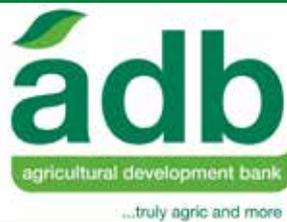


The lower half of the cover is dominated by a large, abstract graphic design. It consists of several overlapping, rounded shapes in various shades of green, from light lime to dark forest green. The shapes are layered, creating a sense of depth and movement, reminiscent of rolling hills or stylized foliage. The overall effect is vibrant and organic.

2018 ANNUAL REPORT

AND FINANCIAL STATEMENTS



2018
ANNUAL
REPORT
AND FINANCIAL STATEMENTS



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Corporate Information

BOARD OF DIRECTORS	Mr. Alex Bernasko Dr. John Kofi Mensah Mr. Kwabena Abankwah Yeboah Mrs. Mary Abla Kessie Prof. Peter Quartey Mrs. Abena Osei-Asare Mr. Kwesi Korboe Hon Dr. Mark Assibey-Yeboah Mr. Kwabena Dapaah-Siakwan Nana Ama Serwaa Bonsu Dr. Adu Anane Antwi Mr. Frank Kwame Osei Prof. David Abdulai	Chairman (Appointed 08/08/2017) Managing Director (Appointed 01/07/2017) Non-Executive Director (Appointed 08/08/2017) Non-Executive Director (Appointed:29/08/2018) Non-Executive Director (Appointed:29/08/2018) Non-Executive Director (Appointed: 29/08/2018) Non- Executive Director (Appointed: 29/08/2018) Non- Executive Director (Appointed: 29/08/2018) (Resigned: 16/08/2018) (Resigned: 16/08/2018) (Resigned: 16/08/2018) (Resigned: 16/08/2018) (Resigned: 16/08/2018)
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COMPANY SECRETARY Mr. Godwyll Ansah
Accra Financial Centre
3rd Ambassadorial Development Area
P. O. Box 4191
Accra

REGISTERED OFFICE Accra Financial Centre
3rd Ambassadorial Development Area
P. O. Box 4191
Accra

AUDITORS Ernst & Young
G15, White Avenue
Airport Residential Area
P. O. Box KA 16009,
Airport
Accra, Ghana



Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 32nd Annual General Meeting of Agricultural Development Bank Limited (the “Company”) will be held at the **British Council, Liberia Road, Accra at Eleven O'clock in the forenoon (11.00 am) on Wednesday August 28, 2019** to transact the following business:

1. To ratify the appointment of new Directors to the Board;
2. To receive and adopt the Annual Reports and Audited Financial Statements for the year ended 31st December 2018 together with reports of the Directors and Auditors;
3. To fix the remuneration of Directors;
4. To authorise the Directors to determine the remuneration of the Auditors for the financial year ending December 31, 2019.

Special Business:

5. To authorise the Directors of the Company to undertake a private placement of ordinary shares of the Company with Ghana Amalgamated Trust Plc for consideration of GHS 127,000,000 in order to increase the Company’s stated capital to GHS 400,000,000 to meet the Bank of Ghana’s new minimum capital requirement, subject to the applicable regulatory approvals;
6. To waive the pre-emptive rights of shareholders in relation to the ordinary shares to be issued to Ghana Amalgamated Trust Plc in relation to the private placement;
7. To authorise the Directors of the Company, subject to applicable rules, to determine the terms, timing and pricing of the private placement.

Dated this 6th day of August, 2019

BY ORDER OF THE BOARD

SGD.

Godwyll Ansah

Company Secretary

NOTE: A Member who is unable to attend the General Meeting is entitled to appoint a proxy to attend and vote on his/her/its behalf. A proxy need not be a Member.

A proxy form is attached herewith to enable you exercise your vote if you cannot attend. The form should be completed and deposited at the Company’s Registrars, Central Securities Depository at Cedi House, Liberia Road, Accra, or at the Company’s Registered Office at Accra Financial Centre, 3rd Ambassadorial Development Area, Ridge-Accra.

Proxies may be deposited at the addresses indicated herein at any time during working not less than **forty-eight hours** prior to the commencement of the meeting.

All relevant documents in connection with the meeting are available to shareholders from the date of this notice on the Company’s website (www.adb.com.gh) and at the Company’s Registered Office aforesaid.

Ratification of The Appointment of Directors

The major shareholders of the Bank, The Government of Ghana and The Financial Investment Trust (FIT) had appointed eight (8) directors including the Managing Director to the Board of the Company. The said directors were sworn into office variously in August 2017 and in August 2018.

It is a requirement that the directors be appointed by an ordinary resolution of the Company in a general meeting. The circumstances of the Company at the time of the appointments however did not make it possible to comply with the said requirements because the Company's business had to continue uninterrupted.

This is therefore to present the directors to members and to request members to ratify their appointments. Below are the profiles of the directors:

1.1 Mr. Alex Bernasko (67): Non-Executive Chairman

(Appointed to the Board on 8th August, 2017). Mr. Bernasko was appointed the Chairman of the Board on 8th August 2017. He is a Legal Practitioner and Notary Public. He had a long successful career in Central Banking rising to become the Secretary to the Bank of Ghana. He was later appointed Advisor and a member of the Bank's top Management, a position he held until his retirement.

During his long period in service, Mr. Bernasko held various positions including Director and Head of the Bank's Legal Department. He also served as Continuity Planning Director of the Bank. In addition to his normal work schedule, he performed special assignments and other duties, which included his chairmanship of the Redenomination Steering Committee, which played a significant role in the planning, and execution of the national exercise.

He holds a BA (Honours) degree in Social Sciences majoring in Law and Economics from Kwame Nkrumah University of Science & Technology (KNUST), the Qualifying Certificate in Law from the University of Ghana, (Institute of Adult Education) and also qualified as a Barrister-at-Law from the Ghana School of Law. He has a wealth of knowledge and experience in management, banking, development and financial law.

He holds certificates for courses attended in several institutions both locally and externally including International Development Lawyers Institute, Rome, Italy, International Monetary Fund, U.S.A., Washington DC, USA and Royal Institute of Public Administration U.K..

Mr. Bernasko has served on several Boards including Export Development and Investment Fund (EDIF), Ghana Tourist Development Company Limited, Agricultural Development (1998-2001), Cape Coast Development

Company Limited and Granite and Marbles Company Limited.

He is a member of the Ghana Bar Association, International Bar Association and the Institute of Directors.

1.2 Dr. John Kofi Mensah (57): Managing Director

(Appointed to the Board on 16th August, 2017): Dr. John Kofi Mensah was appointed Managing Director of the Bank on August 1, 2017. Dr. Mensah is a renowned Economist and Banker with over 25 years of experience in different sectors of banking ranging from start-up and delinquent banks operations to credit and foreign/Treasury management of Universal Banks. He previously worked at the International Commercial Bank (now FBN Bank) in various capacities including that of General Manager/Deputy CEO. He has also previously worked at UniBank as General Manager, and later Deputy Managing Director. He was the CEO of the erstwhile First Capital Plus Savings & Loans from April 2011 till July 2015. He currently serves on the Board of Ghana International Bank Plc, UK. Dr. Mensah has previously served as chairman of Family Fountain Assets & Securities Limited, and a Director of Enyan Denkyira Rural Bank and Cocoa Processing Company Limited. He holds a Doctorate in Business Administration (Finance) from SMC University of Zurich, Switzerland, an MSc (Banking and Finance), Cum Laude from Finafrica in Milan, Italy and a BA (Economics & Statistics) from the University of Ghana. He is also a fellow of the Institute of Professional Financial Managers (FIPFM), UK.

1.3 Pharm. Kwabena Abankwah-Yeboah (58): Non-Executive Director

(Appointed to the Board on 16th August, 2017): Mr. Kwabena Abankwah-Yeboah is a pharmacist in good standing for the past 32 years. He is the Chief Executive Officer of Sharp Pharmaceuticals Limited. He is currently a Director of United Perfumery and Pharmaceuticals Limited, a Council member of Accra Technical University, Board Chairman of Gulf Consolidated Limited and Council Chairman, Ghana College of Nurses and Midwives. He is a member of the Pharmaceutical Society of Ghana, Pharmaceutical Manufacturers Association of Ghana, International Pharmaceutical Federation and Association of Ghana Industries (AGI). He previously served on several Councils and Boards including CSRI STEPRI, Koforidua Technical University, Association of Ghana Industries and Pharmaceutical Manufacturers Association of Ghana where he served as its first General Secretary. He holds a Bachelor of Pharmacy (Hons) from the Kwame Nkrumah University of Science and Technology, Master in Business Administration (Finance Option) from the University of

Ghana, a LLB (Hons) from the University of Ghana and a Fellow of the Ghana College of Pharmacists.

1.4 Mrs. Mary Abla Kessie (64): Non-Executive Director (Appointed to the Board on 29th August, 2018): Mrs. Mary Abla Kessie is a Lawyer, Notary Public and a Certified Director. She has had a long and successful career in banking. She has a wealth of knowledge and experience having worked in the Banking and Financial Sector for over 35 years. She has held several senior management positions during her banking career including Head of Legal, General Manager, Compliance, Women's Market and Support Services as well as Company Secretary. Mrs. Kessie has served as a Director on several boards including Family Health Medical School, Auto Mall Limited, Local Nominee Director of British Telecom Global Services as well as Local Manager, Kosmos Energy LLC. She holds a Bachelor of Law degree from the University of Ghana and is a Barrister of Law- Ghana Law School. She is a member of the Ghana Bar Association and the Institute of Directors, Ghana.

1.5 Prof. Peter Quartey (50): Non-Executive Director (Appointed to the Board on 29th August, 2018): Professor Peter Quartey is the immediate past Head, Department of Economics and Director, Economic Policy Management, University of Ghana, Legon. He is currently the Director of Institute of Statistical, Social and Economic Research (ISSER). He owns a renowned educational institute in Accra. Professor Quartey, who holds a PHD in Development Economics, University of Manchester has varied experience in teaching and research. He has undertaken various extension activities for various institutions and is a member of the following:

- Board Member, National Population Council Board, Ghana (2009 – 2012);
- Vice Board Chairman, the Hunger Project Ghana (2014 – Present);
- Board Member, Startrite Montessori School (2007 – Present);
- Vice Chairman, University of Ghana Credit Union (2008 – 2011);
- Board Chairman, University of Ghana Credit Union (2011 – 2014);
- Member, Institute of Applied Science and Technology, University of Ghana, (2012 – 2016);
- Member, University of Ghana Strategy Committee, (2012 – 2016);
- Member, University of Ghana Finance & General Purpose Committee, (2014 – 2018);

Professor Quartey has also provided consultancy services to various institutions including NEPAD, World Bank, African Development Bank and USAID. Professor Quartey has over 70 publications to his credit.

1.6 Hon. Mrs. Abena Osei-Asare (39): Non-Executive Director (Appointed to the Board on 29th August, 2018): Abena is a Chartered Accountant and holds a BA Degree in Economics with Geography and MSC in Development Finance all from the University of Ghana. Mrs. Abena

Osei-Asare had worked with the New York University (NYU) in Ghana as Assistant Director, Finance and Facilities from 2004 to November 2007. She later joined Barclays Bank (Gh.) Limited and rose to become a dealer. She was elected as a Member of Parliament in January 2013 representing the Atiwa-East Constituency and was appointed Deputy Minister of Finance in May 2017, a position she has held to date. Mrs. Abena Osei-Asare is a member of the Parliamentary Service Board, Social Security and National Insurance Board, National Health Insurance Board and the Public Accounts Committee of Parliament.

1.7 Mr. Kwesi Korboe (56): Non-Executive Director (Appointed to the Board on 29th August, 2018): Mr. Kwesi Korboe is an Agribusiness Specialist, Management Consultant, Economist, and Policy and Investment Analyst. He holds a BSC (Hons) Degree in Agriculture, Post Graduate Diploma in Agric Administration and an M. A. in Economic Policy Management all from the University of Ghana, Legon. He is currently an Executive Director of GIRSAL Ltd and provides advisory support to a number of donor funded agricultural projects and the government of Ghana. He was a Senior Agribusiness Advisor/Regional Manager for ACDI/VOCA and Country Representative of Agribusiness Systems International (ASI), its subsidiary. He was also in recent past Chief of Party for the Southern Horticultural Zone Project of the US\$547 Million Millennium Challenge Account (MCA) and Chief Executive Officer of Jei River Farms Limited. Mr. Kwesi Korboe has worked on numerous agricultural project funded and supported by USAID, the World Bank, AFDB, DFID, MCC, FAO in very senior roles, He also provided technical advice as director/technical advisor to a number of agribusinesses both in Ghana and other African Countries.

1.8 Hon. Dr. Mark Assibey-Yeboah (45): Non-Executive Director (Appointed to the Board on 29th August, 2018): Hon. Dr. Mark Assibey-Yeboah is the Member of Parliament for New Juaben South, and the Chairman of the Finance Committee of the Parliament of Ghana. He holds a B.Sc (Hons) Degree in Agricultural Economics from KNUST, Ghana and an M.S. in Agricultural and Resource Economics from the University of Delaware, USA. He also holds an M.A. and a Ph.D both in Economics from the University of Tennessee, USA, specialising in International Macroeconomics, Monetary Economics and Econometrics. Before he joined the Legislature, he was a Senior Economist at the Bank of Ghana. Prior to joining the Central Bank, he was a Lecturer at the Ghana Institute of Management and Public Administration (GIMPA). He also previously worked as a Lecturer at The University of Tennessee, and as an Adjunct Faculty at Milligan College in USA. Hon. Dr. Assibey-Yeboah has been published in reputable journals such as Economic Record, International Journal of Finance and Economics, Journal of International Trade and Economic Development, and North American Journal of Economics and Finance. He is a member of the American Economic Association.



Profile of Board Directors



Mr. Alex Bernasko
Chairman

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During his long period in service, Mr. Bernasko held various positions including Director and Head of the Bank's Legal Department. He also served as Continuity Planning Director of the Bank. In addition to his normal work schedule, he performed special assignments and other duties, which included his chairmanship of the Redenomination Steering Committee, which played a significant role in the planning, and execution of the national exercise.

He holds a BA (Honours) degree in Social Sciences majoring in Law and Economics from Kwame Nkrumah University of Science & Technology (KNUST), the Qualifying Certificate in Law from the University of Ghana, (Institute of Adult Education) and also qualified as a Barrister-at-Law from the Ghana School of Law. He has a wealth of knowledge and experience in management, banking, development and financial law.

He holds certificates for courses attended in several institutions both locally and externally including International Development Lawyers Institute, Rome, Italy, International Monetary Fund, U.S.A. , Washington DC, USA and Royal Institute of Public Administration U.K..

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Profile of Board Directors



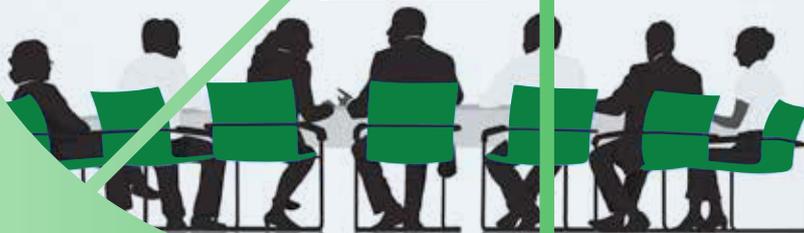
Dr. John Kofi Mensah
Managing Director

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Profile of Board Directors



Mrs. Mary Abla Kessie

Non-Executive Director

Mrs. Mary Abla Kessie (64): Non-Executive Director (Appointed to the Board on 29th August, 2018): Mrs. Mary Abla Kessie is a Lawyer, Notary Public and a Certified Director. She has had a long and successful career in banking. She has a wealth of knowledge and experience having worked in the Banking and Financial Sector for over 35 years. She has held several senior management positions during her banking career including Head of Legal, General Manager, Compliance, Women's Market and Support Services as well as Company Secretary. Mrs. Kessie has served as a Director on several boards including Family Health Medical School, Auto Mall Limited, Local Nominee Director of British Telecom Global Services as well as Local Manager, Kosmos Energy LLC. She holds a Bachelor of Law degree from the University of Ghana and is a Barrister of Law- Ghana Law School. She is a member of the Ghana Bar Association and the Institute of Directors, Ghana.



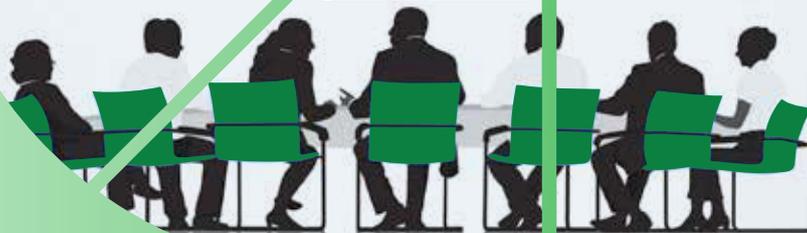
Prof. Peter Quartey

Non-Executive Director

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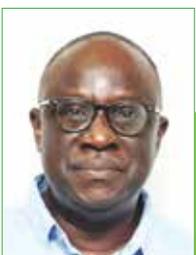


Profile of Board Directors



**Hon. Mrs. Abena
Osei-Asare**
Non-Executive Director

Hon. Mrs. Abena Osei-Asare (39): Non-Executive Director (Appointed to the Board on 29th August, 2018): Abena is a Chartered Accountant and holds a BA Degree in Economics with Geography and MSC in Development Finance all from the University of Ghana. Mrs. Abena Osei-Asare had worked with the New York University (NYU) in Ghana as Assistant Director, Finance and Facilities from 2004 to November 2007. She later joined Barclays Bank (Gh.) Limited and rose to become a dealer. She was elected as a Member of Parliament in January 2013 representing the Atiwa-East Constituency and was appointed Deputy Minister of Finance in May 2017, a position she has held to date. Mrs. Abena Osei-Asare is a member of the Parliamentary Service Board, Social Security and National Insurance Board, National Health Insurance Board and the Public Accounts Committee of Parliament.



Mr. Kwesi Korboe
Non-Executive Director

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Profile of Board Directors



Hon. Dr. Mark
Assibey-Yeboah

Non-Executive Director

Hon. Dr. Mark Assibey-Yeboah (45): Non-Executive Director (Appointed to the Board on 29th August, 2018): Hon. Dr. Mark Assibey-Yeboah is the Member of Parliament for New Juaben South, and the Chairman of the Finance Committee of the Parliament of Ghana. He holds a B.Sc (Hons) Degree in Agricultural Economics from KNUST, Ghana and an M.S. in Agricultural and Resource Economics from the University of Delaware, USA. He also holds an M.A. and a Ph.D both in Economics from the University of Tennessee, USA, specialising in International Macroeconomics, Monetary Economics and Econometrics. Before he joined the Legislature, he was a Senior Economist at the Bank of Ghana. Prior to joining the Central Bank, he was a Lecturer at the Ghana Institute of Management and Public Administration (GIMPA). He also previously worked as a Lecturer at The University of Tennessee, and as an Adjunct Faculty at Milligan College in USA. Hon. Dr. Assibey-Yeboah has been published in reputable journals such as Economic Record, International Journal of Finance and Economics, Journal of International Trade and Economic Development, and North American Journal of Economics and Finance. He is a member of the American Economic Association.



Five Year Financial Highlights

	2018	2017	2016	2015	2014
	GHC'000	GHC'000	GHC'000	GHC'000	GHC'000
Total assets	3,597,395	3,545,143	3,035,493	2,134,147	2,156,741
Loans and advances to customers (net)	1,068,814	1,139,356	1,005,302	1,088,071	1,124,139
Deposits from customers	2,586,265	2,541,010	2,147,450	1,513,509	1,462,139
Shareholders' equity	639,711	479,013	454,778	332,893	343,815
Profit/(Loss)before tax	34,057	47,339	(105,714)	(100,197)	34,669
Profit/(Loss) after tax	5,908	26,510	(70,026)	(78,975)	47,864
Dividend per share (Ghana pesewas)	-	-	-	-	-
Earnings per share (Ghana pesewas):					
Basic	2.56	11	(166)	(316)	191
Diluted	2.56	11	(166)	(316)	191
Return on equity (%)	0.026	5.53	(17.78)	(23.34)	15.32
Return on assets (%)	0.0016	0.75	(2.71)	(3.68)	2.53
Number of staff	1,195	1,179	1,197	1,235	1,196
Number of branches	78	78	78	78	78



Chairman's Statement

Our esteemed shareholders, I am pleased to welcome you all to this Annual General meeting (AGM), the second since ADB listed on the Ghana Stock Exchange. I deem it an honour to present to you this statement in my capacity as the chairman of ADB Board.

GLOBAL ECONOMIC ENVIRONMENT

Headline economic indicators suggest the world is virtually back on track after the global crisis but this upbeat picture camouflages continuing underlying concerns. The global economy faces a mix of long-standing vulnerabilities and newer threats that have emerged or evolved in the years since the crisis.

Apart from environmental risks which have grown in prominence in recent years, Cyber security risks have emerged and are also growing, both in their prevalence and in their disruptive potential. Attacks against businesses have almost doubled in five years, and incidents that would once have been considered extraordinary are becoming more and more commonplace.

The growth of Emerging Markets and Developing Economies (EMDE) is projected to pick up from a four-year low and this recovery is predicated on the waning impact of earlier financial pressures in some large EMDEs.

With investor sentiment toward some of the large economies of the region showing strong signs of improvement, regional growth is expected to accelerate by 3.3% in 2019-2020 based on increased oil production and robust growth in non-resource-intensive economies underpinned by continued strong agricultural production and sustained public investment. While per capita GDP is expected to rise in the region, it will nevertheless be insufficient to significantly reduce poverty. In 2020, growth in South Africa is anticipated to rise to 1.5%; growth in Angola is anticipated to pick up to 2.9%; and growth in Nigeria is anticipated to edge up to 2.2% in 2020. This positive growth trend is likely to be same for Ghana and hence the Banking Industry.

DOMESTIC ECONOMY

The domestic economy in 2018 experienced a continuation of the disinflation process albeit at a slower pace but headline inflation remained well within the medium-term target band ending the year at 9.4% from an opening year rate of 11.8%.

Economic activity continued to pick-up although the trend remained below potential whilst business and consumer sentiments softened somewhat largely due to developments in the exchange rate. The strengthening of the US dollar in the international markets and its spill over effects exerted pressure on currencies in emerging markets including Ghana. The Ghana cedi registered a depreciation of nearly 8.4% by close of the year accordingly exacting its toll on businesses and consumers alike.

There were marginal increases in money market interest rates across the maturity spectrum, however, credit stance eased with increases in banks' credit and loans to both households and enterprises as banks continued to strengthen their balance sheets. Total advances in the banking industry posted a growth of 12.9% over the period.

Interbank rates declined from 19.34% in December, 2017 to 16.12% in December, 2018 responding to the fall in the monetary policy rate from 20% to 17% within the same period.

DEVELOPMENTS IN ADB

In the course of the year, the shareholding structure changed under the direction of the Bank of Ghana. Consequently, new Board members were appointed in August 2018 to reflect these changes. The Board is committed to providing the strategic direction for the Bank to aggressively grow its business in all operational areas within the framework of 5 year Strategic Plan.

The 5year Strategic Plan spanning 2018 – 2022 which took off in earnest in June, 2018 is gradually achieving its milestones and with the additions to the management team, we are hopeful of attaining our objectives.

Customer service delivery remained a core issue as significant investments including training of staff was consistently made into it. Our mantra, "quality service, all the time" underscores the importance accorded the subject. For us, the responsibility to uphold quality service transcends the shop floor; it is a matter for each and every staff member including members of the board.

CHAIRMAN'S STATEMENT continued

CORPORATE GOVERNANCE

In view of the happenings in the banking environment, corporate governance issues have become ever more crucial and I can assure you all that it is a focal area for us as a Board. We will persist in carrying out robust corporate governance practices that are in tune with the best standards both within the banking industry and internationally and ensure that it feeds into the bank's day-to-day business activities

The Board's subcommittee on Human Resources and Governance is seized with the task of constantly reviewing the bank's corporate governance framework and policies, identify the shortfalls and to make the essential recommendations to the board in respect of the required remedial measures.

