.3 per cent growth.
- Earnings per share grew by 27.1 per cent from GH¢1.92 per share in 2016 to GH¢2.44 per share.
- Overall balance sheet grew by 9.2 per cent to GH¢4.78 billion.

## Paid Up Capital

The Bank of Ghana has revised upwards the minimum paid up capital for existing banks and new entrants from GH¢120 million to a new level of GH¢400 million and set 31 December 2018 as the deadline for this new minimum paid up capital requirement to be complied with as indicated per the Bank of Ghana's notice to Banks and the Public (Notice No. BG/GOV/SEC/2017/19)

To comply with the above requirement, the Board is recommending for consideration and approval the transfer of GH¢278 million (Net of WHT) from Income Surplus to Stated Capital in order to comply with the new stated capital directive. The gross amount to be transferred is GH¢302 million.

## Reserve Fund

In accordance with Section 34 (1) (c) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) a cumulative amount of GH¢246.9 million (2016: GH¢211.5 million) has been set aside in a Reserve Fund from the Income Surplus. The cumulative balance includes the amount set aside from the net profit for the year.

## Dividend

As a strategy at complying with the minimum paid up capital requirement as set out by the Bank of Ghana, the Directors are recommending the capitalisation of the distributable reserves of GH¢302 million instead of proposing dividend payment for the 2017 financial year. Ordinary dividend per share paid for 2016 was GH¢1.12.

# Report of the Directors continued

## Approval of the Financial Statements

The Directors have taken all the necessary steps to make themselves and Deloitte and Touche aware of any information needed in performing the 2017 audit. As far as each of the Directors is aware, there is no relevant audit information of which Deloitte and Touche is unaware.

The financial statements of the Bank were approved by the Board of Directors and authorized for publication on 22 February 2018 and signed on its behalf by Mansa Nettey and Kweku Nimfah-Essuman.

| | | |
|---|---|---|
| Ishmael Yamson | Mansa Nettey | Kweku Nimfah-Essuman |
| Chairman | Director | Director |

# Independent Auditor's Report

## Opinion

We have audited the accompanying financial statements of Standard Chartered Bank Ghana Limited set out on pages 58 to 112 which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and statement of comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of Standard Chartered Bank Ghana Limited as at 31 December 2017 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930).

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters noted immediately following relate to the financial statements.

# Independent Auditor's Report continued

| Loan impairment loss provisions | How our audit addresses the key audit matter |
|---|---|
| The Bank assesses the impairment of the loans and advances in compliance with IAS 39 – Financial Instruments: Recognition and Measurement, which requires the amount of loss to be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate.<br><br>The Bank reviews its loans and advances for impairment at the end of each reporting period. Due to the significant judgement that is applied by Management in determining whether an impairment loss has occurred and in estimating the expected amount and timing of future cash flows, we considered this to be a key audit risk.<br><br>In addition to specific provisions against individually impaired loans and advances, the Bank also makes a portfolio impairment provision against the remainder of the loans and advances in relation to which specific impairment losses have not been made. We focused on this area, since the determination of the amount of the portfolio provision is an estimation process which is based on historical loss experience and therefore involves significant judgement.<br><br>The disclosure relating to impairment of loans and advances to customers which are included in the notes to the financial statements are considered important to the users of the financial statements given the level of judgement and estimation involved. | We evaluated and tested the design, implementation and operating effectiveness of the key controls over the computation of impairment provisions. In performing the tests of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the controls, frequency and consistency with which the controls are performed.<br><br>We performed an evaluation of Management's key assumptions over specific impairment calculations, including the calculation methodology, the basis of the underlying expected cash flows, and the realizable value of collaterals and expected period of realization of the collaterals.<br><br>We determined whether the cash flow projections were supported and consistent with the financial information in the Borrower's loan file.<br><br>We evaluated the loan's effective interest rate used in discounting expected future cash flows and recalculated the estimate of loss using the cash flow projections and the loan's effective interest rate.<br><br>We further examined validity of collaterals and verified that the original copies are kept in a secured place. We determined that the current fair values of the collaterals were obtained from qualified professionals either internal or external to the Bank.<br><br>For fair value estimates supported by current independent appraisals, we evaluated the appraiser's qualifications and obtained an understanding of the assumptions adopted for each appraisal. Typically, appraisal assumptions are based on the current performance of the collateral or similar assets. We calculated an estimate of loss for the selected fair value of collateral dependent loans.<br><br>We tested the adequacy of the portfolio loan loss provision by evaluating the portfolio impairment provision model and loss rates used by Management in the calculation of the portfolio impairment provision. We considered past experience and current economic and other relevant conditions, including changes in factors such as lending policies, nature and volume of the portfolio, volume and severity of both past and recently identified impaired loans and concentration of credit. |

| Loan impairment loss provisions | How our audit addresses the key audit matter |
|---|---|
| | We also considered the consistency of the approach with prior year and evaluated the adequacy of the Bank's disclosure on impairment of loans and advances to customers. |

## Other Information

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

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

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

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

## Responsibilities of the Directors for the Financial Statements

The Bank's 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), 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.

# Independent Auditor's Report continued

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

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

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

We also:

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

We confirm that:

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

ii) the Bank has kept proper books of account, so far as appears from our examination of those books.

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

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) Section 85(2) requires that we state certain matters in our report. We hereby state that:

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

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

iii) the transactions of the Bank were within the powers of the Bank;

iv) in our opinion, the Bank has generally complied with the provisions of the Anti-Money Laundering Act,2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and Regulations made under these enactments; and

v) the Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The engagement partner on the audit resulting in this independent auditor's report is **Daniel Kwadwo Owusu (ICAG/P/1327)**

For and on behalf Deloitte & Touche (ICAG/F/2018/129)
Chartered Accountants
The Deloitte Place, Plot No. 71
Off George Walker Bush Highway
Accra Ghana

23 March 2018

# Statement of profit or loss

for the year ended 31 December 2017

| | Note | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|---|
| Interest income | 8 | **587,093** | 549,924 |
| Interest expense | 8 | **(116,256)** | (89,687) |
| **Net interest income** | 8 | **470,837** | 460,237 |
| Fees and commission income | 9 | **97,136** | 91,161 |
| Fees and commission expense | 9 | **(11,920)** | (10,902) |
| **Net fee and commission income** | | **85,216** | 80,259 |
| Net trading income | 10 | **136,169** | 92,901 |
| Net Income from other financial instrument carried at fair value | 11 | **(15,451)** | (19,859) |
| Other operating income | 12 | **-** | 7,243 |
| **Total other and trading income** | | **120,718** | 80,285 |
| **Operating income** | | **676,771** | 620,781 |
| Net impairment loss on financial asset | 21(ii) | **(9,511)** | (81,108) |
| **Operating income net of impairment charges** | | **667,260** | 539,673 |
| Personnel expenses | 13 | **(154,308)** | (142,280) |
| Operating lease expenses | 23(b) | **(6,594)** | (3,525) |
| Depreciation and amortisation | 23 (c) | **(7,270)** | (6,544) |
| Other expenses | 14 | **(76,810)** | (41,766) |
| **Total Operating Expenses** | | **(244,982)** | (194,115) |
| **Profit before income tax** | | **422,278** | 345,558 |
| Income tax expense | 15(i) | **(117,566)** | (101,516) |
| National Fiscal Stabilization Levy | 15(i) | **(21,114)** | (19,531) |
| **Income tax expense** | | **(138,680)** | (121,047) |
| **Profit attributable to:** | | | |
| Controlling Equity holders of the bank | | **196,874** | 155,856 |
| Non-controlling interest | | **86,724** | 68,655 |
| Profit for the period | | **283,598** | 224,511 |
| Basic earnings per share (Ghana Cedi per share) | 16(i) | **GH¢2.44** | GH¢1.92 |
| Diluted earnings per share (Ghana Cedi per share) | 16(ii) | **GH¢2.44** | GH¢1.92 |

# Statement of other comprehensive income

for the year ended 31 December 2017

| | 2017<br>GH¢'000 | 2016<br>GH¢'000 |
|---|---|---|
| Profit for the year | **283,598** | 224,511 |
| Other comprehensive income, net of income tax | **12,149** | 78,837 |
| Total comprehensive income for the year | **295,747** | 303,348 |
| | | |
| **Total comprehensive income attributable to:** | | |
| Controlling Equity holders of the bank | **205,308** | 212,344 |
| Non-controlling interest | **90,439** | 91,004 |
| **Total comprehensive income for the year** | **295,747** | 303,348 |

The notes on pages 63 to 113 are an integral part of these financial statements.

# Statement of financial position

as at ended 31 December 2017

| | Note | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 18 | **1,692,694** | 1,454,542 |
| Derivative assets held for risk management | 19a | **543** | 4,285 |
| Trading asset (Non Pledge) | 20 | **43,082** | 67,550 |
| Loans and advances to customers | 21 | **1,385,696** | 1,262,636 |
| Investment securities | 22a | **1,256,940** | 1,278,874 |
| Current tax assets | 15(ii) | **21,909** | 14,018 |
| Intangible assets | 24 | **1,079** | 2,257 |
| Equity investment | 22b | **1** | 1 |
| Other assets | 26 | **343,453** | 259,988 |
| Property, plant and equipment | 23 | **31,587** | 29,413 |
| **Total assets** | | **4,776,984** | 4,373,564 |
| **Liabilities** | | | |
| Deposits from banks | 27 | **66,086** | 9,702 |
| Deposits from customers | 28 | **3,420,164** | 3,197,673 |
| Derivative liabilities held for risk management | 19b | **543** | - |
| Borrowings | 29 | **88,313** | 84,004 |
| Deferred tax liabilities | 25 | **3,571** | 777 |
| Other liabilities | 30 | **277,551** | 316,192 |
| **Total liabilities** | | **3,856,228** | 3,608,348 |
| **Equity** | | | |
| Stated capital | 31(i) | **86,037** | 44,385 |
| Income surplus | 31(ii) | **251,354** | 232,644 |
| Reserve fund | 31(iii) | **171,463** | 146,854 |
| Credit risk reserve | 31(iv) | **102,907** | 84,282 |
| Other reserves | 31(v) | **29,179** | 24,651 |
| **Total equity attributable to parent's entity** | | **640,940** | 532,816 |
| Non-controlling interest | | **279,816** | 232,400 |
| **Total equity** | | **920,756** | 765,216 |
| **Total liabilities and equity** | | **4,776,984** | 4,373,564 |
| Net assets value per share (Ghana Cedis Per Share) | | **7.98** | 6.63 |

These financial statements were approved bv the Board of Directors on 22 February 2018 and signed on its behalf by

Mansa Nettey
Director

Kweku Nimfah-Essuman
Director

The notes on pages 63 to 113 are an integral part of these financial statements.

# Statement of changes in equity

for the year ended 31 December 2017

| | Stated capital | Income surplus | Reserve Fund | Credit risk reserve | Other reserves | Parent Company Equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Balance at 1 January 2016 | 44,385 | 105,562 | 127,372 | 105,632 | 4,002 | 386,953 | 168,147 | 555,100 |
| Profit for the year | - | 155,856 | - | - | | 155,856 | 68,655 | 224,511 |
| Net fair value gains on available for sale financial asset | - | - | - | - | 21,467 | 21,467 | 9,457 | 30,924 |
| Transfer from credit risk reserve | - | 21,350 | - | (21,350) | - | - | - | - |
| Transfer to statutory reserve | - | (19,482) | 19,482 | - | - | - | - | - |
| Dividend paid to equity holders | - | (31,460) | - | - | - | (31,460) | (13,859) | (45,319) |
| Transfers to and from reserves | - | 818 | - | - | (818) | - | - | - |
| **Balance as at 31 December 2017** | **44,385** | **232,644** | **146,854** | **84,282** | **24,651** | **532,816** | **232,400** | **765,216** |
| **Profit for the year** | **-** | **196,874** | **-** | **-** | **-** | **196,874** | **86,724** | **283,598** |
| **Net fair value gains on available for sale financial asset** | **-** | **-** | **-** | **-** | **5,346** | **5,346** | **2,356** | **7,702** |
| **Transfer to reserve fund** | **-** | **(24,609)** | **24,609** | | | | | |
| **Transfer to credit risk reserve** | **-** | **(18,625)** | **-** | **18,625** | **-** | **-** | **-** | **-** |
| **Transfer to stated capital** | **41,652** | **(44,533)** | **-** | **-** | **-** | **(2,881)** | **(1,268)** | **(4,149)** |
| **Dividend paid to equity holders** | **-** | **(91,215)** | **-** | **-** | | **(91,215)** | **(40,396)** | **(131,611)** |
| **Transfer to and from reserves** | **-** | **818** | **-** | **-** | **(818)** | **-** | **-** | **-** |
| **Balance at 31 December 2017** | **86,037** | **251,354** | **171,463** | **102,907** | **29,179** | **640,940** | **279,816** | **920,756** |

The notes on pages 63 to 113 are an integral part of these financial statements.

