THE BEIGE BANK LIMITED

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Morrison & Associates
Chartered Accountants,
Tax & Management
Consultants
2nd Floor, Trinity House
Ring Road East
P. O. Box CT 2890
Cantonments - Accra

25/8/18

CONTENTS **PAGES**

mh

CORPORATE INFORMATION

BOARD OF DIRECTORS	Kofi Otutu Adu Labi - Chairman Michael Kwadwo Nyinaku - C. E. O Theophilus Adomako - Member Dr. Elsie A. B. Effah Kaufmann- Member Wilson Quartey Tei - Member Richard Adu-Poku - Member Yaw Nii Lante Ofori-Adjei -Member
SECRETARY	George Appah Kwabeng
REGISTERED OFFICE	1st Floor Aseda House, Adenta.
AUDITORS	Morrison & Associates Chartered Accountants, Tax and Management Consultants 2nd Floor Trinity House Ring Road East P. O. Box CT 2890 Cantonments – Accra.
BANKERS	Ecobank Ghana Limited GCB Limited Royal Bank Ghana Limited HFC Bank Limited Universal Merchant Bank

REPORT OF THE BOARD OF DIRECTORS
TO THE MEMBERS OF THE BEIGE BANK LIMITED

The Board of Directors present its report and the audited financial statements of the bank for the year ended December 31, 2017.

Directors' Responsibilities in Relation to the Financial Statements.

The Companies Act, 1963 (Act 179) as amended requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the bank as at the end of each year and of the profit or loss for the year.

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

- Select suitable accounting policies in accordance with International Financial Reporting Standards (IFRS) and to apply them consistently:

- Make judgments and estimates that are reasonable and prudent

- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained, in the financial statements.

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards, and the Companies Act, 1963 (Act 179) as amended and ensuring that the bank keeps proper accounting records which disclose with reasonable accuracy the financial position of the bank and which enable them to ensure that the financial statements comply with relevant International Financial Reporting Standards (IFRS), the Companies Act, 1963 (Act 179) as amended and the Banks and Specialised Deposit - taking Institutions Act, 2016 (Act 930).
They are also responsible for safeguarding the assets of the bank and hence taking reasonable steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement.

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

REPORT OF THE BOARD OF DIRECTORS
TO THE MEMBERS OF THE BEIGE BANK LIMITED (Continued)

Nature of Business
There has been no change in the business of the bank. The Beige bank is a private bank under the provisions of the Companies Act 1963, (Act 179) as amended and licenced by Bank of Ghana.

Results of Operations
The results of the operations for the year ended December 31, 2017 are set out in the Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the Notes to the financial statements from page 12 to 40. A summary of the results is as follows:

	2017 GHS	2016 GHS
Profit before Tax	16,670,721	19,109,652
Taxation	(7,016,677)	(7,292,762)
National fiscal stabilization levy	(833,536)	(955,483)
Profit after tax	**8,820,508**	**10,861,408**

The Board of Directors considers the state of the Bank's affairs to be satisfactory.

Stated Capital
The bank is yet to comply with the minimum stated capital requirement of GHS 400 million for banks as directed by the Bank of Ghana. The deadline for compliance is December 31, 2018.The bank has in place detailed report indicating its plans for achieving the minimum capital requirement on or before the deadline.

Auditors
In accordance with Section 134 (5) of the Companies Act, 1963 (Act. 179) as amended Messrs Morrison & Associates will continue in office as the Auditors of the bank.

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

ACCRA
......March 28,....2018

Morrison & Associates
(Chartered Accountants, Tax & Management Consultants)

2nd Floor, Trinity House
Ring Road East
P.O. Box CT 2890
Cantoments-Accra, Ghana
Tel: (+233-302) 771372
(+233-302) 771373
Fax: (+233-302) 771232
E-mail: info@morrisonassociatesgh.com
Website: www.morrisonassociatesgh.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BEIGE BANK LIMITED

Opinion

We have audited the financial statements of The Beige Bank Limited (the Company), which comprise the statement of financial position as at December 31, 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on page 12-40.

In our opinion, the financial statements present fairly, in all material respects, a true and fair view of the financial position of the Bank as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act 1963 (Act 179) as amended 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters selected from matters communicated with those charged with governance which in our professional judgement were of most significance in the audit of the financial statements of the current period. The key audit matter relates to loan documentation and reporting.

Auditor's Report Continued

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act, 1963 (Act 179) as amended and the Banks and Specialised Deposit - taking Institutions Act, 2016 (Act 930) and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 the auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

Auditor's Report Continued

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

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

Report on other legal and regulatory requirements

The Companies Act, 1963 (Act 179) as amended, and section 85 (2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) as amended require that in carrying out our audit we consider and report on the following matters. We confirm that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) Proper books of account have been kept by the bank, so far as appears from our examination of those books;
iii) The statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows, and the statement of changes in equity are in agreement with the books of account;
iv) We have obtained satisfactory returns from the bank's branches not visited;
v) The bank's transactions were within its powers;
vi) The bank has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti Terrorism Act, 2008 (Act 762) and the regulations made under these enactments; and
vii) 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 **Samuel Wilfred Yaw Inkoom** (Practising Certificate Number: **ICAG/P/1118**)

Particulars of the Auditor

Signature……Morrison & Associates……

Name: **Morrison and Associates**
(Chartered Accountants)

Licence Number: ICAG/F/2018/097

Address: 2nd Floor Trinity House, Ring Road East
P.O. Box CT 2890 Cantonments-Accra, Ghana