It is our resolve to stay in line with the Bank of Ghana's Corporate Governance directive (2018) and where necessary, revise our corporate governance code, policy and charter. We pledge to inspire ethical behaviour into the fabric of the bank such that it becomes part of its culture.

FINANCIAL PERFORMANCE

The Bank recorded a profit before tax of GHC34.0million in 2018, registering a dip from GHC47.0 million achieved in 2017. 2018 was particularly a year that held a lot of challenges for the Bank ranging from changes in its shareholding structure to effects of regulatory reforms.

We are convinced that the strategies put in place set the foundations for better performance going forward. Apart from the growth in our shareholders' funds' from GHC479million in 2017 to GHC639.7million in 2018 due mainly to injection of new funding, all the major indices remained flat. All other indices did not change significantly because of a deliberate policy to go slow and clean the Banks Balance Sheet of historical toxic assets.

REGULATORY CHANGES

The Bank in a bid to comply with the regulator's requirement for a minimum unimpaired paid up capital of GHC400 million held an Extraordinary General Meeting (EGM) purposely to raise extra capital from shareholders through a rights issue. Currently, the Bank's paid up capital stands at GHC552.1million much over the requirement only to reduce on applying the negative income surplus of GHC294.1million coming out of previous loses.

The year 2018 witnessed the full implementation of IFRS 9 with its heightened impairment implications. In 2019, the Ghana Deposit Protection Act comes into force by 1st October whilst banks are required to adopt IFRS 16 – LEASES. We are self-assured to comply with all of these regulatory requirements.

OUTLOOK AND CONCLUSION

The outlook for the coming years is bright as we commit to stay on track with our 5 year Strategic Plan. The need to mobilise more deposits, book quality loans and to recover the non-performing loans cannot be over emphasised.

Please permit me to use this opportunity to thank the former Board members for their invaluable service to the bank and to render our warm wishes to them in their endeavours in the future. ADB has a huge responsibility to its customers and general public to render excellent customer services and become the most preferred banking partner and we promise that we shall be equal to the task.

The hard work of staff is well acknowledged and it is my prayer that they will work even harder to push up the Bank to the very lofty heights it deserves.

We thank all of you our shareholders for your confidence in ADB which is demonstrated by your continued support.

Thank you all and may God bless us all.



Key Management Personnel

Dr. John Kofi Mensah was appointed Managing Director of the Bank on August 1, 2017. Dr. Mensah is a renowned Economist and Banker with over 25 years of experience in different sectors of banking ranging from start-up and delinquent banks operations to credit and foreign/Treasury management of Universal Banks. He previously worked at the International Commercial Bank (now FBN Bank) in various capacities including that of General Manager/Deputy CEO. He has also previously worked at UniBank as General Manager, and later Deputy Managing Director. He was the CEO of the erstwhile First Capital Plus Savings & Loans from April 2011 till July 2015. He currently serves on the Board of Ghana International Bank Plc, UK. Dr. Mensah has previously served as chairman of Family Fountain Assets & Securities Limited, and a Director of Enyan Denkyira Rural Bank and Cocoa Processing Company Limited. He holds a Doctorate in Business Administration (Finance) from SMC University of Zurich, Switzerland, an MSc (Banking and Finance), Cum Laude from Finafrica in Milan, Italy and a BA (Economics & Statistics) from the University of Ghana. He is also a fellow of the Institute of Professional Financial Managers (FIPFM), UK.



Dr. John Kofi Mensah
Managing Director

Alhassan Yakubu-Tali was appointed Deputy Managing Director of the Agricultural Development Bank (ADB) Limited on August 15, 2017.

He is a seasoned investment banker with 15 years of international experience spanning many multinational banks including, HSBC, Lehman Brothers Investment Bank, Bank of Tokyo and Fimat International Bank.

He holds an MBA (Marketing) from the City University, Bellevue, USA (Frankfurt Campus); B.S. (Business Administration), also from the City University, Bellevue, USA (Frankfurt Campus); Diploma 2 (Business Administration) from West London College, London and Diploma 1 (Business Administration) from West London College, London.

A married man, Alhassan is a polyglot and is fluent in German, English, Hausa and Dagbani.



Alhassan Yakubu-Tali
Deputy Managing Director



Key Management Personnel

Edward Ian Armah-Mensah holds an Executive Master's in Business Administration (Finance Option) and a Bachelor of Science in Business Administration. He has an extensive experience in corporate finance with specialty in deal origination, debt restructuring, trade syndication, cash management and asset finance. He has cross industry experience with Stanbic Bank (Ghana) Limited, Barclays Bank (Ghana) Limited, NDK Financial Services and Agricultural Development Bank (ADB) Limited.

Edward joined ADB as Executive Head, Corporate Banking in 2010. He has also served as Chief Commercial Officer of the Bank and is currently the Group Head, Corporate Banking. He has 17 years' experience and has successfully set up Corporate Banking and non-bank structures from greenfields.



Edward Ian Armah-Mensah
General Manager, Business Banking

Samuel Dako is the Chief Audit Executive. He has over twenty-two years managerial experience in the Banking Sector. He joined the Bank as a Finance Officer and has served in various capacities including Financial Controller, Head of Financial Reporting and Strategy, Manager Research and Corporate Planning. He also has relevant managerial experience in Branch Banking, Risk Management and Audit & Assurance.

He is a Chartered Accountant and a member of the Institute of Chartered Accountants Ghana, Merit Award, holds MBA Finance from the University of Leicester UK, LLB from GIMPA, BL (Cand) and Post Graduate Diploma in Management Information Systems, GIMPA.



Samuel Dako
Chief Audit Executive



Key Management Personnel

Mr. Leon Bannerman-Williams was appointed Chief Finance Officer (CFO) of the Agricultural Development Bank (ADB) Limited on 5th February, 2019. Mr. Bannerman-Williams is an experienced Chartered Accountant.

He began his career at the Controller and Accountant General's Department in 1989 and joined the Agricultural Development Bank in 1997 as a Finance Officer.

He served in several capacities including, Branch Operations Officer from September 1999 to October 2005, for Koforidua, Ring Road Central and Cedi House Branches respectively and was appointed the Branch Manager for now Tema Main Branch in 2005.

In 2007 he was transferred to the Head Office as the Financial Controller where he successfully led the team in the processes towards the Bank's first adoption of the International Financial Reporting Standards (IFRS).

In 2010, Mr. Bannerman-Williams joined the Credit Risk Department as the Credit Portfolio Manager, a role that involved high level credit portfolio analytics for Executive Management and later was appointed as the Head of Monitoring and Recoveries Department in 2015.

He is a qualified accountant and holds Executive Master of Business Administration (Finance) degree from the University of Ghana Business School. He is an old boy (Bleobi '86) of Accra Academy.

Mr. Bannerman-Williams is a Fellow of the Association of Chartered Certified Accountants (UK) and also a Member of the Institute of Chartered Accountants (Ghana).



Leon Bannerman-Williams
Chief Finance Officer

Enoch has a career in banking spanning more than twenty years beginning at the Agricultural Development Bank (ADB) where he was with the Accounts and later Foreign Operations Departments.

He joined the Bank of Ghana (BOG) Banking Supervision Division for seven years and gained experiences in Internal Control Practices, Risk Management and also best Banking Practices.

With his experience at BOG he moved to work with a couple of Savings and Loans Companies namely Pro-credit Savings and Loans Company as Head of Finance, Express Savings and Loans Limited as General Manager/Managing Director, Global Access Savings and Loans as an Executive Head and later Executive Director. He also worked as the Head of Operations at the Micro Finance and Small Loans Centre (MASLOC).

Enoch Benjamin Donkoh is a member of the Institute of Chartered Accountants, Ghana (1999), holds a Bachelor of Science in Administration (Accounting) from University of Ghana and an MBA (Finance) from Central University College.

He assumed the role of General Manager Operations in April 2019.

He is a devout Christian and married.



Enoch Benjamin Donkoh
General Manager, Operations



Key Management Personnel

Mr. Da-Costa Asiedu Owusu-Duodu was appointed as Chief Risk Officer of the Bank on March 1, 2019. He has previously worked with the Bank in 1997 as a Credit Risk Officer in the Loans and Advances Department of the Bank and later joined TechnoServe Incorporated as a Microfinance Specialist, under the Trade and Investment Reform Programme executed in collaboration with the United States Agency for International Development (USAID).

Mr. Owusu-Duodu has an in-depth knowledge and experience in the banking industry, in the areas of credit origination, project finance, syndication, debt restructuring and re-organization of distressed companies, across Agricultural Development Bank, CAL Bank and Universal Merchant Bank. With over 22 years' experience in banking and a proven track record of success in the maintenance of high asset quality, he brings a wealth of expertise to a well-established banking brand.

He holds a Master of Philosophy (MPhil) degree in Agri-Business Administration from the University of Ghana, Legon, and also a Bachelor's Degree (B.Sc.) in Agricultural Economics from the same university.



**Da-Costa Asiedu
Owusu-Duodu**
Chief Risk Officer

Nii Adjei started his career with PwC in 2002 as an Audit Associate rising to a Senior Associate in 2004. He joined Zenith Bank in September 2005 and by dint of hard work and commitment rose within a relatively short time to the position as of Chief Finance Officer. This is a role he handled excellently until June 2016 when he joined the ADB family as CFO. He holds a Bachelor of Science degree in Computer Science from KNUST, MBA from Edinburgh Business School. He is a Chartered Accountant (ACCA). He is currently the General Manager, Monitoring & Recovery Division for ADB.



Joseph Nii Adjei
General Manager, Monitoring
& Recovery Division

Mr. Maxwell Amoakohene holds a Bachelor of Arts Degree in Law from the University of Ghana and a Professional Law Certificate from the Ghana School of Law. He further holds a Masters of Business in Administration from the same University with bias for Human Resource Management. He joined the bank in 1994 as a Legal Officer and rose through the ranks to become Principal Counsel of the bank in 2010. He was appointed General Counsel in January 2015.



Maxwell Amoakohene
General Counsel



Key Management Personnel



**Bridget Kaminta
Lekanong Nuotuo**
Treasurer

Bridget holds an Executive Master’s in Business Administration (EMBA–Finance Option) from the University of Ghana Business School and a Bachelor of Commerce degree from the University of Cape Coast. Bridget joined ADB as Treasury Sales Manager in 2011 and has been acting as Treasurer of the Bank since March 2016. She became the substantive Treasurer in December 2016. With over 15 years’ banking experience 13 years of which has been in treasury management, she is also a Chartered Banker and a member of the International Financial Markets (ACI certified).

Bridget begun her banking career from Barclays Bank (Ghana) Limited where she was a Senior Dealer in charge of Retail and also held various positions in Retail Banking.

Godwyll Ansah was appointed the Company Secretary on 1st April, 2019.

He is a seasoned legal practitioner with over 18 years’ experience in legal and banking practice ranging from Compliance, Legal, Anti-Money Laundering , Company Secretariat and Bad Debt Recovery.

He worked at Bank of Africa Ghana Limited from December 2006 to March 2019 having held several positions including Head of Compliance, Head of Legal and Company Secretary.

He also worked with Société General (Ghana) and Stanbic Bank Ghana Limited.

Mr. Ansah holds a Master of Law (LLM) and Bachelor of Arts Degree (Law and Economics) from the University of Ghana, Legon. He also attended the Ghana School of Law in 1999 and was called to the Ghana Bar in October 2001.

He is a member of the Ghana Bar Association.



Godwyll Ansah
Company Secretary



Key Management Personnel



Prosper Morgan Dodor

Head, Internal Control

Prosper Morgan Dodor is a seasoned banker with over 25 years industry expertise in the area of Internal Control, Trade Finance, Cash Management, Operations, Internal Audit and Credit Assurance.

He is currently the Head of the Internal Control and Due Diligence Department at the Agricultural Development Bank (ADB), ensuring that standardisation of processes and policies are in line with best practice.

Prosper Morgan Dodor holds a Bachelor of Science (B.Sc.) Degree in Business Administration (Accounting option) and an MBA in Finance from the University of Ghana, Legon.

He is a Member of the Institute of Chartered Accountants (ICA) (Ghana) and Chartered Institute of Bankers (CIB, Ghana).



Fred Safo-Kantanka

Head, Compliance

Fred Safo-Kantanka holds a Doctorate degree in Business Management from the Atlantic International University, USA, and a Master of Science Degree in Financial Management from the Middlesex University in UK.

He has over 25 years progressive working experience in Compliance, Audit and Assurance, including Risk Based Audit, Risk Management, Credit Management, Banking Operations, and Supply Chain Management.

Prior to joining ADB, Fred worked in various capacities in a UK firm from 1995 to 2006, and served in various roles, including Stock Controller through to Supply Chain Management.



Papa Arko Ayiah

Anti-Money Laundering Reporting Officer

Papa Arko Ayiah is the Anti-Money Laundering Reporting Officer of the Agricultural Development Bank Limited. He has nineteen years of banking experience, all in the employ of our Bank. He joined the ADB family in the year 2000 as an Officer Trainee with the Treasury Department and was on various schedules including Money Market Dealing. He also worked in the Communications Unit of the bank as a Senior Communications Officer.

Papa is a Certified Anti-Money Laundering Specialist and a member of the prestigious Association of Certified Anti-Money Laundering Specialists (ACAMS), USA. He holds a Master of Laws in Alternative Dispute Resolution from the Faculty of Law, University of Ghana, a Bachelor of Laws from the Faculty of Law, Mountcrest University College (affiliated with KNUST), a Master of Arts in Human Resource Management from University of Cape Coast, and a Bachelor of Educational Psychology also from University of Cape Coast.



Message from the Managing Director

Introduction

The banking sector reforms that commenced in 2017 continued in earnest in 2018 with the Bank of Ghana maintaining its resolve to pull through its objective of sanitising the banking system.

The new requirement of Banks to attain a regulatory minimum capital GH¢400million by the end of December, 2018 was in full force. Consequently, we have been witnesses to the mergers of banks, the downgrade from Universal Bank status to Savings and Loans status and the introduction of Ghana Amalgamated Trust (GAT) initiative ostensibly to inject fresh capital into Banks which had sound practices but fell short of the minimum capital required as at 31st December, 2018.

Another regulatory requirement, IFRS 9, was introduced into the banking landscape and was implemented in the year under review. It initially brought in its wake, aggravated impairments on the industry loan assets but ultimately sanitised the loan portfolios of banks thus strengthening their balance sheets.

Competition in the industry was still keen as the major players were relentless in their quest to increase their respective market shares in both the deposit and advances spheres.

ADB is currently conducting feasibility studies hoping to expand its delivery channels into the newly created regions and to position the brand as partners of government in the development of those regions.

Performance Review

Highlights of the performance of the Bank during the year are shared below;

- The bank made a profit before tax of GH¢34.1m and a profit after tax of GH¢5.9m, Indeed, 2018 was essentially a challenging year not only because of the Bank of Ghana (BOG) inspired reforms in the banking industry and the introduction of new regulatory requirements but also because of governance challenges the bank had to grapple with, particularly between the first and the second quarters of the year under review. Regardless of these setbacks, ADB was poised to still hold its own and to get the necessary structures in place for the smooth implementation of its 5 year strategic plan which took off in June, 2018.

Compared to 2017 results it would appear that the fortunes of the bank slightly backpedaled and this would show in the dip registered in the headline interest income, especially as some of our significant loan assets that did exhibit good historical performance attracted various levels of impairment.

The non-funded income (fees and commissions) line did reflect an improvement over 2017 figures inching up but yet to attain the strategic objective of non-funded income covering at least operating expenses by 2022. Accordingly, the decentralised and well resourced trade Finance desks have been established in Kumasi and Takoradi to augment the activities of the main Trade finance department in Accra. Going forward, it is the desire of management to drive up non-funded income strongly while much intensity is applied in cost-cutting measures to arrest the high cost of operations.

In addition, we would strive for maximum participation of all staff in the various operational areas of the bank with the expectation that productivity levels are highly improved. This would be achieved through the establishment of a robust and fair employee appraisal system, targeted training programs, appropriate deployment of the human resource and the necessary motivation to enable staff give off their best in line with our mantra, "quality service; all the time".

Agri-Business

ADB's commitment to the agricultural sector stayed on track as demonstrated with our participation in the various Government led agricultural initiatives. Indeed, by the end of the strategic plan in 2022, a refocused Agric outlook is envisaged, such that funding of Agriculture and its related activities will represent 50% of the bank's total lending portfolio. The Agricultural Finance department has been upgraded to a division headed by a general manager with two newly created departments (Agric services and Agric value chain) to serve all the players in the Agricultural value chain. In this direction, special Agric desks have been established

MESSAGE FROM THE MANAGING DIRECTOR cont'd

in 36 branches in farming communities; the number of such desks is expected to increase to 60 by the end of 2019.

Small and Medium Enterprise Growth

- ADB has repositioned itself to better serve and deepen relationship with its SME customers by placing highly trained Small and Medium Enterprises (SMEs) Relationship Managers across all our branches to focus on driving SME businesses for the mutual benefit of the Bank and our customers. The placement of Relationship Managers at all our branches is to enable the bank to be closer to our valued SME customers to ensure that we are proactive to their needs by offering them business advisory services to enhance their knowledge and skills to manage their businesses and equip them with the information they need to effectively compete in the marketplace.

The focus on the SME segment is expected to provide a reliable and consistent source of deposit and an opportunity for the Bank to nurture our SME customers as well as diversify our credit portfolio.

Corporate Social Responsibility

- The Bank continued to support many social causes as part of its Corporate Social Responsibility. The flagship activity in this category was the presentation of the National Best Farmer award valued at the cedi equivalent of \$100,000.00.
- The bank also supported the 2018 Media awards plus some agricultural, educational, religious, sporting and social activities which involved sponsorship of the GHANGERIA RISING 2018 conference, a coming together of manufacturers from Ghana and Nigerians to share knowledge on best practices in the industry.
- The bank gave support in respect of the Ramadan religious exercise and sponsorship of the African Women's cup of nations amongst many others.

It is our resolve to remain responsive not only to our business environment but to the very communities in which we operate yearning to positively affect not just the communities but the lives of the people living in there.

- The Bank initiated the meet the community series that ensured face to face interaction and mutual dialogue with the people in the communities on our services, products and our relations in general.

Five (5) Year Strategic Direction (2018 – 2022)

The bank's 5year strategic plan which took effect in June, 2018 was well on course regardless of the normal teething issues that come along with the implementation of such plans. The pivotal areas of the strategic plan, namely; Financial Growth, Increase Market Share, Human Capital Development, Prudential Information and Risk Management and Market Development would undergo constant and consistent evaluation and possible review in line with the industry and market dynamics so as to remain relevant throughout the period of the strategic plan.

The key driver undergirding the strategic plan is 'quality service' which is aimed at posturing ADB as the preferred bank in the industry; rewarding the loyalty of our customer base while at the same time giving new customers a reason to bank with us.

Conclusion

The bank will continue to leverage on its wide branch network which engenders the necessary competitive advantage in the areas of brand visibility, extensive distribution channels coupled with robust IT infrastructure, agricultural led diversified portfolio and quality customer service to generate satisfactory returns for its major stakeholders.

Thank you.

3. DIRECTORS REMUNERATION

In accordance with Regulation 82 of the Company's Regulations, the remuneration payable to any director in whatever capacity shall be determined or approved by members in general meeting.

We recommend that the Directors should be paid an amount not exceeding an aggregate of GHS 144,000.00 as fees and sitting allowances per director for the year ending 31st December 2019 and these fees and allowances shall be applied until the Shareholders shall revise it.

4. RATIONALE FOR THE PRIVATE PLACEMENT

In accordance with section 28(1) of the Banks & Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana (by Directive No. BG/GOV/SEC/2017/19) set the minimum paid-up capital for banks at Four Hundred Million Ghana Cedis (GHS 400,000,000) (the "New MCR").

Accordingly, the Company undertook a renounceable rights issue in March 2019 (the "Rights Issue") to raise additional capital to comply with the New MCR. During the Rights Issue, the Government of Ghana (a significant shareholder of the Company) renounced its rights in favour of GAT. Unfortunately, GAT was unable to subscribe to the shares before the closure of the Rights Issue. The implication of GAT's inability to subscribe for the shares at the time was that the Company could not raise all the capital it required. GAT has subsequently informed the Board of Directors of its readiness to invest in the Company.

As at June 30, 2019, the Company's unimpaired and impaired capital stood respectively at GHS 571,700,000.00 and GHS273,000,000.00 (Half-year unaudited Accounts). The Company is therefore, required to raise an additional capital of, in the minimum, One Hundred and Twenty Seven Million Ghana Cedis (GHS 127,000,000.00) to be able to meet the New MCR. Accordingly, the Board of Directors recommend an equity capital raise through the Private Placement.

DETAILS OF THE PRIVATE PLACEMENT

The terms of the Private Placement (including the number of shares and the issue price) will be determined by the Board of Directors. The terms of the Private Placement will be contained in a subscription agreement to be entered into between the Company and GAT. The Company will also issue a supplement to the prospectus for the Rights Issue.

REQUIRED APPROVALS FOR PRIVATE PLACEMENT

The Directors will, after the required approvals of the Shareholders, seek approvals from the Bank of Ghana and the Securities and Exchange Commission for the Private Placement.

The shares to be issued by the Company under the Private Placement will be listed on the Ghana Stock Exchange. The additional listing is subject to the approval of the Ghana Stock Exchange. Accordingly, the Directors will seek the approval of the Ghana Stock Exchange for the additional listing.

DIRECTORS' RECOMMENDATION

In view of the above, the Board recommends that Shareholders vote in favour of the resolutions to raise capital in the minimum of One Hundred and Twenty Seven Million Ghana Cedis (GHS 127,000,000) under the Private Placement subject to all applicable laws and regulatory requirements in order to meet the regulatory minimum capital requirement of GHS 400,000,000.

CAPITAL RAISING

PROPOSED RESOLUTIONS

- (1) That the Directors of the Company be and are hereby generally and unconditionally authorised to issue shares by private placement of ordinary shares of the Company to Ghana Amalgamated Trust Plc (**GAT**) for consideration of GHS 127,000,000 in order to increase the Company's stated capital to GHS 400,000,000 to meet the Bank of Ghana's new minimum capital requirement (the "Private Placement").
- (2) That the Shareholders hereby waive their pre-emption rights in relation to the ordinary shares to be issued to GAT under the Private Placement.
- (3) That the Directors of the Company be and are hereby authorised, subject to all applicable laws and regulatory requirements, to determine the terms, timing and pricing of any issue under the Private Placement.