# Statement of cash flows

for the year ended 31 December 2017

| | Note | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit for the period | | **283,598** | 224,511 |
| Adjustments for: | | | |
| Depreciation and amortisation | 23(c) | **7,270** | 6,544 |
| Impairment on financial assets | 21(ii) | **9,511** | 81,108 |
| Net interest income | | **(470,837)** | (460,237) |
| Income tax expense | | **138,680** | 121,047 |
| Profit on sale of assets | | **-** | (7,243) |
| | | **(31,778)** | (34,270) |
| | | | |
| Change in trading assets | | **24,468** | (60,610) |
| Change in investment securities | | **21,934** | (366,358) |
| Change in derivative assets held for risk management | | **3,742** | (2,782) |
| Change in other assets | | **(83,465)** | (95,060) |
| Changes in loans and advances to customers | | **(123,060)** | (124,285) |
| Change in derivative liabilities held for risk management | | **543** | - |
| Change in deposits from banks | | **56,384** | (47,585) |
| Change in deposits from customers | | **222,491** | 775,291 |
| Change in other liabilities and provisions | | **(44,771)** | 9,667 |
| | | **46,488** | 54,008 |
| | | | |
| Interest and dividends received | | **540,585** | 649,190 |
| Interest paid | | **(65,267)** | (97,120) |
| Income tax paid | | **(143,777)** | (111,643) |
| **Net cash used in operating activities** | | **378,029** | 494,435 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | | **(8,266)** | (9,969) |
| Proceeds from sale of properties and equipment | | **-** | 7,449 |
| **Net cash used in investing activities** | | **(8,266)** | (2,520) |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividend paid | | **(131,611)** | (45,319) |
| **Net cash from financing activities** | | **(131,611)** | (45,319) |
| | | | |
| **Net increase in cash and cash equivalents** | | **238,152** | 446,596 |
| Cash and cash equivalents at 1 January | | **1,454,542** | 1,007,946 |
| Cash and cash equivalent at 31 December | | **1,692,694** | 1,454,542 |

The notes on pages 63 to 113 are an integral part of these financial statements.

# Notes to the financial statements

for the year ended 31 December 2017

## 1. Reporting entity

Standard Chartered Bank Ghana Limited is a company incorporated in Ghana and licensed as a Bank by the Bank of Ghana. The address and registered office of the Bank can be found on page 32 of the Annual Report.

The Bank operates with a Universal Banking license that allows it to undertake banking and related activities. Its registered office is at Standard Chartered Bank Building situated on John Evans Atta Mills High Street, Accra.

Refer to page 60 for date of financial statements authorisation.

## 2. Basis of preparation

### a. Statement of compliance

The financial statements have been prepared in accordance with Bank of Ghana's directives, International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB).

### b. Basis of preparation

The financial statements are presented in Ghana cedis which is the Bank's functional and presentational currency. All values are rounded to the nearest thousand GH¢ except otherwise indicated. They are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and financial instruments classified as available-for-sale.

### c. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires Management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are some of the Bank's significant estimates and judgements:

**i) Going concern**

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

**ii) Fair value of financial instruments**

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models.

# Notes to the financial statements continued

for the year ended 31 December 2017

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

**iii) Impairment losses on loans and advances**

The Bank reviews its individual significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss.

**iv) Provisions and other contingent liabilities**

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

### d. Fiduciary activities

The Bank commonly acts as Trustee and in other Fiduciary capacities that result in the holding or placing of assets on behalf of individuals, Trustees and other institutions. The assets and income arising thereon are excluded from these financial statement as they are not the assets and income of the Bank.

All the investments made on behalf of third parties are done within the Bank's operating jurisdiction.

## 3. Significant accounting policies

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

### a. Revenue Recognition

Interest income and expense on available-for-sale assets and financial assets and liabilities held at amortised cost are recognized in the statement of profit or loss using the effective interest rate method.

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss. Dividend is recognised in the statement of profit or loss when the Bank's right to receive payment is established.

### b. Interest Income and Expense

Interest income and expense is recognised in the statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that discounts estimated future receipts or payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. The Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

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

When a financial asset or a group of similar financial assets have been written down as a result of impairment, interest income is recognised using the original effective interest rate on the reduced carrying amount.

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the statement of profit or loss in the period they arise.

## c. Fees and Commissions

Fees and commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are performed.

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

## d. Net trading income

Net trading income comprises fixed income, derecognised available-for-sale financial assets, and foreign exchange differences.

## e. Foreign currency – Reference rate

The transaction rates used are the average of the buying and selling of the underlying inter-bank foreign exchange rate as quoted by the Ghana Bankers Association. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or exchange rates at the date the fair value was determined if held at fair value, and the resulting foreign exchange gains and losses are recognised in the statement of profit or loss or shareholders’ equity as appropriate.

## f. Leases

Where the Bank is the lessee

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the 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 recognized as an expense in the period in which termination takes place.

Where the Bank is a lessee under finance leases, the leased assets are capitalized and included in property and equipment with a corresponding liability to the lessor recognized in other liabilities. Financing charges payable are recognized over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

# Notes to the financial statements continued

for the year ended 31 December 2017

## g. Financial assets and liabilities

### i. Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades; purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### (ii) Categorisation of financial assets and liabilities

The Bank classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

### (iii) Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

### (iv) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

### (v) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivable or held to maturity.

(vi) Financial liabilities measured at amortised cost

This relates to all other liabilities that are not designated at fair value through profit or loss.

### (vii) Initial recognition

The Bank recognises financial Assets and financial liabilities when it becomes a party to the contract.

Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction cost except for those that are classified as fair value through profit or loss.

### (viii) Subsequent measurement

Available for sale financial assets are subsequently measured at fair value with the resulting changes recognised in equity. The fair value changes on available for sale financial assets are recycled to the statement of profit or loss when the underlying asset is sold, matured or derecognised. Financial assets and liabilities classified as fair value through profit or loss are subsequently measured at fair value with the resulting changes recognised in profit or loss. Loans and receivables and other liabilities are subsequently carried at amortised cost using the effective interest rate method, less impairment loss.

### (ix) Derecognition

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Bank has transferred substantially all the risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

**(x) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For complex instruments such as swaps, the Bank uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may be derived from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

Reclassification of financial assets

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR) method.

Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the profit or loss.

# Notes to the financial statements continued

for the year ended 31 December 2017

Reclassification is at the election of Management, and is determined on an instrument by instrument basis.

### (xi) Offsetting

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

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

### (xii) Amortised cost measurement

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

### (xiii) Identification and measurement of impairment

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets are impaired.

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrower.

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

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the 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 receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

Impairment losses on available-for-sale financial assets are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the statement of profit or loss .When a subsequent event causes the impairment loss on an available for sale financial asset to decrease, the impairment loss is reversed through the statement of profit or loss .However, any subsequent recovery in the fair value of an impaired available-for-sale financial asset is recognised directly in equity.

**(xiv) Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate (EIR).

When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments available-for-sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in Net trading income.

## h. Derivative financial instruments

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fair value changes in the derivative are recognised in the profit or loss.

## i. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash on hand, cash and balances with the Bank of Ghana and amounts due from banks and other financial institutions.

## j. Investment securities

This comprises investments in short-term Government securities and medium term investments in Government and other securities such as treasury bills and bonds. Investment securities are categorized as available-for-sale or trading financial assets and carried in the statement of financial position at fair value.

## k. Loans and advances

This is mainly made up of loans and advances to customers. Loans and advances are carried in the statement of financial position at amortised cost, i.e. gross receivable less impairment allowance.

# Notes to the financial statements continued

for the year ended 31 December 2017

## l. Property, plant and equipment

### (i) Recognition and measurement

Items of property plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

### (ii) Subsequent costs

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

### (iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over their useful lives. Land is not depreciated.

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

| | |
|---|---|
| Buildings | - 50 years |
| Leasehold improvements | - life of lease up to 50 years |
| IT equipment and vehicles | - 3 - 5 years |
| Fixtures and fittings | - 5 - 10 years |

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

Gains and losses on disposal of property and equipment are determined by comparing proceeds from disposal with the carrying amounts of property and equipment and are recognised in the profit or loss as other income.

## m. Intangible Assets

### (i) Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

### (ii) Other intangible assets

Other intangible assets that are acquired by the Bank and have finite useful lives are recognised at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses excluding expenses on internally generated goodwill and brands is recognised in profit and loss as incurred.

Amortisation is based on the cost of the asset less its residual value.

Amortisation is recognised in profit and loss on a straight line basis over the lifespan of the asset. The estimated remaining useful life is two (2) years.

## n. Taxation

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

## o. Deferred taxation

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

## p. Events after the reporting date

Events subsequent to the statement of financial position date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

## q. Dividend

Dividend payable is recognised as a liability in the period in which they are declared.

## r. Provisions

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

Financial guarantees are initially recognised at their fair value, and the fair value is amortised over the life of the financial guarantee. The financial guarantees are subsequently carried at the higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

## s. Employee benefits

### (i) Defined contribution plans

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

### (ii) Termination benefits

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

### (iii) Short-term benefits

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

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

# Notes to the financial statements continued

for the year ended 31 December 2017

### t. Impairment on non-financial assets

The carrying amount of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. Impairment losses are recognised in the profit or loss.

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

### u. Share capital

**(i) Ordinary share capital**

Ordinary shares are classified as equity.

**(ii) Preference share capital**

Preference share capital of the Bank is classified as equity. The preference shares are irredeemable and the dividends thereon are fixed.

### v. Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank after adjustments for preference dividends by the weighted average number of ordinary shares outstanding during the period. The Bank has no convertible notes and share options, which could potentially dilute its EPS and therefore the Bank's basic and diluted EPS are essentially the same.

## 4. Financial risk management

### (i) Introduction and Overview

Standard Chartered has a defined risk appetite, approved by the Board, which is an expression of the amount of risk we are prepared to take and plays a central role in the development of our strategic plans and policies. Our overall risk appetite has not changed. We regularly assess our aggregate risk profile, conduct stress tests and monitor concentrations to ensure that we are operating within our approved risk appetite.

We review and adjust our underwriting standards and limits in response to observed and anticipated changes within our environment and the evolving expectations of our stakeholders. In 2017, we maintained our overall cautious stance whilst continuing to support our core clients.

The management of risk lies at the heart of Standard Chartered's business. One of the main risks we incur arises from extending credit to customers through our trading and lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as country cross-border, market, liquidity, operational, pension, reputational and other risks that are inherent to our strategy and product range.

### Risk Management Framework

Ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, the Board Risk Committee (BRC), whose membership is comprised exclusively of non-executive directors of the Board, has responsibility for oversight and review of prudential risks including but not limited to credit, market, and liquidity, operational and reputational. It reviews the country's overall risk appetite and makes recommendations thereon to the Board.

Its responsibilities also include reviewing the appropriateness and effectiveness of the country's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on monitoring the activities of the Executive Risk Committee (RiskCO) and Asset and Liability Committee (ALCO).

The BRC receives quarterly reports on risk management, including portfolio trends, policies and standards, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

The Executive Risk Committee (RiskCo) is responsible for the management of all risks other than ALCO and the Pensions Executive Committee (PEC). RiskCo is responsible for the establishment of, and compliance with, policies relating to credit risk, market risk, operational risk, and reputational risk. The RiskCo also defines our overall risk management framework. RiskCo oversees committees such as the Country Operational Risk Committee, the Credit Issue Committee, and the Credit Approval Committee.

ALCO is responsible for the management of capital and the establishment of, and compliance with, policies relating to statement of financial position management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate risk.