……28th March……**2018**

Accra, Ghana

THE BEIGE BANK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	NOTE	2017 GHS	2016 GHS
Interest Income	3	527,746,804	301,054,994
Interest Expense	4	(417,381,167)	(220,079,260)
NET INTEREST INCOME		110,365,637	80,975,734
Commissions and Fees	5	7,440,992	5,532,099
Service and other Income	6	4,632,288	4,044,417
TOTAL INCOME		122,438,917	90,552,250
Operating and Administrative Expenses	7	(90,862,838)	(66,088,901)
Operating profit Before impairment Loss		31,576,079	24,463,349
Impairment Loss	8	(14,905,358)	(5,353,697)
Profit Before Tax		16,670,721	**19,109,652**
Taxation	9a &b	(7,016,677)	(7,292,762)
National Fiscal Stabilisation Levy	9c	(833,536)	(955,483)
Profit after Tax		**8,820,508**	**10,861,408**
Other Comprehensive Income		-	-
Total Comprehensive Income		**8,820,508**	10,861,408

ml

THE BEIGE BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	NOTES	2017 GHS	2016 GHS
ASSETS			
Cash and cash equivalents	10	125,983,554	50,242,352
Investments	11	390,524,737	357,399,150
Loans and Advances to Customers	12	570,191,628	579,853,817
Prepayments and Other Receivables	13	116,497,381	59,319,795
Property, Plant & Equipment	14	66,518,615	67,915,836
Intangible Asset	15	6,543,868	6,630,652
TOTAL ASSETS		1,276,259,783	1,121,361,601
LIABILITIES			
Deposits and Borrowings	16	998,990,379	948,315,482
Accounts Payables & Accruals	17	6,151,594	2,092,978
Current Tax	9a	5,672,669	2,565,826
Deferred Tax	9b	2,927,872	3,788,707
National fiscal stabilisation levy	9c	1,246,068	975,032
TOTAL LIABILITIES		1,014,988,582	**957,738,026**
SHAREHOLDERS' FUNDS			
Stated Capital	18	200,000,000	140,000,000
Deposit for Shares		30,000,000	-
Income Surplus Account		1,400,285	2,612,944
Regulatory Credit Risk Reserve		13,527,309	9,077,278
Statutory reserve		16,343,607	11,933,353
TOTAL SHAREHOLDERS' FUNDS		261,271,201	**163,623,575**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**1,276,259,783**	**1,121,361,601**

BY ORDER OF THE BOARD

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

ACCRA

..........March 28,..........2018

THE BEIGE BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	STATED CAPITAL GHS	INCOME SURPLUS GHS	STATUTORY RESERVE GHS	REGULATORY CREDIT RISK RESERVE	TOTAL GHS
Balance at 1st January	140,000,000	2,612,944	11,933,353	9,077,278	163,623,575
Prior year adjustment:	-	(1,172,882)	-	-	(1,172,882)
Balance restated	**140,000,000**	**1,440,062**	**11,933,353**	**9,077,278**	**162,450,693**
Transaction with owners:					
Proceeds from issue of shares	60,000,000	-	-	-	60,000,000
Other movements:					
Total comprehensive income	-	8,820,508	-	-	8,820,508
Transfer to Regulatory Credit Ris	-	(4,450,031)	-	4,450,031	-
Transfer to statutory reserves	-	(4,410,254)	4,410,254	-	-
Balance at 31st December	**200,000,000**	**1,400,285**	**16,343,607**	**13,527,309**	**231,271,201**

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance at 1st January	**120,000,000**	**2,693,900**	**6,502,649**	**8,129,394**	**137,325,943**
Prior year adjustment: Provisions	-	(3,737,344)	-	-	(3,737,344)
Additional taxes	-	(826,431)	-	-	(826,431)
Balance restated	**120,000,000**	**(1,869,876)**	**6,502,649**	**8,129,394**	**132,762,167**
Transaction with owners:					
Proceeds from issue of shares	20,000,000	-	-	-	20,000,000
Other movements:					
Total comprehensive income	-	10,861,408	-	-	10,861,408
Transfer to Regulatory Credit Ris	-	(947,884)	-	947,884	-
Transfer to statutory reserves	-	(5,430,704)	5,430,704	-	-
Balance at 31st December	**140,000,000**	**2,612,944**	**11,933,353**	**9,077,278**	**163,623,575**

THE BEIGE BANK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING ACTIVITIES	2017 GHS	2016 GHS
PROFIT BEFORE TAX	16,670,721	19,109,652
Prior year adjustments:		
Additional taxes as a result of tax audit	(1,172,882)	(826,431)
Other non - cash movements	197,739	-
Depreciation and Amortisation	11,013,856	8,337,998
Provision for Impairment	14,905,358	5,353,697
NET CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	**41,614,792**	**31,974,916**
(Increase in Investment)	(33,125,586)	(121,172,301)
(Increase) in Loans & Advances to Customers	(4,412,675)	(172,285,187)
Increase in Customer Deposits and borrowings	50,674,897	281,719,305
(Increase) in Prepayments and Other Receivables	(57,177,586)	(1,800,756)
Increase/(Decrease) in Accounts Payables & Accruals	4,058,616	(8,437,943)
(decrease) in deferred fees	(830,495)	(888,948)
Corporate Tax Paid	(4,770,669)	(4,116,263)
National Stabilisation levy paid	(562,500)	(436,000)
	(46,145,998)	**(27,418,094)**
NET CASH FLOW FROM OPERATING ACTIVITES	**(4,531,206)**	**4,556,822**
INVESTING ACTIVITIES		
Purchase of Fixed & intangible Assets	(10,044,142)	(16,122,571)
Reclassification from fixed assets	316,549	-
NET CASH FLOW FROM INVESTING ACTIVITIES	**(9,727,593)**	**(16,122,571)**
FINANCING ACTIVITIES		
Proceeds from Issue of Shares	60,000,000	20,000,000
Deposit for shares	30,000,000	-
	90,000,000	**20,000,000**
NET INCREASE IN CASH & CASH EQUIVALENTS	**75,741,202**	**8,434,252**
Cash and cash equivalents at January 1	50,242,352	41,808,100
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**125,983,554**	**50,242,352**

