# ANNUAL REPORT 2015

SOCIETE GENERALE
GHANA

BUILDING TEAM SPIRIT
**TOGETHER**

# ANNUAL REPORT
# & FINANCIAL STATEMENTS
# FOR THE YEAR ENDED
# 31 DECEMBER 2015

# **ORGANISATION & OPERATING RULES** ARE GUIDED BY

» Priority given to service quality and added value for clients
» Creating shareholder value
» Respect for people and their development
» Respect for Compliance and Internal Control applicable to banks

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# NOTICE AND AGENDA FOR **ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the 36th Annual General Meeting of Societe Generale Ghana Limited (the **"Bank"**) will be held at the Accra International Conference Centre, Castle Road, Osu, Accra on **Thursday 31st March 2016** at 11am in order to deliberate on the following agenda:

Annual General Meeting Resolutions

**Ordinary Business**

1. To receive and adopt the Reports of the Directors, Auditors and the Financial Statements for the year ended 31 December 2015.
2. To declare a final dividend for the period ended 31 December 2015.
3. To re-elect Directors.
4. To elect a Director.
5. To approve Directors' fees.
6. To pass a Resolution appointing Messrs Ernst & Young to replace Messrs Deloitte & Touche as Auditors with effect from 31st March 2016.
7. To authorise the Directors to determine the remuneration of the Auditors.

**Special Business**
To pass the following as Special Resolution:

1. To authorize the Board of Directors to decide, at its discretion, to increase the stated capital of the Bank to a minimum of One Hundred and Forty Million Ghana Cedis (GHS140 million) through a rights issue (the "Rights Issue"), subject to applicable regulatory approvals and to set the parameters of the Rights Issue, the amount of which shall not exceed Forty One Million Ghana Cedis (GHS41 million).

Dated, this 18th day of February 2016.

**BY ORDER OF THE BOARD**
**ANGELA NANANSAA BONSU**
**THE SECRETARY**

**NOTE**

A member of the Company entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of him. A Proxy need not be a member. A form of Proxy is attached to the Annual Report. For it to be valid for the purpose of the meeting it must be completed and deposited at the Registered Office Societe Generale Ghana Limited, Head Office, Company Secretariat, Ring Road Central P. O. Box 13119 Accra Ghana not less than 48 hours before the appointed time of the meeting.

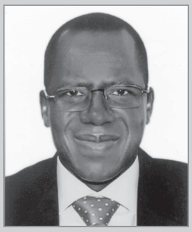
# CORPORATE **INFORMATION**

| | |
|---|---|
| **BOARD OF DIRECTORS** | |
| Kofi Ampim | Chairman |
| Sionel Yeo | Managing, appointed 1 August 2015 |
| Francois Marchal | Deputy Managing |
| Arnaud Crouzet | Chief Operating Officer |
| Alexandre Maymat | |
| Michel Miaille | |
| Pierre Wolmarans | |
| Teresa Ntim | |
| Nii Adja Nablah | |
| Christian Celin | |
| Kofi Asamoah | |
| Gilbert Hie | Resigned 31 July 2015 |
| **COMPANY SECRETARY** | Angela Nanansaa Bonsu<br>Societe Generale Ghana Limited<br>2nd Crescent, Royalt Castle Road<br>Ring Road Central<br>P.O. Box 13119<br>Accra, Ghana |
| **REGISTERED OFFICE** | 2nd Crescent, Royalt Castle Road<br>Ring Road Central, Accra<br>P.O. Box 13119<br>Accra, Ghana |
| **AUDITORS** | Deloitte & Touche<br>Ibex Court, 4 Liberation Road<br>Dr Ako Adjei Interchange<br>P.O. Box GP 453<br>Accra, Ghana |
| **REGISTRARS** | NTHC Limited<br>Martco House<br>P.O. Box KA 9563<br>Airport, Accra<br>Ghana |
| **COUNTRY OF INCORPORATION** | Ghana, Accra |
| **HOLDING COMPANY** | SG Financial Services, Holding |
| **ULTIMATE HOLDING COMPANY** | Societe Generale incorporated in France |

# BOARD OF **DIRECTORS**

**KOFI AMPIM**
(Chairman)

## EXECUTIVE **DIRECTORS**



(Managing)
**SIONLE YEO**

(Deputy Managing)
**FRANCOIS MARCHAL**

(Chief Operating Officer)
**ARNAUD CROUZET**

## NON EXECUTIVE **DIRECTORS**

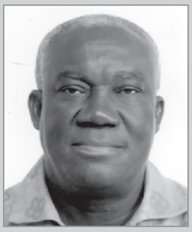
**ALEXANDRE MAYMAT**
(Member)