Correspondent Banks Abroad

BANK	CURRENCY
Bankers Trust Company	USD
P. O. Box 318	
Church St. Station, New York	
N.Y. 10008, USA	
BHF-Bank	EURO
P. O. Box 110311, Brockenheimer	
Landstrasse 10	
D 60323 Frankfurt, Germany	
Citibank N.A.	USD
European Trade Finance Group	
Cotton Centre, Hays Lane	
London SE1 2BX	
United Kingdom	
Citibank, N.A.	USD
111 Wall Street, New York	
N.Y. 10043, USA	
Commerzbank AG	EURO
International Bank Relations	
Neue Mainzer Strass 32-36	
Frankfurt AM Main, Germany	
Ghana International Bank	USD, EURO, GBP
69 Cheapside Street	
London EC2 2BB	
United Kingdom	



ADB HOMELINK ACCOUNT

This service allows Ghanaians living and working abroad to open and operate an account in Ghana while abroad. You can also save directly into your account using MoneyGram to account direct.

adb
agricultural development bank

...truly agric and more



customercare@agricbank.com
Toll Free 0800 10034

Report of the Directors

to the Members of Agricultural Development Bank Limited

Directors' responsibility statement

The directors are responsible for the preparation of financial statements that give a true and fair view of Agricultural Development Bank Limited (ADB), comprising the Statement of Financial Position at December 31, 2018, and the Statements of Profit or Loss And Other Comprehensive Income, Changes In Equity and Cash Flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of the report of the directors.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Financial statements review

The financial results of the Bank for the year ended December 31, 2018 are set out in the attached financial results, highlights of which are as follows:

	2018	2017
	GH¢'000	GH¢'000
Profit/ (Loss) after tax (attributable to equity holders)	5,908	26,510
to which is added the balance brought forward on income surplus account	(189,429)	(188,778)
	(183,521)	(162,268)
out of which is transferred to the statutory reserve fund in accordance with Section 34 of the Banking Act an amount of	(2,954)	(13,255)
transfers into credit risk reserve of	(149,375)	(13,906)
Deferred tax asset resulting from IFRS 9 opening balance adjustment	41,764	-
leaving a balance to be carried forward of	(294,086)	(189,429)

Five-year financial highlights

	2018	2017	2016	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Total assets	3,597,395	3,545,143	3,035,493	2,134,147	2,156,741
Loans and advances to customers (net)	1,068,814	1,139,356	1,005,302	1,088,071	1,124,139
Deposits from customers	2,586,265	2,541,010	2,147,450	1,513,509	1,462,139
Shareholders' equity	639,711	479,013	454,778	332,893	343,815
Profit/(Loss) before tax	34,057	47,339	(105,714)	(100,197)	34,669
Profit/(Loss) after tax	5,908	26,510	(70,026)	(78,975)	47,864
Dividend per share (Ghana pesewas)	-	-	-	-	-
Earnings per share (Ghana pesewas):					
Basic	2.56	11	(166)	(316)	191
Diluted	2.56	11	(166)	(316)	191
Return on equity (%)	0.026	5.53	(17.78)	(23.34)	15.32
Return on assets (%)	0.0016	0.75	(2.71)	(3.68)	2.53
Number of staff	1,195	1,179	1,197	1,235	1,196
Number of branches	78	78	78	78	78

The Bank recorded profit after tax of GH¢ 5,907,608 for the year under review and there was transfer to the Statutory Reserve from Income Surplus during the year GH¢ 2,953,804 (2017: GH¢13,255,000). The cumulative balance on the Statutory Reserve Fund at the year-end was GH¢ 101,099,832 (2017: GH¢98,146,000).

The directors do not recommend the payment of dividend.

The directors consider the state of the Bank's affairs to be satisfactory.

Nature of business

The Bank is registered to carry on the business of Universal Banking. The Bank's principal activities comprise corporate banking, investment banking and retail banking. There was no change in the nature of business of the company during the year.

The objectives of the company is to provide unique Universal Banking products and services with emphasis on agriculture to both the local and international clients.

Shareholding

The Bank is listed on the Ghana Stock Exchange. The Bank's shareholding structure at the end of the year was as follows:

Shareholder Names	No. of shares held	% Holding
1 FINANCIAL INVESTMENT TRUST (FIT)	139,708,548	60.50%
2 GOVERNMENT OF GHANA (GoG)	74,579,327	32.30%
3 ESOP	11,546,161	5.00%
Contribution by GoG	5,983,828	2.59%
Contribution by FIT	5,562,333	2.41%
4 DOE, OSCAR YAO O. Y. D.	2,631,681	1.14%
5 COFIE, MARK BLEWUNYO KODJO M. B. K. C.	2,100,629	0.91%
6 NANA, SOGLO ALLOH IV	54,800	0.02%
7 PARACELUS PHARMACY & MARKETING CONSULTANCY LTD, P. P. M. C. L.	50,000	0.02%
8 BONDZI-SIMPSON, LESLIE	26,600	0.01%
9 MR, JOHN BEKUIN-WURAPA	20,000	0.01%
10 GOGO, BENJAMIN AKUETE	12,000	0.01%
SUBTOTAL of TOP 10	230,729,746	99.92%
Others	193,476	0.08%
TOTAL	230,923,222	100.00%

Related party transactions

Information regarding directors' interests in ordinary shares of the Bank and remuneration is disclosed in Note 36 to the financial statements as well as those related to associated company. Other than their contracts as directors, no director had a material interest in any contract to which the Bank was a party during the year. Related party transactions and balances are also disclosed in Note 36 to the financial statements. Related party transactions which are credit related starts with the Credit Committee. On presentation to the Board, the affected directors disclose their interest and recuse themselves for the deliberations. The

approval is subsequently given and balances are also disclosed in Note 36 to the financial statements.

Auditor

The auditor, Ernst and Young, was appointed at the Annual General Meeting of the bank in accordance with Section 134(1) of the Companies Act, 1963 (Act 179) as well as Sections 81(4) and 81(5) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) with effect from November 2018 after seven (7) years of service as by the former auditors KPMG.

Board of Directors

Profile

Name	Nationality	Age	Position	Other Directorships Held	No. of Share held
Alex Bernasko	Ghanaian	67	Board Chairman		Nil
Mary Abla Kessie	Ghanaian	64	Non-Executive Director	<ul style="list-style-type: none"> Family Health Medical School Auto Mall Limited 	Nil
Prof. Peter Quartey	Ghanaian	50	Non-executive Director	<ul style="list-style-type: none"> Startrite Montessori School; The Hunger Project Ghana 	Nil
Abena Osei-Asare	Ghanaian	39	Non-executive Director	<ul style="list-style-type: none"> Social Security and National Insurance Trust; National Health Insurance Board; Parliamentary Service Board 	Nil
Kwesi Korboe	Ghanaian	56	Non-executive Director	Executive Director, GIRSAL Ltd	Nil
Kwabena Abankwah Yeboah	Ghanaian	58	Non-executive Director	<ul style="list-style-type: none"> CEO-Sharp Pharmaceuticals Ltd Director- United Perfumery and Pharmaceuticals Co. Ltd. Member- Accra Technical University Council, Member Pharmaceutical Manufacturers Association of Ghana; Member- Pharmaceutical Society of Ghana; Chairman - Gulf Consolidated Limited; Council Chairman - The Ghana College of Nurses and Midwives 	Nil
Hon. Dr. Mark Assibey-Yeboah	Ghanaian	45	Non-executive Director	<ul style="list-style-type: none"> Nationwide Technologies Ltd, Nationwide Systems Ltd, Investpro Ghana Limited 	Nil
Dr. John Kofi Mensah	Ghanaian	57	Managing Director	<ul style="list-style-type: none"> Non-Executive Director, Ghana International Bank Plc; Chairman, Enyan Denkyira Rural Bank; Members, Ghana Technology University; Members, GETFund Board; Member, Venture Capital Trust Fund Board. 	Nil

Biographical information of directors

The Board consists of a Non-Executive Chairman, six (6) other Non-Executive Directors and one (1) Managing Director. The Non-Executive Directors are independent of management and free from management constraints that could interfere with the exercise of their objective and independent judgments. The Directors collectively possess strong functional knowledge, expertise, and experience to make valuable contributions to the Bank.

Alex Bernasko – Board Chairman

Mr. Bernasko was appointed the Chairman of the Board on 8th August 2017. He is a Legal Practitioner and Notary Public. He had a long successful career in Central Banking rising to become the Secretary to the Bank of Ghana. He was later appointed Advisor and a member of the Bank's top Management, a position he held until his retirement.

During his long period in service, Mr. Bernasko held various positions including Director and Head of the Bank's Legal

Department and served as Continuity Planning Director of the Bank. In addition to his normal work schedule, he performed special assignments and other duties. In the 1990s when the banking sector was facing serious financial and operational challenges, he was appointed Secretary to the Bank's Technical Committee on Financial Sector Adjustment Programme (FINSAP) which undertook the restructuring of the financial sector under the chairmanship of the then Governor.

He was the Chairman of the Redenomination Steering Committee, which played a significant role in the planning, and execution of the national exercise. He also held the position of Chairman of the Standing Joint Negotiation Committee in negotiation for a new Collective Agreement.

He holds a BA (Honours) degree in Social Sciences majoring in Law and Economics from KNUST, the Qualifying Certificate in Law from the University of Ghana, (Institute of Adult Education) and qualified as a Barrister-at-Law from the Ghana School of Law. He has a wealth of knowledge and experience in management, banking, development and financial law. He has attended many courses in several institutions including the following:

- International Development Lawyers Institute, Rome, Italy;
- International Monetary Fund, U.S.A. , Washington DC, USA;
- St. Catherine's college, Oxford, UK;
- Royal Institute of Public Administration U.K.;
- City University Business School, London, United Kingdom.

Mr. Bernasko has served on several boards including Export Development and Investment Fund (EDIF), Ghana Tourist Development Company Limited, Agricultural Development (1998-2001), Cape Coast Development Company Limited and Granite and Marbles Company Limited.

He is a member of the Ghana Bar Association, International Bar Association and the Institute of Directors.

Mary Ablu Kessie – Non-Executive Director

(Appointed to the Board on 29th August 2018): Mrs. Mary Ablu Kessie is a Lawyer in good standing, Notary Public and a Certified Director. She has had a long and successful career in banking. She has a wealth of knowledge and experience having worked in the Banking and Financial Sector for over 35 years. She has held several senior management positions during her banking career including Head of Legal, General Manager, Compliance, Women's Market and Support Services as well as Company Secretary. Mrs. Kessie has served as a Director on several boards including Family Health Medical School, Auto Mall Limited, Local Nominee Director of British Telecom Global Services as well as Local Manager, Kosmos Energy LLC. She holds a Bachelor of Law degree from the University of Ghana and is a Barrister of Law- Ghana Law School. She is a member of the Ghana Bar Association and the Institute of Directors, Ghana.

Prof. Peter Quartey – Non-Executive Director

(Appointed to the Board on 29th August, 2018): Professor Peter Quartey is the immediate past Head, Department of Economics and Director, Economic Policy Management, University of Ghana, Legon. He is currently the Head, Economics Division, Institute of Statistical, Social and Economic Research (ISSER). He owns

a renowned educational institute in Accra. Professor Quartey, who holds a PHD in Development Economics, University of Manchester has varied experience in teaching and research. He has also undertaken various extension activities for various institutions as followings:

- Vice Board Chairman, the Hunger Project Ghana (2014 – Present);
- Board Member, Startrite Montessori School (2007 – Present);
- Member, University of Ghana Finance & General Purpose Committee, (2014 – 2018);
- Member, Institute of Applied Science and Technology, University of Ghana, (2012 – 2016);
- Member, University of Ghana Strategy Committee, (2012 – 2016);
- Board Chairman, University of Ghana Credit Union (2011 – 2014);
- Vice Chairman, University of Ghana Credit Union (2008 – 2011);
- Board Member, National Population Council Board, Ghana (2009 – 2012);

Professor Quartey has also provided consultancy services to various institutions including NEPAD, World Bank, African Development Bank and USAID. Professor Quartey has over 70 publications to his credit.

Abena Osei-Asare – Non-Executive Director

Abena Osei-Asare was appointed to the Board in August 2018. She is the deputy Minister of Finance and Member of Parliament for Atiwa-East Constituency. She is 39 years old. Abena has worked with the New York University (NYU) and Ghana Barclays Bank (Ghana) Limited.

She holds a BA (Economics and Geography) and an MSc (Development Finance) from the University of Ghana, Legon. She is also a Chartered Accountant.

Kwesi Korboe – Non-Executive Director

(Appointed to the Board on 29th August 2018): Mr. Kwesi Korboe is an Agribusiness Specialist, Management Consultant, Economist, and Policy and Investment Analyst. He holds a BSc (Hons) Degree in Agriculture, Post Graduate Diploma in Agric Administration and an M. A. in Economic Policy Management all from the University of Ghana, Legon. He is currently an Executive Director of GIRSA Ltd and provides advisory support to a number of donor funded agricultural projects and the government of Ghana. He was a Senior Agribusiness Advisor/Regional Manager for ACCI/VOCA and Country Representative of Agribusiness Systems International (ASI), its subsidiary. He was also in recent past Chief of Party for the Southern Horticultural Zone Project of the US\$547 Million Millennium Challenge Account (MCA) and Chief Executive Officer of Jei River Farms Limited. Mr. Kwesi Korboe has worked on numerous agricultural project funded and supported by USAID, the World Bank, AFDB, DFID, MCC, FAO in very senior roles, He also provided technical advice as director/technical advisor to a number of agribusinesses both in Ghana and other African Countries

Kwabena Abankwah-Yeboah – Non-Executive Director

Mr. Kwabena Abankwah-Yeboah was appointed to the board of the Bank in August 2017. He is the Chief Executive Officer of Sharp Pharmaceuticals Limited. Abankwah-Yeboah is 58 years old. He is currently a director of United Perfumery and Pharmaceuticals Limited, Accra Technical University, and Gulf Construction Limited. He has previously served on several boards including CSRI STEPRI, Koforidua Technical University, and the Association of Ghana Industries.

He holds a Bachelor of Pharmacy (Hons) from KNUST, MBA (Finance) and an LLB (Hons) from the University of Ghana, Legon.

Hon. Dr. Mark Assibey-Yeboah – Non-Executive Director

(Appointed to the Board on 29th August, 2018): Hon. Dr. Mark Assibey-Yeboah is the Member of Parliament for New Juaben South, and the Chairman of the Finance Committee of the Parliament of Ghana. He holds a B.Sc. (Hons) Degree in Agricultural Economics from KNUST, Ghana and an M.S. in Agricultural and Resource Economics from the University of Delaware, USA. He also holds an M.A. and a Ph.D. both in Economics from the University of Tennessee, USA, specialising in International Macroeconomics, Monetary Economics and Econometrics. Before he joined the Legislature, he was a Senior Economist at the Bank of Ghana. Prior to joining the Central Bank, he was a Lecturer at the Ghana Institute of Management and Public Administration (GIMPA). He also previously worked as a Lecturer at The University of Tennessee, and as an Adjunct Faculty at Milligan College in USA. Hon. Dr. Assibey-Yeboah has been published in reputable journals such as Economic Record, International Journal of Finance and Economics, Journal of International Trade and Economic Development, and North American Journal of Economics and Finance. He is a member of the American Economic Association.

John Kofi Mensah – Managing Director

Dr. John Kofi Mensah is the Managing Director of the Bank. He was appointed Managing Director of the Bank on August 1, 2017. Prior to this appointment, he held various roles at the Bank for Housing and Construction, Securities Discount Company (SDC), International Commercial Bank (Now FBN Bank), UniBank, First Capital Plus Savings & Loans, and Cocoa Processing Company. He also served on the Board of Directors at Enyam Denkyira Rural Bank, Family Fountain Assets & Securities Limited. Dr.

John Kofi Mensah is a renowned Economist and Banker with 25 years of experience in different sectors of banking ranging from start-up and delinquent banks operations, credit and treasury management of Universal Banks.

He holds a Doctorate in Business Administration (Finance) from the University of Zurich, Switzerland. He holds an MSc (Banking and Finance), Cum Laude from Finafrica in Milan, Italy and a BA (Economics & Statistics) from the University of Ghana-Legon.

Biographical information of directors

Age category	Number of directors
Up to – 40 years	1
41 – 60 years	5
Above 60 years	2

Commitment to Corporate Governance

The key guiding principles of the Bank's governance practices are:

- Good corporate governance enhances shareholder value;
- The respective roles of shareholders, Board of Directors and management in the governance architecture should be clearly defined;
- The Board of Directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Bank, or who are not affiliated with organizations with significant financial dealings with the Bank. These principles have been articulated in a number of corporate documents, including the Bank's regulations, rules of procedures for Boards and rules of business ethics for staff.
- There is a Board Charter which spells out the functions and powers of the board. The Bank has four (4) Board Sub-Committee, each with a clearly defined Terms of Reference. There are also various policies which define the role of the board and the Managing Director with regard to certain specific matters including staff hiring and discipline.

The Board of Directors

The Board is responsible for setting the institution's strategic direction, leading and controlling the institution and monitoring activities of executive management.

As at December 31, 2018, the Board of Directors of Agricultural Development Bank Limited consisted of eight (8) members made up of an independent Non-executive Chairman, six (6) Non-executive Directors, and one (1) Executive Director.

These board members have wide experience and in-depth knowledge in management, industry and the financial and capital markets, which enable them make informed decisions and valuable contributions to the Bank's progress.

The Board has delegated various aspects of its work to the Audit, Risk & Credit, Human Resource & Governance and IT, Research & Strategy Sub-Committees.

Board Risk and Credit Committee

The role of the committee includes:

- Assisting management in the recognition of risks and to ensure that the Board is made aware of changes to review all risks to which the Bank is exposed. The Sub-Committee also assess from time to time their relative importance and evaluate whether the resources and controls designed to manage each risk are proportionate to the quantum of risk involved.

- ii. To the extent that management accepts residual risk because the resources required to reduce it further are considered disproportionate, the Committee determines whether any residual risk is within the parameters set by the Board. The risk parameters set by the Board is generally defined in terms of a proportion of the Bank's capital or profits that may be at risk of loss in the worst case if a risk crystallizes. The Committee takes into account the connectivity of risks.
- iii. The review of risks with a frequency that it judges to be proportionate to their materiality to the Bank paying particular attention to new risks arising from changes in the Bank's business strategy and those arising from the wider current commercial, economic and political environment. The Committee reviews the comprehensiveness of record of risks from time to time and updates it where appropriate.
- iv. The consideration prior to implementation of all new products, significant changes in the balance of the business of the Bank or scale of its operations in any area. The consideration of all proposed changes to key systems and operational controls, management structure and key responsibilities of the senior management team.
- v. Assisting management in the recognition of risks and also to ensure that the Board is made aware of changes.
- vi. in the risk profile arising from:
 - Asset quality concentration
 - Counterparty limits
 - Currency, maturity and interest rate mismatches
 - The external environment, including country risk for any country where the Bank has a significant exposure
 - Business strategy and competition
 - Operational risk, including vulnerability to fraud, human resources and business continuity
 - Legal, compliance and reputational risk
- vii. The committee annually reviews its terms of reference and modus operandi and makes recommendations for changes that it considers appropriate to the Board.
- iii. To keep under review the Bank's policy on non-audit services provided by the External Auditors and recommend this to the Board having due regard to ensuring that the provision of such services does not impair the External Auditor's independence or objectivity.
- iv. Discussing with the External Auditors before their audit commences, the nature and scope of the audit.
- v. Discussing any issues arising from the interim or final audits, and any matters the External Auditors may wish to raise and to report on such matters to the Board.
- vi. Review internal controls, including the scope of the internal audit program, the internal audit findings, and recommend action to be taken by Management;
- vii. Review internal audit reports and their overall effectiveness, the scope and depth of audit coverage, reports on internal control and any recommendations, and confirm that appropriate action has been taken;
- viii. Review coordination between the internal audit function and external auditors.

The composition of the Committee is as follows:

Name of Director	Position
Mr. Kwabena Abankwah-Yeboah	Chairman
Professor Peter Quartey	Member
Hon. Dr. Mark Assibey-Yeboah	Member
Mrs. Mary Abla Kessie	Member

Board Human Resource and Governance Committee

The Sub-Committee assists the Board in the effective governance of the Bank and specifically considers and recommends to the Board an overall employment, performance management, compensation, retention and disciplinary philosophy and policies of the Bank that is aligned with the Bank's medium and long-term business strategy, its business objectives, interest and values. The role of the committee includes overseeing effective corporate governance in the Bank.

The composition of the Committee is as follows:

Name of Director	Position
Hon. Dr. Mark Assibey-Yeboah	Chairman
Mr. Kwesi Korboe	Member
Mrs. Mary Abla Kessie	Member
Mr. George Kwabena Abankwah-Yeboah	Member

Board IT, Research and Strategy Committee

The committee advises and supports the Board and Management on IT Risk and related issues and the development of policies that will guide the Bank in the IT function. The Committee also supports the Board and Management in the development and implementation of strategies and the research function.

The composition of the Committee is as follows:

Name of Director	Position
Hon. Mrs. Abena Osei-Asare	Chairperson
Mr. Kwesi Korboe	Member
Hon. Dr. Mark Assibey-Yeboah	Member
Professor Peter Quartey	Member

Board Audit Committee

The role of the committee includes:

- i. Periodically, in accordance with law and regulations, recommending to the Board and Annual General Meeting (AGM), the appointment of the External Auditor,
- ii. Advising the Board on any questions of resignation or dismissal of the External Auditors.

The composition of the Committee is as follows:

Name of Director	Position
Professor Peter Quartey	Chairman
Mr. Kwabena Abankwah-Yeboah	Member
Mr. Kwesi Korboe	Member
Hon. Mrs. Abena Osei-Asare	Member

Schedule of attendance at Board and Committee Meetings

The Board met seventeen (17) times during the year and each Board Sub-Committees met different number of times as were necessary for effective governance of the Bank. Below is the schedule of attendance at Board and Sub-Committees meetings during the year.

Director	B	AC	RCC	HRGC	ITRS
Mr. Alex Bernasko	20	N/A	N/A	N/A	N/A
Mr. Patrick Kingsley-Nyinah	9	12	7	18	6
Dr. John Kofi Mensah	20	16	15	25	11
Mr. Kwabena Dapaah-Siakwan	11	11	8	17	5
Nana Ama Serwaa Bonsu	10	N/A	8	21	6
Dr. Adu Anane Antwi	12	13	4	20	1
Mr. Frank Kwame Osei	4	6	N/A	8	N/A
Prof. David Abdulai	7	N/A	N/A	13	4
Mr. George Kwabena Abankwah Yeboah	18	7	3	3	N/A
Hon. Dr. Mark Assibey-Yeboah	7	2	3	3	N/A
Hon. Mrs. Abena Osei-Asare	4	N/A	2	N/A	N/A
Prof. Peter Quartey	9	3	3	N/A	4
Mr. Kwesi Korboe	8	N/A	3	3	4
Mrs. Mary Abla Kessie	9	3	N/A	3	N/A

*Board (B), Audit Committee (AC), Risk and Credit Committee (RCC), Human Resource and Governance Committee (HRGC), IT, Research and Strategy (ITRS),

N/A as used above implies 'Not applicable' that is, the Director in question was not a member of the stated committee and hence could not have been expected to attend the Committee meeting.

Board balance and independence

The composition of the board of directors and its Sub-Committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is independent on appointment. The continuing independence and objective judgment of the non-Executive Directors has been confirmed by the Board of Directors.