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Beige Bank Limited is a private limited bank incorporated in Ghana under the Companies Act, 1963, (Act 179) as amended and regulated under the Banks and Specialised Deposit – taking Institutions Act, 2016 (Act 930). The bank is domiciled in Ghana with its registered office at 1st Floor Aseda House, Adenta.

The Bank is licensed to carry out banking activities.

1.1 AUTHORISATION FOR PUBLICATION

The financial statements of the bank for the year ended December 31, 2017 were authorised for issue by a resolution of the Board of Directors on 26th March, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to the period presented in these financial statements by the Bank.

a. Basis of preparation

The financial statements have been prepared in accordance with the relevant International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and in the manner required by the Companies Act, 1963 (Act 179) as amended.

b. Accounting convention

The financial statements have been prepared under the Historical Cost Convention and using fair value measurement bases for assets and liabilities required to be so measured by relevant IFRSs'.

c. Functional and presentation currency

The financial statements are presented in Ghana Cedis (GHS) which is the bank's functional and presentation currency.

d. Foreign Currency Transactions

Foreign currency transactions are recorded, on initial recognition by translating into Ghana Cedi at the rates of exchange applicable at the date of the transactions.

NOTES (Continued)

At the end of the reporting period;

- Foreign currency items are reported using the closing rate; the closing rate is the ruling exchange rate at the end of the financial year.
- Non-monetary items, which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction, and
- Non-monetary items which are carried at fair value denominated in foreign currency are reported using the exchange rates that existed when the fair values were determined.

Exchange differences arising on the settlement of monetary items or on reporting the entities monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

e. Property, plant and equipment

The Bank recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it, the amount meets the materiality threshold set by the Bank and can be reliably measured.

Property, plant and equipment are initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment are carried at cost or valuation less accumulated depreciation and any impairment losses.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the Bank would currently obtain from the disposal of an asset in similar age and condition as expected at the end of the useful life of the asset.

NOTES (Continued)

The current annual depreciation rates for each class of property, plant and equipment are as follows:

Buildings	5.00 %
Plant and Machinery	20.00%
Furniture and Fittings	20.00%
Office Equipment	33.33%
Leasehold Improvement	10.00%
Motor Vehicle	33.33%
Computers and accessories	33.33%
Software	10.00%

Costs associated with routine servicing and maintenance of assets is expensed as incurred.
Maintenance costs that exceed the threshold as set in accordance with the Income Tax Act 2015, Act 896 are capitalised accordingly.
If it is probable that future economic benefits will flow to the Bank in relation to expenditure incurred on assets it is capitalised.

The carrying values of property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units will be written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

Residual values, useful lives and methods of depreciation for property, plant and equipment are reviewed and adjusted if appropriate, at each financial year end.

NOTES (Continued)

f. Employee Benefits

Short-Term Benefits

Short-term employee benefits are amounts payable to employees that fall due wholly within twelve months after the end of the period in which the employee renders the related service.
The cost of short-term employee benefits is recognised as an expense in the period when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting period are recognised as an accrued expense and any short-term benefit paid in advance is recognised as a prepayment.

Wages and salaries payable to employees are recognised as an expense in the income statement at gross amount. The Bank's contribution to Social Security & National Insurance Trust and the Provident fund are also charged as expenses.

Employee Pensions

Under a compulsory National Defined Contribution Pension Scheme, the Bank contributes 13% of employees' basic salary as employee pensions. The Bank's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT and the private fund manager the bank has elected to manage part of the total contributions attributable to the pension scheme of employees.

Provident Fund

Under an optional National Defined Contribution Pension Scheme, the Bank contributes 5% of employees' basic salary to its elected fund manager (currently **The Beige Pension Trust)** for employee pensions. The Bank's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with the fund manager.

g. Taxation

Taxation in the statement of profit or loss and other comprehensive income comprises current tax and deferred tax. Current tax is the tax expected to be payable, under the Income tax Act 2015 (Act 896), on the taxable profit for the year.

NOTES (Continued)

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences that are expected to reverse in the foreseeable future while deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilised.
Deferred tax is calculated using the rate expected to be applicable in the period during which the asset will be realised or the liabilities settled.

h. National Fiscal Stabilization Levy

Under the Ghana National Fiscal Stabilization Levy Act, 2013, financial institutions and some large firms were required to pay a levy of 5% of their profit before tax towards fiscal stabilization which took effect from July 2013. The Beige Bank had outstanding liability totaling GHS 975,032 in respect of the period 2014 to 2016.

i. Financial Instruments

Initial recognition and measurement

The bank recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

The bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the instrument. These are initially measured at fair value (including transaction costs for assets and liabilities not measured at fair value through profit or loss).

Subsequent measurement of financial instruments

For purposes of subsequent measurement financial assets are classified as follows:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for sale financial assets

NOTES (Continued)

(a) Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that is designated on initial recognition at fair value through profit or loss or assets that are held for trading. Assets are held for trading if they are acquired for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking.