**TERESA NTIM**
(Member)

**MICHEL MIAILLE**
(Member)

**NII ADJA NABLAH**
(Member)

**PIERRE WOLMARANS**
(Member)



**KOFI ASAMOAH**
(Member)

**CHRISTIAN CELIN**
(Member)

**ANGELA NANANSAA BONSU**
(Company Secretary)

# PROFILE OF **THE BOARD OF DIRECTORS**

**Kofi Ampim**
*Chairman of the Board of Directors.*

He holds a Bachelors degree and a Masters degree in International Business and Finance from the Pace University, Lubin School of Business in New York. He is an Investment Banker and a Director of Total Oil Company. He is the Chairman of Belstar Capital Limited and also Chairman of Allianz Insurance Ghana Limited which is a subsidiary of the largest insurance company in the world. He joined the Board of Directors on 26th March, 2003.

**Sionle Yeo**
*Managing Director.*

He holds a Post Graduate ITB degree from Institut Technique de Banque CNAM Paris. He is also a graduate of Engineering ENSIEG from Ecole Nationale Superieure d'Ingenieurs Electriciens de Grenoble group ING and specialised in Automation and Industrial Computer Science with honours. He holds an Engineering ESIM degree from Ecole Superieure d'ingenieurs de Marseille, with cross training option in Civil Engineering. Prior to joining Societe Generale Ghana he was Chief Executive Officer of Societe Generale Burkina Faso from 2011 to 2015. Mr Yeo was the Deputy Managing Director of Societe Generale Cote d'Ivoire from 2008 to July 2011 and was instrumental in re-launching the Bank after the Ivorian crisis. Mr Yeo was appointed to the Board of Directors of Societe Generale Ghana in April 2015 with the Bank of Ghana granting approval to the said appointment on 30th July 2015.

**Francois Marchal**
*Deputy Managing Director.*

He holds a Master of Science in Finance and Management degree and a Masters degree in Law. Prior to joining Societe Generale Ghana he was an Inspector in SG Paris, as Head of Missions since 2008. He has a strong experience in Credit. He worked as a principal Inspector since 2011, supervising a portfolio of assignments. He supervised the credit review by the European Central Bank on the SG Group. Mr Francois Marchal has also worked in Algeria in Data Rooms and a subsidiary in Eastern Europe. He joined the Board of Directors on 26th July 2014.

**Arnaud Crouzet**
*Chief Operating Officer.*

He holds a Master of Science degree in Economy and Finance. He joined the Societe Generale Group in 2001. He was an internal auditor specialized in Banking Services; Cash Management; Custody, Trade services. Insurance, Long Term renting activity, Retail Banking. In Greece he put in place a structure for the liquidation and restructuring of the Societe Generale subsidiary. He worked for 7 years for Sofinco Consumer Finance in France ( Credit Agricole). Mr. Crouzet was also a Head Hunter and has extensive sales expertise. He joined the Board of Directors on 26th July 2014.

**Alexandre Maymat**

He holds Statistics and Economic Administration degrees from the Polytechnics School and from the National School of Statistics and Economic Administration. He has a vast experience in the public service of France and of the European Union Economic and Financial Committee. Within the Societe Generale Group, he has held the following positions. Chief Inspector, Regional Manager of the Franche-Comté area; Director and CEO of Société Générale de Banque in Cameroon; and he is now the Deputy Head of the Group's International Retail Banking Division. He joined the Board of Directors on 15th November 2012.

**Teresa Ntim (Mrs)**

She holds a BSc and MSc. in Agricultural Economics. Her career spans over 33 years with the Bank of Ghana serving in different capacities in the Research, Rural Finance, Development Finance and Foreign Operations departments and was Head of Treasury from 1993 to 1997. She also served as Special Advisor to the Governor of the Bank of Ghana and retired in 2004. She joined the Board of Directors on 7th February, 2005.

**Christian Celin**

He holds a Bachelors degree in Telecommunication Engineering from the National Superior School of Telecommunications Paris, France and a Masters degree in Marketing and Communication strategy from the University of Paris, France. Within the

Societe Generale Group he has worked as Managing Director at SG Securities Department after being an Internal Auditor at the Central Financial Controlling Department; Internal Auditor of French "Banques Populaires" Group; Engineer in telecommunication systems at French "Société Anonyme de Télécommunications". He is currently Regional Manager for subsidiary countries at the International Banking and Financial Services Division of SG. He joined the Board of Directors of SG Ghana on 20th November 2013.

**Kofi Asamoah**

He holds an Honorary Doctorate degree for outstanding Leadership from Colombia University Washington DC Global Centre for Transformational Leadership. He also holds a Master of Arts degree in Philosophy and Labour Development from the Columbia University Washington District of Columbia; a Post Graduate Diploma in Labour Studies from the University of Histradrut Tel Aviv Israel; a Post Graduate Diploma in Socio Political Science Institute of Social Sciences Moscow Russia; a Post Graduate Diploma in Labour Policies Studies from the University of Cape Coast. He is currently the Secretary General of the Trade Unions Congress ("TUC"). He joined the Board of Directors on 20th November 2013.