KEY MANAGEMENT PERSONNEL OF ADB					
NO.	NAME OF STAFF	POSITION	QUALIFICATION(S)	SUMMARY OF WORK EXPERIENCE	DATE APPOINTED
1.	John Kofi Mensah (Dr.)	Managing Director	DBA (Finance), MSc (Banking and Finance), BA (Economics and Statistics)	<ol style="list-style-type: none"> 1. Senior Research Officer - (1986-1994; Bank for Housing & Construction) 2. Treasury Officer, Bank for Housing & Construction (1994-1995) 3. Deputy Chief Dealer, Securities Discount Company (1995 - 1996) 4. Head, Treasury/Foreign Operations (International Commercial Bank) 5. Deputy- General Manager (ICB) 6. General Manager, Client Services, UNIBANK (2007-2008) 7. Deputy - Managing Director, UNIBANK (2009-2011) 8. Chief Operating Officer, First Capital Plus Savings & Loans, (2011 - 2012) 9. Chief Executive Officer, First Capital Plus Bank & Capital Bank, (2012-2015) 10. Executive Chairman, Family Fountain Assets and Securities Ltd, (2015 - 2017) 11. Managing Director, ADB; 2017- to Date 	01-Aug-2017
2.	Alhassan Yakubu-Tali	Deputy Managing Director	MBA (Marketing), BSc (Business Administration)	<ol style="list-style-type: none"> 1. Client Service Manager, Fimat Int. Bank-Frankfurt (2000 -2003) 2. Assistant Manager, Portfolio Mgt Team, Bank of Tokyo London (2004 - 2005) 3. Vice President, Lehman Brothers Investment Bank, London (2005-2007) 4. Manager, Treasury & Derivatives Operations, HSBC, Dusseldorf (2007 - 2017) 	15-Aug-2017
3.	Godwyll Ansah	Company Secretary	BA (Law); BL (Prof); LLM (ADR)	<ol style="list-style-type: none"> 1. Legal Officer, Paintsil, Paintsil & Co (2001-2003) 2. Legal Officer, SG-SSB (2003-2006) 3. Deputy Head, Legal Dept & Money Laundering Control Officer Stanbic Bank (2006) 4. Company Secretary & Head, Legal Dept, Bank of Africa (2006 -2019) 	01-Apr-2019

KEY MANAGEMENT PERSONNEL OF ADB

NO.	NAME OF STAFF	POSITION	QUALIFICATION(S)	SUMMARY OF WORK EXPERIENCE	DATE APPOINTED
4.	Edward Armah-Mensah	General Manager-Business Banking	BSc. Administration, EMBA (Finance)	<ol style="list-style-type: none"> 1. Assistant Financial Analyst, Camelot Ghana (1995-1996) 2. Audit Assistant, KPMG (1996 -1997) 3. Manager, Credit & Marketing, NDK Financial Services (1997 - 1999) 4. Accounts Relationship Manager, Stanbic Bank (1999-2006) 5. Head- SME (Medium) Unit, Barclays Bank (2007-2010) 6. Executive Head, Corporate Banking, ADB (2010-2015) 7. Chief Commercial Officer, ADB (2015 - 2017) 8. Group Head, Corporate Banking, ADB (2017 - 2018) 9. General Manager, Business Banking, ADB (2018 - date) 	07-May-2018
5.	Joseph Nii Adjei	General Manager, Monitoring & Recovery	BSc. Computer Science, ACCA, MBA	<ol style="list-style-type: none"> 1. Associate, PricewaterhouseCoopers, (2002 - 2004) 2. Senior Associate, PricewaterhouseCoopers (2004 - 2005) 3. Chief Finance Officer, Zenith Bank (2005 - 2016) 4. Chief Finance Officer, ADB (2016-2019) 5. General Manager, Monitoring & Recovery, ADB (2019 - date) 	11-Feb-2019
6.	Enoch Donkoh	General Manager, Operations	BSc Admin (Accounting), ICA (Ghana), MBA (Finance)	<ol style="list-style-type: none"> 1. Accounts Officer, ADB (1995 - 1996) 2. Deputy Manager, BSD, Bank of Ghana, (1996 - 2003) 3. Finance Manager, ProCredit Savings & Loans (2004 - 2007) 4. Managing Director, Express Savings & Loans (2007 -2010) 5. Executive Head, Savings & Loans, Global Access (2014 - 2015) 6. Ag. CEO, Global Access (2015 - 2016) 7. Executive Director, Global Access (2016 - 2019) 8. General Manager, Operations, ADB (Apr 2019 - date) 	01-Apr-2019

KEY MANAGEMENT PERSONNEL OF ADB					
NO.	NAME OF STAFF	POSITION	QUALIFICATION(S)	SUMMARY OF WORK EXPERIENCE	DATE APPOINTED
7.	Leon Bannerman-Williams	Chief Finance Officer	EMBA (Finance), ACCA, GCE O' Level	<ol style="list-style-type: none"> 1. Accounts Officer, ADB (1997 - 1999) 2. Branch Operations, ADB (1999 - 2006) 3. Branch Manager, ADB (2006 - 2007) 4. Head of Accounts, ADB (2007 - 2010) 5. Debt Recovery Co-ordinator, ADB (2010 - 2015) 6. Head, Business Support & Corporate Recoveries, ADB (2015 - 2017) 7. Head, Monitoring & Recovery, ADB (2017 - 2019) 8. Chief Finance Officer, ADB (Feb. 2019 to date) 	11-Feb-2019
8.	Bridget Kaminta	Treasurer	BComm, EMBA (Finance), ACIB, ACI	<p>1998 - 2010</p> <ol style="list-style-type: none"> 1. Branch Manager, Prestige Banking, Barclays Bank 2. Manager, Liability Management, Barclays Bank 3. Senior Dealer, Treasury Sales, Barclays Bank 4. Treasury Sales Manager, ADB (2010 -2016) 5. Treasurer, ADB (2016 - date) 	01-Dec-2016
9.	Samuel Dako	Chief Audit Executive	LLB, PGDip (MIS), MBA (Finance), CA	<ol style="list-style-type: none"> 1. Branch Accountant, ADB (1994 - 1997) 2. Accounts Officer, ADB (1994 - 2010) 3. Financial Controller, ADB (2010) 4. Audit Manager, ADB (2010 - 2013) 5. Senior Auditor, ADB (2013 - 2015) 6. Ag. Chief Audit Executive, ADB (2015 - 2017) 6. Chief Audit Executive (2017 to date) 	01-Aug-2017
10.	Da-Costa Owusu-Duodu	Chief Risk Officer	BSc, M.Phil (Agri-Business Admin)	<ol style="list-style-type: none"> 1. Credit Officer, ADB (1999 - 2001) 2. Microfinance Specialist, Technoserve Inc. (1999-2001) 3. Relationship Manager (2007) 4. Deputy Manager, Merchant Bank, (2007 - 2011) 5. General Manager, Collections & Recoveries, UMB (2011-2019) 	
11.	Maxwell Amoakohene	General Counsel	LL.B (Hons), BL , MBA	<ol style="list-style-type: none"> 1. Assistant Manager, Solicitor's Office, ADB (1994 - 2002) 2. Manager, Solicitor's Office, ADB (2002 - 2003) 3. Senior Manager, Solicitor's Office, ADB (2003 - 2010) 4. Principal Counsel, ADB (2010 - 2015) 5. General Counsel, ADB (2015 - date) 	03-Jan-2015

KEY MANAGEMENT PERSONNEL OF ADB					
NO.	NAME OF STAFF	POSITION	QUALIFICATION(S)	SUMMARY OF WORK EXPERIENCE	DATE APPOINTED
12.	Fred Safo-Kantanka (Dr.)	Head - Compliance Unit	BA, MSc Financial Management, Doctorate in Business Management	<ol style="list-style-type: none"> 1. Stock Controller & Packing Plant Manager, UK (1995 - 2001) 2. Supply Chain Manager, UK (2001 - 2006) 3. Credit Analyst, ADB (2006-2008) 4. Risk Analyst/Ag. Head, Risk Mgt, ADB (2008 - 2010) 5. Audit Manager, ADB (2011 - 2018) 6. Head, Compliance, ADB (2018 to date) 	15-Aug-2018
13.	Prosper Dodor	Head, Internal Control & Due Diligence	BSc. Admin (Accounting), MBA (Finance), ACIB, CA	<ol style="list-style-type: none"> 1. Accountant, CFAO, Ghana (1988-1990) 2. Accountant, Pens & Plastics Ltd, (1990 - 2000) 3. Data Entry Staff, Operations Dept, ADB (2000 - 2008) 4. Audit Officer, ADB (2008 - 2013) 5. Manager, Cash Mgt Services, Treasury Department, ADB (2013 - 2016) 6. Head, Internal Control & Due Diligence, ADB (2016 - date) 	01-Dec-2016
14.	Papa Arko Ayiah	AML Reporting Officer	B.Ed Psychology, LL.B, MA (HRM), LLM, CAMS	<ol style="list-style-type: none"> 1. Treasury Services, ADB (2000 - 2007) 2. Public Relations, ADB (2007 - 2010) 3. Ag. AML Officer, ADB (2010 - 2016) 4. AML Officer, ADB (2016 - 2019) 	01-Feb-2016

Code of Conduct

Both the Board and Staff have policies on Code of Conduct and Conflict of Interest. Management has communicated the principles in the Bank's Code of Conduct to its employees to provide guidance in the discharge of their duties. This code sets the standards of professionalism and integrity required for the Bank's operations, which covers compliance with applicable laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to laid down principles, to eliminate the potential for illegal practices.

Anti-Money Laundering and Anti-Terrorism

The Bank also has an established anti-money laundering and anti-terrorism systems in place in compliance with the provisions of Ghana's Anti-Money Laundering Act 2008 and Anti-Terrorism Act 2008, Act 762. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training and sensitization of staff on money laundering, which assist in reducing regulatory and reputational risks to its business.

Internal Control Systems

The Directors have overall responsibility for the Company's internal control systems and annually reviews their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Executive Directors and other Senior Management employees. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the company as at the reporting date and no significant failings or weaknesses were identified during this review.

Directors' Performance Evaluation

A formal evaluation of the performance and effectiveness of the Board of Directors ("the Board"), its committees and individual directors is conducted. The results of the evaluation are shared and discussed by the members of the Board.

Professional Development and Training

On appointment to the Board, Directors are provided with a full, formal and tailored programme of induction, to acquaint them with the Bank's business, the risks and strategic challenges it faces, and the economic, competitive, legal and regulatory environment in which the company operates. A Review of the Bank's Strategic Plan, together with the other training provided during the year, ensured that directors continually updated their skills, their knowledge and familiarity with the company's businesses, and their awareness of the financial sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board. Currently, the Board is undertaking the Annual Corporate Certification as required by the Bank of Ghana through the National Banking College.

Conflicts of interest

The Bank has established appropriate conflicts authorization procedures, whereby actual or potential conflicts are regularly reviewed and authorizations sought as appropriate. During the year, no such conflicts arose and no such authorizations were sought.

Approval of the financial statements

The financial statements of Agricultural Development Bank Limited, as identified in the first paragraph, were approved by the Board of directors on 31st March 2019 and signed on their behalf by:



CHAIRMAN



DIRECTOR

The Company Secretary

The Board upon the retirement of Mr. Janes Kwabla Agbedor has appointed Mr. Godwyll Ansah as the Company Secretary subject to all regulatory approvals. The Company Secretary works closely with the Board Chairman, Directors and Senior Management and ensures effective functioning of the Board and Board Sub-Committees. He ensures information flows among Directors and between the Board and its Sub-committees. The Company Secretary provides advice and support to the Board and is responsible for managing the Bank's Corporate Governance Framework and all matters relating to the proper functioning of the Board and its Committees. He is accountable to the Board through the Board Chairman.

Independent Auditor's Report

to the Shareholders of Agricultural Development Bank Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Agricultural Development Bank Limited (the Bank) set out on pages 20 to 122, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and also in the manner required by the provisions of 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Agricultural Development Bank Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Agricultural Development Bank Limited. 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 judgement, were of most significance in our audit of the financial statements of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of loans and advances in line with IFRS 9 Financial Instruments and related disclosure</p> <p>IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model.</p> <p>The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.</p> <p>The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and recognition of impairment could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that take into account:</p> <ul style="list-style-type: none"> ▪ The probability-weighted outcome. ▪ Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Bank's Expected Credit Loss includes: <ul style="list-style-type: none"> - Use of assumptions in determining ECL modelling parameters. - Portfolio segmentation for ECL computation. - Determination of a significant increase credit risk and - Determination of associations between macroeconomic scenarios. <p>The use of different modelling techniques could produce significantly different estimates of loan loss provisions.</p> <p>Due to the complexity of the requirements of IFRS 9 with regards to the classification and measurement, it's impact on the financial position as at 1 January 2018 and the significance of related disclosures, we considered it as key audit risk and therefore paid attention to it's processes, data gathering and effect on related disclosures.</p> <p>A total amount of GH¢ 167,058,000 has been recognized as a day one impact (as at 1 January 2018) and a total amount of GH¢ 10,190,000 has been recorded in the statement of profit or loss and other comprehensive income for the year as credit loss. The total impairment provision held as at 31 December 2018 in accordance with IFRS 9 impairment rules was GH¢ 446,978,000.</p> <p>Further disclosures relating to these amounts and the Bank's accounting policies regarding estimating these ECLs have been disclosed in note 5.4 and note 19.1 respectively of these financial statements.</p>	<p>We have obtained an understanding of the Bank's implementation process of IFRS 9, including understanding of the changes to the Bank's IT systems, processes and controls. Additionally, we obtained an understanding of the credit risk modelling methodology.</p> <p>We validated and tested the ECL model of the Bank by assessing the data integrity and the internal controls around the model.</p> <p>We have also performed, among others, the following substantive audit procedures:</p> <ul style="list-style-type: none"> ▪ reviewed the accounting policies and framework methodology developed by the Bank in order to assess its compliance with IFRS 9; ▪ verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model. ▪ reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9, concentrating on aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). ▪ Tested the completeness of data used in modelling the risk parameter, ▪ Recalculated the ECL. ▪ tested forward looking information / multiple economic scenario elements. ▪ for stage 3 exposures, we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral, estimated period of realisation for collaterals, etc. <p>Reviewed the pre-transition disclosures and disclosures at year end, included in the financial statements to ensure clarity and comprehensive disclosure of the Expected Credit Loss and IFRS 9 transition.</p>

Key Audit Matter	How the matter was addressed in the audit
<p>Adequacy of regulatory credit risk provisioning</p> <p>Aside application of IFRS impairment rules, Bank of Ghana has specific rules governing regulatory provisions as disclosed in note 37 of the financial statements. Unlike IFRS impairment rules however, the regulatory provision rules are more deterministic and triggered mainly by the number of days a facility has been in default.</p> <p>The excess of regulatory provision over IFRS provision is recognised directly in equity as Credit Risk Reserves. Regulatory credit risk provisions represent a key risk area for the Bank as misstatements in the carrying amount of this balance could have a significant impact on the Bank's financial statements including the accuracy of its capital adequacy computations and other key industry performance indicators.</p>	<p>We assessed the systems and related controls instituted by management to ensure the accurate determination of these provisions.</p> <p>We reviewed the process for aging and categorisation of the various loan buckets and the application of related regulatory provision rates.</p> <p>We tested a sample of these provisions based on our overall risk assessment of this account.</p>

Other Information

The directors are responsible for the other information. The other information comprises corporate information (Directors, Officials and Registered Office), report of the Directors and statement of directors' responsibilities. 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 an audit opinion or 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 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 directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179) and the and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

- The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:
- 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;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and

The balance sheet (statement of financial position) and the profit or loss account (profit or loss section of the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) under section 85(2) requires that we state certain matters in our audit report. Accordingly, we state that;

- The accounts give a true and fair view of the statement of affairs of the bank and the results of operations for the year under review;
- We were able to obtain all the information and explanations required for the efficient performance of our duties;
- The transactions of the bank are generally within the powers of the bank;
- 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;

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



Victor Gborglah (ICAG/P/1151)

For and on behalf of Ernst & Young (ICAG/F/2019/126)

Chartered Accountants

Accra, Ghana

Date: 29 March 2019

Statement of Profit or Loss

For the year ended 31st December, 2018

	Note	2018 GH¢'000	2017 GH¢'000
Interest income	8	478,702	520,862
Interest expense	9	(213,351)	(211,251)
Net interest income		265,351	309,611
Fees and commission income	10	75,464	72,947
Fees and commission expense	10	(8,310)	(8,593)
Net fees and commission income		67,154	64,354
Net trading income	11	45,704	28,328
Other operating income	12	9,268	4,611
Operating Income		387,477	406,904
Impairment loss on financial assets	13	(10,190)	(49,823)
Personnel expenses	14	(181,232)	(167,052)
Other operating expenses	15	(139,278)	(124,325)
Depreciation and amortization	16	(22,720)	(18,365)
Profit before tax		34,057	47,339
Income tax expense	24.1	(28,149)	(20,829)
Profit after tax		5,908	26,510

The notes on pages 27 to 122 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st December, 2018

	Note	2018 GH¢'000	2017 GH¢'000
Profit after tax		5,908	26,510
Other comprehensive income, net of tax of Items that will not be reclassified to profit or loss:			
Fair value through Other Comprehensive Income	38(ii)	3,084	(2,275)
Other comprehensive income for the year		3,084	(2,275)
Total comprehensive income for the year		8,992	24,235
Earnings per share			
Basic earnings per share (in Ghana pesewas)	17	2.56	11
Diluted earnings per share (in Ghana pesewas)	17	2.56	11

The notes on pages 27 to 122 form an integral part of these financial statements.

Statement of Financial Position

For the year ended 31st December, 2018

	Note	2018 GH¢'000	2017 GH¢'000
Assets			
Cash and bank balance	18	652,828	951,675
Due from other Banks	19	359,338	-
Investment securities	20	1,189,749	1,099,177
Loans and advances to customers	21	1,068,814	1,139,356
Investment (other than securities)	22	95,861	91,832
Investment in associate companies	23	-	357
Corporate tax assets	24.2	3,401	5,679
Intangible assets	25	28,466	35,861
Other assets	26	45,830	82,316
Property and equipment	27	98,846	105,117
Deferred tax assets	24.4	54,262	33,773
Total Assets		3,597,395	3,545,143
Liabilities			
Borrowed funds	29	274,322	458,551
Deposits from customers	30	2,586,265	2,541,010
Other liabilities	31	97,097	66,569
		2,957,684	3,066,130
Equity			
Stated capital	32	275,100	275,100
Deposit for shares	33	277,000	-
Income surplus	34	(294,086)	(189,429)
Revaluation reserve	35	57,531	57,531
Statutory reserve	36	101,100	98,146
Credit risk reserve	37	167,640	185,323
Fair value through OCI	38	55,426	52,342
Shareholders' funds		639,711	479,013
Total liabilities and Shareholders' Funds		3,597,395	3,545,143

These financial statements were approved by the Board of Directors on, 2019 and signed on its behalf by:



CHAIRMAN



DIRECTOR

The notes on pages 27 to 123 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st December, 2018

	Stated Capital	Deposit for Shares	Credit risk Reserve	Statutory Reserve	Revaluation Reserve	Fair Value Reserve	Income Surplus	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Balance at 1 January 2018	275,100	-	185,323	98,146	57,531	52,342	(189,429)	479,013
Impact of IFRS 9 (Note 50)	-	-	(167,058)	-	-	-	41,764	(125,294)
Restated opening balance under IFRS 9	275,100	-	18,265	98,146	57,531	52,342	(147,665)	353,719
Deposit for shares	-	277,000	-	-	-	-	-	277,000
Total Comprehensive income, net of income tax	-	-	-	-	-	-	5,908	5,908
Profit for the year	-	-	-	-	-	-	-	-
Other Comprehensive income, net of income tax:	-	-	-	-	-	-	-	-
Net change in fair value of equity investment	-	-	-	-	-	3,084	-	3,084
Total Other Comprehensive income	-	-	-	-	-	3,084	-	3,084
Transfers from income surplus to reserves and transactions with owners, recorded directly in equity	-	-	-	2,954	-	-	(2,954)	-
Transfer to/ (from) credit risk reserve	-	-	149,375	-	-	-	(149,375)	-
Balance at 31 December 2018	275,100	277,000	167,640	101,100	57,531	55,426	(294,086)	639,711

The notes on pages 27 to 123 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st December, 2018 cont'd

	Stated Capital GH¢'000	Credit risk Reserve GH¢'000	Statutory Reserve GH¢'000	Revaluation Reserve GH¢'000	Fair Value Reserve GH¢'000	Income Surplus GH¢'000	Total GH¢'000
Balance at 1 January 2017	275,100	171,417	84,891	57,531	54,617	(188,778)	454,778
Total Comprehensive income, net of income tax							
Profit	-	-	-	-	-	26,510	26,510
Other Comprehensive income, net of income tax							
Net change in fair value	-	-	-	-	(2,275)	-	(2,275)
Total Other Comprehensive income							
	-	-	-	-	(2,275)	-	(2,275)
Transfers from income surplus to reserves							
And transactions with owners, recorded directly in equity							
Transfer to/(from) credit risk reserve	-	13,906	-	-	-	(13,906)	-
Transfer to/ (from) statutory reserve	-	-	13,255	-	-	(13,255)	-
Total transfers and transactions with owners	-	13,906	13,255	-	-	(27,161)	-
Balance at 31 December 2017	275,100	185,323	98,146	57,531	52,342	(189,429)	479,013

The notes on pages 27 to 123 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st December, 2018

	Note	2018 GH¢'000	2017 GH¢'000
Cash flows from operating activities			
Profit before tax		34,057	47,339
Adjustments for:			
Depreciation and Amortization	25, 27	22,720	18,365
Unrealised exchange difference		-	1,434
Impairment on financial assets	13	10,190	49,823
Impairment of equity instrument		2,985	
Loss on disposal of property and equipment		-	4
Dividend received		(2,678)	(2,921)
Net Interest income		(265,351)	(309,611)
Loss before working capital changes		(198,077)	(195,567)
Changes in:			
Loans and advances		(68,934)	(175,159)
Other assets		29,876	(39,322)
Deposits from customers		46,362	391,066
Other liabilities		12,772	14,329
		(178,001)	(4,653)
Interest Income received		502,166	512,144
Interest expense paid		(215,037)	(202,463)
Dividend received		2,678	2,921
Taxes paid (NFSL)		(1,507)	(2,378)
Income tax paid		(9,796)	(6,442)
Tax refund		4,040	10,470
Net cash generated from operating activities		104,543	309,599
Cash flows from investing activities			
Purchase of property and equipment	27	(7,106)	(12,989)
Purchase of intangible assets	25	(1,851)	(11,485)
Proceeds from the sale of property and equipment	27	186	
Purchase of Medium and long term government securities		(459,975)	(118,732)
Proceeds from disposal of associated company		-	181
Net cash used in investing activities		(468,746)	(143,025)
Cash flows from financing activities			
Net (payments)/receipts of borrowed funds		(1,011,971)	71,232
Receipts in borrowed funds		947,317	
Proceeds from Right issue of shares		127,000	-
Net cash generated from financing activities		62,346	71,232
Net increase in cash and cash equivalents		(301,857)	237,806
Cash and cash equivalent at 1 January		1,768,927	1,532,555
Effect of exchange rate fluctuations on cash held		(3,422)	(1,434)
Cash and cash equivalents at December 31	28	1,463,648	1,768,927

The notes on pages 27 to 123 form an integral part of these financial statements.

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Notes to the Financial Statements

For the year ended 31st December, 2018

1. REPORTING ENTITY

Agricultural Development Bank Limited (ADB) is a financial institution incorporated in Ghana. The registered office and address of the Bank is Accra Financial Centre, 3rd Ambassadorial Development Area, and P. O. Box 4191, Accra. The Bank is primarily involved in corporate banking, investment banking and retail banking. These financial statements are for an individual entity.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of profit or loss and other comprehensive income, in these financial statements.

The Bank is listed on the Ghana Stock Exchange.

2. BASIS OF ACCOUNTING AND CHANGES IN ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 1963, (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

b) Changes In Accounting Policies and disclosures

2.1. New and amended standards and interpretations

In these financial statements, the Bank has applied IFRS 9, effective for annual periods beginning on or after January 1, 2018, for the first time. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.1.1 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018 and are disclosed in Note 50.

2.1.1.1. Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on derecognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

The Bank's classification of its financial assets and liabilities is explained in Notes 3. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 50.

2.2 Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Bank's impairment method are disclosed in Note 3

2.3 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained above, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

- (a) Foreign currency transaction
- (b) Interest income and expense
- (c) Fee and commission
- (d) Net trading income
- (e) Dividend income
- (f) Leases
- (g) Income tax
- (h) Financial assets and financial liabilities
- (i) Fair value measurement
- (j) Cash and cash equivalents
- (k) Investment securities
- (l) Property and equipment
- (m) Intangible assets
- (n) Impairment of non-financial assets
- (o) Deposits and due to other banks
- (p) Provisions
- (q) Financial guarantees and loan commitments
- (r) Fiduciary activities
- (s) Employee benefits
- (t) Stated capital and reserves
- (u) Earnings per share
- (v) Investment in associates
- (w) Operating segments
- (a) Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at closing inter-bank mid rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition. Non-monetary items denominated in a

foreign currency that are measured at fair value are translated at exchange rates ruling at the date when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognized in profit or loss, except for differences on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value and differences arising on translation of equity investments in other comprehensive income.

All foreign exchange gains and losses recognized in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

(b) Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(c) Fees and commissions

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15.

(c) Fees and commissions cont'd

If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realised and unrealised fair value changes, interest and foreign exchange differences.

(e) Dividend income

Dividend income is recognized in profit or loss when the Bank's right to payment income is established.

(f) Leases

Lease payments – lessee

Payments made under operating leases are recognized in profit or loss on a straight – line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

Lease assets - lessee

Assets held by the Bank under leases that transfer to the Bank substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Bank's statement of financial position.

Lease assets – lessor

If the Bank is a lessor in a lease arrangement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within loans and advances.

(g) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity or OCI.