Assets in this category are measured at fair value with changes recognised in profit or loss.

(b) Loans and receivables

These are financial assets with fixed or determinable payments that are not quoted on an active market other than those in the three other categories.

Assets in this category are measured at amortised cost using the effective interest rate method.

(c) Held-to-maturity investments

These are financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of those in the other categories.

They are measured at amortised cost through the effective interest rate method.

(d) Available-for-sale financial assets

These are financial assets designated on initial recognition as available-for-sale or any other instruments that are not classified under any of the other categories.

They are measured at fair value with changes recognised in equity.

Financial liabilities

For the purposes of subsequent measurement financial liabilities are classified as follows:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost using the effective interest rate method.

NOTES (Continued)

a) Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that is designated on initial recognition at fair value through profit or loss or liabilities that are held for trading.
Liabilities in this category are measured at fair value with changes recognised in profit or loss.

b) Financial liabilities at amortised cost

These are non-trading financial liabilities and are measured at amortised cost using the effective interest method.

The bank's principal financial assets are loans and advances to customers, cash and bank balances and investments (money market and other short-term investments).
Loans and advances and investments have been classified as loans and receivables and held – to – maturity investments respectively and are both measured at amortised cost. Cash and bank balances has been classified as financial assets at fair value through profit or loss.

The bank's principal financial liabilities are short term investments from customers, savings and current deposits from customers, borrowings from other financial institutions and other accruals.

The bank's financial liabilities have been classified as financial liabilities at fair value through profit or loss.

The amortised cost of a financial asset or a financial liability.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment.

Fair Value Measurement

The bank defines fair value as 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. Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions.

NOTES (Continued)

In measuring fair value:

- The bank takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at the measurement date.
- The bank determines classes of asset or liability for disclosure purposes on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy within which the fair value measurement is categorized.

De-recognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognized when the bank's rights to cash flows have expired or when the bank has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when the obligation is discharged, cancelled or has expired.

Impairment of financial assets

Framework for measuring impairment of financial assets

At each reporting date the bank assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has/have become impaired.

Evidence of impairment may include significant difficulty of the issuer or obligor, the disappearance of an active market for that financial asset because of financial difficulties, etc.

In the case of equity investments, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost.

For debt instruments and financial assets measured at amortised cost, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). 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 income statement.

NOTES (Continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Assets together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral have been utilised.

If a previous write-off is later recovered the recovery is credited to 'credit loss expense'. The present value of the estimated future cash flows is determined using the financial asset's original effective interest rate.

j. Regulatory Credit Risk Reserve

Provision for loans and advances has been made based on IFRS principles. However, provisions made should meet Bank of Ghana's criteria for loan provisioning. For the year under review and the comparative period, provision for impairment based on Bank of Ghana's criteria was higher than that based on IFRS principles. To make up for the excess of Bank of Ghana's provision requirements over that based on IFRS principles, a transfer is made from the income surplus to a non - distributable reserve in the Statement of Changes in Equity being the Regulatory Credit Risk Reserve.
The non - distributable reserve ensures that Bank of Ghana's established minimum regulatory provisioning for loans and advances is maintained.

k. Events after the reporting period

Events subsequent to the Statement of Financial Position date are reflected in the Statement of Financial Position only to the extent that they relate to the period under consideration and the effect is material.

l. Cash and cash equivalents

Cash and cash equivalents are in respect of bank balances, cash in vault and on hand.

m. Provisions

The bank recognises provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES (Continued)

Where the bank expects some or all a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

n. Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period then ended. Actual results may differ from those estimates.
Changes in estimates and underlying assumptions are recognized in the period in which estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both the current and future periods.

o. Revenue Recognition

Revenue is recognised to the extent that the economic benefit will flow to the bank and can be reliably measured. The following specific income recognition criteria have been applied in the financial statements.

- **Interest Income** is recognised in profit for all interest - bearing financial assets measured at amortised cost. For loans and advances, interest accrues using the effective interest method and for investments interest is accrued based on actual interest granted. The bank's financial assets that give rise to interest income include loans and advances to customers, money market investments and short-term investments.

- **Commissions and fees**
  Revenue fees that are an integral part of the effective interest rate of financial assets measured at amortised cost are spread over the period of the financial assets.
  Commission and fees from the rendering of services are recognised in the income statement when the related services are performed.
  The bank earns commissions and fees from a range of services provided to its customers.

NOTES (Continued)

Commissions and fees revenue are accounted for as follows:

Income earned on the execution of fund transfers is recognised when the transfer is completed.

Income earned from the provision of services (such as sale of cheque and pass books, commission on returned and managers' cheques) is recognised when the services are provided.

p. Interest Expense

Interest expense is recognised in profit or loss for all interest -bearing financial liabilities measured at fair value. The bank's financial liabilities that give rise to interest expense are short term investments from customers, savings and current accounts and loans from other institutions.

q. Accruals and Payables

Liabilities are recognized for amounts to be paid in the future, and amounts accrued but payments not yet made .For the year under review, accruals include but are not limited to P.A.Y.E, salaries and pension payments.