**Michel Miaille**

He holds Bachelor's degree in Law. He joined Société Générale in 1971. In 1980-1986 he was the General Manager of Société Générale Nigeria. From 1986 to 1990 he was the General Manager for a Société Générale affiliate in Oman in the Middle East. From 1990 to 1994 Mr Miaille was the General Manager for Société Générale Taiwan. From 1994 to 1999, he was the Managing Director for Société Générale Cameroon. His last position was Managing Director of Société Générale de Banques Cote d'Ivoire. He joined the Board of Directors on 26th March, 2003.

**Nii Adja Nablah**

He is a Chartered Accountant by profession and holds an MBA (Finance) from the University of Wales and University of Manchester UK. He has extensive experience in the Implementation and Review of Accounting Systems, Procedures and Controls and Financial Systems Analysis. He is the General Manager Finance at the Social Security and National Insurance Trust (SSNIT). Before joining SSNIT he worked with KPMG, a practicing firm of Chartered Accountants offering Audit, Taxation, Management Consultancy and other services. Directorships held are the Trust Bank, NTHC Company Limited, NTHC Properties, and Kumasi Catering Resthouse Limited. He joined the Bank's Board of Directors on 24th November 2010

**Pierre Wolmarans**

He holds LLB and B Com (Law, Economics and Accountancy 3A) and is an Attorney by profession. He joined Société Générale in 1990. He is presently the Chief Executive for Société Générale Corporate and Investment Bank, Southern Africa and Indian Ocean Region, Johannesburg. He joined the Board of Directors on 7th February, 2005.

# KEY MANAGEMENT **PERSONNEL**

**Sionle Yeo**
*Managing Director*
Please refer to the section under Board of Directors.

**Francois Marchal**
*Deputy Managing Director*
Please refer to the section under Board of Directors

**Arnaud Crouzet**
*Chief Operating Officer*
Please refer to the section under Board of Directors

**Edmund Wireko Brobbey**
*Managing Director's Advisor*

He holds a Master of Business Administration (Finance) from the Fordham University, New York USA and a BSC (Management) degree from the New York Institute of Technology USA. He joined the Bank in 1981 and has served in different capacities as Head Corporate Department; Head of Marketing Department; Head Business Development; Head Priority Banking Service; Head Privilege Banking Unit; Head Retail Sales Department and Head Development and Bank Strategy Department. He has over 30 years banking experience.

**Kwame Abbey**
*Chief Risk Officer in charge of Credit and Market Risk.*

He is a graduate of the Kwame Nkrumah University of Science and Technology Ghana with a BSc in Mechanical Engineering. He is also a professionally qualified member of both the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Bankers Ghana. Kwame Abbey has over 15 years banking experience with specialization in Corporate Banking, Credit and Risk Management having worked in various positions as Assistant Corporate Relationship Manager, Senior Credit Analyst, Head of Business Credit Administration and Leasing in the Business Banking Department. He is a member of the Credit and Market Risk Committee of the Bank.

**Irene Owiredu Akrofi**
*General Manager, Treasury*

She holds an Executive Master of Business Administration (Finance) and a BSc Administration from the University of Ghana and two professional qualifications (ACIB) from the Chartered Institute of Bankers in London and (ACI) Association Cambiste Internationale based in Paris. Over her 25 year career she has built expertise in Retail Banking, Product Development, Card Payment Systems, Operational Risk Management and Control, Project Management, Treasury Business Development and Sales, and Executive Management. She is charged with managing the Bank's Assets and Liabilities and is also responsible for the Bank's market activity.

**Angela Nanansaa Bonsu**
*General Manager, Company Secretariat*

She holds a Master of Business Administration from the Middlesex University Business School United Kingdom and an honours degree in Law from the Birkbeck College, University of London. She is a professionally qualified member of good standing with the Institute of Directors Ghana. She is richly experienced in Company Secretaryship, Compliance, Corporate Governance, Business Integration, Global Employee Share Ownership Programmes, Legal Administration, Human Resource, and Project Management with over 20 years experience working in various capacities. As the Company Secretary for the Bank, Ms Bonsu has oversight responsibility for the Legal Department, manages Communications, Sustainable Development & Corporate Social Responsibility.