Current tax is the expected tax on tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is

not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when reversed, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

(h) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The Bank classifies its financial assets in the following categories: financial assets at amortized cost, fair value through OCI and fair value through profit or loss. Management determines the classification of its financial assets at initial recognition.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

(h) Financial assets and financial liabilities

(ii) Classification

Financial assets – Policy applicable from 1 January 2018
(Continued)

Business model assessment

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(h) Financial assets and financial liabilities

(ii) Classification

Business model assessment (Continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial assets – Policy applicable before 1 January 2018

The Bank classified its financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL, and within this category as:
 - held-for-trading; or
 - designated as at FVTPL.

(h) Financial assets and financial liabilities

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

(iii) De-recognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (iv)), or it transfers the rights to receive the contractual

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in (O). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent

- reimbursement of eligible transaction costs are included in the initial measurement of the asset;

and

- other fees are included in profit or loss as part of the gain or loss on derecognition.

Financial assets

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than

to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument

(iv) Offsetting

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

h. Financial instruments measured at amortised cost (Financial Instrument policy applied prior to 1 January 2018)

Loans and advances to banks and customers, held-to-maturity investments and most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan becomes impaired.

Impairment of loans and advances

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Losses that may arise from future events are not recognised.

Individually assessed loans and advances

The factors considered in determining whether a loan is individually significant for the purposes of assessing impairment include the size of the loan, the number of loans in the portfolio, the importance of the individual loan relationship and how this is managed. Loans that are determined to be individually significant will be individually assessed for impairment, except when volumes of defaults and losses are sufficient to justify treatment under a collective methodology.

Loans considered as individually significant are typically to corporate customers, are for larger amounts and are managed on an individual basis. For these loans are considers on a case-by-case basis at each balance sheet date whether there is any objective evidence that a loan is impaired. The determination of the realisable value of security is based on the most recently updated market value at the time the impairment assessment is performed. The value is not adjusted for expected future changes in market prices, although adjustments are made to reflect local conditions such as forced sale discounts.

Impairment losses are calculated by discounting the expected future cash flows of a loan, which include expected future receipts of contractual interest, at the loan's original effective interest rate or an approximation thereof, and comparing the resultant present value with the loan's current carrying amount. Collectively assessed loans and advances Impairment is assessed collectively to cover losses that have been incurred but have not yet been identified on loans subject to individual assessment or for homogeneous groups of loans that are not considered individually significant, which are generally retail lending portfolios.

Incurred but not yet identified impairment

Individually assessed loans for which no evidence of impairment has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for a collective impairment assessment. This assessment captures impairment losses that ADB has incurred as a result of events occurring before the balance sheet date the Bank is not able to identify on an individual loan basis, and that can be reliably estimated. When information becomes available that identifies losses on individual loans within a group, those loans are removed from the group and assessed individually.

Accounting policies applied to financial instruments prior to 1 January 2018

Write-off of loans and advances

Loans and the related impairment allowance accounts are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement

Assets acquired in exchange for loans

When non-financial assets acquired in exchange for loans as part of an orderly realisation are held for sale, these assets are recorded as 'Assets held for sale'.

Renegotiated loans

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as up-to-date loans for measurement purposes once a minimum number of required payments has been received. Where collectively assessed loan portfolios include significant levels of renegotiated loans, these loans are segregated from other parts of the loan portfolio for the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

purposes of collective impairment assessment to reflect their risk

profile. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated loan is substantially a different financial instrument. Any new loans that arise following derecognition events will continue to be disclosed as renegotiated loans and are assessed for impairment as above.

Available-for-sale financial assets

Available-for-sale financial assets are recognised on the trade date when the Bank enters into contractual arrangements to purchase them, and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income until the assets are either sold or become impaired. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial investments'. Impairment of available-for-sale financial assets

Available-for-sale financial assets are assessed at each balance sheet date for objective evidence of impairment. Impairment losses are recognised in the income statement within 'Loan impairment charges and other credit risk provisions' for debt instruments and within 'Gains less losses from financial investments' for equities.

Accounting policies applied to financial instruments prior to 1 January 2018

Financial assets derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

(i) 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

(j) Cash and cash equivalents

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

(k) Investment securities

Policy applicable from 1 January 2018

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see J(ii)); these are initially measured at fair value plus

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

- debt and equity investment securities mandatorily measured at FVTPL or designated as at

FVTPL; these are at fair value with changes recognised immediately in profit or loss;

- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment

(k) Investment securities

Policy applicable before 1 January 2018

Investment securities were initially measured at fair value plus, in the case of investment securities not at FVTPL, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, FVTPL or available-for-sale.

i. Held-to-maturity

'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at FVTPL or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method,

less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment

securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

ii. Fair value through profit or loss

The Bank designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss as described

iii. Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as available for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition..

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss. Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to Income Surplus. A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses or as professionally revalued from time to time less accumulated depreciation. Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

an existing surplus on the same asset recognised in the asset revaluation surplus. Revaluation are performed on a regular basis. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings

Purchased intangible that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the profit or loss.

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

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

(i) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over its expected useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset. Land is not depreciated

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

Buildings	20 years
Motor vehicles	4 years
Furniture and equipment	5 years
Computers	5 years
Leasehold Improvement	5 years

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

(m) Intangible assets

Computer intangible

Intangible assets comprise computer intangible. Intangible acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on intangible is capitalized only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

intangible is amortized on a straight line basis and recognized in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of intangible for the current and comparative periods is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

(n) Impairment of non-financial assets

The carrying amounts 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 or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill

(n) Impairment of non-financial assets

allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

The carrying amounts 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 or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

(o) Deposits and borrowed funds

Deposits and borrowings from other banks are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and borrowings from other banks are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(p) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events that can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations which are likely to result in an outflow to settle related classes of obligations as a whole, a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(q) Financial guarantee and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions

and other bodies on behalf of customers to secure loans and overdrafts.

(q) Financial guarantee and loan commitments

Financial guarantees are initially recognised at the fair value and amortised over the life of financial guarantee. The financial guarantee is subsequently carried at the higher of the amortised amount and the present value of any expected payments, when payment becomes probable.

(r) Fiduciary activities

The Bank acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

(s) Employee benefits

Retirement benefit cost

The Bank contributes to the statutory Social Security & National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Social Security Act. The Bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. The Bank also operates a defined contribution benefit scheme for its employees.

The assets of this scheme are held by the treasury department of the Bank. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules. The Bank's obligations to staff retirement benefit schemes are charged to the profit or loss in the year to which they relate.

Provision for employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the year end.

Short-term Employment benefits

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

Long service awards

The bank has other long term employee benefits scheme in the form a long service award for its employees. These are long service awards which accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Employees leaving the service of the bank after 5 years through retirement (both voluntary and compulsory) or resignation become eligible for these awards

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

based on their current entitlement at the time of retirement or resignation based on their length of service. The bank has no further obligation after the staff exits the bank.

(t) Stated capital and reserves

(i) Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

(iv) Statutory reserves

Statutory reserves are based on the requirements of section 34(i) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and its paid up capital, which determines the proportion of profits for the period that should be transferred.

(v) Credit risk reserves

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRS and the Central Bank's prudential guidelines.

(u) Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(v) Investment in Associates (equity –accounted investees)

Associates are those entities in which the Group has significant influence but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method.

They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Bank's share of the profit or loss and OCI of equity-

accounted investees, until the date on which significant influence ceases.

(x) Operating Segments

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank's primary format for segment reporting is based on business segments.

The Bank has the following main business segments:

- Corporate Banking: includes loans, deposits and other transactions and balances with corporate customers including the Agricultural sector.
- Retail Banking: includes loans, deposits and other transactions and balances with retail customers.
- Central Treasury: undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities,

and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies,

management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

4.1 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS cont'd

of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

The Bank has a Risk Management department organised into credit control, recoveries and operational control. Under the credit control department, it has credit administration, credit risk appraisal and credit monitoring. The department is responsible for managing all risks to which the Bank is exposed (operational risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.) The risk management department is developing a risk management framework for the Bank.

The Bank treats all branches as independent business units which generate their own income, run their own profit or loss statement and statement of financial position. The head office consolidates these and exercises oversight responsibility over all the branches. Credit is generated at the branch level and is then channeled through the credit control unit of the risk management department where a credit risk appraisal is performed to assess whether to engage the client or not.

5. FINANCIAL RISK MANAGEMENT

5.1 Introduction and overview

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

The most important types of risk include:

- Operational risk
- Credit risk
- Liquidity risk
- Market risk -includes currency, interest rate and other price risk

5.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board has established Board Audit and Risk Committees and a risk department to assist in the discharge of this responsibility. The board has also established the Credit Committee which is responsible for developing and monitoring risk management in their respective areas.

5.2 RISK MANAGEMENT FRAMEWORK (CONTINUED)

The client's file is then moved to the head of risk management and to the other appropriate levels (credit committee, board and so on) for final approval before credit is granted. There is also the monitoring aspect where the head office credit monitoring team monitors the loans and their performance in addition to the monitoring performed at the branch level. Where a loan goes beyond current, it is classified as either OLEM, substandard, doubtful or loss, as recommended by the Central Bank of Ghana. Where a loan goes beyond current, there is the recoveries team which moves in to recover loan losses.

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

Exposure to other market risks – Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair

5. FINANCIAL RISK MANAGEMENT cont'd

values of financial instruments 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 Central Treasury in its day-to-day monitoring activities.

In the last three years, the Bank has taken steps to provide the necessary safeguards to ensure that market risk is kept within reasonable limits.

5.3 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

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

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

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

Compliance with bank's standards is supported by a program of periodic reviews undertaken by internal audit, risk and compliance departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to executive committee, audit and compliance committee, governance and risk committee and the board.

Over the past three years, operational risks have reduced due to constant training, automation of many processes and enhancement in controls.

Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items.

Item	Measurement basis
Financial assets at amortized cost	Amortized cost
Buildings	Fair value

5.4 CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits. Credit risk is monitored by the Credit Risk Department of the Bank. It is their responsibility to review and manage credit risk, for all types of counterparties. Credit risk consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager, as well as the business with tools like credit risk systems, policies, models and reporting. The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification models, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure

5.4.1 Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit-Committee and Sub-Board Risk Management Committee. A separate Credit department, reporting to the Executive Committee, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Executive Committee members and the Board (Sub Committee) on risk management.

5. FINANCIAL RISK MANAGEMENT cont'd

- Reviewing and assessing credit risk. The Credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of 5 grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Board of Directors. Risk grades are subject to regular reviews by the Risk Management Department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided by the credit department on the credit quality of portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor facing financial difficulties

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least five consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase/decrease in credit risk compared to initial recognition.

5.4.4. The Bank's internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rate from 1 to 6 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's ability to pay. Where practical, they also build on information from Credit Bureaus. These information sources are first used to determine the PDs within the Bank's framework. The internal credit grades are assigned based on these Based II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

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

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.

5.4.2. Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies Management of credit risk

5.4.3. Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

5. FINANCIAL RISK MANAGEMENT cont'd

5.4.5 The Bank's internal rating and PD estimation process

Retail Exposures

- Internally collected data on customer behavior – e.g. utilization of credit card facilities
- Affordability metrics
- External data from credit reference agencies, including industry-standard credit scores

All Exposures

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Utilization of the granted limit
- Requests for and granting of restructuring
- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

5.4.6 Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

5.4.7 Loss given default

For corporate and investment banking financial instruments, LGD values are assessed at least every year months by account managers and reviewed and approved by the Bank's Credit Risk Department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected

EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristic that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices

for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1,

Stage 2 and Stage 3 of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate

5.4.8 Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained earlier are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

As explained earlier dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Corporate lending portfolio
- The large and unique exposures of the Small business lending portfolio

5. FINANCIAL RISK MANAGEMENT cont'd

5.4.8 Significant increase in credit risk cont'd

- The treasury, trading and interbank relationships (such as Due from Banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost/FVOCI)

Asset classes where the Bank calculates ECL on a collective basis include:

- The smaller and more generic balances of the Bank's retail business lending
- Stage 1 and 2 Retail mortgages and Consumer lending

The Bank groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For consumer lending these are:

- Product type (overdraft, unsecured personal loan, credit card, etc.)
- Internal grade
- Geographic location/residence of the borrower
- Utilisation
- In the case of credit cards, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending these are:

- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios:

- A base case, which is the median scenario assigned a 70% probability of occurring, and
- two less likely scenarios, one upside and one downside, each assigned a 15% probability of occurring.

The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using

an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for wholesale portfolios are: GDP growth, unemployment rates and interest rates. For exposures to specific industries, the key drivers also include relevant commodity prices. The key drivers for credit risk for retail portfolios are: unemployment rates and interest rates.

5.4.9 Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs, LGD and EAD has been discussed above.

5.4.10 Settlement Risk

- Settlement Risk is the risk that counterparty will fail to deliver cash (or securities) due to be delivered at a particular moment in time, following the release of the corresponding cash (or Securities) by the bank in settlement of a transaction. Further details in respect of this category of credit risk are contained in the Wholesale Credit Risk below.
- Intraday Exposure
- Intraday Exposure is a revolving exposure, which arises whenever funds are irrevocably paid away by the Bank in the expectation of the receipt of cleared covering funds (or the deposit of collateral) at some time during the same business day. The Bank may be acting either in its own right, or on behalf of a customer, when it pays away the funds. The products, which give rise to Intraday Exposure, include forex settlements.
- The intraday credit, which the Bank allows its customers, is always in expectation of incoming funds, and as such the exposure is real in that it manifests itself as a borrowing/ overdraft when things go wrong.
- The true extent of Intraday Exposure to a customer will be calculated as a single running balance taken at any one point in the day. This running balance will be adjusted by each single transfer of funds into and out of any account in that customer's name, where such transfers represent cleared funds. The same principles apply when accounts are grouped (and where set-off is available) to produce an aggregate net exposure.

5. FINANCIAL RISK MANAGEMENT cont'd

5.4.11 Credit Risk Transfers

- This risk arises when certain eligible collateral types (including risk participations, standby letters of credit and bank guarantees) are held to mitigate obligor risk. Whilst these instruments can significantly mitigate obligor credit risk, an alternative risk arises, being reimbursement risk - the risk that the participant/guarantor fails to honour their commitment in the event that the underlying obligor defaults (this is also referred to as double default risk).

Credit risk has increased over the past three years as indicated by the NPL ratios (see Note 42). However management has reviewed the current credit policy to enhance effective credit management.

For the definition of credit risk and information on how credit risk is managed by the Bank, See Note 44.

5.4.12 Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

Maximum exposure to credit risk

	Loans & advances to customer		Investment securities		Due from Banks		Commitments & guarantee	
	2018	2017	2018	2017	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Gross amount	1,494,412	1,490,879	1,189,747	1,099,177	919,722	890,118	524,108	275,076
Allowance for impairment	(425,598)	(351,523)	-	-	(3,630)	-	(17,750)	-
	1,068,814	1,139,356	1,189,747	1,099,177	916,092	890,118	506,358	275,076



MOBILE MONEY SERVICE

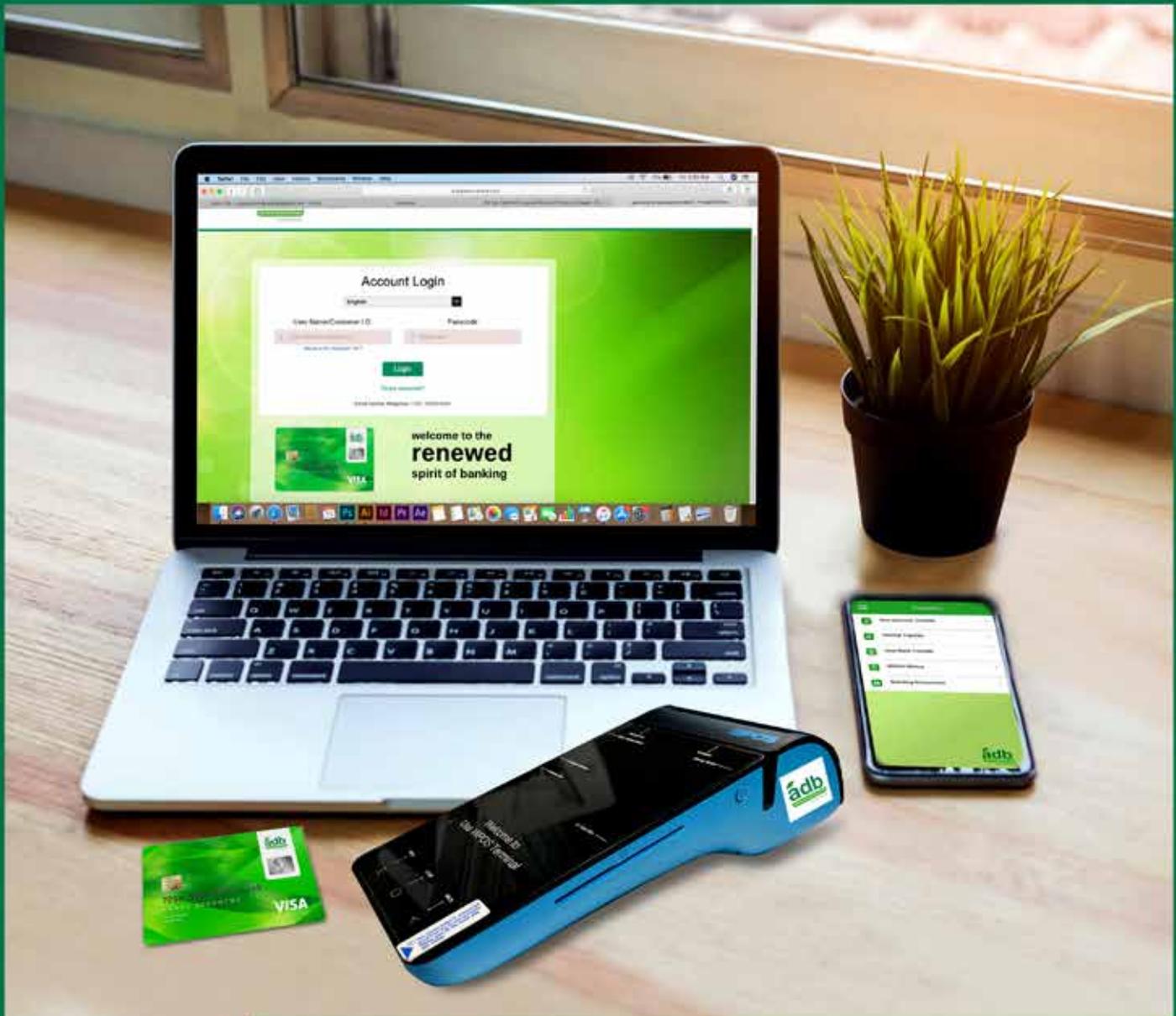
Conveniently perform your MTN Mobile Money, Vodafone Cash and AirtelTigo transactions on the ADB Mobile Banking App.



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Toll Free 0800 10034



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5. FINANCIAL RISK MANAGEMENT cont'd

5.4.12 Analysis of credit quality

Maximum exposure to credit risk - (cont'd)

	Loans & advances to customers		Investment securities		Due from other banks		Commitments & financial guarantees	
	2018	2017	2018	2017	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At amortised cost								
Grade 1-3: low fair risk – Current	793,788	844,524	1,189,747	1,099,177	919,722	951,674	524,108	275,076
Grade 4-5: watch list – OLEM	25,097	48,160	-	-	-	-	-	-
Grade 6: substandard	30,620	87,370	-	-	-	-	-	-
Grade 7: doubtful	138,479	22,633	-	-	-	-	-	-
Grade 8: loss	506,427	488,192	-	-	-	-	-	-
Total gross amount	1,494,412	1,490,879	1,189,747	1,099,177	919,722	951,674	524,108	275,076
Allowance for impairment	(425,598)	(351,523)	-	-	(3,630)	-	(17,750)	-
Net carrying amount	1,068,814	1,139,356	1,189,747	1,099,177	916,092	951,674	506,358	275,076
Loans with renegotiated terms								
Gross carrying amount	127,531	397,561	-	-	-	-	-	-
Allowance for impairment	(8,204)	(140,174)	-	-	-	-	-	-
Net carrying amount	119,327	257,387	-	-	-	-	-	-

5.4.12 Analysis of credit quality

Maximum exposure to credit risk (Comparative information under IAS 39)

Loans & advances to customers	
	2017 GH¢'000
Neither past due nor impaired	
Grade 1-3: Low-fair	844,524
Grade 4-5: Watch list	48,160
	892,684
Allowance for impairment	(10,607)
Carrying Amount	882,077
*Past due but not impaired	
Grade 6: Substandard	66,265
Grade 7: Doubtful	4,496
Grade 8: Loss	49,906
	120,667
Allowance for impairment	(1,377)
Carrying Amount	119,290

*Past due but not impaired

These are loans and advances that are past due and have been assessed for impairment. However, these loans and advances are supported by significant collaterals and cash flows extracted from agreed repayment terms. The present values of these estimated cash flows exceed the carrying amounts of the loans and advances.

5.3.12 Analysis of credit quality

Maximum exposure to credit risk (Comparative information under IAS 39)

Loans & advances	
	2017 GH¢'000
Individually impaired	
Grade 6: Substandard	18,656
Grade 7: Doubtful	9,698
Grade 8: Loss	449,174
	477,528
Allowance for impairment	(339,539)
Carrying Amount	137,989
Total Carrying Amount	1,139,356
Deposits due from financial institutions	
Grade 1-3: Low-fair risk (Local)	529,808
Grade 1-3: Low-fair risk (Foreign)	68,582
	598,390

5.4.13 Impaired loans

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9,

5.4.14 Loans that are past due but not impaired

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

5.4.15 Financial assets neither past due nor impaired

Loans and advances to customers

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired is assessed by reference to an internal rating system adopted by the Bank. Loans graded as current loans are considered as neither past due nor impaired.

Cash and cash equivalents

Included in the Bank's cash and cash equivalents are balances held with the Central Bank and other financial institutions. None of these balances were impaired at the year end and at 31 December 2018.

Investment securities

The Bank's investments comprise investment in government securities. None of these investments were impaired at the year end and at 31 December 2018.

5.4.16 Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Notes 45 (h).

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

5. FINANCIAL RISK MANAGEMENT cont'd

5.4.16 Loans with renegotiated terms (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Loans and advances to customers	2018	2017
	GH¢'000	GH¢'000
Continuing to be impaired after restructuring (included in non-performing loans)	23,789	354,957
Impairment	(8204)	(139,618)
	15,585	215,339
Non-impaired after restructuring – would otherwise have been impaired	103,743	42,604

5.4.17 Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral and other credit enhancements against most of its credit exposures. The Bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over Interbank placements, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2017. An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

Loans and advances to customers	2018	2017
	GH¢'000	GH¢'000
Against individually impaired		
Property	1,075,091	679,347
Others	-	14,570
Against neither past due nor impaired		
Property	466,243	482,624
Total	1,541,334	1,176,541

5.3.17

Collateral held and other credit enhancements, and their financial effect (continued)

i) Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 5(i)). However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all assets and other liens and guarantees. The Bank does not routinely update the valuation of collateral held against all loans to customers because of the Bank's focus on customers' creditworthiness. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Bank obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

ii) Other types of collateral and credit enhancements

In addition to the collateral obtained for loans, the Bank also holds other types of collateral and credit enhancements such as second charges and floating charges for which specific values are not generally available.

iii) Assets obtained by taking possession of collateral

Repossessed items are not recognized in the bank's books. Proceeds from their sale are used to reduce related outstanding indebtedness. The Bank has in its possession assets resulting from taking possession of collateral held as security against loans and advances at the reporting date is nil (2017: GH¢ 1,022,063). The carrying amount of the property are based on court judgments and the vehicles are fair values,

5. FINANCIAL RISK MANAGEMENT cont'd

	Loans and advances to customers		Loans and advances to banks	
	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Against individually impaired	-	970		
	-	52		

(iv) Offsetting financial assets and financial liabilities

The Bank did not hold any financial assets and financial liabilities that are off-set in the statement of financial position at the reporting date.