The CPC is responsible for the management of pension risk.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down through to the appropriate functional, divisional and country-level committees. Information regarding material risk issues and compliance with policies and standards is communicated to the functional committees and country-level sub-committees.

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business and function governance heads are accountable for risk management in their respective businesses and functions.

The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes that relate to that Risk Type. These responsibilities cut across and are not constrained by functional and business boundaries.

The third line of defence is the independent assurance provided by the Country's Internal Audit function. Its role is defined and overseen by the Audit Committee. The findings from the country audits are reported to management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board. The country's internal audit provides independent assurance of the effectiveness of Management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, Internal Audit provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

- Credit Risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Credit exposures may arise from both the banking and trading books. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

# Notes to the financial statements continued

for the year ended 31 December 2017

- Credit monitoring

We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios; portfolio delinquency and loan impairment performance; including credit grade migration.

- Credit mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types.

- Traded products

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions. The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

Problem credit management and provisioning

### Corporate & Institutional Business and Commercial Banking Business

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired (which represents those loans against which individual impairment provisions have been raised) and excludes:

- Loans renegotiated before 90 days past due and on which no default in interest payments or loss of principal is expected.

Loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected

The loan loss provisions are established to recognize incurred impairment losses either on specific loan assets or within a portfolio of loans and receivables. Individually impaired loans are those loans against which individual impairment provisions have been raised.

Estimating the amount and timing of future recoveries involves significant judgment, and considers the level of arrears as well as the assessment of matters such as future economic conditions, court processes and the value of collateral, for which there may not be a readily accessible market.

The total amount of the Bank's impairment allowances is inherently uncertain being sensitive to changes in economic and credit conditions. It is possible that actual events over the next year differ from the assumptions built into the model resulting in material adjustments to the carrying amount of loans and advances.

Impairment losses identified in our books are prepared in tandem with GAAP principles/Bank of Ghana regulations which was until very recently replaced by IAS provisioning used in this report. Any difference which is the outcome of using the two principles above is reported in our statement of financial position under Credit Risk Reserve.

### Retail Business

In Retail Business, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. A loan is considered delinquent (past due) when the counterparty has failed to make a principal or interest payment when contractually due. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. For delinquency reporting purposes we follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

Provisioning within Retail Business reflects the fact that the product portfolios consist of a large number of comparatively small exposures.

For the main unsecured products and loans secured, the entire outstanding amount is generally written off at 150 days past due. Unsecured consumer finance loans are written off at 90 days past due. For secured loans individual impairment provisions (IIPs) are generally raised at either 150 days (Mortgages) or 90 days (Wealth Management) past due. The provisions are based on the estimated present values of future cash flows, in particular those resulting from the realisation of security. Following such realisation any remaining loan will be written off. The days past due used to trigger write-offs and IIPs are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products there are certain situations where the individual impairment provisioning or write-off process is accelerated, such as in cases involving bankruptcy, customer fraud and death. Write-off and IIPs are accelerated for all restructured accounts to 90 days past due (unsecured and automobile finance) and 120 days past due (secured) respectively.

Individually impaired loans for Retail Businesses will therefore not equate to those reported as non-performing, because non-performing loans include all those over 90 days past due. This difference reflects the fact that, while experience shows that an element of delinquent loans is impaired it is not possible to identify which individual loans the impairment relates to until the delinquency is sufficiently prolonged that loss is almost certain, which, in the bank's experience, is generally around 150 days in Retail Businesses. Up to that point the inherent impairment is captured in portfolio impairment provision (PIP).

The portfolio impairment provision (PIP) methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. PIP is raised on a portfolio basis for all products, and is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

# Notes to the financial statements continued

for the year ended 31 December 2017

Analysis by credit grade of loans and advances

Set out below is an analysis of various credit exposures.

| Exposure To Credit Risk | Loans and advances to customers | | Loans and advances to Banks | | Investment securities | |
|---|---|---|---|---|---|---|
| | **2017 GH¢'000** | 2016 GH¢'000 | **2017 GH¢'000** | 2016 GH¢'000 | **2017 GH¢'000** | 2016 GH¢'000 |
| BOG Classification | | | | | | |
| Carrying amount | | | | | | |
| Individually impaired | | | | | | |
| Grade 14: Impaired (loss) | **629,714** | 402,039 | - | - | - | - |
| Grade 13: Impaired (Doubtful) | **109,546** | 355,281 | - | - | - | - |
| Grade 12: Impaired (Substandard) | **571** | 67,092 | - | - | - | - |
| Gross Non performing loans | **739,831** | 824,412 | - | - | - | - |
| Grade 1-8: Normal (Current) | **1,050,260** | 926,682 | - | - | - | - |
| Grade 9-11: Watch list (Olem) | **308,765** | 87,360 | - | - | - | - |
| Performing loans | **1,359,025** | 1,014,042 | - | - | - | - |
| Gross Loans and advances | **2,098,856** | 1,838,454 | | | | |
| Interest in suspense | **(355,305)** | (221,125) | - | - | - | - |
| Provisions | **(357,855)** | (354,693) | - | - | - | - |
| Carrying Amount | **1,385,696** | 1,262,636 | - | - | - | - |
| IFRS Classification | | | | | | |
| Past due but not impaired | | | | | | |
| Past due comprises: | | | | | | |
| 30-60 days | **2,125** | 72,532 | - | - | - | - |
| 60-90 days | **54,620** | 219,720 | - | - | - | - |
| 90-180 days | **29,992** | 1,693 | - | - | - | - |
| 180-360 days + | **2,954** | 2,857 | - | - | - | - |
| Neither past due nor impaired | **89,691** | 296,802 | - | - | - | - |
| Grade 1-3:Normal | **1,653,860** | 1,320,527 | | 665,906 | | 1,346,424 |
| Grade 4-5: Watch list | **-** | - | - | - | - | - |
| Carrying amount | **1,653,860** | 1,320,527 | | 665,906 | | 1,346,424 |
| Includes loans with renegotiated terms | | | | | | |
| Gross Loans | **1,743,551** | 1,617,329 | | - | | - |
| Impairment Loss | **(357,855)** | (354,693) | | - | | - |
| Total carrying amount | **1,385,696** | 1,262,636 | | 665,906 | | 1,346,424 |

| **IFRS 9 IMPACT (2017)**<br>**Loss Allowance** | **12-Months ECL**<br>**GH¢'000** | **Lifetime ECL Not Credit Impaired**<br>**GH¢'000** | **Lifetime ECL Credit Impaired**<br>**GH¢'000** | **Total**<br>**GH¢'000** |
|---|---|---|---|---|
| Loans and advances to banks at amortised cost | | | | |
| Balance at 1 January | - | - | - | - |
| Transfer to 12 - Month ECL | - | - | - | - |
| Transfer to lifetime ECL not Credit - Impaired | - | - | - | - |
| Transfer to lifetime ECL Credit - Impaired | - | - | - | - |
| Net Re-measurement of Loss Allowance | - | - | - | - |
| New financial assets originated or | - | - | - | - |
| Financial assets that have been derecognised | - | - | - | - |
| Write-offs | - | - | - | - |
| Recoveries of amounts previously written off | - | - | - | - |
| Changes in models/risk parameters | - | - | - | - |
| Foreign exchange and Other movements | - | - | - | - |
| Balance at 31 December | - | - | - | - |

| | **12-Months ECL**<br>**GH¢'000** | **Lifetime ECL Not Credit Impaired**<br>**GH¢'000** | **Lifetime ECL Credit Impaired**<br>**GH¢'000** | **Total**<br>**GH¢'000** |
|---|---|---|---|---|
| Loans and advances to Customer | | | | |
| Balance at 1 January | | | | |
| Transfer to 12 - Month ECL | **8,100** | **-** | **-** | **8,100** |
| Transfer to lifetime ECL not Credit - Impaired | **-** | **3,070** | **-** | **3,070** |
| Transfer to lifetime ECL Credit - Impaired | **-** | **-** | **346,256** | **346,256** |
| Net Remeasurement of Loss Allowance | **-** | **-** | **-** | **-** |
| New financial assets originated or | **-** | **-** | **-** | **-** |
| Financial assets that have been derecognised | **-** | **-** | **-** | **-** |
| Write-offs | | | | |
| Recoveries of amounts previously | | | | |
| | **-** | **-** | **-** | **-** |
| written off | **-** | **-** | **-** | **-** |
| Changes in models/risk parameters | **-** | **-** | **-** | **-** |
| Foreign exchange and Other movements | **-** | **-** | **-** | **-** |
| | | | | |
| Balance at 31 December | **8,100** | **3,070** | **346,256** | **357,426** |

| Segmental Classification | **12-Months ECL**<br>**GH¢'000** | **Lifetime ECL Not Credit Impaired**<br>**GH¢'000** | **Lifetime ECL Credit Impaired**<br>**GH¢'000** | **Total**<br>**GH¢'000** |
|---|---|---|---|---|
| Retail | | | | |
| Loans and advances to Customer at amortised cost Retail | **-** | **-** | **-** | **-** |
| | **-** | **-** | **-** | **-** |
| Balance at 1 January | **-** | **-** | **-** | **-** |
| Transfer to 12 - Month ECL | **6,659** | **-** | **-** | **6,659** |
| Transfer to lifetime ECL not Credit - Impaired | | **216** | | **216** |
| Transfer to lifetime ECL Credit - Impaired | **-** | **-** | **62** | **62** |
| Net Remeasurement of Loss Allowance | | | | **-** |

# Notes to the financial statements continued

for the year ended 31 December 2017

**IFRS 9 IMPACT (2017)**
**Loss Allowance**

| | | | | |
|---|---|---|---|---|
| New financial assets originated or | - | - | - | - |
| Financial assets that have been derecognised | - | - | - | - |
| Write-offs | - | - | - | - |
| Recoveries of amounts previously written off | - | - | - | - |
| Changes in models/risk parameters | - | - | - | - |
| Foreign exchange and Other movements | - | - | - | - |
| Balance at 31 December | **6,659** | **216** | **62** | **6,937** |

| | 12-Months ECL GH¢'000 | Lifetime ECL Not Credit Impaired GH¢'000 | Lifetime ECL Credit Impaired GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|
| Corporate | | | | |
| Loans and advances to Customer at amortised cost Corporate Customers | | | | |
| | | | | |
| Balance at 1 January | | | | |
| Transfer to 12 - Month ECL | 1,441 | - | - | 1,441 |
| Transfer to lifetime ECL not Credit - Impaired | - | 2,854 | - | 2,854 |
| Transfer to lifetime ECL Credit - Impaired | - | - | 346,194 | 346,194 |
| Net Re-measurement of Loss Allowance | | | | - |
| | | | | |
| New financial assets originated or | - | - | - | - |
| Financial assets that have been derecognised | - | -- | | - |
| Write-offs | - | - | - | - |
| Recoveries of amounts previously written off | - | -- | | - |
| Changes in models/risk parameters | - | - | - | - |
| Foreign exchange and Other movements | - | - | - | - |
| Balance at 31 December | **1,441** | **2,854** | **346,194** | **350,489** |
| | | | | |
| Grades 1-6: Low-Fair Risk/Current | | | | |
| | | | | |
| Loans and advances to Customers at amortised cost | | | | |
| | | | | |
| Grades 1-6: Low-Fair Risk/Current | 1,050,260 | - | - | 1,050,260 |
| Grades 7-9: Watch List/OLEM | - | 308,765 | - | 308,765 |
| Grade 10: Substandard | - | 297 | - | 297 |
| Grade 11: Doubtful | - | - | 132,681 | 132,681 |

| **IFRS 9 IMPACT (2017)**<br>**Loss Allowance** | **12-Months ECL**<br>**GH¢'000** | **Lifetime ECL Not Credit Impaired**<br>**GH¢'000** | **Lifetime ECL Credit Impaired**<br>**GH¢'000** | **Total**<br>**GH¢'000** |
|---|---|---|---|---|
| Grade 12: Loss | **-** | **-** | **251,548** | **251,548** |
| | **1,050,260** | **309,062** | **384,229** | **1,743,551** |
| Loss Allowance | **(8,100)** | **(3,070)** | **(346,256)** | **(357,426)** |
| Carrying Amount | **1,042,160** | **305,992** | **37,973** | **1,386,125** |

## Analysis of credit concentration risk

The concentration of loans and advances by business segment and customer types are disclosed in Note 21(v). Investment securities are held largely in Government instruments.