**Fred Obosu**
*General Manager, Corporate Banking*

He holds a Master of Business Administration from the Kwame Nkrumah University of Science & Technology; Bachelor of Arts (Hons) degree in Economics from the University of Cape Coast; Bsc (Hons) in Banking Practice and Management from IFS School of Finance UK; Professional

Post Graduate Diploma in Marketing from the Chartered Institute of Marketing UK. With over (14) years experience in the Banking Industry, he has gained significant experience in Corporate and Investment Banking, Commercial/SME banking, Product & Business Development, Cash Management, Supply/Value Chain Financing, International Trade Finance spanning various industries/sectors.

**Kwaku Tweneboa Kodua**
*General Manager, Retail Banking*

He is a seasoned Banker with Retail Banking experience in the Banking industry in Ghana. He has managed teams spanning from few members to 4000 plus. His most famous role was the Head of Direct Sales in the banking industry where he championed the taking over of the market concept with a dedicated and well drilled sales force known as Direct Sales Agents. He left the Banking industry briefly in 2011 where he took up the position of Chief Operating Officer of the Roverman Productions, the most consistent theatre company in Ghana where he was able to obtain sponsorship syndications with corporate Ghana and thus bringing theatre on a regular basis to Ghanaians.

**Bernice Allotey**
*Assistant General Manager, Organisation & Projects*

She holds an Executive Masters in Business Administration (Finance) and a BSC in Computer Science and Statistics from the University of Ghana, Legon and was accredited as a Prince 2 Practitioner by the Association of Project Managers Group in 2005. She has extensive knowledge and proven expertise in Project and Change Management and process improvement/ procedure writing with over 16 years experience in the Banking industry. She has handled projects relating to various functions of the banking industry and provided support for the Core Banking Application. As the Head of Organisation and Projects, she is responsible for the Societe Generale Ghana Project Portfolio and Methods & Procedures.

**Lawrence Ribeiro**
*Assistant General Manager, Logistics & Support*

He holds BSc Electrical/Electronic Engineering degree from the Kwame Nkrumah University of Science and Technology and an Executive Master of Business Administration (Finance option) from the University of Ghana, Legon. In the last thirteen years he has built extensive experience in enterprise IT management. He worked in various capacities as Head of Data Centre Operations, Head of Network and Systems, Head of IT Security and business Continuity Planning and Head of Information Systems and Technology.

**Albert Ofori**
*Assistant General Manager, Human Resources Management*

He is a professionally qualified member of good standing with the Institute of Human Resource Management Practitioners (Ghana). He holds a Master's degree in Industrial-Organizational Psychology and a B. A. Degree in Psychology with Philosophy from the University of Ghana. He is an Associate member of the Institute of Professional Financial Managers (IPFM) and the Society for Human Resource Management (SHRM). He has over 15 years experience in Generalist and Specialist Roles in Human Resource Management and 6 years experience in Retail Banking.

**Sydney Vanderpuye**
*Assistant General Manager, Finance Department*

He is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Chartered Accountants (Ghana). He holds an MBA (Finance) from the London South Bank University and BSc. Administration (Accounting Option) from the University of Ghana. He has experience in UK Public Sector Accounting and also worked with Ernst & Young (Ghana) where he was involved in various Audit and Consultancy assignments. In 2006 he was a pioneer staff of a bank which was later taken over by one of the current industry leaders. In both banks he led various functions including Finance, Corporate Strategy, Performance Management, Internal Control, Corporate

Finance and Electronic Banking Business. He joined Societe Generale Ghana in 2012 as Head, Accounts and subsequently appointed Head, Finance.

**Dorcas Hazel Quaye**
*Head, Operational Risk and Permanent Control*

She holds a BA in Social Sciences in Economics, Law and English from the Kwame Nkrumah University of Science and Technology. She has 29 years of rich dedicated banking experience in Societe Generale Ghana where she was the first woman appointed branch manager in the 1990s. Then, after being Head of SME Department., she was chosen to act as the first Head of Compliance, AML&CFT when this unit was created in the bank. In October 2015, she took on her current position as Head of Permanent Control and Operational Risk, with oversight responsibility for Permanent Supervision, Business Continuity and Crisis management, Compliance, Anti money Laundering and Operational Risk.

**Hend Boulahya**
*Head, Marketing Multi Channel and Quality*

She holds a Masters degree in Management and Marketing from the University of Paris XIII. She joined Societe Generale Group in Tunisia in 2003 where she acted as Head of Multichannel Department of Societe Generale Tunisia UIB before becoming Head of Marketing and Communication. She previously held for 6 years the position of Head of E-cash Management and E-Banking in Citibank Tunisia. Before joining the banking sector, Hend Boulahya was Sales Manager for Abou Nawas Resorts in Tunisia.