	2017 GHS	2016 GHS
3 INTEREST INCOME		
Interest on Loans	413,661,585	245,289,067
Interest on Investments	114,085,219	55,765,927
	527,746,804	**301,054,994**
4 INTEREST EXPENSE		
Interest on Customer Deposits	409,567,145	209,792,990
Interest on Bank Borrowings	7,814,022	10,286,269
	417,381,167	**220,079,260**
5 COMMISSIONS AND FEES		
Processing Fees	4,140,146	3,515,959
Sundry fees	1,970,136	695,342
Commission on Transfers and Cheques	1,330,710	1,320,798
	7,440,992	**5,532,099**
6 SERVICE & OTHER INCOME		
Bad Debts Recovered	-	775,989
Sundry Income	1,533,188	1,605,050
Realised/unrealised Gain on Forex	3,099,100	1,663,378
	4,632,288	**4,044,417**

7 OPERATING AND ADMINISTRATIVE EXPEN

	2017 GHS	2016 GHS
Direct Operating Costs	14,179,298	9,746,009
Staff Costs	17,750,937	12,715,647
Auditors' Remuneration	205,625	117,500
Directors' Emoluments	258,241	258,241
General & Administrative Expenses	47,454,881	34,913,507
Depreciation and Amortisation	11,013,856	8,337,998
	90,862,838	**66,088,901**

8 IMPAIRMENT LOSS

	2017	2016
Provision b/f	13,904,098	4,813,057
Prior year adjustment	-	3,737,344
Balance restated	13,904,098	8,550,401
Increase in Provision	14,905,358	5,353,697
Provision c/f	28,809,456	**13,904,098**

9 TAXATION

Year of Assessment INCOME TAX	Balance at 1st January GHS	Payment made during the year GHS	Charge for the year GHS	Balance at 31st Dec. GHS
(a) **Current Tax**				
2016	2,565,826	(1,958,169)	199,260	806,917
2017	-	(2,812,500)	7,678,253	4,865,753
	2,565,826	**(4,770,669)**	**7,877,513**	**5,672,669**
(b) **Deferred Tax**				
2017	3,788,707	-	(860,835)	2,927,872

(c.) **National fiscal stabilisation levy**

2014	65,343	-	-	65,343
2015	240,207		-	240,207
2016	669,483			669,483
2017	-	(562,500)	833,536	271,036
	975,032	(562,500)	833,536	1,246,068

d. **Reconciliation of Tax expense to product of Accounting Profit and Applicable Rate**

	2017 GHS		2016 GHS
Profit before taxation	16,670,721		19,109,652
Tax at applicable rate 25%	4,167,680		4,777,413
Add (Deduct):			
Tax effect of non-deductible expenses	6,484,961		3,422,924
Tax effect of capital allowances	(2,974,389)		(2,884,511)
Tax effect of origination and reversal of temporary differences	(860,835)		1,915,376
(Deduct)over provision/add under provision	199,260		61,560
Tax expense	7,016,677	-	7,292,762
Effective tax rate	42.09		38.16

The amount provided for Income Tax is subject to agreement with the Ghana Revenue Authority

10 CASH AND CASH EQUIVALENTS

Cash in Hand	10,314,144	11,186,836
Balances with Banks	115,669,410	39,055,517
	125,983,554	50,242,352

THE BEIGE BANK LIMITED

NOTES (CONTINUED)

11 INVESTMENTS

	2017 GHS	2016 GHS
Money Market	351,771,171	327,168,823
Other Investments	38,753,566	30,230,327
	390,524,737	**357,399,150**

12 LOANS & ADVANCES TO CUSTOMERS

	2017 GHS	2016 GHS
a. Loan principal	532,468,172	548,710,917
Loan Interest	67,841,635	47,186,216
Less: impairment Loss	(28,809,456)	(13,904,098)
Deferred fees	(1,308,723)	(2,139,219)
	570,191,628	**579,853,817**

b ANALYSIS BY TYPE OF CUSTOMER

	2017 GHS	2016 GHS
Individuals	135,278,304	86,626,716
Private Enterprises	289,839,663	265,575,865
Others	107,350,206	196,508,337
Loan interest	67,841,635	47,186,216
Less: impairment Loss	(28,809,456)	(13,904,098)
deferred fees	(1,308,723)	(2,139,219)
	570,191,628	**579,853,817**

13 PREPAYMENTS & OTHER RECEIVABLES

	2017 GHS	2016 GHS
Prepayments	58,791,119	41,783,899
Other Receivables	57,706,262	17,535,896
	116,497,381	**59,319,795**

THE BEIGE BANK LIMITED
NOTES (Continued)

14a. PROPERTY, PLANT AND EQUIPMENT

	2017 COST	2017 ACCUMULATED DEPRECIATED	2017 CARRYING VALUE	2016 COST GHS	2016 ACCUMULATED DEPRECIATED GHS	2016 CARRYING VALUE GHS
Land	22,134,600	-	22,134,600	22,134,600	-	22,134,600
Building	14,756,400	1,475,640	13,280,760	14,756,400	737,820	14,018,580
Plant & Machinery	3,208,262	1,564,380	1,643,882	2,144,348	1,157,722	986,626
Furniture & Fittings	8,589,237	5,904,693	2,684,544	6,299,785	4,504,795	1,794,990
Office Equipment	4,195,660	2,226,953	1,968,707	1,781,123	1,622,114	159,009
Motor vehicles	3,278,686	2,144,311	1,134,375	3,278,686	1,161,212	2,117,474
Other tangible assets	-	-	-	309,031	-	309,031
Computers & data equipment	10,691,675	5,678,061	5,013,614	7,691,224	3,224,532	4,466,692
Leasehold Improvement	30,059,519	11,401,386	18,658,133	30,059,519	8,130,685	21,928,834
	96,914,038	**30,395,423**	**66,518,615**	88,454,716	20,538,880	67,915,836