## Maximum credit exposure

At 31 December 2017, the maximum credit risk exposure of the Bank in the event of other parties failing to perform their obligations is detailed below. No account has been taken of any collateral held and the maximum exposure to loss is considered to be the instruments' statement of financial position carrying amount or, for non-derivative off-statement of financial position transactions, their contractual nominal amounts.

| | **2017**<br>**GH¢'000** | 2016<br>GH¢'000 |
|---|---|---|
| Placements with other banks | **-** | 207,000 |
| Loans and advances | **1,385,696** | 1,262,636 |
| Unsecured contingent liabilities and commitments (Net) | **520,135** | 617,822 |
| | **1,905,831** | 2,087,458 |

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

| Loans and receivables | **2017**<br>**GH¢'000** | 2016<br>GH¢'000 |
|---|---|---|
| Against impaired assets | **4,286,569** | 3,286,298 |
| Against past due but not impaired assets | **1,368,592** | 579,064 |
| | **5,655,161** | 3,865,362 |

# Notes to the financial statements continued

for the year ended 31 December 2017

## Commitments and guarantees

To meet the financial needs of customers, the Bank enters various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank would have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| Guarantees | **607,145** | 629,001 |
| Letters of credit | **48,029** | 83,765 |
| | **655,174** | 712,766 |
| Margins against contingents | **(135,039)** | (94,944) |
| | **520,135** | 617,822 |

## (ii) Liquidity Risk

The Bank defines liquidity risk as the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

It is the policy of the Bank to maintain adequate liquidity at all times, and for all currencies. Hence the Bank aims to be in a position to meet all obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments.

Liquidity risk management is governed by the Bank's Asset and Liability Management Committee (ALCO), which is chaired by the Chief Executive Officer. ALCO is responsible for both statutory and prudential liquidity. These responsibilities include the provision of authorities, policies and procedures.

ALCO has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

The Bank also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

ALCO oversees the structural foreign exchange and interest rate exposures that arise within the Bank. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by ALCO. Compliance with Bank ratios is also monitored by ALCO.

Refer to Note 21 (iv) for key ratios of the Bank.

An analysis of various maturities of the Bank's assets and liabilities is provided below.

Maturities of assets and liabilities

| | 0-3 months | 3-6 months | 6-12 months | over 1 year | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Assets | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Cash and cash equivalents | 1,692,694 | - | - | - | 1,692,694 | 1,454,542 |
| Derivative assets held for risk management | 543 | - | - | - | 543 | 4,285 |
| Trading Asset(non-pledge) | 43,082 | | - | - | 43,082 | 67,550 |
| Loans and advances to customers | 551,339 | 98,556 | 88,851 | 646,950 | 1,385,696 | 1,262,636 |
| Investment securities | 55,110 | 75,198 | 201,873 | 924,759 | 1,256,940 | 1,278,874 |
| Current tax assets | - | - | 21,909 | - | 21,909 | 14,018 |
| Intangible assets | 270 | 270 | 539 | - | 1,079 | 2,257 |
| Equity investment | - | - | - | 1 | 1 | 1 |
| Other assets | 343,453 | - | - | - | 343,453 | 259,988 |
| Property, plant and equipment | - | - | - | 31,587 | 31,587 | 29,413 |
| **Total Asset** | 2,686,491 | 174,024 | 313,172 | 1,603,297 | 4,776,984 | 4,373,564 |
| **Liabilities** | | | | | | |
| Deposits from banks | 66,086 | - | - | - | 66,086 | 9,702 |
| Deposits from customers | 3,329,091 | 45,068 | 46,005 | - | 3,420,164 | 3,197,673 |
| Derivative liabilities held for risk management | 543 | - | - | - | 543 | - |
| Borrowings | 88,313 | - | - | - | 88,313 | 84,004 |
| Deferred tax liabilities | | - | 3,571 | - | 3,571 | 777 |
| Other liabilities | 243,009 | - | 34,542 | - | 277,551 | 316,192 |
| **Total liabilities** | 3,727,042 | 45,068 | 84,118 | - | 3,856,228 | 3,608,348 |
| Net liquidity gap | (1,040,551) | 128,956 | 229,054 | 1,603,297 | 920,756 | 765,216 |
| Cumulative gap | (1,040,551) | (911,595) | (682,541) | 920,756 | - | 765,216 |

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

| 2017 | On demand | Less than 3 months | 3 to 12 Months | Over 12 Months | Total |
|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Financial guarantees | 222 | 59,317 | 432,334 | 115,272 | 607,145 |
| Letters of credit | 3,360 | 44,669 | - | - | 48,029 |
| Total | 3,582 | 103,986 | 432,334 | 115,272 | 655,174 |

# Notes to the financial statements continued

for the year ended 31 December 2017

| 2016 | On demand | Less than 3 months | 3 to 12 Months | Over 12 Months | Total |
|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Financial guarantees | 9,180 | 254,030 | 315,090 | 50,701 | 629,001 |
| Letters of credit | 6,704 | 75,517 | 1,544 | - | 83,765 |
| Total | 15,884 | 329,547 | 316,634 | 50,701 | 712,766 |

### (iii) Market Risk

#### Management of Market Risk

The Bank recognises market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank is exposed to market risk arising principally from customer driven transactions.

Market risk is governed by the Bank's Market Risk unit which is supervised by ALCO, and which agrees policies, procedures and levels of risk appetite in terms of Value at Risk ("VaR").The unit provides market risk oversight and guidance on policy setting. Policies cover both the trading and non-trading books of the Bank. The non-trading book is defined as the Banking book. Limits are proposed by the businesses within the terms of agreed policy.

The unit also approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and currency concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools.

VaR models are back tested against actual results to ensure pre-determined levels of accuracy are maintained. The Bank's Market Risk unit complements the VaR measurement by regularly stress testing market risk exposures to highlight potential risks that may arise from extreme market events that are rare but plausible. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. Ad hoc scenarios are also prepared reflecting specific market conditions. A consistent stress testing methodology is applied to trading and non-trading books.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The unit has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. It also considers stress testing results as part of its supervision of risk appetite. The stress test methodology assumes that management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs. Contingency plans are in place and can be relied on in place of any liquidity crisis.

## Foreign Exchange Exposure

The Bank's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from customer driven transactions. Concentration of Ghana cedi equivalent of foreign currency denominated assets and liabilities and off statement of financial position items are disclosed below:

| | USD GH¢'000 | GBP GH¢'000 | EUR GH¢'000 | Others GH¢'000 | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and cash equivalents | **935,275** | **36,882** | **10,054** | **495** | **982,706** | 709,533 |
| Derivative assets held for risk management | **543** | **-** | **-** | **-** | **543** | 339 |
| Advances to customers | **409,414** | **1,225** | **42,813** | **-** | **453,452** | 415,968 |
| Investment securities | **76,205** | **-** | **-** | | **76,205** | 5,591 |
| Other assets | **99,066** | **4** | **10,809** | **494** | **110,373** | 153,103 |
| Total Assets | **1,520,503** | **38,111** | **63,676** | **989** | **1,623,279** | 1,284,534 |
| Liabilities | | | | | | |
| Deposits from banks | **-** | **-** | **-** | **-** | **-** | - |
| Deposits from customers | **1,284,005** | **36,361** | **44,577** | **87** | **1,365,030** | 1,208,120 |
| Derivative liability held for risk management | **543** | **-** | **-** | **-** | **543** | - |
| Other liabilities | **121,373** | **1,710** | **18,949** | **299** | **142,331** | 330,362 |
| Total Liabilities | **1,405,921** | **38,071** | **63,526** | **386** | **1,507,904** | 1,538,482 |
| Net-on Statement of financial position | **114,582** | **40** | **150** | **603** | **115,375** | (253,948) |
| Off-statement of financial position Credit and Commitments | **527,351** | **772** | **7,690** | **-** | **535,813** | 499,711 |
| Year ended rates | **4.41565** | **5.96685** | **5.29635** | | | |

## Sensitivity Analysis

A 5 per cent strengthening of the cedi against the following currencies at 31 December 2017 would have an impact on equity and profit or 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 2016.

# Notes to the financial statements continued

for the year ended 31 December 2017

## Sensitivity analysis

Effect in cedis

| 31 December 2017 | Profit/(loss) GH¢'000 |
|---|---|
| **USD** | **22,471** |
| **GBP** | **57** |
| **EUR** | **155** |
| **Others** | **104** |

| 31 December 2016 | Profit/(loss) GH¢'000 |
|---|---|
| USD | (14,686) |
| GBP | 108 |
| EUR | (257) |
| Others | (13) |

A best case scenario 5% weakening of the Ghana cedi against the above currencies at 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## Interest Rate Exposure

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in market interest rates.

A change of a 100 basis points in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

| | 100 b p Increase | 100 b p Decrease |
|---|---|---|
| **December 2017** | **GH¢'000** | **GH¢'000** |
| **Interest income impact** | **33,350** | **(33,350)** |
| **Interest expense impact** | **(33,795)** | **33,795** |
| **Net impact** | **(445)** | **445** |
| December 2016 | | |
| Interest income impact | 27,588 | (27,588) |
| Interest expense impact | (27,437) | 27,437 |
| Net impact | 151 | (151) |

## (iv) Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The Bank's Country Operational Risk Committee (CORC) has been established to supervise and direct the management of operational risks across the Bank. CORC is also responsible for ensuring adequate and appropriate policies, and procedures are in place for the identification, assessment, monitoring, control and reporting of operational risks.

The CORC is responsible for establishing and maintaining the overall operational risk framework and for monitoring the Bank's key operational risk exposures. This committee is supported by Corporate & Institutional, Commercial and Retail Banking Operational Risk units. These units are responsible for ensuring compliance with policies and procedures in the business, monitoring key operational risk exposures, and the provision of guidance to the respective business areas on operational risk.

## (v) Compliance and Regulatory risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements.
The Bank's compliance and Regulatory Risk function is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

## (vi) Capital Management

### Regulatory capital

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

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

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

- Tier 1 capital, which includes ordinary share capital, income surplus/retained earnings, statutory reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Bank did not have any tier 2 capital during the period under review.

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

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

# Notes to the financial statements continued

for the year ended 31 December 2017

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

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's or Group's management of capital during the period.

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

| | | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|---|
| **Tier 1 capital** | | | |
| Ordinary paid up capital | 31 | **78,126** | 36,474 |
| Preference share paid up capital | 31 | **7,911** | 7,911 |
| Income surplus | 31 | **251,354** | 232,644 |
| Reserve fund | 31 | **171,463** | 146,854 |
| Controlling Interest holdings | | **508,854** | 423,883 |
| Non-controlling interest | | **221,630** | 184,414 |
| | | **730,484** | 608,297 |
| Other regulatory adjustments | | **(4,407)** | (4,980) |
| Total tier 1 | | **726,077** | 603,317 |
| **Risk-weighted assets** | | | |
| Credit risk | | **2,174,548** | 2,296,541 |
| Market risk | | **11,393** | 7,478 |
| Operational risk | | **557,877** | 490,972 |
| Total risk-weighted assets | | **2,743,818** | 2,794,991 |
| Total regulatory capital expressed as a percentage of total risk weighted assets | | **26.00%** | 21.59% |
| Total tier 1 capital expressed as a percentage of total risk-weighted assets | | **26.00%** | 21.59% |

## Capital allocation

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

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by the Bank's ALCO.

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

## 5. Contingencies and Commitments

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| i) Contingent Liabilities | | |
| *Pending Legal Suits | **3,077** | - |

There are a number of legal proceedings outstanding against the Bank as at 31 December 2017. Provisions have been recognised for those cases where the Bank is able to reliably estimate the probable loss. There are no contingent liabilities with respect to legal cases for the year (2016: Nil).

(ii) Commitments for capital expenditure

There was no commitment for capital expenditure at the statement of financial position date (2016: Nil)

(iii) Unsecured contingent liabilities and commitments

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| This relates to commitments for trade letters of credit and guarantees (Net of margin deposits) | **520,135** | 617,822 |

## 6. Segmental Reporting

The Bank has three main business segments: Retail Banking, Commercial Banking, and Corporate Institutional Banking.