# CHAIRMAN'S **STATEMENT**

***Distinguished Shareholders, on behalf of the Board of Directors and Management of Societe Generale Ghana Limited, it is my pleasure to welcome you to the 36th Annual General meeting of our Bank and present to you, the Annual Report and Financial Statements for the financial year ended 31 December 2015. Our Bank's financial performance remained stable within the context of a competitive and challenging environment.***

**Economic Environment**

Global economic developments over the period of 2015 varied across countries and regions. Advanced economies showed appreciable growth while emerging and developing economies were affected by lower medium-term growth expectations, lower revenues from commodity exports and country specific factors. Global growth rate for 2015 initially forecasted at 3.3%, has been revised to 3.1% but expected to strengthen at 3.6% in 2016 to reflect the rebound in economic activity.

The significant decline in oil prices, cut back in China's demand from its Sub-Saharan trade partners and the significant impact of Ebola on affected countries slowed down the growth rate of the Sub-Saharan region over the 2015 period. Projections for the region for 2015 dropped to 3.8% as compared to the 5% growth in 2014. Growth for advanced countries stood at 2.2% while emerging and developing countries grew at a rate of 4.5%.

**Operating Environment**

The Ghanaian economy for 2015 remained resilient despite the severe energy crisis, domestic and external debt burdens, and macroeconomic volatility. Over the period, to address the increasingly unsustainable fiscal and current account imbalances, the Government embarked on a Stabilization programme with the International Monetary Fund. This sought to restrain and prioritize public expenditure, increase tax revenue and strengthen the effectiveness of the central bank's monetary policy. The issuance of the $1billion Eurobond helped to support the currency, cover the budget and rollover short-term debt.

Over the medium term , the economy is projected to recover with a real GDP growth of 5.4% in 2016 and 5.8% in 2017 anchored on higher oil and gas production, increased private sector and public infrastructure investments, as well as an improved macroeconomic framework. Ghana continues to enjoy a relatively favorable political risk profile and the upcoming 2016 election is expected to be peaceful. It is also the expectation that the Government will ensure strong fiscal discipline to be in line with budget deficit targets during this period.

The macroeconomic highlights for 2015 indicated GDP growth at 4.1%. Real GDP is projected at 5.4% in 2016 in anticipation of increasing oil production and improvement in the electricity generation shortfall. Various strategies have been outlined in the 2016 budget to increase the revenue generation capacity of the government and reduce the country's rising debt burden. In that regard, a new Income Tax Act was passed to take effect in January 2016. The Act seeks to simplify the income tax regime and improve tax compliance and it is expected to yield additional revenue equivalent to 0.3% of GDP.

The Gross Foreign Assets was projected at US$6.4 Billion as at the end of 2015; representing 4 months of import cover. The international commodities market for gold and oil was characterized by bearish conditions over the period. Gold prices declined by 8.0% recording an average of US$1,151.55 per ounce in 2015 as against US$ 1,251.91 in 2014. Crude Oil prices also decreased over the period, by 47.5% from an average of US$ 99.50 per barrel in 2014 to US$ 52.19 per barrel in 2015. However, the projections for the commodities market still remain positive. Production from the Jubilee, Sankofa and TEN oil fields are expected to increase by 14.6% in 2016 and 40.0% in 2017. Cocoa prices however, averaged US$ 3,138.74 per tonne in 2015 representing a 1.7% increase from the US$ 3,085.02 recorded in 2014. Cocoa production for the 2015/2016 crop season is also expected to increase.

The Ghanaian Cedi was stable during the year compared to 2014. Although the Cedi still depreciated against the major trading currencies, the rate of depreciation was lower than in 2014. The Cedi lost 15.68% of its value against the US Dollar, 11.17% against the Pound Sterling and 6.07% against the Euro. The major contributors accounting for the continued fall included an over reliance on imports, low oil and gold prices and an inadequate supply of foreign exchange. However interventions by the Central Bank, the USD 1 Billion Eurobond Issue by government and the USD 1.8 billion Cocoa Syndicated Loan helped to stabilize the cedi and improve liquidity in the foreign exchange market during the last quarter of the year.

The consumer price inflation increased to 17.7% in December 2015, up from 17% in 2014. This was influenced by uncertainties in the foreign exchange market, upward adjustments in fuel and utility prices and fiscal constraints. However, Government expects inflation to ease gradually towards the medium term target band of 8.0±2 percent in the first half of 2016.

The monetary policy rate for 2015 reached 26% from 21% at the beginning of the year. The Bank of Ghana implemented the integration of the reverse repo rate with the policy rate to further tighten the monetary stance and rein in both the high inflation rate and the volatile exchange rates. Money market rates declined over the year. The 91 day T-bill benchmark yield rate moved from 25.8% to 23.1% while the 182 day rate decreased from 26.4% to 24.3%.