5.3.18 Concentrations of credit risk

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

Loans and Advances to customers

Gross amount	2018		2017	
	GH¢'000	%	GH¢'000	%
Concentration by industry:				
Agriculture	429,310	28.7	466,384	31.3
Manufacturing	62,089	4.2	42,580	2.9
Commerce and Finance	288,824	19.3	277,597	18.6
Transport and Communication	10,566	0.7	16,935	1.1
Mining and Quarrying	-	0.0	9,888	0.6
Building and Construction	157,349	10.5	123,926	8.3
Services	536,280	35.9	548,090	36.7
Others	9,994	0.7	5,479	0.5
	1,494,412	100.00	1,490,879	100

Concentration by product

	2018	2017
	GH¢'000	GH¢'000
a) Loans and advances to individual customers:		
Overdraft	86,295	40,723
Term loans	218,294	371,321
	304,589	412,044
b) Loans to corporate entities:		
Overdrafts	228,407	248,892
Terms loans	961,416	829,943
	1,189,823	1,078,835
Gross loans and advances	1,494,412	1,490,879

5. FINANCIAL RISK MANAGEMENT cont'd

5.4.20 Regulatory Provisions

An account is considered to be in default when payment is not received on due date. Accounts that are overdue by more than 90 days are considered delinquent. These accounts are closely monitored and subjected to a collection process. The process used for provisions is based on Bank of Ghana guidelines which recognize cash as a credit mitigate. Individual provisions are made for outstanding amounts depending on the number of days past due with full provisions made after 360 days. In certain situations, such as bankruptcy, fraud and death, the loss recognition process is accelerated. Loans and advances less than 90 days past due are generally not considered delinquent unless other information is available to indicate otherwise.

The Bank of Ghana Guideline is as set out below:

Grade Description	Number of days	Provisions (%)
Current	Less than 30 days	1
Other Loans Exceptionally Mentioned (OLEM)	30 to less than 90 days	10
Substandard	90 to less than 180 days	25
Doubtful	180 to less than 360 days	50
Loss	360 days and above	100

5.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and be able to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Management of liquidity risk

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

The treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

As indicated by the liquid ratios (see Note 43), liquidity risks have been effectively managed by the Bank.

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank,

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and government securities for which there is an active and liquid market less any deposits from Banks, other borrowings and commitments maturing within the next month. Details of the reported Bank's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2018	2017
	%	%
At 31 December	35.24	44.20
Maximum for the period	35.24	47.65
Minimum for the period	25.03	36.89
Average for the period	29.89	41.99

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

5. FINANCIAL RISK MANAGEMENT cont'd

5.5 Liquidity risk cont'd

	Carrying Amount	Gross nominal inflow/outflow	Up to 1 month	1-3months	3 to 6 months	6 months -1 years	1 to 5 years	Over 5 years
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customer	2,586,263	2,594,958	541,646	890,633	168,289	399,260	595,130	-
Borrowed Funds	274,322	349,225	29,854	45,035	-	76	20,940	251,895
Total financial liabilities	2,860,585	2,944,183	571,500	935,668	168,289	399,336	616,070	251,895
Financial assets by type								
Cash and bank balance	652,828	652,828	652,828	-	-	-	-	-
Due from other Banks	359,337	362,968		362,968				
Investment securities	1,189,747	1,293,797	99,350	452,552	61,063	108,264	542,568	30,000
Investments (other than securities)	95,861	95,861	-	-	-	-	91,832	-
Loans and advances to customers	1,068,814	1,494,412	453,293	32,215	84,291	51,297	495,798	377,518
Assets held for managing liquidity risk	3,366,587	3,899,866	1,205,471	847,735	145,354	159,561	1,130,198	407,518
Net Liquidity gap	506,002	955,683	633,971	(87,933)	(22,935)	(239,775)	514,128	155,623

	Carrying Amount	Gross nominal inflow/outflow	Up to 1 month	1-3months	3 to 6 months	6 months -1 years	1 to 5 years	Over 5 years
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customer	2,541,014	2,551,358	597,077	840,319	205,626	365,786	542,550	-
Borrowed Funds	458,551	543,973	167,723	49,609	66,435	35,780	12,726	211,700
Total financial liabilities	2,999,565	3,095,331	764,800	889,928	272,061	401,566	555,276	211,700
Financial assets by type								
Non-derivative assets								
Cash and cash equivalent	951,675	951,675	951,675	-	-	-	-	-
Investment securities	1,099,177	1,113,799	-	820,959	50,333	119,721	122,786	-
Investments (other than securities)	92,189	94,656	-	-	-	-	94,656	-
Loans and advances to customers	1,139,356	1,490,879	491,493	34,359	35,157	191,290	503,925	234,655
Assets held for managing liquidity risk	3,282,397	3,651,009	1,443,168	855,318	85,490	311,011	721,367	234,655
Net Liquidity gap	(282,832)	(555,678)	(678,368)	34,610	186,571	90,555	(166,091)	(22,955)

5. FINANCIAL RISK MANAGEMENT cont'd

5.6 Market risk

For the definition of market risk and information on the metrics (and their limitations) used by the Bank to manage the market risks of non-trading portfolios,

5.6.1 Interest rate risk and foreign currency risk

The Bank uses the Reuters system to monitor live interest and exchange rates to facilitate trading by the treasury department.

This helps the Bank to know what is happening at any moment in time on the markets and where opportunities are present to make gains from higher interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

As at 31 December 2018

	Over 1 month	1-3 months	3-6 months	1 year	1 - 5 years	5 years	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Financial assets							
Cash and cash equivalent	652,828	-	-	-	-	-	652,828
Investment securities	99,350	711,469	61,063	108,264	179,600	30,000	1,189,746
Loans and advances to customers (net)	219,229	30,591	71,742	39,894	347,276	360,083	1,068,815
Total financial assets	971,407	742,060	132,805	148,158	526,876	390,083	2,911,389
Financial liabilities							
Deposits from customers	541,646	890,633	168,289	399,260	488,606	105,523	2,593,957
Borrowed funds	29,726	44,681	-	69	19,386	179,035	272,897
Total financial liabilities	571,372	935,314	168,289	399,329	507,992	284,558	2,866,854
Interest rate sensitivity gap	400,035	(193,254)	(35,484)	(251,171)	18,884	105,525	43,535

As at 31 December 2017

	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 - 5 years	Over 5 years	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Financial assets							
Cash and cash equivalent	951,675	-	-	-	-	-	951,675
Investment securities-	817,253	50,222	108,916	122,786	-	-	1,099,177
Loans and advances to customers (net)	299,041	33,829	33,200	164,408	377,174	231,704	1,139,356
Total financial assets	2,067,969	84,051	142,116	287,194	377,174	231,704	3,190,208
Financial liabilities							
Deposits from customers	596,479	837,922	200,398	363,661	443,906	98,644	2,541,010
Borrowed funds	167,719	48,847	60,783	31,786	11,379	138,037	458,551
Total financial liabilities	764,198	886,769	261,181	395,447	455,285	236,681	2,999,561
Interest rate sensitivity gap	1,303,771	(802,718)	(119,065)	(108,253)	(78,111)	(4,977)	190,647

5. FINANCIAL RISK MANAGEMENT cont'd

5.6.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2018. The amounts stated in the table below are the Ghana Cedi equivalent of the foreign currencies.

Assets	USD	GBP	EUR	Other	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and cash equivalent	105,703	12,561	27,641	1	145,906
Loans and advances to customers (net)	126,881	1	148,995	-	275,878
Other assets	25,725	20	(47)	-	25,697
Total financial assets	258,309	12,582	176,589	1	447,481
Liabilities					
Deposits from customers	230,117	12,537	25024	1	267,679
Borrowings	9,952	-	150,911	-	160,863
Other liabilities	18,073	18	19	-	18,110
Total financial liabilities	258,142	12,555	175,954	1	446,652
Net on balance sheet position	167	27	635	-	829
Contingent liabilities	196,858	-	3,859	-	200,717
As at 31 December 2017					
Total financial assets	316,825	9,492	134,388	1,235	461,940
Total financial liabilities	315,976	9,500	134,330	1	459,807
Net on balance sheet position	849	(8)	58	1,234	2,133
Contingent liabilities	97,758	-	2,272	-	100,030

The following mid inter-bank exchange rates were applied during the year:

Cedis to	Average rate		Reporting rate	
	2018	2017	2018	2017
USD 1	4.601	4.3495	4.82	4.4157
GBP 1	6.1151	5.648	6.1711	5.9669
EUR 1	5.3975	4.9389	5.5131	5.2964

Sensitivity Analysis on Currency Risks

The following table shows the effect of the strengthening or weakening of the GH¢ against all other currencies on the company's income statement. This sensitivity analysis indicates the potential impact on the income statements based upon the foreign currency exposures recorded at 31 December 2018. (See "currency risk" above) and it does not represent actual or future gains or losses.

The sensitivity analysis is based on the percentage difference between the highest daily exchange rate and the average rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the GH¢, by the rates shown in the table, against the following currencies at 31 December would have increased/decreased equity and income statement by the amounts shown below:

This analysis assumes that all other variables, in particular interest rates, remain constant.

5. FINANCIAL RISK MANAGEMENT cont'd

5.6.2 Foreign exchange risk cont'd

	2018			2017		
	% Change	Income Statement/ Equity Impact Strengthening	Income Statement/ Equity Impact Weakening	% change	Income Statement/ Equity Impact Strengthening	Income Statement/ Equity Impact Weakening
In GH¢'000						
US\$	+5%	8	(8)	+5%	42	(42)
£	+5%	(1)	1	+5%	(0.4)	0.4
€	+5%	32	(32)	+5%	3	(3)

Market Risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market directions directly affect net trading income.

Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

Effects in Cedis

31 December 2018

Average for the Period
Maximum for the Period
Minimum for the Period

31 December 2017

Average for the Period
Maximum for the Period
Minimum for the Period

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference between re-pricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier to later than

5.6.3 Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date will have increased/decreased profit or loss by amounts shown below. Each analysis assumes all other variables in particular foreign currency rates remain constant.

The analysis is performed on the same basis for 2018.

	100bp Increase GH¢'000	100bp Decrease GH¢'000
31 December 2018		
Average for the Period	2,933	(2,933)
Maximum for the Period	5,063	(5,063)
Minimum for the Period	2,131	(2,131)
31 December 2017		
Average for the Period	3,906	(3,906)
Maximum for the Period	5,207	(5,207)
Minimum for the Period	2,113	(2,113)

the contracted dates and variations in interest rate sensitivity within re-pricing periods and amongst currencies.

The rates above show the extent to which the Bank's interest rate exposures on assets and liabilities are matched. These are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and maturity.

5.7 CAPITAL MANAGEMENT

5.7.1 Regulatory Capital

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

The Bank's objectives when managing capital are:

5. FINANCIAL RISK MANAGEMENT cont'd

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

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the Central Bank of Ghana for supervisory purposes. The required information is filed with the Central Bank of Ghana on a monthly basis

The Central Bank requires each bank to:

- Hold the minimum level of regulatory capital of GH¢400 million.
- Maintain a ratio of total regulatory capital; to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%

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

- Tier 1 capital, which includes ordinary share capital, income surplus, after deductions for intangible assets

(excluding computer intangible), investments in equity instruments of other institutions 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 capitalised revaluations reserves, latent revaluation reserves, undisclosed reserves, revaluation reserves, subordinated Loans and Hybrid Capital subject to a limit of 100% of Tier 1 Capital.

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 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.

5.7.2 Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

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

	2018 GH¢'000	2017 GH¢'000
Tier 1 Capital		
Ordinary share capital	552,100	275,100
Income surplus	(294,086)	(189,429)
Statutory reserve	101,099	98,146
Other regulatory adjustment	(158,011)	(90,677)
Total	201,102	93,140
Tier 2 Capital		
Fair Value Reserves	55,426	52,342
Revaluation reserve	57,531	57,531
Subordinated debt	-	73,945
Total	112,957	183,818
Total regulatory capital	314,059	276,958
Risk weighted assets		
On-balance sheet items	1,644,563	1,487,120
Off-balance sheet items	289,897	209,925
Total risk weighted assets	1,934,460	1,697,045
Capital charge for operational and market risks:		
100% of 3 years annual gross income	357,614	319,482
50% of Net Open Position	414	2,216
	358,028	321,698
Adjusted asset base	2,292,488	2,018,743
Capital adequacy	13.70%	13.72%

5. FINANCIAL RISK MANAGEMENT cont'd

5.7 CAPITAL MANAGEMENT cont'd

5.7.3 REVIEW OF CAPITAL ADEQUACY RATIO

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization 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 by the Bank Credit Committee and or ALCO as appropriate.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit 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

5.7.4 Basel II

Bank of Ghana (BoG), in its bid to ensure the stability of the Ghanaian Banking Sector and keep pace with global development and growth in risk management practices rolled out, in October 2017, a Capital Requirement Directive (CRD) which require banks to implement Pillar 1 principles of Basel II. BoG requires banks to commence the implementation of the directive from 1 January 2018 with an effective compliance date of 1 July 2018.

The Capital Requirement Directive has four main parts. The first part provides principles for capital management and the constituents of eligible regulatory capital. The second, third and fourth parts provide guidance on the role of the board in the management of credit, operational and market risk respectively. Guidelines for the computation of credit risk weighted asset, operational and market risk capital charges are also detailed in the CRD document.

It is expected that the implementation of Basel principles will have a significant impact on the overall risk culture of banks and will ultimately enhance the risk and capital management of banks.

In September 2017, the Bank of Ghana announced a new minimum capital requirement, as part of a holistic financial sector reform plan to further develop, strengthen, and modernize the financial sector to support the government's economic vision and transformational agenda.

5.7.5 MINIMUM CAPITAL REQUIREMENT

In accordance with Section 28 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana (BOG) increased the minimum capital requirement for commercial banks from GHS 120 million to GHS 400 million.

The Directive required all Banks to comply with the new capital requirement by the end of December 2018. Non-compliance with the new minimum paid up capital requirement shall be dealt with in accordance with section 33 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Banks are required to meet the new capital requirements using either of the following methods:

- Fresh capital injection;
- Capitalisation of income surplus; and
- A combination of fresh capital injection and capitalisation of income surplus.

The bank has taken steps to meet the new capital requirement through the following means:

- Right issue currently on going to raise additional GHS 383 million
- Any shortfall will be covered by Ghana Amalgamated Trust (GAT)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS cont'd

Level 3: inputs that are unobservable. This category includes all instruments for which 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(a) Valuation models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly

transaction between market participants at the measurement date.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

2018					
	Level 1	Level 2	Level 3	Total	Total
	GH¢'000	GH¢'000	GH¢'000	fair value	carrying
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	amount
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Investment (Other than Securities)	-	95,861	-	-	95,861
	-	95,861	-	-	95,861
2017					
	Level 1	Level 2	Level 3	Total	Total
	GH¢'000	GH¢'000	GH¢'000	fair value	carrying
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	amount
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Investment Securities					
- Amortised Cost	-	-	-	-	-
Investment (Other than Securities)	-	91,832	-	-	91,832
	-	91,832	-	-	91,832

Investment (Other than Securities)

Equity instruments in non-listed entities included have been valued based on the NAV.

7. OPERATING SEGMENTS

Operating segments

Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments pay and receive interest to and from the Central Treasury on an arm's length basis to reflect the borrowing from or placement into the pool of investments.

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

The Bank does not have reliance on a single major customer. The total revenue of the Bank during the year was not earned from transactions with a single external customer. No single customer contributed 10 per cent or more of an entity's revenues.

Business segments

The Bank has the following main business segments:

- Corporate Banking: includes loans, deposits and other transactions and balances with corporate customers including the Agricultural sector.
- Retail Banking: includes loans, deposits and other transactions and balances with retail customers.
- Central Treasury: undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

The Bank also has a central Shared Services operation that provides support services to the above-mentioned segments, manages the Bank's premises and certain corporate costs. Cost-sharing agreements are used to allocate central costs to business segments on a reasonable basis.

2018	Corporate Banking GH¢'000	Retail Banking GH¢'000	Central Treasury GH¢'000	Shared Services GH¢'000	Unallocated GH¢'000	Consolidated GH¢'000
Net Interest Income	13,958	19,086	232,660	(353)	-	265,351
Net fee and commission income	12,335	46,310	409	8,100	-	67,154
Net trading income	-	-	45,704	-	-	45,704
Other operating income	-	-	-	9,268	-	9,268
Inter segment revenue	20,177	145,563	(165,740)	-	-	-
Total segment revenue	46,470	210,959	113,033	17,015	-	387,477
Segment result						
Income tax expense	-	-	-	(28,149)	-	(28,149)
Profit for the period	36,152	58,275	101,719	(190,238)	-	5,908
Total assets	618,706	436,577	2,297,775	140,843	103,494	3,597,395
Total Segment liabilities	790,554	1,769,413	300,619	-	97,098	2,957,684
Impairment losses on financial assets	(506)	(9,684)	-	-	-	(10,190)
Depreciation and amortisation	(36)	(4,902)	(28)	(17,754)	-	(22,720)
Capital expenditure	(-)	-	(-)	(8,958)	-	(8,958)

7. OPERATING SEGMENTS cont'd

2017	Corporate Banking	Retail Banking	Central Treasury	Shared Services	Unallocated	Consolidated
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
External Revenue						
Net interest income	16,902	22,545	270,164	-	-	309,611
Net fee and commission income	14,187	49,701	466	-	-	64,354
Net trading income	-	-	28,328	-	-	28,328
Other operating income	1,537		1,109	1,969	-	4,615
Intersegment revenue	25,491	125,302	-150,793	-	-	-
Total segment revenue	58,117	197,548	149,274	1,969	-	406,908
Segment result						
Income tax expense	-	-	-	-20,829	-	-20,829
Profit/(Loss) for the period	44,117	14,362	140,032	-172,001	-	26,510
Total segmented assets	606,241	533,299	2,050,852	213,801	140,950	3,545,143
Total segment liabilities	984,936	1,538,670	471,269	-	71,255	3,066,130
Total liabilities	984,936	1,538,670	471,269	-	71,255	3,066,130

8a. INTEREST INCOME

	2018 GH¢'000	2017 GH¢'000
Loans and advances to banks	103,090	81,164
Loans and advances to customers	170,339	197,666
Investment securities at amortised cost	194,836	237,651
Other interest income – interest income on finance leases	10,437	4,381
	478,702	520,862

8b. INTEREST INCOME

	2018 GH¢'000	2017 GH¢'000
Interest revenue calculated using effective interest method (8bi)	468,265	516,481
Other interest and similar income (8bii)	10,437	4,381
	478,702	520,862

9. INTEREST EXPENSE

(a) On deposits:	2018 GH¢'000	2017 GH¢'000
Fixed/time deposits	45,102	43,604
Savings deposits	5,392	4,602
Demand & call deposits	96,014	113,141
Total interest expense on deposits	146,508	161,347
(b) On borrowed funds:		
Inter-Bank borrowing	6,597	1,074
Long-Term borrowings	60,246	48,830
Total interest expense on deposits	66,843	49,904
Total	213,351	211,251

10. NET FEE AND COMMISSION INCOME

	2018	2017
	GH¢'000	GH¢'000
Fee and commission income		
Commission on Turnover	20,772	20,502
Fees and Charges	43,386	40,092
Sale of Cheque Book Charges	1,096	1,181
Loan Fee Incomes	9,280	9,873
Guarantees Charges and Commission	930	1,299
Total fee and commission income	75,464	72,947
Fee and commission expense		
Cost of Services	(8,310)	(8,593)
Total Fee and Commission Expense	(8,310)	(8,593)
Net Fee and Commission Income	67,154	64,354

Net Fee and commission income includes GH¢9,812m of fees earned on financial assets that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate) (2017: GH¢ 4,627m).

The total income earned from contracts with customers (IFRS 15) is GHS 74.5m

11. NET TRADING INCOME

	2018	2017
	GH¢'000	GH¢'000
Foreign Exchange		
Translation gains less losses	10,467	8,418
Transaction gains less losses	35,237	19,910
	45,704	28,328

12. OTHER OPERATING INCOME

Bad debts recovered	473	990
Dividends from investments	2,678	2,921
Other income	6,117	700
	9,268	4,611

13. IMPAIRMENT LOSS ON FINANCIAL ASSETS

The table below shows the Expected Credit Loss charges on financial instruments for the year recorded in the income statement:

	Stage 1	Stage 2	Stage 3	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Letter of credit and guarantee	3,855			3,855
Undrawn commitments	2,775	-		2,775
Due from Banks		3,630		3,630
Loans and advances	19,303	14,481	(33,854)	(70)
At 31 December 2018	25,933	18,111	(33,854)	10,190

14. PERSONNEL EXPENSES

	2018	2017
	GH¢'000	GH¢'000
Salaries and wages	87,912	77,769
Pension costs - (Defined contribution scheme to SSNIT)	9,898	8,623
Staff Provident Fund (Defined Contribution Scheme)	11,293	9,820
Staff fuel expenses	23,469	19,593
Medical expenses	5,107	4,644
Canteen expenses	4,038	4,071
Occupancy cost	13,948	14,166
Training expenses	580	1,478
Uniform	13,194	9,847
Performance Award	-	5,463
Other staff related costs	11,793	11,578
	181,232	167,052

The number of persons employed by the Bank at the year-end was 1,195 (2017: 1,179).

15. OTHER OPERATING EXPENSES

	2018	2017
	GH¢'000	GH¢'000
Occupancy Cost	51,173	51,321
Auditors Remuneration	821	460
Donations and Social Responsibility	1,513	1,451
Motor Vehicle Running Expenses	9,772	9,616
General and Administrative Expenses	29,317	23,612
Information Technology Expenses	31,008	39,313
Others	7,369	6,857
	139,278	124,325

16. DEPRECIATION AND AMORTIZATION

	2018	2017
	GH¢'000	GH¢'000
Depreciation of Property, Plant and equipment	13,474	12,746
Amortisation of intangible	9,246	5,619
	22,720	18,365

17. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2018 GH¢'000	2017 GH¢'000
Profit after tax	5,908	26,510
Number of ordinary shares	230,923	230,923
Weighted average number of shares	230,923	42,160
Earnings per share:		
Basic (GH¢)	0.0256	0.115
Diluted (GH¢)	0.0256	0.115

There were no potentially dilutive instruments outstanding at the date of the statement of financial position.

18. CASH AND BANK BALANCE

	2018 GH¢'000	2017 GH¢'000
(i) Cash on hand	96,073	61,557
Balances with Bank of Ghana	279,728	260,821
Nostro Balances	104,213	68,852
Deposits and balances due from banking institution	172,814	560,445
Cash and bank balance	652,828	951,675

Included in the Nostro balance is a restricted amount of GHS 48,116,337

19. DUE FROM OTHER BANKS

	2018 GH¢'000	2017 GH¢'000
Placements with other banks	362,968	-
Less: Allowance for impairment losses	(3,630)	-
	359,338	-

Due from Other Banks balances for the prior were classified as cash and bank balances. This has now been presented separately presented on the Statements of Financial Position.

19.1 CREDIT RISK QUALITY OF DUE FROM BANKS BALANCES

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Performing	-	-	-	-
Grade 1-3: low fair risk	-	-	-	-
Grade 4-5	-	362,968	-	362,968
Non-performing	-	-	-	-
Grade 6:	-	-	-	-
Grade 7	-	-	-	-
Grade 8	-	-	-	-
At 31 December 2018	-	362,968	-	362,968

19. DUE FROM OTHER BANKS cont'd

An analysis of changes in the gross carrying amount in relation to due from banks measured at amortised cost is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	362,968	-	-	362,968
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(362,968)	362,968	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2018	-	-	-	362,968

An analysis of changes in the ECL allowances in relation to Due from Bank is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	-	-	-	-
New assets originated or purchased	-	3,630	-	3,630
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2018	-	3,630	-	3,630

20. INVESTMENT SECURITIES

	2018 GH¢'000	2017 GH¢'000
Treasury bills		
14 Day Treasury Bills	99,350	-
56 Day Treasury Bills	711,470	
91 Day Treasury Bills	-	817,252
182 Day Treasury Bills	61,062	50,222
Treasury Notes	108,265	108,917
	980,147	976,391
Government bonds		
2-5 year fixed rate note	179,602	119,456
Above 5 years fixed rate note	30,000	3,330
	209,602	122,786
Maturing within 90 days of date of acquisition	810,820	817,252
Maturing between 90 days – 1 year of date of acquisition	169,327	159,139
Maturing within 1-3 years of date of acquisition	209,602	122,786
	1,189,749	1,099,177

Government bonds as well as Treasury Bills are classified as financial assets at amortized cost as the business model is to hold the financial assets to collect contractual cash flows representing solely payments of principal and interest.