b. Reconciliation of opening Carrying Value with Closing Carrying Value

2017	Opening Bal. GHS	Additions GHS	Disposal / Reclass GHS	Depreciation GHS	Closing Bal. GHS
Land & buildings	36,153,180	-	-	(737,820)	35,415,360
Plant & Machinery	986,626	1,063,914	-	(406,658)	1,643,883
Furniture & fittings	1,794,991	2,289,452	-	(1,399,898)	2,684,545
Office Equipment	159,009	2,412,365	-	(604,839)	1,966,536
Motor vehicles	2,117,474	-	-	(983,099)	1,134,375
Other tangible assets	309,030	7,518	(316,549)	-	(0)
Computers & data equipment	4,466,692	3,000,451	-	(2,453,529)	5,013,614
Leasehold Improvement	21,928,834	-	-	(3,270,701)	18,658,133
	67,915,836	**8,773,699**	**(316,549)**	**(9,856,544)**	**66,516,445**

2016	Opening Bal. GHS	Additions GHS	Disposal GHS	Depreciation GHS	Closing Bal. GHS
Land & buildings	36,891,000	-	-	737,820	36,153,180
Plant & Machinery	844,740	481,961	-	340,075	986,626
Furniture & fittings	2,607,785	325,100	-	1,137,894	1,794,991
Office Equipment	130,140	469,069	-	440,200	159,009
Motor vehicles	1,819,497	1,020,000	-	722,023	2,117,474
Other tangible assets	-	309,030	-	-	309,030
Computers & data equipment	5,271,754	1,381,911	-	2,186,973	4,466,692
Leasehold Improvement	16,471,778	7,942,000	-	2,484,943	21,928,834
	64,036,694	**11,929,071**	**-**	**8,049,929**	**67,915,836**

15a. INTANGIBLE ASSET

	2017			2016		
	Cost GHS	Amortisation GHS	Carrying value GHS	Cost GHS	Amortisation GHS	Carrying value GHS
Computer Software	9,372,391	2,828,523	**6,543,868**	8,101,949	1,471,297	6,630,652

b. Reconciliation of opening carrying value to closing carrying value

2017	Opening bal. GHS	Additions GHS	Disposal GHS	Amortisation GHS	Closing bal. GHS
Computer Software	6,630,652	1,270,443	-	1,357,227	**6,543,868**

2016	Opening bal. GHS	Additions GHS	Disposal GHS	Amortisation GHS	Closing bal. GHS
Computer Software	2,725,221	4,193,500	-	288,069	**6,630,652**

m

THE BEIGE BANK LIMITED
NOTES (CONTINUED)

16 DEPOSITS & BORROWINGS

	2017 GHS	2016 GHS
Customer Deposits	946,439,483	923,149,796
Bank Borrowings	52,550,896	25,165,686
	998,990,379	**948,315,482**

17 ACCOUNTS PAYABLE & ACCRUALS

	2017 GHS	2016 GHS
Accrued Salaries	87,759	70,071
Income Tax-PAYE	142,345	323,185
Social Security	237,979	377,833
Provident Fund Control Account	109,305	164,905
Salary Control Account	-	4,349
WHT-Goods& Services	896,396	92,229
Other Accruals	4,677,811	1,060,406
ATM Cardless Withdrawal Transit - 001	-	-
	6,151,594	**2,092,978**

18 STATED CAPITAL

	No.of ordinary shares		Proceeds	
	2017	2016	2017 GHS	2016 GHS
Authorised	100,000,000,000	100,000,000,000	-	-
Issued for cash consideration	200,000,000	140,000,000	200,000,000	140,000,000

There are no shares in treasury and no unpaid liabilities on the shares issued.

NOTES (Continued)

20. CONTINGENT LIABILITIES

Based on our review of events of the bank, there were no contingent liabilities as at the Statement of Financial Position date. (2016: Nil)

21. CAPITAL EXPENDITURE COMMITMENTS

There were no capital expenditure commitments as at the Statement of Financial Position date. (2016: Nil)

22. RELATED PARTY TRANSACTIONS

a. Transactions with related companies.

Related companies are defined as companies that control, are controlled by or under common control with The Beige Bank Limited. For the year under consideration and the comparative period, transactions with the related companies listed below are relevant.

The Beige Group (TBG)	Parent company
Beige Business Solutions (BBS)	Under common control by the same Parent
Access Control Security Limited (ACSL)	Under common control by the same parent.
Beige Home	Under common control by the same parent.
Beige Village	Under common control by the same parent.
Brown Ball	Under common control by the same parent.
Beige Care	Under common control by the same parent.
Beige Assur	Under common control by the same parent.
Beige Capital Asset Management Limited	Under common control by the same parent.

NOTES (Continued)

Balances resulting from transactions between the bank and related companies are:

LOANS TO RELATED COMPANIES	2017	2016
	GHS	GHS
Beige Home	983,050	1,557,748
Beige Village	3,258,884	2,155,584
Brown Ball	697,942	697,942
Beige Business Solutions	4,297,031	4,682,167
Beige Care	1,010,521	-
Beige Assur	2,064,000	-
Total	**12,311,428**	**9,093,441**

INVESTMENTS WITH RELATED COMPANY		
Beige Capital Asset Management	139,301,562	-

Transactions between the bank and related companies are:

SERVICE CHARGES RECOGNISED	2017 GHS	2016 GHS
ACSL - security services	4,066,197	2,594,900
BBS - vehicle rentals	3,494,693	2,956,581
TBG - management fees	2,775,000	1,800,000

b. Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning; directing and controlling the activities of The Beige Bank Limited (directly or indirectly) and comprise the directors and senior management.