**2015 Operating Results**

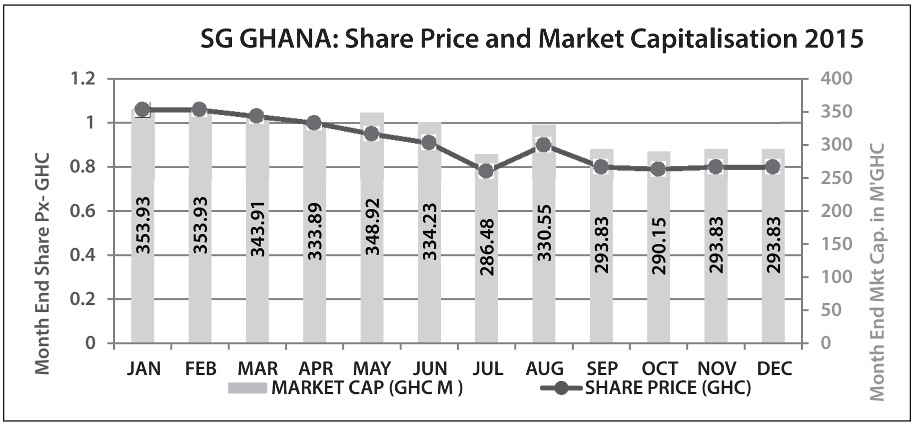
Our Bank recorded a Profit before Tax of GH¢64,387,599 and Profit after Tax of GH¢44,605,077. Net Banking Income increased by 11.4% and Current Operating Expenses grew by 26.4%. Shareholders' Funds increased from GH¢221,983,165 to GH¢263,980,201 representing a progression of 18.9%.

**Dividend**

In line with the Regulations of our Bank a final dividend of GH¢0.076 per share is being recommended by the Board of Directors to Shareholders. This is 62.6% of the Profit after Tax.

**Share Performance**

At the start of the year our share price was GH¢1.06. However by the second half of 2015 the share price had declined to GH¢0.91. It then further declined to GH¢0.80 in December 2015. However, this price is currently stable at GH¢0.82.



**Changes in Capital Structure**
In 2015, Shareholders of the Bank approved an increase in the stated capital of the Bank from GH¢62.3 million to GH¢100 million. This was achieved through a Bonus Issue and the transfer of GH¢37.7million from Income Surplus to Stated Capital. I am happy to inform you that the Stated Capital of our Bank is now GH¢100 million.

**Changes in the Board of Directors**
During the year, Mr Gilbert Hie resigned as a Director of the Bank upon retiring from the services of the Societe Generale Group after 43 years of service. At Societe Generale Ghana, he served the Bank diligently for four and a half years. On behalf of the Board of Directors of the Bank and on my own behalf, I would like to thank Mr Gilbert Hie for his immense contribution to the development of our Bank during his tenure. I wish him a very happy retirement.

We warmly welcome our new Managing Director Mr. Sionle Yeo to Ghana and to the helm of affairs of Societe Generale Ghana Limited. On the recommendation of the Board of Directors and with the approval of the Bank of Ghana Mr. Yeo was appointed a Director. As required by the Regulations of our Bank Mr. Yeo will be seeking election as a Director.

**Corporate Governance**
Our Bank is committed to ensuring effective corporate governance and sound risk management which are of fundamental importance in banking business. The Companies Act, 1963 (Act 179), The Banking Act, 2004 (Act 673), the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Money Laundering Regulations, 2011(LI 1987), Securities and Exchange Regulations, 2003 (LI 1728) and the Continuing Listing Requirements of the Ghana Stock Exchange provide us with the regulatory framework for ensuring effective corporate governance and an efficient compliance regime.

**Increase in the Stated Capital of the Bank**
A resolution is being presented to the shareholders to authorize the Board of Directors to decide, at its discretion, to increase the stated capital of the Bank to a minimum of One Hundred and Forty Million Ghana Cedis (GH¢140 million) through a rights issue (the "Rights Issue").

The purpose of the Rights Issue would be to enable the Bank develop and grow its business and undertake larger volume transactions in line with the growth and competitive strategy of the Bank. Further, the proposed Rights Issue will improve the Bank's Single Obligor Limits and enable SG Ghana to better serve the needs of its clients in a competitive environment. An improved Single Obligor Limit will ensure that the Bank implements and achieves its growth and competitive strategy hence improving its current market share (3.36% for loans and advances as of December 2015).

The Rights Issue will also strengthen the balance sheet of the Bank by switching from the subordinated loan (USD 12 million) to equity and enhance the profitability of the Bank by (i) decreasing the interest burden of the Bank (estimated at GHS4 million on an annual basis) and (ii) stop the revaluation losses on the Bank's Profit and Loss due to the volatility of the Ghana Cedi (end-2015 losses were – GH¢6.3 million ).This is because the loan is to be repaid in USD and thus the need to revalue the position and mark to market on a monthly basis. An early redemption of the said subordinated loan would improve the profit before tax from 2017 onwards. The proposed early redemption of the subordinated loan would be subject to the Bank of Ghana's approval.