The average interest rate on treasury bills at 31 December 2018 was 13.54% (2017: 14.10%) and the rate for treasury bonds at 31 December 2018 was 17.5% (2017: 17.5%).

20.1. CREDIT RISK QUALITY OF INVESTMENT SECURITIES (DEBT INSTRUMENT)

The table below shows the credit quality and the maximum exposure to credit risk of investment Securities (Debt Instruments) measured at amortised cost based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Grade 1-3: low fair risk	1,189,749			1,189,749
Grade 4-5	-			-
Grade 6:		-		-
Grade 7		-		-
Grade 8		-	-	-
At 31 December 2018	1,189,749	-	-	1,189,749

An analysis of changes in the gross carrying amount in relation to Debt instruments measured at amortised cost is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	1,099,179			1,099,179
New assets originated or purchased	90,570			90,570
Assets derecognised or repaid (excluding write offs)				
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3	-	-	-	-
At 31 December 2018	1,189,749	-	-	1,189,749

An analysis of changes in the ECL allowances in relation to Debt instruments measured at amortised cost is, as follows:

Instruments under this category were issued by the central bank and government. Expected credit loss for these instruments were assessed to be insignificant.

21. LOANS AND ADVANCES TO CUSTOMERS

	2018 GH¢'000	2017 GH¢'000
Overdrafts	314,702	354,039
Loans	1,132,021	1,092,182
Lease receivable	47,689	44,658
Gross loans and advances	1,494,412	1,490,879
Provision for impaired loans and advances		
- Specific	(333,949)	(339,539)
- Collective	(91,649)	(11,984)
	1,068,814	1,139,356

The above constitute loans and advances to customers and staff.

Staff loans amounted to **GH¢ 38,919,316** (2017: GH¢46,344,476)

The investment in lease receivables is analyzed as follows:

	2018 GH¢'000	2017 GH¢'000
Less than 1 year	12,843	28,314
Between 1 year and 5 years	34,846	18,305
	47,689	46,619

21. LOANS AND ADVANCES TO CUSTOMERS cont'd

Notes to the Financial Statements

Key ratios on loans and advances

The total impairment for the year represents 28.5% of gross loans at the year-end (2017: 23.58%)

Loan loss provision ratio is 36.88% of gross advances (2017: 35.41%)

Gross Non-performing loans ratio per Bank of Ghana requirement is 49.29% (2017: 42.87%)

Fifty (50) largest exposures (gross funded and non-funded) to total exposures is 60% (2017: 65.08%)

	2018 GH¢'000	2017 GH¢'000
a) Analysis By maturity		
Maturing: Within one year	621,096	752,299
Between one to five years	495,798	503,925
More than five years	377,518	234,655
	1,494,412	1,490,879

b) Impairment of loans and advances

At 1 January	351,523	301,700
IFRS 9 Impact	155,937	
Additional impairment charge during the year	(70)	49,823
Write off	(81,792)	
31 December	425,598	351,523

21.1 Impairment allowance for loans and advances to customers measured at amortised cost**21.1.1 Expected credit losses on loans and advances**

The table below shows an analysis of the expected credit losses on loans and advances based the class of financial assets

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Agric Loans	7,469	2,197	50,366	60,032
Retail loans	35,725	2,236	121,815	159,776
Corporate loans	22,599	21,423	161,768	205,790
	65,793	25,856	333,949	425,598

21.2 CREDIT RISK QUALITY OF LOANS AND ADVANCE**21.2.1 Agric loans**

The table below shows the credit quality and the maximum exposure to credit risk of Agric loans based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Grade 1-3: low fair risk	191,015			191,015
Grade 4-5		1,017		1,017
Grade 6:			9,626	9,626
Grade 7			2,410	2,410
Grade 8	-	-	219,566	219,566
At 31 December 2018	191,015	1,017	231,602	423,634

21.2 CREDIT RISK QUALITY OF LOANS AND ADVANCE (CONTINUED)

An analysis of changes in the gross carrying amount in relation to Agric loan is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	166,620	23,921	293,546	484,087
New assets originated or purchased	24,395			24,395
Assets derecognised or repaid (excluding write offs)		(22,904)	(47,696)	(70,600)
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amount written off	-	-	(14,248)	(14,248)
At 31 December 2018	191,015	1,017	231,602	423,634

21.2.1 Agric loans

An analysis of changes in the ECL allowances in relation to Agric loan is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	6,930	5,220	141,402	153,552
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)				
Impact on Expected Credit loss	539	(3,023)	(76,788)	(79,272)
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3	-	-	(14,248)	(14,248)
Loan Written off				
At 31 December 2018	7,469	2,197	50,366	60,032

21.2.2 Corporate loans

The table below shows the credit quality and the maximum exposure to credit risk of Corporate loans based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Grade 1-3: low fair risk	322,055			322,055
Grade 4-5		17,536		17,536
Grade 6:			12,763	12,763
Grade 7			153,365	153,365
Grade 8	-	-	192,468	192,468
At 31 December 2018	322,055	17,536	358,596	698,187

21.2 CREDIT RISK QUALITY OF LOANS AND ADVANCE (CONTINUED)

An analysis of changes in the gross carrying amount in relation to Corporate loan is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	252,250	41,116	460,401	753,767
New assets originated or purchased	69,805			69,805
Assets derecognised or repaid (excluding write offs)		(23,580)	(76,309)	(99,889)
Transfers to Stage 1	-			-
Transfers to Stage 2	-	-		-
Transfers to Stage 3				
Amount written off	-	-	25,496	(25,496)
At 31 December 2018	322,055	17,536	358,596	698,187

21.2.2 Corporate loans

An analysis of changes in the ECL allowances in relation to Corporate loan is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	22,154	5,356	206,371	233,881
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Impact on Expected Credit loss	445	16,067	(19,107)	(2,595)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Loan Written off	-	-	(25,496)	(25,496)
At 31 December 2018	22,599	21,423	161,768	205,790

21.2.3 Retail loans

The table below shows the credit quality and the maximum exposure to credit risk of Retail loans based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Grade 1-3: low fair risk	256,043		-	256,043
Grade 4-5	-	3,960	-	3,960
Grade 6:	-	-	7,983	7,983
Grade 7	-	-	2,525	2,525
Grade 8	-	-	102,083	102,083
At 31 December 2018	256,043	3,960	112,591	372,594

21.2 CREDIT RISK QUALITY OF LOANS AND ADVANCE (CONTINUED)**21.2.3 Retail loans cont'd**

An analysis of changes in the gross carrying amount in relation to Retail loan is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	253,834	2,348	122,948	379,130
New assets originated or purchased	2,209	1,612	31,690	35,511
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amount written off	-	-	(42,047)	(42,047)
At 31 December 2018	256,043	3,960	112,591	372,594

An analysis of changes in the ECL allowances in relation to Retail loan is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	17,406	799	102,181	120,386
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)				
Impact on Expected Credit loss	18,319	1,437	61,681	81,437
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Loan Written off	-	-	(42,047)	(42,047)
At 31 December 2018	35,725	2,236	121,815	159,776

21.2.4 Impairment Allowance for Loans and Receivables under IAS 39

	2018	2017
At 1 January	-	301,700
Additional impairment charge during the year	-	49,823
At 31 December 2018	-	351,523

	2018	2017
Individual Impairment	-	339,538
Collective Impairment	-	11,985
	-	351,523

22. INVESTMENT (OTHER THAN SECURITIES): FAIR VALUE THROUGH OCI

	2018 GH¢'000	2017 GH¢'000
At 1 January	91,832	94,299
Fair value adjustments (note 38)	4,029	(2,467)
At 31 December	95,861	91,832

23. INVESTMENT IN ASSOCIATE COMPANIES

The Bank has one associate, Activity Venture Finance Company (AVF) that is immaterial to the Bank, which is equity accounted for.

	Activity Venture Finance Co
The relationship with the Bank	To help start-ups with high potential and risk
Principal place of business/country of incorporation	Accra, Ghana
Ownership interest/voting rights	20% (2017: 20%)
Fair value of ownership interest (if listed)	N/A

	2018 GH¢'000	2017 GH¢'000
At 1 January	357	538
Disposal of investment	-	(181)
	Loss	(357)
At 31 December	-	357

24. INCOME TAX

24.1 INCOME TAX EXPENSE RECOGNISED IN PROFIT OR LOSS

	2018 GH¢'000	2017 GH¢'000
Current year income tax –	7,902	9,324
Deferred tax	20,247	11,505
	28,149	20,829

24.2 CORPORATION TAX ASSET

	Balance at 1 January GH¢'000	Payment during the year GH¢'000	Charge/credit for the year GH¢'000	Refund during the year GH¢'000	Balance at 31 December GH¢'000
Income tax					
2017	(3,240)	(235)	-	-	(3,475)
2018	-	(9,796)	6,199	3,475	(122)
	(3,240)	(10,031)	6,199	3,475	(3,597)
National Stabilization Levy	(2,439)	(1,507)	1,703(i)	2,439	196
Total tax	(5,679)	(11,538)	7,902	5,914	(3,401)

24.3 RECONCILIATION OF EFFECTIVE TAX RATE

	2018 GH¢'000	2017 GH¢'000
Profit before tax	34,057	47,342
Income tax using domestic tax rate (25%)	8,514	11,836
Non-deductible expenses	35,605	18,616
Tax on exempt income	(25,440)	(15,630)
Income subjected to tax at a different rate	7,767	3,640
National fiscal stabilization levy	1,703	2,367
	28,149	20,829

24.4 DEFERRED TAX ASSET

	2018 GH¢'000	2017 GH¢'000
Balance at 1 January	(33,773)	(44,519)
IFRS 9 opening balance adjustment	(41,765)	-
Deferred tax due to property and equipment	(775)	(47)
Deferred tax on amortized cost	1,028	(759)
Deferred tax on allowances for loan losses	21,023	(7,510)
Deferred tax on tax loss carry forward	-	19,062
Balance 31 December	(54,262)	(33,773)

25. INTANGIBLE ASSETS

	Intangible GH¢'000	Work-In- Progress GH¢'000	Total GH¢'000
Cost			
At 1 January 2018	62,781	-	62,781
Acquisitions	1,851	-	1,851
Transfers from property and equipment	-	-	-
	64,632	-	64,632
Amortisation			
At 1 January 2018	26,920	-	26,920
Charge for the year	9,246	-	9,246
At 31 December 2018	36,166	-	36,166
Net Book Value			
At 31 December 2018	28,466	-	28,466
Cost			
At 1 January 2017	23,901	27,258	51,159
Acquisitions	1,128	10,357	11,485
Transfers	37,752	(37,752)	-
Transfers from property and equipment	-	137	137
	62,781	-	62,781
Amortisation			
At 1 January 2017	21,301	-	21,301
Charge for the year	5,619	-	5,619
At 31 December 2017	26,920	-	26,920
Net Book Value			
At 31 December 2017	35,861	-	35,861

25. INTANGIBLE ASSETS – (CONT'D)

Work-in-progress

There was no Work-in-progress at the end of the year. (2017: nil).

- No impairment losses on intangible assets were recognized during the year (2017: Nil)
- There were no capitalized borrowing costs related to intangible assets during the year (2017: Nil)
- There were no restrictions on title and intangible assets pledged as security for liabilities during the year (2017: Nil).

26. OTHER ASSETS

	2018 GH¢'000	2017 GH¢'000
Advance payment	44	100
Prepayments	22,357	15,058
Sundry receivables	9,765	26,591
Lease deposits from Agridev	10,236	10,236
Others – (I)	3,428	30,331
31 December	45,830	82,316
Current	33,328	69,331
Non-current		
I. Others	12,502	12,985

Others represent reimbursable from money transfer counterparties,

27. PROPERTY AND EQUIPMENT

	Land & Building GH¢'000	Computers GH¢'000	Furniture & Equipment GH¢'000	Motor Vehicles GH¢'000	Capital WIP GH¢'000	Leasehold Improvement GH¢'000	Total GH¢'000
Cost/Valuation							
At 1 January 2018	89,501	25,357	16,172	6,723	3,422	25,855	167,030
Additions	720	1,366	1,503	676	2,789	52	7,106
Disposal	(183)	(4)	-	-	-	-	(187)
Transfers	2,370	1	453	622	(4,423)	977	-
At 31 December 2018	92,408	26,720	18,128	8,021	1,788	26,884	173,949
Depreciation							
At 1 January 2018	11,319	21,598	10,923	2,440	-	15,634	61,914
Charge for the year	4,473	1,690	1,850	1,357	-	4,104	13,474
Released on Disposal/Revaluation	-	(1)	-	-	-	-	(1)
Reversals	(284)	-	-	-	-	-	(284)
At 31 December 2018	15,508	23,287	12,773	3,797	-	19,738	75,103
Net Book Value							
At 31 December 2018	76,900	3,433	5,355	4,224	1,788	7,146	98,846

Analysis of Property, Plant and Equipment (Cost) - Companies Act requirement:

	GH¢'000
Carrying amount under cost	18,032
Revaluation surplus	74,377
At 31 December 2018	92,409

27. PROPERTY AND EQUIPMENT cont'd

	Land & Building GH¢'000	Computers GH¢'000	Furniture & Equipment GH¢'000	Motor Vehicles GH¢'000	Capital WIP GH¢'000	Leasehold Improvement GH¢'000	Total GH¢'000
Cost/Valuation							
At 1 January 2017	87,805	24,088	13,909	4,024	2,698	21,666	154,190
Additions	-	1,252	2,109	2,354	6,779	495	12,989
Disposal	-	(6)	-	(6)	-	-	(12)
Transfers to Intangibles	-	-	-	-	(137)	-	(137)
Transfers	1,696	23	154	351	(5,918)	3,694	-
At 31 December 2017	89,501	25,357	16,172	6,723	3,422	25,855	167,030
Depreciation							
At 1 January 2017	6,912	19,890	9,173	1,357	-	11,843	49,175
Charge for the year	4,407	1,710	1,751	1,089	-	3,789	12,746
Released on Disposal/ Revaluation	-	(2)	-	(6)	-	-	(8)
Write-offs	-	-	-	-	-	-	-
At 31 December 2017	11,319	21,598	10,924	2,440	-	15,632	61,913
Net Book Value							
At 31 December 2017	78,182	3,759	5,248	4,283	3,422	10,223	105,117

Analysis of Property, Plant and Equipment (Cost) - Companies Act requirement:

	GH¢'000
Carrying amount under cost	15,124
Revaluation surplus	74,377
At 31 December 2017	89,501

Cost component of revalued property

If the land and buildings were stated on a historical cost basis, the amounts would have been as follows:

	2018 GH¢'000	2017 GH¢'000
Cost	12,790	15,124
Accumulated depreciation	(2,334)	(2,334)
	10,456	12,790

Disposal Schedule

2018			
	Land & Building GH¢'000	Computer Hardware GH¢'000	Total GH¢'000
Cost	183	4	187
Accumulated depreciation	-	(1)	(1)
Net book value	183	3	186
Proceeds	(183)	(3)	(186)
(Loss)/Profit on disposal	-	-	-

Notes to the Financial Statements

Cost and Accumulated depreciation

The cost and accumulated depreciation of assets disposed is made up of cost of disposals and write-offs and their corresponding accumulated depreciation.

2017				
	Computers GH¢'000	Furniture & Equipment GH¢'000	Motor Vehicles GH¢'000	Total GH¢'000
Cost		6	6	12
Accumulated depreciation		(2)	(6)	(8)
Net book value		4	-	4
Proceeds		-	-	-
(Loss)/Profit on disposal		(4)	-	(4)

There was no indication of impairment of property and equipment held by the Bank at December 31, 2018 (2017: nil). None of the property and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date and at the end of the previous year. Capital commitments not provided for in the financial statements as at December 31, 2018 was nil. (2017: Nil).

28. CASH AND CASH EQUIVALENTS

	2018 GH¢'000	2017 GH¢'000
Cash and bank balance	652,828	951,675
14-Day/91-Day Treasury Bill	810,820	817,252
Cash and cash equivalent in statement of cash flows	1,463,648	1,768,927

Included in balances with Bank of Ghana above is an amount of GH¢258,607,653 (2017: GH¢254,101,000) mandatory reserve deposits representing 10% of the Bank's total deposits.

29. BORROWED FUNDS

	2018 GH¢'000	2017 GH¢'000
Central Bank	11,405	161,085
Government of Ghana	67,229	72,363
Financial Institutions	43,054	111,601
AFD/ Rubber Phase IV & V	152,634	113,502
	274,322	458,551

	Central Bank	Government of Ghana	Financial Institutions	AFD/Rubber Phase IV&V
Balance as at 31 December 2018	161,085	72,363	111,601	113,502
Additions	445	1,564	899,687	45,622
Interest	4,941	21,228	1,853	2,402
Transfer to equity	(150,000)	-	-	-
Payment	(5,066)	(27,926)	(970,087)	(8,892)
Balance as at 31 December 2018	11,405	67,229	43,054	152,634

Central Bank

This consists of multiple loan facilities granted to the Bank.

The other debt facilities were granted to the Bank to assist in financing the poor, rural entrepreneurs engaged in rural small-scale enterprises. Interest rates on these facilities range from 20% to 30% with maturities ranging from 2017 to 2021.

29. BORROWED FUNDS cont'd

Details are shown below:

	2018	2017
	GH¢'000	GH¢'000
IFAD	8,333	681
IDA/BADEA	32	1,236
SMALL SCALE IRR.DEV PROJECTS	495	228
CFD LOan to GREL	2,274	27
BOG LOAN	156	155,066
IFAD / UWADEP	115	3,847
	11,405	161,085

Government of Ghana

This consists of multiple facilities granted to the Bank to finance food crops, non-traditional exports, agro industry as well as institutional support. Interest rates range from 1.8% - 5% with maturities ranging from 2018 to 2051.

Details of these borrowings are shown below:

	2018	2017
	GH¢'000	GH¢'000
ADF Projects	29,702	20,268
EDAIF	17,908	26,796
AFD/MOFA	18,860	5,555
AfDB/KP.IRR. Projects	689	644
GH.Gov't ADF line of Credit	-	19,040
CASA CONVERSION	70	60
	67,229	72,363

Financial institutions

SSNIT -These borrowings are for liquidity management purposes. Interest rate ranges from 24% to 29% and maturity is usually within one year.

Details of the borrowings from financial institutions are shown below:

	2018	2017
	GH¢'000	GH¢'000
SSNIT	15,675	12,700
NDK Capital		2,564
Bora Capital	2,300	350
Cal Asset	25,079	36,314
JKO	-	6,000
UTD Master Trust	-	1,500
National Investment Bank	-	50,000
SAS	-	1,873
UPT	-	300
	43,054	111,601

Others

AFD - The general purpose of the credit facility is to finance long term loans dedicated to the Rubber Out grower Plantation Programme (ROPP). Average Interest is at a rate of 2.07% maturing in 2027.

Details of other borrowings are shown below:

	2018	2017
	GH¢'000	GH¢'000
AFD/Rubber Phase IV	152,634	113,502

30. DEPOSITS FROM CUSTOMERS

	2018 GH¢'000	2017 GH¢'000
Savings Deposits	411,644	365,780
Demand and Call Deposits	1,897,064	1,854,150
Fixed/Time Deposits	277,557	321,080
	2,586,265	2,541,010
Customer deposits		
Maturity analysis of customer deposits		
From Government and Parastatals:		
Payable within 90 days	221,363	397,927
Payable after 90 days and within one year	105,626	19,995
	326,989	417,922
From Private Sector and individuals:		
Payable within 90 days	1,253,092	2,023,040
Payable after 90 days and within one year	1,006,184	100,048
	2,259,276	2,123,088
	2,586,265	2,541,010

Twenty largest depositors to total deposit ratio is 22.93% (2017: 27.39%)

31. OTHER LIABILITIES

	2018 GH¢'000	2017 GH¢'000
Payables	59,200	41,402
Accruals	36,094	23,474
Staff long service awards (i)	1,803	1,693
	97,097	66,569
Current		
	87,747	58,389
Non-current		
	9,350	8,180

(i) Movement in the liability for staff long service awards

The Bank has a long service award for its employees. These are long service awards which accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Employees leaving the service of the Bank after 5 years through retirement (both voluntary and compulsory) or resignation become eligible for these awards based on their current entitlement at the time of retirement or resignation based on their length of service. The bank has no further obligations once the staff leaves employment.

	2018 GH¢'000	2017 GH¢'000
Liability for staff awards at 1 January	1,693	1,499
Benefits paid by the plan	-	-
Expenses recognised in profit or loss	110	194
Liability for staff awards at 31 December	1,803	1,693
Expenses recognised in profit and loss		
Current Service Cost	34	59
Net Interest Cost	76	135
	110	194

31. OTHER LIABILITIES cont'd

Actuarial assumptions

The following are the principal assumptions at the reporting date.

Discount rate	19%	19%
General inflation rate	13%	13%

Assumptions regarding future mortality rates are based on published statistics and mortality tables.

32. STATED CAPITAL

	2018		2017	
	No. of Shares GH¢'000	Proceeds	No. of Shares GH¢'000	Proceeds
Authorized:				
Ordinary shares of no par value		10,000,000,000		10,000,000,000
Issued:				
Issued for cash	76,372,051	200,450	76,372,051	200,450
For Consideration other than cash	638,772	320	638,772	320
Transfer from Income Surplus	23,460,876	74,230	23,460,876	74,230
Bonus issue	130,451,524	100	130,451,524	100
	230,923,223	275,100	230,923,223	275,100

There is an unpaid liability of GH¢ 106 million from Government of Ghana. By a letter dated 31 December 2018, the Government of Ghana, through the Minister of Finance, had undertaken to pay the GH¢ 106 million for the acquisition for new shares in respect of its 32.3% shareholding, under the rights issues, as agreed at the Extraordinary General Meeting (EGM) of the bank, held on 20 December 2018. There is no share in treasury. Each share has equal voting rights.

33. DEPOSIT FOR SHARES

Deposit for Shares relates to the conversion of Bank of Ghana's five year Subordinated Term Debt of GH¢ 150,000,000 into equity in favor of its subsidiary, Financial Investment Trust(FIT) which is a shareholder of the Bank. Furthermore FIT brought in additional capital of GH¢ 127m bringing the total to GH¢ 277,000,000.

34. INCOME SURPLUS

	2018	2017
	GH¢'000	GH¢'000
At 1 January	(189,429)	(188,778)
Deferred tax on IFRS 9 opening balance adjustment	41,765	
Transfer to credit risk reserve	(149,376)	(13,906)
Transfer to statutory reserve	(2,954)	(13,255)
Profit for the year	5,908	26,510
	(294,086)	(189,429)

35. REVALUATION RESERVE

This reserve comprises the cumulative net change in the fair value of property and equipment.

	2018	2017
	GH¢'000	GH¢'000
At 1 January	57,531	57,531
At 31 December	57,531	57,531

36. STATUTORY RESERVE

Statutory reserve represents cumulative amounts set aside from annual profits after tax required under section 34(i) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The proportion of net profits transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the relationship that the balance on statutory reserves bears to paid up capital.

	2018 GH¢'000	2017 GH¢'000
At 1 January	98,146	84,891
Transfer from income surplus	2,954	13,255
At 31 December	101,100	98,146

37. CREDIT RISK RESERVE

The credit risk reserve is a non-distributable reserve required by Bank of Ghana to account for difference between impairment loss on financial assets as per IFRS and the specific and the general impairment loss on loans and advances and contingent liabilities per the Central Bank's prudential guidelines.