### Retail Banking

Retail banking business serves the banking needs of Personal, Priority and International and Business clients, offering a full suite of innovative products and services to meet their borrowing, wealth management and transacting needs.

A client-focused approach enables a deeper understanding of clients' evolving needs and provision of customised financial solutions

### Commercial Banking

Commercial Banking focuses on helping mid-sized local companies grow, especially as they expand across borders. This group of clients is already a key contributor to trade and investment in our footprint markets today and presents a large and growing opportunity.

### Corporate and Institutional Banking

Corporate and Institutional Banking focuses on driving origination by building core banking relationships with clients across the full range of their product needs. The SCB network is fundamental to our strategy, structured to provide clients with Global expertise delivered through local support.

Some of the Bank's corporate costs are managed centrally and standardised basis are used to allocate these costs to the business segments on a reasonable basis.

# Notes to the financial statements continued

for the year ended 31 December 2017

| **Operating Segments** | **Corporate & Institutional Banking** | **Retail Banking** | **Commercial Banking** | **Unallocated** | **Consolidated** |
|---|---|---|---|---|---|
| **2017** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Net interest income | **255,614** | **164,323** | **50,900** | **-** | **470,837** |
| Net fee and commission income | **38,290** | **34,950** | **11,976** | **-** | **85,216** |
| Net trading income | **104,281** | **31,310** | **578** | **-** | **136,169** |
| Net income from other financial instruments carried at fair value | **(15,451)** | **-** | **-** | **-** | **(15,451)** |
| Other operating income | | | | | |
| Total segment revenue | **382,734** | **230,583** | **63,454** | **-** | **676,771** |
| Net impairment loss | **10,481** | **(3,334)** | **(16,658)** | **-** | **(9,511)** |
| Total operating expenses | **(86,696)** | **(130,971)** | **(27,315)** | **-** | **(244,982)** |
| Profit before tax | **306,519** | **96,278** | **19,481** | **-** | **422,278** |
| Total assets | **3,836,527** | **367,153** | **573,304** | **-** | **4,776,984** |
| Total liabilities | **1,993,602** | **1,400,437** | **462,189** | **-** | **3,856,228** |

| Operating Segments | Corporate & Institutional Banking | Retail Banking | Commercial Banking | Unallocated | Consolidated |
|---|---|---|---|---|---|
| 2016 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Net interest income | 297,467 | 122,428 | 40,342 | - | 460,237 |
| Net fee and commission income | 45,073 | 28,909 | 6,277 | - | 80,259 |
| Net trading income | 51,559 | 27,794 | 13,547 | | 92,901 |
| Net income from other financial instruments carried at fair value | (19,859) | - | - | 7,243 | (19,859) |
| Other operating Income | - | - | - | 7,243 | 7,243 |
| Total segment revenue | 374,240 | 179,132 | 60,166 | - | 620,781 |
| Net impairment loss on financial asset | (45,716) | (6,173) | (29,219) | - | (81,108) |
| Total operating expenses | (69,670) | (92,301) | (32,144) | 7,243 | (194,115) |
| Profit before tax | 258,854 | 80,658 | (1,197) | | 345,558 |
| Total assets | 2,475,319 | 396,692 | 519,113 | 982,740 | 4,373,564 |
| Total liabilities | 1,706,046 | 1,184,577 | 401,215 | 316,510 | 3,608,348 |

Interest income is reported net as Management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2017.

No operating segments have been aggregated in arriving at the reportable segment of the Bank.

The Executive Committee monitors operating results of its business units separately for the purpose of decision making about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss.

Transfer prices between operating segments are on arms length basis in a manner similar to transactions with third parties.

Segment revenue above represents revenue generated from external customers. There were no inter – segments sales in the current year (2016: nil)

The accounting policies of the reportable segments are the same as the Bank's accounting policies.

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than other financial assets and current and deferred tax assets and
- All liabilities are allocated to reportable segments other than borrowing, other financial liabilities and current and deferred tax liabilities.

### 7 (a) The Bank's classification of its principal financial assets and liabilities are summarised below:

| | Designated at fair value | Amortised cost | Available-for-sale | Total carrying amount | Fair value |
|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| **31 December 2017** | | | | | |
| Cash and cash equivalents | | **1,692,694** | **-** | **1,692,694** | **1,692,694** |
| Derivative assets | **543** | **-** | **-** | **543** | **543** |
| Trading assets (Non Pledged) | **43,082** | **-** | **-** | **43,082** | **43,082** |
| Loans and advances to customers | **-** | **1,385,696** | **-** | **1,385,696** | **1,385,696** |
| Investment securities | **-** | **-** | **1,256,940** | **1,256,940** | **1,256,940** |
| **Total Assets** | **43,625** | **3,078,390** | **1,256,940** | **4,378,955** | **4,378,955** |
| Deposits from customers | **-** | **3,420,164** | **-** | **3,420,164** | **3,420,164** |
| Deposits from banks | **-** | **66,086** | **-** | **66,086** | **66,086** |
| **Liabilities** | **-** | **3,486,250** | **-** | **3,486,250** | **3,486,250** |
| 31 December 2016 | | | | | |
| Cash and cash equivalents | - | 1,454,542 | - | 1,454,542 | 1,454,542 |
| Derivative assets | 4,285 | - | - | 4,285 | 4,285 |
| Trading Assets | 67,550 | | | 67,550 | 67,550 |
| Loans and advances | - | 1,262,636 | - | 1,262,636 | 1,262,636 |
| Investment securities | - | - | 1,278,874 | 1,278,874 | 1,278,874 |
| Total Assets | 71,835 | 2,717,178 | 1,278,874 | 4,067,887 | 4,067,887 |
| Deposits from banks | - | 9,702 | - | 9,702 | 9,702 |
| Deposits from customers | - | 3,197,673 | - | 3,197,673 | 3,197,673 |
| Liabilities | - | 3,207,375 | - | 3,207,375 | 3,207,375 |

# Notes to the financial statements continued

for the year ended 31 December 2017

## 7 (b) Fair value categorisation of financial instruments

### Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below.

### Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line divisions.

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent price verification team within Finance which reports to the Chief Financial Officer.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in fair value hierarchy, into which the fair value measurement is categorised.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| **2017** | | | | |
| Trading assets (Non Pledged) | **43,082** | | | **43,082** |
| Derivative assets (Foreign exchange contracts) | | **543** | | **543** |
| Investment in securities | **-** | **1,256,940** | **-** | **1,256,940** |
| Total at 31 December 2017 | **43,083** | **1,257,483** | **-** | **1,300,565** |
| 2016 | | | | |
| Trading assets (Non Pledged) | 67,550 | | | 67,550 |
| Derivative assets (Foreign exchange contracts) | | 4,285 | | 4,285 |
| Investment in securities | - | 1,278,874 | - | 1,278,874 |
| Total at 31 December 2016 | 67,550 | 1,283,159 | - | 1,350,709 |

### Trading assets (Non Pledged)

These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

### Derivative - Foreign exchange contracts

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over the- counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. The Bank classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

## 8. Net interest income

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| **Interest income** | | |
| Cash and cash equivalent | **46,068** | 57,986 |
| Loans and advance to customers | **217,939** | 232,568 |
| Investment Securities | **323,086** | 259,370 |
| Total interest income | **587,093** | 549,924 |
| **Interest expense** | | |
| Deposits from bank | **(7,324)** | (4,435) |
| Deposits from customers | **(62,799)** | (68,920) |
| Other | **(46,133)** | (16,332) |
| Total Interest expense | **(116,256)** | (89,687) |
| **Net Interest Income** | **470,837** | 460,237 |

There is no interest income accrued on any impaired financial asset.

## 9. Fees and commission income

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Retail banking customer fees | **47,906** | 43,702 |
| Corporate banking credit related fees | **49,230** | 47,459 |
| **Total fee and commission incomes** | **97,136** | 91,161 |
| Fee and commission expense | | |
| Brokerage | **(49)** | (27) |
| Visa interchange fees | **(11,871)** | (10,875) |
| **Total fee and commission expense** | **(11,920)** | (10,902) |
| **Net fee and commission income** | **85,216** | 80,259 |

## 10. Net Trading Income

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Fixed income | 31,709 | 7,261 |
| Foreign exchange | 88,946 | 59,674 |
| Other | 15,514 | 25,966 |
| **Net trading income** | 136,169 | 92,901 |

# Notes to the financial statements continued

for the year ended 31 December 2017

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

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| OTC structured derivatives | **(15,451)** | (19,859) |

## 12. Other Operating Income

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Assets disposal | **-** | 7,243 |

## 13. Personnel costs

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Wages, salaries, bonus and allowances | **108,152** | 103,701 |
| Social security costs | **9,407** | 9,035 |
| Pension and retirement benefits | **5,445** | 5,137 |
| Other staff costs | **25,949** | 19,714 |
| Training | **736** | 727 |
| Directors' emolument (Note 13b) | **4,619** | 3,966 |
| | **154,308** | 142,280 |

The average number of persons employed by the Bank during the year was 928 (2016: 974).

### 13 a. Employee benefits

(i) Defined Contribution Plans

The Bank now operates the new three-tier pension scheme as directed by the National Pension Authority. This requires an additional contribution rate of 1% to be shared equally between the employer and the employee. The Bank pays 13% and the employee pays 5.5% making a total contribution of 18.5%.

Out of a total contribution of 18.5%, the Bank remits 13.5% to a restructured Social Security and National Insurance Trust towards the first tier pension scheme, out of which 2.5% is a levy for the National Health Insurance scheme. The Bank remits the remaining 5% to a privately managed and mandatory second tier for lump sum benefit.

The third tier is a voluntary provident fund and personal pension scheme to which the Bank contributes 7 per cent of staff basic salary.

(ii) Retired Staff Medical Plan

The Bank has a scheme to pay the medical cost of some retired staff and their spouses from the date of retirement till death. Under the scheme, the Bank pays the medical cost of eligible persons with a cost cap of GH¢5,000 per person. The Bank has taken an insurance policy to cover the scheme.

### 13 b. Particulars of directors' emoluments

In line with section 128 of the Companies Act, 1963 (Act 179), the following are the aggregate of the directors' emoluments:

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **3,001** | 2,334 |
| Pension contributions | **207** | 254 |
| Bonuses paid or receivable | **1,160** | 1,205 |
| Share-based payments (Note 33 vi) | **251** | 173 |
| | **4,619** | 3,966 |

### 14. Other expenses

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Advertising and marketing | **4,730** | 3,051 |
| Premises and equipment | **13,402** | 10,938 |
| Administrative | **54,396** | 15,228 |
| Auditors' remuneration | **549** | 420 |
| Donations and sponsorship | **46** | 96 |
| Redundancy cost | **2,372** | 10,660 |
| Others | **1,315** | 1,373 |
| | **76,810** | 41,766 |

### 15. Taxation

(i) Income tax expense

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Charge for the year | **114,772** | 95,807 |
| Adjustment for prior year per GRA tax audit | **-** | 10,197 |
| | **114,772** | 106,004 |
| Deferred Tax | **2,794** | (4,488) |
| | **117,566** | 101,516 |

| **National Fiscal Stabilisation Levy** | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Charge for the year | **21,114** | 17,278 |
| Adjustment for prior year per GRA tax audit | **-** | 2,253 |
| | **21,114** | 19,531 |

# Notes to the financial statements continued

for the year ended 31 December 2017

(ii) Taxation Payable

| | Balance at 1/1/2017 | Payment during the year | Tax refunded | Charge for the year | Balance at 31/12/17 |
|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Income Tax | (10,223) | (132,598) | 11,867 | 114,772 | (16,182) |
| National Fiscal Stabilisation Levy | (3,795) | (23,046) | - | 21,114 | (5,727) |
| | (14,018) | (155,644) | 11,867 | 135,886 | (21,909) |

(iii) Reconciliation of Effective Tax Rate

Analysis of tax charge in the year:

The charge for taxation based upon the profit for the year comprises:

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Profit before tax | **422,278** | 345,558 |
| Tax at 25% (2016:25%) | **105,570** | 86,390 |
| Non-deductible expenses | **11,478** | 24,040 |
| Capital allowances | **(2,276)** | (1,926) |
| Deferred tax | **2,794** | (4,488) |
| Other deductions | **-** | (2,499) |
| Current tax charge | **117,566** | 101,516 |
| Effective tax rate | **27.84%** | 29.38% |

Tax liabilities up to 2015 have been agreed with the Ghana Revenue Authority. The 2016 and 2017 liabilities are subject to agreement with the Ghana Revenue Authority.