NOTES (Continued)

The details of transactions between the bank and its key management personnel are as follows:

	2017 GHS	2016 GHS
Director's fees and sitting allowances	258,241	258,241
Salaries and allowances to senior management	1,207,806	900,017
Loans to senior management	261,452	345,628

23. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial assets have been applied to the items below.

2017

CATEGORY

Description	Loans and receivables GHS	Held – to - maturity GHS	Fair value *TPL GHS	Total GHS
Loans and advances	570,191,629	-	-	570,191,629
Money market investments	-	351,771,171	-	351,771,171
Other investments	-	38,753,565	-	38,753,565
Cash and bank balance	-	-	125,983,554	125,983,554
TOTALS	**570,191,629**	**390,524,736**	**125,983,554**	**1,086,699,919**

NOTES (Continued)

2016

Description	Loans and receivables GHS	CATEGORY Held to maturity GHS	Fair value *TPL GHS	Total GHS
Loans and advances	579,853,817	-	-	579,853,817
Money market investments	-	327,168,823	-	327,168,823
Other investments	-	-	30,230,327	30,230,327
Cash and bank balance	-	-	50,242,352	50,242,352
TOTALS	579,853,817	327,168,823	80,472,679	987,495,319

NB: *TPL = Through Profit or Loss

24. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial liabilities have been applied to the items below.

2017

Description	Fair value *TPL GHS
Bank borrowings	52,550,896
Customer fixed term deposits	716,823,828
Customer savings & demand deposits	229,615,656
Payables & Accruals (Other Accruals)	4,677,811
	1,003,668,191

NOTES (Continued)

2016

Description	**Fair value *TPL GHS**
Bank borrowings	25,165,686
Customer fixed term deposits	835,080,394
Customer savings & demand deposits	88,069,402
Payables & Accruals (Other Accruals)	1,060,406
	949,375,888

25. ANALYSIS OF INCOME, GAINS, EXPENSES & LOSSES BY CATEGORY OF FINANCIAL INSTRUMENTS

Interest income of **GHS 413,661,585**(2016: GHS 245,289,067) is in respect of Loans & Advances to customers which has been classified as loans and receivables and are measured at amortised cost.

Interest income of **GHS 114,085,219** (2016: GHS 55,765,927) is in respect of investments placed on the money market and other markets which are classified as held - to - maturity investments and are measured at amortised cost.

Bank charges of **GHS 403,547** (2016: GHS 501,739) are in respect of bank balances which are classified as financial assets measured at fair value through profit or loss.

Interest expense of **GHS 7,814,022** (2016: GHS 10,286,269) is in respect of bank borrowings which have been classified as financial liabilities at fair value through profit or loss.

Interest expenses of **GHS 409,567,145** (2016: GHS 209,792,990) are in respect of short term investment from customers and customer savings deposits which have been classified as financial liabilities at fair value through profit or loss.

26. RISK MANAGEMENT

The nature of the bank's operations exposes it to various types of risk. The risks to which the bank is exposed are credit risk, liquidity risk and other business and operating risks.

The bank's risk control processes do not include that for business risks such as changes in the business environment and in the industry in which it operates. These risks are managed through the bank's strategic planning processes.

NOTES (Continued)

Credit Risk

Credit risk arises from the potential that a debtor or counterparty is either unwilling or unable to perform his/her obligation resulting in economic loss to the bank.

The principal sources of credit risk inherent in the bank's operations are balances with banks, investments on the money market and other short-term holdings and loans & advances to customers.

The bank manages its credit risk in relation to loans and advances as detailed below.

The bank's Board of Directors is responsible for the overall identification and control of risks.

The risk strategies are developed by management and implemented by the credit risk unit of the bank. The credit risk management committees are responsible for enforcing the risk policies and limits. The risk strategies developed by management are approved by the board.

The credit risk committees and the frequency of their meetings are;

- Management Committee (MC) - weekly
- Credit Risk unit - Often
- Branch Credit Committee (BCC) – weekly

The BCC of every branch of the bank is responsible for

- Assessing initial requests for credit from customers.
- Ensuring that documents provided by prospective borrowers meet the bank's basic requirements for credit delivery.
- Recommending credit proposals discussed to the relevant authorities for consideration.

The Credit Risk Unit further reviews the credit requests assessed by the BCC for approval by the relevant authorities.

The MC approves loan requests up to GHS 500,000 and recommends for approval by the Chief Executive Officer, loan requests above GHS 500,000.

The framework for managing credit risk is the credit manual. The manual spells out the loan approval process, recovery process, target market etc.

To minimize the risk from the other sources of credit risk the bank only deposits cash and restricts investments to major banks and institutions.

NOTES (Continued)

The maximum amount of credit risk by category of financial asset as at 31st December 2017 was as follows:

2017	Loans and receivables GHS	Held – to - maturity GHS	Fair value *TPL	TOTAL GHS
Loans and advances	599,001,084	-	-	599,001,084
Money market Investments	-	351,771,171	-	351,771,171
Other investments	-	38,753,565	-	38,753,565
Bank balance	-	-	115,669,410	115,669,410
	599,001,084	390,524,736	115,669,410	1,105,177,230

2016	Loans and receivables GHS	Held – to maturity GHS	Fair value *TPL GHS	TOTAL GHS
Loans and advances	593,757,914	-	-	593,757,914
Money market Investments	-	327,168,823	-	327,168,823
Other Investments	-	-	30,230,327	30,230,327
Bank balance	-	-	36,859,247	36,859,247
	593,757,914	327,168,823	67,089,574	988,016,311

Collateral held in respect of loans and advances is mainly in the form of cash or cash equivalent, motor vehicles, landed property, household items and business assets.
Cash equivalent collaterals are assigned to money market investments.
No collateral is held in respect of the bank balances and other investments as the taking of security for such placements is not the practice in the industry.