	2018 GH¢'000	2017 GH¢'000
At 1 January	185,323	171,417
Impact of IFRS 9	(167,058)	-
Transfer from Income Surplus	149,375	13,906
At 31 December	167,640	185,323

Reconciliation between Bank of Ghana impairment allowance and IFRS impairment

Bank of Ghana impairment allowance for loans and advances	593,238	534,100
Bank of Ghana allowance on off-balance sheet items	-	2,746
IFRS Impairment for loans and advances at 31 December	(425,598)	(351,523)
Credit risk reserve at 31 December	167,640	185,323

38. FAIR VALUE THROUGH OCI

	2018 GH¢'000	2017 GH¢'000
At 1 January	52,342	54,617
Fair value adjustment, net of tax (Note 33ii)	3,084	(2,275)
At 31 December	55,426	52,342

The Fair Value Reserves includes the cumulative change in the fair value of equity investments until the investment is derecognized or impaired.

ii. Fair value through other comprehensive income net of tax is made up of:

	2018 GH¢'000	2017 GH¢'000
Investment securities	-	567
Investment (other than securities)	4,112	2,466
Deferred Tax	(1,028)	(758)
Total	3,084	2,275

39. CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

In common with other banks, the Bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The Bank also holds certain securities in its own name on behalf of customers. The values of these securities are not recognised in the statement of financial position.

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

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

Contingencies and commitments in the financial statements as at 31 December 2018 in respect of the above amounted to GH¢ 374.81million (2017: GH¢275.08 million), as detailed below:

	2018 GH¢'000	2017 GH¢'00
Letters of Credit	175,144	123,956
Guarantees and Indemnities	199,663	151,120
	374,807	275,076

39.1 CREDIT RISK QUALITY OF LETTER OF CREDIT, COMMITMENTS AND GUARANTEES

The table below shows the credit quality and the maximum exposure to credit risk of credit, commitments and guarantees

based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Grade 1-3: low fair risk	199,663	-	-	199,663
Grade 4-5	175,144	-	-	175,144
Grade 6:	-	-	-	-
Grade 7	-	-	-	-
Grade 8	-	-	-	-
At 31 December 2018	374,807	-	-	374,807

An analysis of changes in the gross carrying amount in relation to credit, commitments and guarantees is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	275,076	-	-	275,076
New assets originated or purchased	99,731	-	-	99,731
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2018	374,807	-	-	374,807

An analysis of changes in the ECL allowances in relation to credit, commitments and guarantees is, as follows:

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Gross carrying amount as at 1 January 2018	11,121	-	-	11,121
New assets originated or purchased	6,630	-	-	6,630
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
At 31 December 2018	17,751	-	-	17,751

40. CONTINGENT LIABILITY

Pending Legal Claims

At the year-end there were 29 legal cases pending against the Bank. Should judgment go in favour of the plaintiffs, likely claims against the Bank have been estimated at GH¢ 806,824 (2017: GH¢ 5,005,000). No provisions have been made in the financial statements in respect of these amounts because the Bank's solicitors believe that the bank has good chance of success.

Funds under Management

Investments and funds being managed by the Bank on behalf of clients amounts to GH¢25,700,000 (2017: GH¢22,400,285).

Shareholders

Name of shareholder	Percentage holding (%)
Government of Ghana	32
Financial Investment Trust	61
Employee Share Offer Plan	5
Others	2
	100

At 31 December, the following amounts related to transactions with the Government of Ghana

	2018 GH¢'000	2017 GH¢'000
Government Securities	1,189,747	1,099,177
Loans and Advances	13,002	14,063
Borrowings	45,956	52,953
Others	11,395	11,935

Associated Company

The Bank provides general banking services to its associated company. These transactions are conducted on similar terms to third-party transactions.

Details of investments in associated company are provided in Note 23.

Transactions with executive directors and key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank (directly or indirectly) and comprise the Directors and Senior Management the Bank.

The Bank has advanced loans to some past directors as well as key management staff. No provisions have been made in respect of loans to the Executive Director or other members of key management personnel (or any connected person).

No provisions have been made in respect of loans to Directors or other members of key management personnel (or any connected person).

These are funds being managed on behalf of government of Ghana. There is no income recognised however interest is accrued as payable to government.

41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both. Shareholders with more than 5% stake are disclosed as follows:

Remuneration of Executive Directors and other key management personnel

The remuneration of executive directors and other key management personnel during the year were as follows:

Short term employee benefits

	2018 GH¢'000	2017 GH¢'000
Salaries and other short-term benefits	11,953	14,742
Social security contributions	668	881
	12,621	15,623

Remuneration of executive directors during the year amounted to GH¢ 1,030,809 (2017: GH¢ 1,440,441).

4.1. RELATED PARTY TRANSACTIONS cont'd

Details of transactions and balances between the Bank and Executive Directors and other key management personnel are as follows:

	2018 GH¢'000	2017 GH¢'000
Loans		
Loans outstanding at 31 December	940	1,029
Interest income	36	37

Interest rates charged on loans to staff are below market rates. These loans are secured over the assets financed of the respective borrowers. These loans are fair valued at the year end. There were no loans to the Executive Director in the current year.

	2018 GH¢'000	2017 GH¢'000
Deposits	5,969	3,284

Key Management's shareholding

	No. of shares	% Holding
Key management	14,100	0.00611

Transactions with companies in which a Director or other members of key management personnel is related

The executive director is a non-executive board member of Ghana International Bank Plc (GIB).

Details of transactions and balances between the Bank and GIB are as follows:

	2018 GH¢'000	2017 GH¢'000
Borrowings	-	-
Bank balance	28,872	17,874

Transactions with non- executive directors

Directors' remuneration

Fees and allowances for services as directors	2,093	1,060
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Details of transactions and balances between the Bank and past non-executive directors are as follows:

	2018 GH¢'000	2017 GH¢'000
Loans		
Outstanding at 1 January	279	420
Net movement	(141)	(141)
Outstanding at 31 December	138	279
Interest income	76	76

Term loans amounting to GH¢605,203 were granted to two directors in 2012. The loans were granted at the Bank's base rate plus 5%. The facilities will expire in 2020. The outstanding amount on the facility at 31 December 2017 is GH¢279,350. The process of approval starts with the management credit committee before submission to the board for approval at which meeting the Directors excuse themselves. Subsequently the Central Bank is informed of the approval process. The loan was approved in 2012.

No loan or advance was granted to companies in which Directors have an interest in 2018. (2017: nil)

4.1. RELATED PARTY TRANSACTIONS cont'd

	2018 GH¢'000	2017 GH¢'000
Deposits	5,969	1,405

Directors' Shareholding

At 31 December 2018, the past directors named below held shares in the Bank.

Directors	No. of shares	% Holding
Nana Soglo Alloh IV (Resigned)	100,000	0.00081
Daniel Asiedu (Resigned)	2,000	0.00002
Dr. Adu Anane Antwi	800	0.000
	102,000	0.00083

4.2. DEFINED CONTRIBUTION PLAN

Contributions to the statutory defined contribution

	2018 GH¢'000	2017 GH¢'000
Pension scheme, the National Social Security Fund	9,898	8,623
Provident Fund	11,293	9,820
	21,191	18,443

4.3. ASSETS PLEDGED AS SECURITY

At 31 December 2018 the value of government securities pledged as collateral was GH¢ 16,240,000 (2017: GH¢ 13,627,400).

4.4. COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

At 31 December 2018 the value of government securities accepted as collateral that the Bank is permitted to sell or re-pledge in the event of default was GH¢ 268,000,000 (2017: GH¢ 364,543,228).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowings and lending activities.

4.5. SOCIAL RESPONSIBILITY

Amounts spent on social responsibility amounted to GH¢ 1,513,373 (2017: GH¢ 1,451,089). These included best farmer sponsorship, donations to schools and others of national orientations.

4.6. NATIONAL FISCAL STABILISATION LEVY

The National Fiscal Stabilisation Levy Act 862, became effective from 12 July 2014. Under the Act, a 5% levy will be charged on profit before tax and is payable quarterly.

4.7. REGULATORY DISCLOSURES

(ii) Non-Performing Loans Ratio

Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross): 49.29% (2017: 42.87%).

(iii) Capital Adequacy Ratio

The capital adequacy ratio at the end of December 2018 was calculated at approximately 13.70% (2017: 13.72%).

(iv) Liquid Ratio

Percentage of liquid assets to volatile liabilities: 135.24% (2017: 144.20%).

4.8. SUBSEQUENT EVENTS

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. The Bank had no material subsequent events that required adjustments to or disclosure in the financial statements.

49. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Standard	Interpretation
IFRS 16 - Leases	<p>IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.</p> <p>Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas:</p> <p>Measurement of cash-settled share-based payments:</p> <p>The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.</p> <p>Classification of share-based payments settled net of tax withholdings:</p> <p>The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity settled if certain criteria are met.</p> <p>Accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments clarify the approach that companies are to apply.</p> <p>The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for annual periods commencing on or after 1 January 2018.</p>
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	

49.2 IFRS 16 Leases

The Bank has performed a detailed impact assessment of IFRS 16.

In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position (increase/ (decrease)) as at 31 December 2018:

	Amount
Assets	
Property, plant and equipment (right-of-use assets)	14,232.73
Prepayments	(12,121.83)
Liabilities	
Lease liabilities	(2,110.90)
Net impact on equity	

Due to the adoption of IFRS 16, the Bank's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

49.3 IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts

it holds. IFRS 17 is currently effective from 1 January 2021. However, the IASB is considering delaying the mandatory implementation date by one year and may make additional changes to the standard. Industry practice and interpretation of the standard is still developing and there may be changes to it, therefore the likely impact of its implementation remains uncertain.

49.4 Amendment to IAS 12 'Income Taxes'

An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that an entity should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment is effective for annual reporting periods beginning on or after 1 January 2019 and is applied to the income tax consequences of distributions recognised on or after the beginning of the earliest comparative period. As a result of its application, This amendment would be adopted from 1 January 2019 when it becomes effective.

50. TRANSITION DISCLOSURES

The following set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

50.1 A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 Measurement			Remeasurement			IFRS 9	
	Ref	Category	Amount GH¢'000	Reclassification	ECL GH¢'000	Other GH¢'000	Amount GH¢'000	Category
Cash and Cash Equivalents	a	L&R	951,675				951,675	AC
Investment securities		HTM	1,099,177		-		1,099,177	FVPL (Mandatory)
Loans and advances to customers	b	L&R	1,139,356		(155,938)		983,418	AC
Investment (other than securities)		AFS	91,832		-		91,832	FVOCI
Total Financial Assets			3,282,040	-	(155,938)	-	3,114,982	
Borrowed funds		AC	458,551				458,551	AC
Deposits from customers		AC	2,541,010				2,541,010	AC
Other liabilities	c	AC	66,569		(11,120)		55,449	AC
Total Financial Liabilities			3,066,130		(11,120)		3,055,010	

50.2 Impact on retain earnings

On transitional to IFRS9 additional impairment of GH¢167,058,000 was recognised against retained earnings as at 1 January 2018. This impairment resulted from the calculation of Expected credit losses on loans, commitments and guarantees held as at 1 January 2018

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows

	1 January 2018 GH¢'000
Opening balance as at 1 January 2018	(189,429)
Additional impairment due to IFRS 9 as at 1 January 2019	(167,058)
Transfer from credit risk reserves to retain earnings	167,058
Deferred tax asset	41,765
	(147,664)

a) Loans and advances to customers

The application of the expect credit loss model as per IFRS 9 resulted in additional impairment of GH¢155,938,000

b) Other liabilities

The application of the new accounting model for credit risk resulted in an adjustment of provisions on guarantee and loan commitments for an amount of GH¢ 11,120,000 as at 1 January 2018

C. Deferred tax asset

The additional impairment as a result of the adoption of IFRS 9 resulted in a deferred tax asset of GH¢ 41,765,000. The deferred tax asset was recognised irrespective of the initial recognition exemption because the expected credit loss was estimated on an existing financial asset.

51. NON-COMPLIANCE WITH SECTIONS OF THE BANKS AND SPECIALISED DEPOSIT-TAKING INSTITUTIONS ACT, 2016 (ACT 930)

Review of Exposure Limits

Section 62 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that secured and non-secured facilities should not exceed 25% and 10% of the company's net own funds respectively. The Bank had two facilities that breached the secured prescribed exposure limits by year end 2018.

Appendices

Appendix I		
Value Added Statement		
	2018	2017
	GH¢'000	GH¢'000
Interest earned and other operating income	599,869	622,138
Direct cost of services	(360,943)	(343,109)
Value added by banking services	238,926	279,029
Non-banking income	9,268	4,612
Impairment	(6,559)	(49,823)
Value Added	241,635	233,818
Distributed as follows:		
To employees:		
Directors (without executives)	(2,093)	(1,060)
Executive Directors	(1,031)	(1,440)
Other employees	(178,108)	(163,759)
	(187,232)	(168,112)
To Government:		
Income tax	(28,149)	(20,829)
To providers of capital		
Dividends to shareholders	-	-
To expansion and growth:		
Depreciation	(13,474)	(12,747)
Amortization	(9,246)	(5,618)
	(22,720)	(18,365)
Income surplus	5,908	26,510

APPENDIX II

Shareholders' Information - Unaudited

Number of shareholders

The Bank had 446 ordinary shareholders at 31 December 2018 distributed as follows:

Category	No. of shareholders	No of shares	% of shares held
1-1,000	413	116,371	0.05
1,001-5,000	20	43,758	0.02
5,001-10,000	2	17,500	0.01
Above 10,000	10	230,745,594	99.92
Total	445	230,923,223	100

20 Largest Shareholders

Control rights: Each share is entitled to the same voting rights.

	SHAREHOLDER NAME	SHARES HELD	% OWNERSHIP
1	FINANCIAL INVESTMENT TRUST	139,708,548	60.50%
2	GOVERNMENT OF GHANA	74,579,327	32.30%
3	ESOP	11,546,161	5.00%
4	DOE, OSCAR YAO O. Y. D.	2,631,681	1.14%
5	COFIE, MARK BLEWUNYO KODJO M. B. K. C.	2,100,629	0.91%
6	NANA, SOGLO ALLOH IV	54,800	0.02%
7	PARACELUS PHARMACY & MARKETING CONSULTANCY LTD, P. P. M. C. L.	50,000	0.02%
8	BONDZI-SIMPSON, LESLIE	26,600	0.01%
9	MR, JOHN BEKUIN-WURAPA	20,000	0.01%
10	GOGO, BENJAMIN AKUETE	12,000	0.01%
11	LAING, ARCHIBALD FERGUSON	11,048	0.00%
12	ARMAH-MENSAH, EDWARD IAN NII AYITEY E. I. N. A. A.	10,000	0.00%
13	FIADJOE, ABLA GRACE A. G. F.	7,500	0.00%
14	MR, ISAIAH OFFEI-DARKO	5,000	0.00%
15	SAAH, MARY E. M. E. S	5,000	0.00%
16	DUAH, EUGENE KWAKU	4,500	0.00%
17	SAS ITF AFFOR JOHN KOFI,	3,000	0.00%
18	AFREH BINEY, KWASI K. A.B	2,500	0.00%
19	ASIEDU, DANIEL D.A	2,000	0.00%
19	BOSROTSI, PETER PAO P. Y. B	2,000	0.00%
19	GYEBI, BERNARD APPIAH BAG	2,000	0.00%
19	MR., KWABENA ADABO KUFUOR	2,000	0.00%
19	NUOTUO-KAMINTA, BRIDGET LEKANONG BLNK	2,000	0.00%
19	ODAME, DESMOND YAW DY0	2,000	0.00%
19	TETTEVI ANGELINA NANA AKYAAH,	2,000	0.00%
19	YEBOAH, KWADWO ASARE K. A. Y.	2,000	0.00%
20	NYANTE, SYLVIA NAA KWAKAI S. N. K. N.	1,900	0.00%
	SUBTOTAL of TOP 20	230,796,194	99.94%
	Others	127,028	0.06%
	TOTAL	230,923,222	100.00%

Proxy

I/We _____
 _____ of _____
 _____ being members of Agricultural Development Bank Limited hereby appoint _____
 _____ or failing him, MR. ALEX BERNASKO, Chairman of Agricultural Development Bank Limited, P. O. Box
 4191, Accra, 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 British
 Council, Accra at eleven o'clock (11:00am) in the forenoon on the 28th August, 2019 and at any adjournment thereof.

Please indicate with a tick in the space below how you wish your votes to be cast

RESOLUTIONS		FOR	AGAINST	ABSTAIN
1. To ratify the appointment of the following Directors:				
i. Mr. Alex Bernasko.	1 (1)			
ii. Dr. John Kofi Mensah	1 (2)			
iii. Mr. Kwabena Abankwa-Yeboah	1 (3)			
iv. Mrs. Mary Abla Kessie	1 (4)			
v. Professor Peter Quartey	1 (5)			
vi. Hon. Mrs. Abena Osei-Asare	1 (6)			
vii. Mr. Kwesi Korboe	1 (7)			
viii. Hon. Dr. Mark Assibey-Yeboah	1 (8)			
2. To receive and adopt the reports of the Directors, Auditors and the Financial Statements for the year ended 31st December 2018	2			
3. To authorise the Board to fix the remuneration of the Auditors for the financial year ending December 31, 2019	3			
4. To approve Directors' fees	4			
5. That the Directors of the Company be and are hereby generally and unconditionally authorised to issue shares by private placement of ordinary shares of the Company to Ghana Amalgamated Trust Plc (GAT) for consideration of GHS 127,000,000 in order to increase the Company's stated capital to GHS 400,000,000 to meet the Bank of Ghana's new minimum capital requirement (the "Private Placement").				
6. That the Shareholders hereby waive their pre-emption rights in relation to the ordinary shares to be issued to GAT under the Private Placement.				
7. That the Directors of the Company be and are hereby authorised, subject to all applicable laws and regulatory requirements, to determine the terms, timing and pricing of any issue under the Private Placement.				

Dated this _____ day of _____ 2019

Signed _____

THIS FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE SENDER WILL BE ATTENDING THE MEETING.

1. Provision has been made on the form for MR. ALEX BERNASKO, the Chairman of the Meeting, to act as your Proxy but if you so wish, you may insert in the blank space the name of any person whether a member of the Company or not who will attend the Meeting and vote on your behalf instead of the Chairman.
2. In the case of joint holder, each holder must sign. In case of a company, the Proxy Form must be signed by a Director and its Common Seal appended..

If you intend to sign a Proxy, please sign the above Proxy Form and post/submit it to reach the Registrar, Central Securities Depository, Cedi House, Accra or the Secretary, Agricultural Development Bank Limited , P.O. Box 4191, Accra, Ghana or via email to gansah@agricbank.com at any time prior to the commencement of the meeting in accordance with the Company's Regulations

ADB Branch Network

HEAD OFFICE

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3rd Ambassadorial Development Area
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E-mail: customercare@agricbank.com
Website: www.agricbank.com
Toll-free: 0800-10034

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Tel (Corporate Banking): 032-2045273
Tel (DFU): 032-2045265
Fax: 032-2045270

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Accra West

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Fax: 037- 2023634

Central/Western

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Tel: 031 202 9049

BRANCHES & AGENCIES

ASHANTI REGION

1. Ashanti Bekwai Branch

PMB, Ashanti Bekwai
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Fax: 032- 2420315

2. Ejisu Branch

P. O. Box 8494, Kumasi
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028-9335919

3. Kumasi-Adum Branch

P. O. Box 3841, Kumasi
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2021521, 2024333
Fax: 032-2026215

4. Kumasi-Central Market Branch

P. O. Box R-204, Kumasi
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2033914, 2033913
Fax: 032- 2033465

5. Kumasi-Nhyiaeso Branch

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6. Kumasi-Prempeh II St. Branch

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2045276
Fax: 032- 2045269

7. New Edubiase Branch

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8. Obuasi Branch

Private Mail Bag, Obuasi
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Fax: 032- 2540672

BRONG-AHAFO REGION

9. Atebubu Branch

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032-2099574
Fax: 035- 2622026

10. Berekum Branch

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2222153, 2222507
Fax: 035- 2222104

11. Dormaa Ahenkro Branch

PMB, Dormaa Ahenkro
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Fax: 035- 2322251

12. Goaso Branch

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024- 4312134

13. Kenyasi Branch

P. O. Box KN2, Kenyasi
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14. Kwapong Branch

Private Mail Bag, Kwapong
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15. Nkoranza Branch

P. O. Box 70, Nkoranza
Tel: 035- 2092074, 2097313

16. Sunyani Branch

P. O. Box 110, Sunyani
Tel: 035-2027192, 2027075

17. Techiman Branch

P. O. Box 16, Techiman
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2091312

ADB Branch Network

CENTRAL REGION

18. Agona Swedru Branch

P. O. Box 200, Agona Swedru
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Fax: 033-2021683

19. Assin Fosu Branch

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2192205

20. Cape Coast Main Branch

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21. Kasoa Branch

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Fax:030- 2863347

22. Mankessim Branch

PMB MK 286, Mankessim
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23. UCC Branch

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2137791
Fax: 033- 2130630

EASTERN REGION

24. Asiakwa Branch

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26. Koforidua Branch

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27. Nkawkaw Branch

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3122028, 3122457
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28. Suhum Branch

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GREATER-ACCRA REGION

29. Abeka La-Paz Branch

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30. Accra Makola Branch

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31. Accra New Town Branch

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32. Achimota Branch

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33. Adabraka Branch

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2242420
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34. ADB House Branch

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35. Tema East Branch

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Fax: 030- 3308094

36. Ridge Branch

PMB, Ministry Post Office, Accra
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Fax: 030- 2662951

37. Labone Branch

P. O. Box 11957
Kaneshie, Accra
Tel: 0302 2688399

38. Bukom Arena

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39. Dansoman Branch

P. O. Box DS 2270
Dansoman, Accra
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40. Gulf House Branch

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41. Kaneshie Branch

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2688411-14
Fax: 030- 2688415

42. Weija Branch

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2850428, 2850429
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43. Madina Branch

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44. Nima Branch

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45. Nungua Branch

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46. Osu Branch

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47. Ring Road Central Branch

P. O. Box 01557, Osu, Accra
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2239409
Fax: 030- 2227280

48. Spintex Road Branch

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2816215
Fax: 030- 2816214

ADB Branch Network

49. Tema Branch

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3203371, 3206396
Fax: 030- 3203372

50. Tema-Mankoadze Agency

P. O. Box 875, Tema
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51. Teshie Branch

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Fax: 030- 2712549

NORTHERN REGION**52. Bole Branch**

P. O. Box C/O ADB, Bole
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53. Buipe Branch

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Fax:N/A

54. Savelugu Branch

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55. Tamale-Aboabo Branch

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56. Tamale-Kaladan Branch

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57. Tamale-Main Branch

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2027339
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58. Walewale Branch

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59. Yendi Branch

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UPPER-EAST REGION**60. Bawku Branch**

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2222299
Fax: 038-2222330

61. Bolgatanga Branch

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62. Navrongo Branch

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2122010

UPPER-WEST REGION**63. Tumu Branch**

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64. Wa Branch

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2022342
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2530613
Fax: 036- 2530612

66. Ho Branch

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Fax: 036-2028274

67. Hohoe Branch

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Fax: 036-2722951

68. Juapong Branch

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2094376

69. Kpando Branch

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2350942
Fax: 036-2350940

70. Kpeve Branch

c/o P. O. Box 10, Kpando
Tel. 036-2095097

71. Nkwanta Branch

P. O. Box 40, Nkwanta
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054-4338199

72. Sogakope Branch

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Fax: 036-2095710

WESTERN REGION**73. Agona Nkwanta**

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Western Region
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74. Bonsu Nkwanta Branch

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Tel. 032-2190715

75. Enchi Branch

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Fax: 031 - 2622082

76. Grel-Apemanim Branch

c/o P. O. Box 600, Takoradi
Tel: 031-2196063,
031-2916061

77. Sefwi Essam Branch

c/o P. O. Box 3841, Kumasi
Tel: 024-0813416

78. Sefwi Wiawso Branch

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Tel: 024-3081183,
031- 2092093/2094487

79. Takoradi Branch

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2029068, 2029080, 2028488
Fax: 031-2029060

80. Juaboso Agency

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