National Fiscal Stabilisation Levy is a levy introduced by the Government as a charge on profit before tax effective July 2013. This is at the rate of 5% on the profit before tax.

## 16. Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share GH¢2.44 (2016: GH¢1.92) at 31 December 2017 was based on the profit attributable to ordinary shareholders of GH¢281 million (2016: GH¢ 222 million) and a weighted average number of ordinary shares outstanding of 115.5 million (2016: 115.5 million), calculated as follows:

Profit attributable to ordinary shareholders

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Net profit for the period (after tax) | **283,598** | 224,511 |
| Less Preference share dividend | **(2,243)** | (2,582) |
| Profit attributable to equity holders | **281,355** | 221,929 |
| | **'000** | '000 |
| Weighted average number of ordinary shares at 31 December | **115,507** | 115,507 |

(ii) Diluted earnings per share

The calculation of diluted earnings per share GH¢2.44 (2016:GH¢.92) at 31 December 2017 was based on the profit attributable to ordinary shareholders of GH¢ 281million (2016: GH¢ 222 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 115.5 million (2016: 115.5 million), calculated as follows:

Profit attributable to ordinary shareholders

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| Net profit for the period (after tax) | **283,598** | 224,511 |
| Less Preference share dividend | **(2,243)** | (2,582) |
| Profit attributable to equity holders | **281,355** | 221,929 |
| Weighted average number of ordinary shares at 31 December | | |

| | **2017 '000** | 2016 '000 |
|---|---|---|
| Weighted average number of ordinary shares at 31 December | **115,507** | 115,507 |

## 17. Dividend per share

At the Annual General Meeting to be held on 7 June 2018, no ordinary share dividend will be proposed. No interim dividend was declared and paid during the year.

Preference share dividend is paid semi-annually on 31st March and 30th September as determined by the Registrar, (GCB Bank Ltd, Share Registry Department) using the preference rate. The rate is derived from the 182 day Treasury bill rate existing on or about 30th September, 2016 and 31st March, 2017 plus a risk premium of 300 basis point.

Payment of dividends is subject to withholding tax at the rate of 8 per cent for residents and 7.5 per cent for non-resident shareholders in countries with Double Taxation Agreement (DTA) with Ghana.

## 18. Cash and Cash Equivalent

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| Cash and balances with banks | **598,231** | 522,181 |
| Unrestricted balances with BoG | **894,004** | 677,662 |
| Restricted balances with BoG | **200,459** | 47,699 |
| Money market placement | **-** | 207,000 |
| | **1,692,694** | 1,454,542 |

# Notes to the financial statements continued

for the year ended 31 December 2017

## 19a. Derivative Assets held for risk management

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| OTC Structured derivatives | 543 | 4,285 |

## 19b. Derivatives liabilities held for risk management

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| OTC Structured derivatives | 543 | - |

## 20. Trading assets (Non-Pledge)

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Securities | 43,082 | 67,550 |

## 21. Loans and advances

### i. Analysis by Type

The above constitutes loans and advances (including credit bills negotiated) to customers and staff.

| | 2017 GH¢'000 | 2017 GH¢'000 | 2017 GH¢'000 | 2016 GH¢'000 | 2016 GH¢'000 | 2016 GH¢'000 |
|---|---|---|---|---|---|---|
| **Retail Customers** | | | | | | |
| Mortgage lending | 101,425 | - | 101,425 | 61,009 | (945) | 60,064 |
| Personal loans | 431,254 | (6,192) | 425,062 | 341,015 | (4,386) | 336,629 |
| **Corporate customers** | | | | | | |
| Term loan | 722,238 | (351,663) | 370,575 | 982,389 | (349,362) | 633,027 |
| Trade | 314,090 | - | 314,090 | 212,599 | - | 212,599 |
| Other secured lending | 174,544 | - | 174,544 | 20,317 | - | 20,317 |
| Reverse repos | - | - | - | - | - | - |
| Total | 1,743,551 | (357,855) | 1,385,696 | 1,617,329 | (354,693) | 1,262,636 |

### ii.Impairment allowance charged for the year

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Individual impairment (Note iii a) | **53,687** | 93,297 |
| Portfolio (recovery)/ impairment (Note iii b) | **(9,380)** | 4,312 |
| Recovery | **(34,796)** | (16,501) |
| | **9,511** | 81,108 |

### iii. A reconciliation of the allowance for impairment losses for loans and advances is as follows:

### iii a. Individual Impairment

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Individual impairment at 1 January | **333,647** | 286,148 |
| Provision charged in the year | **53,687** | 93,297 |
| Recovery during the year | **(34,796)** | (16,501) |
| Charge offs and written-off (Note vii) | **(6,349)** | (29,297) |
| At 31 December | **346,189** | 333,647 |

### iii b. Portfolio impairment

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Portfolio impairment at 1 January | **21,046** | 16,734 |
| (Recovery)\provision charged in the year | **(9,380)** | 4,312 |
| | **11,666** | 21,046 |

### (iv) Key ratios on loans and advances

a. Loan loss provision ratio was 21 per cent (2016: 22 per cent).

b. Gross non-performing loan ratio with respect to Bank of Ghana Prudential Guidelines was 35 per cent (2016: 45 per cent).

c. Non-Performing loan ratio excluding loss category with respect to Bank of Ghana prudential guidelines was 7.5 per cent (2016: 29.4 per cent)

d. Ratio of fifty (50) largest exposures (gross funded and non-funded) to total exposures was 74.23 per cent (2016: 76.63 per cent).

e. Loan deposit ratio 41 per cent (2016: 39 per cent)

f. Loan coverage 112.68 per cent (2016: 85 per cent)

# Notes to the financial statements continued

for the year ended 31 December 2017

### (v) Analysis by business segments

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Agriculture, forestry and fishing | **164,919** | 101,693 |
| Mining and quarrying | **3,797** | 6,837 |
| Manufacturing | **346,942** | 301,688 |
| Construction | **-** | - |
| Electricity, gas and water | **8,156** | 8,178 |
| Commerce and finance | **527,729** | 596,195 |
| Transport, storage and communication | **16,462** | 26,412 |
| Services | **18,669** | 35,376 |
| Miscellaneous | **173,428** | 107,148 |
| Individuals | **483,449** | 433,802 |
| Gross loans and advances | **1,743,551** | 1,617,329 |
| Impairment allowance | **(357,855)** | (354,693) |
| Net loans and advances | **1,385,696** | 1,262,636 |

### Analysis by customer type

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Individuals | **358,861** | 326,654 |
| Private enterprises | **1,245,042** | 1,183,527 |
| Public institutions | **-** | - |
| Staff | **139,648** | 107,148 |
| Gross loans and advances | **1,743,551** | 1,617,329 |
| Impairment allowance | **(357,855)** | (354,693) |
| Net loans and advances | **1,385,696** | 1,262,636 |

### (vi) Assets held as collateral

This comprises the following:

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Against impaired assets | **4,286,569** | 3,286,298 |
| Against past due but not impaired assets | **1,368,592** | 579,064 |
| Good assets | **6,388,263** | 3,653,630 |
| | **12,043,424** | 7,518,992 |

### (vii) Loan write-off

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Balance at 1 January | **33,104** | 3,807 |
| Charge off for the year | **6,349** | 29,297 |
| Balance at 31 December | **39,453** | 33,104 |

## 22. Investment Securities

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| 22 (a) Treasury bills | **297,915** | 377,838 |
| Debt securities | **959,025** | 901,036 |
| Total | **1,256,940** | 1,278,874 |
| 22 (b) Equity Investment | | |
| Investment in Subsidiaries | **1** | 1 |

Investment in subsidiaries represents the Bank's equity interest in Standard Chartered Ghana Nominees Limited, which is a wholly owned subsidiary specifically set-up to warehouse fiduciary assets under management.

### (ii) Fiduciary Activities

The Bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefits plans and other institutions. The assets under management are excluded from these financial statements as they are not assets of the Bank.

These instruments are held in trust on behalf of customers and are therefore not treated as assets of the Bank and accordingly have not been included in the financial statements.

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| The total assets under the company's management which wholly relates to investments in Ghana is | **24,924,883** | 11,479,343 |

## 23. Property, plant and equipment

a) Property schedule

| | Land and Building GH¢'000 | Furniture and Equipment GH¢'000 | Computer GH¢'000 | Motor Vehicle GH¢'000 | Capital Work in Progress GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| **Gross value** | | | | | | |
| At 1 January 2017 | 27,668 | 10,975 | 12,024 | 231 | 5,376 | 56,274 |
| Additions | 1,877 | 2,860 | 3,318 | - | 211 | 8,266 |
| At 31 December 2017 | 29,545 | 13,835 | 15,342 | 231 | 5,587 | 64,540 |

# Notes to the financial statements continued

for the year ended 31 December 2017

| | Land and Building | Furniture and Equipment | Computer | Motor Vehicle | Capital Work in Progress | Total |
|---|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| **Depreciation** | | | | | | |
| At 1 January 2017 | **13,665** | **8,298** | **4,667** | **231** | **-** | **26,861** |
| Charges for the year | **2,457** | **1,661** | **1,974** | **-** | **-** | **6,092** |
| At 31 December 2017 | **16,122** | **9,959** | **6,641** | **231** | **-** | **32,953** |
| Net book value | **13,423** | **3,876** | **8,701** | **-** | **5,587** | **31,587** |
| | | | | | | |
| At 1 January 2016 | 27,135 | 10,836 | 6,161 | 231 | 2,620 | 46,983 |
| Additions | 1,148 | 202 | 3,283 | - | 5,336 | 9,969 |
| Disposal | (337) | - | | | | (337) |
| Transfers/ Re-classification | (278) | (63) | 2,580 | - | (2,580) | (341) |
| At 31 December 2016 | 27,668 | 10,975 | 12,024 | 231 | 5,376 | 56,274 |
| Depreciation | | | | | | |
| At 1 January 2016 | 11,999 | 6,683 | 3,307 | 185 | - | 22,174 |
| Changes for the year | 2,282 | 1,678 | 1,360 | 46 | - | 5,366 |
| Disposal | (214) | - | - | - | - | (214) |
| Transfers | (402) | (63) | - | - | - | (465) |
| At 31 December 2016 | 13,665 | 8,298 | 4,667 | 231 | - | 26,861 |
| Net book value | 14,003 | 2,677 | 7,357 | - | 5,376 | 29,413 |

(b) Operating leases in respect of Property and Equipment

Non-cancellable operating lease rentals are payable as follows:

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| Less than one year | **4,579** | 2,448 |
| Between one and 5 years | **2,015** | 1,077 |
| | **6,594** | 3,525 |

**(c) Depreciation and amortization**

| | **2017 GH¢'000** | 2016 GH¢'000 |
|---|---|---|
| Depreciation | **6,092** | 5,366 |
| Amortisation | **1,178** | 1,178 |
| | **7,270** | 6,544 |

## 24. Intangible assets

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Balance at 1 January | **2,257** | 3,435 |
| Amount written off | **(1,178)** | (1,178) |
| Carrying Amount | **1,079** | 2,257 |

The intangible assets comprise those assets recognised as part of the acquisition of the Custody Business from Barclays Bank Ghana Limited in 2010, with the approval from the Bank of Ghana. It is being written off over eight years, that ends in November 2018. There is a reserve in place as directed by Bank of Ghana.