NOTES (Continued)

The loans and advances portfolio are further analysed in terms of credit quality as follows:

	2017 GHS	2016 GHS
Neither past due nor impaired	490,907,570	465,903,869
Past due, but not impaired	61,997,217	80,084,861
Impaired	46,096,295	47,769,184
Total	**599,001,082**	**593,757,914**

Analysis of loans and advances that are ***past due but not impaired***

No. of days overdue	2017 GHS	2016 GHS
1 - 90	28,527,003	67,331,690
91- 180	5,145,844	4,695,015
181 -360	24,800,350	6,513,230
361 and beyond	3,524,020	1,544,926

Analysis of loans and advances individually determined to be impaired

2017

No. of days overdue	**Carrying amount before impairment loss (GHS)**	**Impairment (GHS)**
91- 180	10,836,305	4,716,066
181 -360	21,545,316	12,118,164
361 and beyond	13,714,674	6,446,359

NOTES (Continued)

2016

No. of days overdue	Carrying amount before impairment loss (GHS)	Impairment (GHS)
91 – 180	17,221,394	4,999,428
181- 360	16,203,260	4,600,601
361 and beyond	14,344,530	4,304,068

Other Statistics	2017	2016
Loan loss provision ratio	4.81	2.34%
Gross non - performing loans ratio	18.05	21.53%
50 largest exposures	10.78	9.60%

Liquidity Risk

Liquidity risk is the risk that the bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The bank manages liquidity risk through an on-going review of future commitments and credit facilities.

A summary of the bank's financial assets and liabilities analysed according to their contractual maturities are as follows;

December 31, 2017	0 – 3 months GHS	4 – 6 months GHS	7 -12 months GHS	Above 1 year GHS
Assets				
Cash & bank balances	125,983,554	-	-	-
Investments	237,146,170	125,733,747	27,604,838	-
Loans and advances	307,489,096	134,285,630	44,664,958	112,561,397
Total Assets	670,618,820	260,019,377	72,269,796	112,561,397
Liabilities				
Customer deposits	635,104,486	187,941,278	122,116,793	1,273,926
Borrowings	2,738,224	13,094,515	36,540,278	177,878
Other Accruals	4,677,811	-	-	-
Total Liabilities	642,520,521	201,035,793	158,657,071	1,451,804
Net liquidity gap	**28,098,299**	**58,983,584**	**(86,387,275)**	**111,109,593**

NOTES (Continued)

December 31, 2016	0 – 3 months	4 – 6 months	7 -12 months	Above 1 year
	GHS	GHS	GHS	GHS
Assets				
Cash & bank balances	50,242,352	-	-	-
Investments	58,184,092	229,774,709	69,440,349	-
Loans and advances	246,727,799	22,962,211	179,174,830	130,988,977
Total Assets	355,154,243	252,736,920	248,615,179	130,988,977
Liabilities				
Customer deposits	364,460,553	350,300,302	208,388,941	-
Borrowings	14,812,089	-	2,274,813	8,078,784
Other Accruals	1,060,406	-	-	-
Total Liabilities	380,333,048	350,300,302	210,663,754	8,078,784
Net liquidity gap	**(25,178,805)**	**(97,563,382)**	**37,951,425**	**122,910,193**

Operational Risk

Operational risk is the potential for loss from failed systems and processes, staff incompetence and misconduct and uncontrolled external events. These risks are monitored and controlled by **the bank** through well designed operating manuals that reflect the main operating procedures, business continuity planning, reconciliations, internal audit, timely and reliable management reporting.

The bank is in the process of finalising new processes for managing its risk after being granted a Universal Banking licence.

27. CAPITAL

The Objectives of Capital Management

The primary objectives of capital management in the bank are to ensure that:

- it complies with the minimum stated capital requirement of Bank of Ghana
- it complies with the regulatory capital requirement that enables it to meet the minimum Capital Adequacy Ratio requirements of Bank of Ghana
- its operations would assure it of increasing level of profitability and shareholder value.

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

NOTES (Continued)

Capital Description

The bank's capital is its shareholders' funds comprising stated capital, income surplus which includes current year profits and various reserves that the bank is required to maintain in accordance with Bank of Ghana regulations.

The current level of the bank's capital does not comply with the existing minimum stated capital requirement of Bank of Ghana. However, a deadline for compliance (which is December 31, 2018) has been communicated to all banks by the Bank of Ghana. The Bank has in place a documented detailed plan for the attainment of the minimum capital on or before the deadline.

Capital Adequacy

The bank's capital adequacy status is shown in the table below.

	2017 GHS	2016 GHS
Tier 1 capital	247,743,891	154,546,297
Tier 2 capital	-	-
Total Regulatory Capital	247,743,891	154,546,297
Adjusted Capital Base (a)	241,200,023	147,915,646
Adjusted Asset Base (b)	1,171,430,303	901,067,501
Capital Adequacy Ratio (a/b) %	**20.59**	**16.42**
Capital Surplus (Adjusted capital base -10% of the adjusted asset base)	**124,056,993**	**57,808,815**

The Company's regulatory capital meets the required minimum for both the current and previous years.

mh