With the directive for new banks to attain a minimum stated capital of GH¢120million, it is expected that the Bank of Ghana may in the near future require existing banks to comply with this new level of minimum stated capital. The proposed Right Issue will increase the stated capital of SG Ghana to GH¢140 million and underlines the commitment of the Bank to continue to play an important role in Ghana's banking sector.

I humbly urge you to authorize the Board to decide the Rights Issue, once the regulatory approvals are obtained. This Rights Issue would allow in summary to 1/ develop the business of the bank, 2/ redeem the subordinated loan and enhance the profitability of the bank and 3/ increase the stated capital of the Bank.

**Outlook for the Year 2016**
The year 2016 is an election year and as always with Ghana's political stability and deepening democracy I am sure that the elections will be held peacefully. The Societe Generale Group is highly confident in the future of Ghana, given the strong economic potential of the country and its sustained peaceful governance.

For Societe Generale Ghana, the year 2016 will be a year of transformation with new systems and new processes to be put in place with a view to increasing our Bank's market share. The aim is to achieve sustained organic growth. I have confidence in our nation Ghana and in Societe Generale Ghana. I am confident about the future of our Bank.

**Acknowledgement**

On behalf of the Board of Directors, I wish to thank each and every Shareholder, Customers and other Stakeholders for the firm confidence and support demonstrated over the years. I would also like to express my sincere gratitude to Employees at all levels for their contribution to the growth and profits we made in 2015. I would also like to thank our Regulators: the Bank of Ghana, the Securities and Exchange Commission, the Ghana Stock Exchange and the Ghana Investment Promotion Centre for their supervision and guidance. I am confident that TOGETHER we will continue to build Societe Generale Ghana into a more profitable business with a significant increase in its market share.

Thank you for your attention.

**KOFI AMPIM, *CHAIRMAN***

# MANAGING DIRECTOR'S **REVIEW**

*It is my pleasure to present to you for the first time, a review of our Bank's operations having being appointed as Managing Director in August 2015 to Societe Generale Ghana, a Bank with a strong position in the industry which has been built over the years. The review below will give shareholders an insight into the performance of our Bank in 2015.*

**2015 Operating Results**

In spite of the stiff competition in the industry and a challenging economic environment our Bank recorded a Profit before Taxation of GH¢ 64,387,599 from which GH¢ 19,782,522 was deducted giving a Profit after Tax of GH¢44,605,077. Net Banking Income increased by 11.4% and Current Operating Expenses grew by 26.4%. Shareholders' Funds increased from GH¢ 221,983,165 to GH¢263,980,201 representing an increase of 18.9%.

**Review of Operations**

During the year 2015 our Bank continued with its efforts to improve its competitive advantage aimed at attracting new customers and improving its organic growth. To achieve this the following developments occurred in 2015:-

- The Focus on the Quality of Services
- Development at Human Resources Management
- New Products and Services
- Launch of the Trade Finance Portal at the International Business Centre
- Organic Growth in Corporate Banking
- Exemplary Performance in Retail Banking
- Sustained Performance in Treasury
- Development in Small Medium Sized Enterprise

**The Focus on the Quality of Services**

The focus for 2015 was to improve our service offering across our branch network, facilitating the development of expertise and efficiency in the execution of front line delivery to customers. The objective was to improve the total customer experience. Activities undertaken included the creation and communication of an internal service charter which highlighted our service obligations to our customers. Liaising with stakeholder departments, training of Universal Relationship Officers, Tellers, Branch Managers, Cards and PINS custodians was done on various topics covering cards and loans administration, customer service, complaints handling, product knowledge and branch operational efficiency. International Customer Service week was organized to appreciate and celebrate our customers. Highlights of the week included the interaction of executive management with customers and staff in branches. Prizes were given to nominated staff for being the favorite contact person in the branch. Periodic mystery shopping was done to monitor the standard of service across the network. Identified gaps were addressed through feedback and training of front line staff.

**Development at Human Resources Management**
The Human Resource Management Department in its continuous effort to create efficiency, introduced several projects in 2015. These included the acquisition of a Human Resource Information System (HRIS), a tool which has an HR Controller, Employee Self Service and an embedded Business Intelligence Solution. The department also introduced two Human Resource Business Partners responsible for the Commercial and Support functions in a bid to promote engagement between HR and the various functional teams. In the area of skills development and knowledge acquisition, the Department introduced a Group e-learning tool (My-Learning Light) in order to augment human capital development activity in the Bank. An SG Ghana Talent Club was also inaugurated in 2015 with the aim of sharpening the project management skills, leadership and communication skills of our talents. The Talents worked on Cross-Functional Projects with high stakes for the Bank.