## 25. Deferred taxation

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Balance at 1 January | **777** | 5,265 |
| Charge to profit and loss | **2,794** | (4,488) |
| Balance at 31 December | **3,571** | 777 |

(i) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net** | Assets | Liabilities | Net |
| | **GH¢'000** | **GH¢'000** | **GH¢'000** | GH¢'000 | GH¢'000 | GH¢'000 |
| Property and equipment | **792** | **-** | **792** | - | (348) | (348) |
| Impairment provision | **-** | **(4,363)** | **(4,363)** | 6,611 | | 6,611 |
| Available for sale assets | **-** | **-** | **-** | - | (7,040) | (7,040) |
| Net tax (assets)/liabilities | **792** | **(4,363)** | **(3,571)** | 6,611 | (7,388) | (777) |

# Notes to the financial statements continued

for the year ended 31 December 2017

## 26. Other assets

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Accounts receivable and prepayments | **14,814** | 4,980 |
| LC Acceptance (Note 30) | **83,057** | 127,992 |
| Accrued interest receivable | **114,139** | 99,262 |
| Impersonal accounts | **131,443** | 27,754 |
| | **343,453** | 259,988 |

## 27. Deposits from banks

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Balances from financial entities outside Ghana- Group | **66,086** | 9,702 |

## 28. Deposit from customers

Analysis by type and product

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Current accounts | **2,268,028** | 2,092,293 |
| Time deposit | **187,229** | 139,221 |
| Savings deposit | **628,802** | 586,882 |
| Call deposit | **336,105** | 379,277 |
| Total | **3,420,164** | 3,197,673 |

## 29. Borrowings

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Balances due to other SCB subsidiary outside Ghana | **88,313** | 84,004 |

## 30. Other liabilities

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Accrued interest payable | **10,449** | 7,433 |
| Other creditors and accruals | **127,966** | 112,250 |
| LC acceptance (Note 26) | **83,057** | 127,992 |
| Provisions (Note 30a) | **56,079** | 68,517 |
| | **277,551** | 316,192 |

## 30a. Provisions

| | Staff related | Others | Total |
|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 |
| Balance at 1 January | 43,277 | 25,240 | 68,517 |
| Charged to profit or loss | 33,636 | 35,280 | 68,917 |
| | 76,913 | 60,521 | 137,434 |
| Utilised during the year | (52,824) | (28,530) | (81,354) |
| Balance at 31 December | **24,089** | **31,991** | **56,079** |

**Staff related**

This relates to provisions made for staff related obligations that exist at the year end.

**Others**

This comprises provisions made for various operational obligations during the year. These are expected to be utilised during 2018.

## 31. Capital and reserves

(i) Share capital

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | No of Shares | Proceeds | No of Shares | Proceeds |
| | '000 | GH¢'000 | '000 | GH¢'000 |
| (a). Ordinary shares | | | | |
| Authorised | | | | |
| No. of ordinary shares of no par value | **250,000** | **-** | 250,000 | - |
| Issued and fully paid | | | | |
| Issued for cash consideration | **5,655** | **48,001** | 5,655 | 48,001 |
| Transferred from income surplus account | **109,852** | **64,540** | 109,852 | 4,540 |
| | **115,507** | **112,541** | 115,507 | 52,541 |
| (b) Preference Shares | | | | |
| Issued and fully paid No. of preference shares | **17,486** | **9,090** | 17,486 | 9,090 |
| Total share capital | | **121,631** | | 61,631 |

# Notes to the financial statements continued

for the year ended 31 December 2017

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Ordinary capital** | **Preference Capital** | **Total** | Ordinary capital | Preference Capital | Total |
| | **GH¢'000** | **GH¢'000** | **GH¢'000** | GH¢'000 | GH¢'000 | GH¢'000 |
| Controlling Holders | **78,126** | **7,911** | **86,037** | 36,474 | 7,911 | 44,385 |
| Non-controlling interest | **34,415** | **1,179** | **35,594** | 16,067 | 1,179 | 17,246 |
| | **112,541** | **9,090** | **121,631** | 52,541 | 9,090 | 61,631 |

There is no share in treasury and no call or instalment unpaid on any share.

The preference shares are irredeemable and non-cumulative with respect to dividend payments.

**(ii) Income surplus**

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

| | Controlling Interest | Non-Controlling Interest | Total |
|---|---|---|---|
| | **GH¢'000** | **GH¢'000** | **GH¢'000** |
| Balance at 1 January 2016 | 105,562 | 46,499 | 152,061 |
| Profit for the year | 155,856 | 68,656 | 224,512 |
| Transfer from/to statutory reserve | (19,482) | (8,582) | (28,064) |
| Dividend paid | (31,460) | (13,860) | (45,320 |
| Transfer to and from reserve | 818 | 360 | 1,178 |
| Transfer from and to credit risk reserves | 21,350 | 9,405 | 30,755 |
| Balance at 31 December, 2016 | **232,644** | **102,478** | **335,122** |
| Profit for the year | **196,874** | **86,724** | **283,598** |
| Transfer from/to statutory reserve | **(24,609)** | **(10,841)** | **(35,450)** |
| Dividend paid | **(91,215)** | **(40,396)** | **(131,611)** |
| Transfer to and from reserve | **818** | **360** | **1,178** |
| Transfer from and to credit risk reserves | **(18,625)** | **(8,204)** | **(26,829)** |
| Transfer to stated capital | **(44,533)** | **(19,616)** | **(64,149)** |
| Balance at 31 December, 2017 | **251,354** | **110,505** | **361,859** |

**(iii) Reserve Fund**

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 34 (1) (c) of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930) and guidelines from the Bank of Ghana. A cumulative amount of GH¢246.9 million (2016: GH¢211.5 million) has been set aside in a Reserve Fund from each year's profit. The cumulative balance includes an amount set aside from the retained earnings during the year.

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Balance at 1 January | **211,544** | 183,480 |
| Transfer during the year | **35,450** | 28,064 |
| Balance at 31 December | **246,994** | 211,544 |
| **Split** | | |
| Controlling holders | **171,463** | 146,854 |
| Non-controlling holders | **75,531** | 64,690 |
| | **246,994** | 211,544 |

### (iv) Credit risk reserve

This represents amounts set aside from the retained earnings account to meet Bank of Ghana's requirement for loan loss allowance for non-performing loans and advances, where Bank of Ghana's provision is higher than the requirement under the International Financial Reporting Standards (IFRS).

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Bank of Ghana provision | **36,340** | 50,353 |
| IFRS provision | **(9,511)** | (81,108) |
| Transfer from/ (to) income surplus | **26,829** | (30,755) |
| Balance at 1 January | **121,408** | 152,163 |
| Balance at 31 December | **148,237** | 121,408 |
| **Split** | | |
| Controlling holders | **102,907** | 84,282 |
| Non-Controlling holders | **45,330** | 37,126 |
| | **148,237** | 121,408 |

### (v) Other reserves

This comprises mainly of the available for sale fair value movements.

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Marked-to-market gains on available for sale securities (Net of Tax) | **40,954** | 33,254 |
| Amount relating to intangible assets | **1,079** | 2,257 |
| | **42,033** | 35,511 |
| **Split** | | |
| **Controlling holders** | **29,179** | 24,651 |
| Non-Controlling holders | **12,854** | 10,860 |
| | **42,033** | 35,511 |

# Notes to the financial statements continued

for the year ended 31 December 2017

## 32. Dividend Paid

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Ordinary dividend | **129,368** | 42,738 |
| Preference dividend | **2,243** | 2,582 |
| Payments during the year | **131,611** | 45,320 |
| **Split** | | |
| **Controlling holder** | | |
| Ordinary dividend | **89,264** | 29,211 |
| Preference dividend | **1,951** | 2,249 |
| Payments during the year | **91,215** | 31,460 |
| Non-controlling holders | | |
| Ordinary dividend | **40,104** | 13,526 |
| Preference dividend | **292** | 334 |
| Payments during the year | **40,396** | 13,860 |

## 33. Related party transactions

### (i) Parent and ultimate controlling party

The Bank is a subsidiary of Standard Chartered Holdings (Africa) B.V and its ultimate parent company is Standard Chartered PLC.

### (ii) Key management compensation

IAS 24 "Related party disclosures" requires the following information for key management compensation. Key management comprises members of the Executive Management, which includes all executive directors

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **7,685** | 7,257 |
| Pension contributions | **919** | 883 |
| Bonuses paid or receivable | **3,533** | 2799 |
| Share based payments | **303** | 173 |
| | **12,440** | 11,112 |

### (iii) Transactions with Directors, Officers and other Employees

The following are loan balances due from related parties:

| | 2017 GH¢'000 | 2016 GH¢'000 |
|---|---|---|
| Directors | **1,574** | 584 |
| Officers and other Employees | **138,074** | 106,564 |
| | **139,648** | 107,148 |

The movement of the Directors and officers accounts is as follows:

| | 2017<br>GH¢'000 | 2016<br>GH¢'000 |
|---|---|---|
| Balance at 1 January | **107,148** | 73,381 |
| Loans advanced during the year | **111,267** | 84,804 |
| Loans repayments | **(78,767)** | (51,037) |
| Balance at 31 December | **139,648** | 107,148 |

Interest earned on staff loans during the year amounted to GH¢5,301,000 (2016 – GH¢4,230,000).

No impairment losses have been recorded against balances outstanding during the period from directors, officers and employees, and no specific allowance has been made for impairment losses on balances due from these persons at the period end.

**(iv). Associated Companies**

| | 2017<br>GH¢'000 | 2016<br>GH¢'000 |
|---|---|---|
| Nostro account balances | **79,783** | 118,484 |
| Due from Group entities | **195,226** | 311,676 |
| | **275,009** | 430,160 |

Amounts due to associated companies at the balance sheet date were as follows:

| | 2017<br>GH¢'000 | 2016<br>GH¢'000 |
|---|---|---|
| Short-term borrowing | **88,313** | 84,004 |
| Due to Group entities | **66,086** | 9,702 |
| | **154,399** | 93,706 |

All transactions with related parties were carried out at arm's length.

**(v) Management and Technical Services Fees**

The Bank had two (2) agreements with the SCB Group under the Technology Transfer Regulation (LI 1547) approved by GIPC, which expired on 31 January 2016. The agreements are pending with GIPC for the approval renewal. No payment which has been effected. The total unpaid is GH¢19.43 million.

**(vi) Share based Payments**

Included in staff cost is an amount of GH¢1,569,642 (2016: GH¢1,426,948) payable to the Holding company in respect of value of equity settled share based payments allocated to employees of the Bank on a group arrangement basis.

# Notes to the financial statements continued

for the year ended 31 December 2017

### (vii) Financial Guarantees

Guarantees of the Bank that have been counter guaranteed (Back-to-Back) by other SCB offices for the period amounts to GH¢286,244,649 (2016: GH¢455,915,946).

## 34. Directors' shareholding

The Directors named below held the following number of shares in the Bank as at 31 December 2017:

| Ordinary Shares | 2017 | 2016 |
|---|---|---|
| Ishmael Yamson | **5,000** | 5,000 |
| Kweku Bedu-Addo | - | 3,040 |

## 35. Number of shares in issue

Number of shareholders

The company had ordinary and preference shareholders as at 31 December 2017 distributed as follows:

### (i) Ordinary Shares

| Range of shares | Number of Shareholders | Holding | Percentage |
|---|---|---|---|
| 1 - 1,000 | 3,843 | 1,118,562 | 0.97 |
| 1,001 - 5,000 | 1,662 | 3,624,414 | 3.14 |
| 5,001 - 10,000 | 108 | 1,231,904 | 1.07 |
| Over 10,000 | 204 | 109,532,404 | 94.82 |
| | 5,817 | 115,507,284 | 100.00 |

### (ii) Preference Shares

| | Number of Shareholders | Holding | Percentage |
|---|---|---|---|
| 1-1,000 | 773 | 282,016 | 1.61 |
| 1,001 – 5000 | 148 | 319,051 | 1.82 |
| 5001 - 10,000 | 22 | 179,611 | 1.03 |
| Above 10,000 | 27 | 16,708,388 | 95.54 |
| | 970 | 17,489,066 | 100.00 |

## Details of shareholders at 31 December 2017

### (i) Details of 20 Largest Ordinary Shareholders at 31 December 2017

| | Number of Shares held | (% ) Holding |
|---|---|---|
| Standard Chartered Holdings (Africa) B.V | 80,181,096 | 69.42 |
| Social Security And National Insurance Trust, | 16,804,722 | 14.55 |
| SCGN/ SSB& Trust As Cust For Kimberlite Frontier, Africa Master Fund, L.P-Rckm | 1,762,266 | 1.53 |
| STD Noms/ Credit Suisse AG – Singapore | 1,000,000 | 0.87 |
| Teachers Funds | 544,092 | 0.47 |
| SCGN / Enterprise Life Ass. Co. Policy Holders | 514,100 | 0.45 |
| STD Noms/Cs SEC (US) Llc/Africa Oppt Fund L.P | 474,686 | 0.41 |
| Ghana Union Assurance Co Ltd. | 434,784 | 0.38 |
| SCGN / SSB & Trust As Cust For Conrad N Hilton, Foundation-00Fg | 418,032 | 0.36 |
| SCGN/ Epack Investment Fund Limited Transaction E I F L | 365,915 | 0.32 |
| Council Of University Of Ghana Endowment Fund , | 362,340 | 0.31 |
| STD Noms Tvl Pty/ Bnym Sanv/ Vanderbilt University | 265,529 | 0.23 |
| Anim-Addo, Kojo | 253,247 | 0.22 |
| Northern Trust Global Services Ltd Lux Client AccNortheren Trust Global Sv | 244,028 | 0.21 |
| SCGN/ SSB Eaton Vance Tax Managed Emerging Market Fund | 242,700 | 0.21 |
| SCGN/ SSB Eaton Vance Structured, Emerging Market Fund | 209,400 | 0.18 |
| MSL/ CSIR Supernnuation Scheme | 158,717 | 0.14 |
| University of Science & Technology | 148,500 | 0.11 |
| SSNIT Informal Sector Fund | 127,800 | 0.11 |
| Kudjawu, Norbert Kwasivi | 120,000 | 0.10 |
| | 104,631,954 | 90.58 |

# Notes to the financial statements continued

for the year ended 31 December 2017

## (ii) Details of 20 Largest Preference Shareholders at 31 December 2017

| | Number of Shares held | (% ) Holding |
|---|---|---|
| Std Chartered Holdings (Africa) Bv | 15,220,598 | 87.03 |
| Barton Kwaku Glymin | 451,419 | 2.58 |
| SSNIT SOS Fund | 307,692 | 1.76 |
| Kojo Anim-Addo | 106,806 | 0.61 |
| Ghana Union Assurance Co. Ltd | 99,351 | 0.57 |
| Mr. Norbert Kwasivi Kadjuwu | 68,775 | 0.39 |
| Akosah-Bempah F Ophelia | 54,150 | 0.31 |
| Akosah- Bempah Kwaku Mr | 40,654 | 0.23 |
| Nii Kwaku Sowa | 30,000 | 0.17 |
| STD Noms/Cs Sec (Us) Llc/Africa Oppt Fund L.P Oppt Fund L.P | 29,366 | 0.17 |
| Aryee Clifford Edward | 25,000 | 0.14 |
| Ebenezer Magnus Boye | 25,000 | 0.14 |
| E3A Holdings Company Ltd. | 20,661 | 0.12 |
| Mr Anthony Minkah | 20,268 | 0.12 |
| Nyako John Percival Awuku Mr | 20,000 | 0.11 |
| Safo Kwakye Eddie Mr | 20,000 | 0.11 |
| Edem Yankson | 20,000 | 0.11 |
| HFCN/ Glico Pensions Re: Fidelity Securities | 19,231 | 0.11 |
| NTHC Trading Account, | 19,231 | 0.11 |
| Nelson Aruna | 19,230 | 0.11 |
| | 16,617,432 | 95.02 |

## 36. Value Added Statements

| | 2017 GH¢'000 | % | 2016 GH¢'000 | % |
|---|---|---|---|---|
| Revenue | **676,771** | | 620,781 | |
| Value Add distribution: | | | | |
| Staff Cost(excluding directors) | **149,689** | **22%** | 137,587 | 22% |
| Directors | **4,619** | **1%** | 3,966 | 1% |
| Operating lease expenses | **6,594** | **1%** | 3,525 | 1% |
| Depreciation and amortisation | **7,270** | **1%** | 5,366 | 1% |
| Other expenses | **76,810** | **11%** | 43,671 | 7% |
| Impairments | **9,511** | **1%** | 81,108 | 13% |
| Tax | **138,680** | **20%** | 121,047 | 19% |
| Statutory Reserve | **35,450** | **5%** | 28,064 | 5% |
| Credit Risk | **26,830** | **4%** | - | 0% |

| | | | | |
|---|---|---|---|---|
| Preference dividend | **2,582** | **0%** | 2,582 | 0% |
| Ordinary Dividend | **-** | **0%** | 129,369 | 21% |
| Total | **458,035** | **68%** | 556,285 | 90% |
| Income Surplus | **218,736** | **32%** | 65,674 | 11% |

## 37. Regulatory Disclosures

### (i) Non–Performing Loans Ratio

Percentage of gross non-performing loans ("substandard to loss") to total loans/advances portfolio (gross) BoG-35 per cent, (2016: BoG 45 per cent).

### (ii) Capital Adequacy Ratio

The capital adequacy ratio as at 31st December, 2017 was calculated at approximately 26.00 per cent (2016: 21.59 per cent).

### (iii) Liquidity Ratio

The liquidity ratio as at 31st December, 2017 was calculated at approximately 76.06 per cent (2016: 96.70 per cent).

### (iv) Regulatory Breaches

Penalty for a regulatory breach of GH¢157,144 was recorded during the period under review. (2016: Nil)

## Initial application of new amendments to the existing Standards effective for current financial period

The following new amendments to the existing standards issued by the International Accounting Standards Board are effective for current financial period:

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014), issued by IASB on 21 November 2013. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service as a negative cost.

- **Amendments to various standards "Improvements to IFRS (cycle 2010-2012)"** issued by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) proportionate restatement of accumulated depreciation/ amortisation application in revaluation method and (v) clarification on key management personnel. The amendments are to be applied for annual periods beginning on or after 1 July 2014.

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** issued by IASB on 12 December 2013. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: (i) scope of exception for joint ventures; (ii) scope of paragraph 52 if IFRS 13 (portfolio exception) and (iii) clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendments are to be applied for annual periods beginning on or after 1 July 2014).

The adoption of these amendments to the existing standards has not led to any material changes in the Entity's financial statements.

**IFRS 9 "Financial Instruments"** issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

**Classification and Measurement** - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

**Impairment** - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

**Hedge accounting** - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

**Own credit** - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

• **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016).

**IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

**IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018).

• **IFRS 15 "Revenue from Contracts with Customers"** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

• **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

**Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

• **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

• **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception issued by IASB on 18 December 2014. The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.

**Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016).

**Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations issued by IASB on 6 May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

**Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).

**Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative issued by IASB on 18 December 2014. The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

• **Amendments to IAS 16 "Property, Plant and Equipment"** and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).

**Amendments to IAS 16 "Property, Plant and Equipment"** and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation issued by IASB on 12 May 2014. Amendments clarify 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. Amendments also clarify 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, however, can be rebutted in certain limited circumstances.

• **Amendments to IAS 16 "Property, Plant and Equipment"** and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016).

**Amendments to IAS 16 "Property, Plant and Equipment"** and IAS 41 "Agriculture" - Agriculture: Bearer Plants issued by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

• **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016).

**Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements issued by IASB on 12 August 2014. The amendments reinstate the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements.

• **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** issued by IASB on 25 September 2014. Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'. The amendments are to be applied for annual periods beginning on or after 1 January 2016.

The Entity has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. [If the Entity elected to adopt some of the standards and interpretations in advance, the information under IAS 8.28 should be disclosed.] The Entity anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Entity in the period of initial application. [If the impact is significant, it should be disclosed; alternatively, the impact (or its absence) should be added to respective standard or interpretation]

## Supplementary Information

# Supplementary Financial Information
## Five Year Summary

| | 2017<br>GH¢'000 | 2016<br>GH¢'000 | 2015<br>GH¢'000 | 2014<br>GH¢'000 | 2013<br>GH¢'000 |
|---|---|---|---|---|---|
| Interest income | **587,093** | 549,942 | 490,482 | 422,136 | 375,526 |
| Interest expense | **(116,256)** | (89,687) | (116,730) | (88,250) | (95,046) |
| Net interest income | **470,837** | 460,237 | 373,752 | 333,886 | 280,480 |
| Fees and commission income | **85,216** | 80,259 | 65,238 | 91,048 | 83,303 |
| Other operating income | **120,718** | 80,285 | 92,125 | 96,801 | 56,282 |
| Non-interest income | **205,934** | 160,544 | 157,363 | 187,849 | 139,585 |
| Operating income | **676,771** | 620,781 | 531,115 | 521,735 | 420,065 |
| Operating expenses | **(244,982)** | (194,115) | (227,273) | (197,774) | (129,393) |
| Impairment charges on loans and advances | **(9,511)** | (81,108) | (212,781) | (49,121) | (17,429) |
| Profit before taxation | **422,278** | 345,558 | 9,162 | 274,840 | 273,243 |
| Taxation | **(138,680)** | (121,047) | (24,914) | (66,569) | (65,224) |
| Profit for the year | **283,598** | 224,511 | 66,148 | 208,271 | 208,019 |
| Transfer to Statutory and from Other Reserve fund | **(61,101)** | (93,894) | (21,320) | (100,653) | (36,054) |
| Retained profit/available for distribution | **222,497** | 130,617 | 44,828 | 107,618 | 171,965 |
| Networth | **920,756** | 765,216 | 555,100 | 528,927 | 486,984 |
| Net own funds | **726,077** | 603,317 | 392,023 | 387,161 | 388,617 |
| Total assets | **4,776,984** | 4,373,564 | 3,369,448 | 3,506,297 | 2,988,358 |
| Total liabilities | **3,856,228** | 3,197,673 | 2,422,382 | 2,198,585 | 1,779,108 |
| Loans & advances | **1,385,696** | 1,262,636 | 1,219,459 | 1,278,362 | 1,130,244 |
| | | | | | |
| Information on ordinary shares | **GH¢** | GH¢ | GH¢ | GH¢ | GH¢ |
| Earnings per share | **2.44** | 1.92 | 0.55 | 1.78 | 1.77 |
| Proposed Final Dividend per share | **-** | 1.12 | 0.37 | 0.35 | 1.15 |
| | | | | | |
| Key Ratios | | | | | |
| Returns on Assets (PAT/Average Assets) | **6%** | 6% | 2% | 6% | 7% |
| Return on equity (PAT/Average Equity) | **32%** | 34% | 12% | 40% | 43% |
| Capital Adequacy Ratio | **26%** | 22% | 15% | 16% | 23% |
| Cost/Income ratio | **36%** | 31% | 43% | 38% | 31% |

# Notes

# Form of Proxy

I……………………………………………………………………………………………………………………………

(Block Capitals Please)

Of

……………………………………………………………………………………………………………………………

being Member/Members of **STANDARD CHARTERED BANK GHANA LTD.** hereby appoint

……………………………………………………………………………………………………………………

Of

……………………………………………………………………………………………………………………………

or failing him the duly appointed Chairman of the Meeting, as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 am on Thursday the 7th day of June 2018 and at every adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast.

| **RESOLUTION** | | **1. FOR** | **2. AGAINST** |
|---|---|---|---|
| 1. Electing the following Directors | - **PROFESSOR AKUA KUENYEHIA**<br>- **HENRY BAYE** | | |
| 2. Approving Directors' Remuneration | | | |
| 3. Appointing a new auditor | | | |
| 4. Approving the remuneration of the Auditor | | | |
| 5. Approving the transfer of GH¢302m from Surplus Account to Stated Capital | | | |
| 6. Approving the issue of bonus shares | | | |

Signed…………………………… day of ……………………… 2018 Signature ……...………………...

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**cut here** **cut here**

**IMPORTANT:** Before posting the Form of Proxy above, please tear off this part and retain it – see over. If you wish to insert in the blank space on the form the name of any person, whether a Member of the company or not, who will attend the meeting and vote on your behalf, you may do so; if you do not insert a name, the Chairman of the Meeting will vote on your behalf. If this Form is returned without any indication as to how the person appointed a proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting. To be valid, this Form must be completed and must reach the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.

***This Form is only to be completed if you will NOT attend the Meeting***

FIRST FOLD HERE

PLEASE
AFFIX
STAMP
HERE

SECOND FOLD HERE

The Company Secretary
Standard Chartered Bank Ghana Limited
Head Office
P. O. Box 768
Accra

THIRD FOLD HERE

CUT HERE CUT HERE

**IMPORTANT:** A person attending the meeting should not produce this form

Standard Chartered

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Accra, Ghana

Digital Reports and Accounts
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