**New Products and Services**
2015 saw the development of new products and services and revamping some existing products in line with customers needs and competitive insights. Bancassurance Products developed were Sound Cash; Sound Drive; Sound Education and Sound Home. Other Products developed were Happy Home; Happy Auto Loan and Safe Privilege Boxes. For deposit mobilization the Flexi Campaign was deployed, also launched during the year were Referral promotion campaign (dubbed "Spread The Word"); identified solution for cash collection and the Final Countdown promotion campaign on deposits.

The Bank also intensified its quality and marketing campaigns with mystery shopping; Retail Product catalogue; new in Branch communication template and external communication with Press Conferences, Radio and Press for all products launched. There was the reorganization of Multichannel Banking and its usage for Sikatext; Contact Centre and Sikanet.

**Trade Finance Portal at the International Business Centre**
The Bank launched the Trade Finance Portal "TradeNet" during the year. This is an internet based interface where customers can forward their letter of credit requests directly to the bank. Its interactive features enable real-time communication with the Trade Department of the bank when they process trade transactions, ensuring speedy service delivery. There was also the local set up of the worldwide business line Trade Services & Finance within the SG Group. This would enhance business performance, ensure a dynamic revenue growth, and increase SG Group's market share against a more competitive environment. In Societe Generale Ghana, the Worldwide Business line in Trade Finance was kick started in November 2015 with the objectives of setting up a suitable trade sales organization, implementing an ambitious business plan; enlarging the trade product range, harmonizing the pricing policy; enhancing the professionalism of our teams, improving quality of service provided to our clients and strengthening risk monitoring.

**Organic Growth in Corporate Banking**
The Corporate Banking department recorded a modest growth in 2015. During the year under review, aggressive recovery and marketing/business development efforts was embarked upon and staff were made to go through training programs. In line with the 2016 bankwide re-organization agenda, the Department will continue with the realignment and re-organization of its structures and human resources to ensure efficiency, effective value delivery and customer satisfaction.

The asset portfolio recorded a 4.2% growth albeit against 25% growth in 2014. All asset types recorded growth with exception of state loans and Finance Lease. The factoring line experienced a sharp marked growth (203%) and will be further deployed to support the efficient delivery of our value chain financing model and customer acquisition strategy. Corporate Banking will improve on the growth of the finance lease and work on further and faster development of the factoring business to diversify the asset growth sources.

Term loans grew by less than 1% on account of aggressive recovery effort that was made in especially the first and second quarter of 2015.

Deposits mobilization was challenging, as clients expected Treasury Bill benchmark and key deposit sources have had to make mandatory payments before end of the year under review. Total deposits grew by 33.3% with call deposits experiencing negative growth due to massive withdrawals by its major depositors. The department will continue with its cautious business development in the downstream oil and gas space towards deposits mobilization and fee income generation. In 2016 aggressive cheap deposit mobilization is considered as a key sales objective and therefore the sales and deployment of SG's Cash Management platform to utility companies, schools, churches and Telcos will be paramount in the deposit mobilization endeavor. Corporate Banking Department will continue to cooperate with Treasury, International Banking Centre and Retail Banking towards effective deal structuring and provision of total banking solutions to our customers.

The depreciation of the Ghana cedi against the major foreign currencies and its attendant Foreign Exchange scarcity was quite challenging to the bank in 2015; this was contained through on boarding of major upstream Oil and Gas players and effective engagement of major mining and allied companies to improve FX inflows towards meeting the needs of clients. In 2016, the marketing of FX hedging solutions will be intensified and directed at existing trade based clients and intensely market same to new clients, whilst developing the FX supply sources mainly from the mining, upstream Oil and Gas sectors and providing financing support to serve export oriented businesses. This will become a priority.

**Exemplary Performance in Retail Banking**

Retail deepened its foot prints by opening two new Branches in Ashaiman and East legon respectively. This was in line with our continual effort to draw more closely to and also make life easier for our customers. To ensure we stay at par with the market and address the challenges associated with interest rate changes across the industry, retail embarked on a loan repricing exercise to ensure the business does not suffer unduly as a result of changes in interest rate on the market. This exercise was executed timely and it ensured the retail business stayed ahead of budget on income lines. Dormant account reactivation and customer KYC update was also an exercise that was undertaken in the year under review. A vibrant customer base is being ensured due to this exercise and its positive contribution to the retail business continues to become evident by the day. Various promotions notably the Final Countdown, Refer and Win/Spread the Word coupled with the various remittance promotions championed by Retail saw the retail business becoming more visible to our customers whiles advantage was taken to bring in more revenue through efficient sales delivery and service.

**Sustained Performance in Treasury**

Liquidity was well managed, the bank being a net lender to the market. The Ghana Cedi contingent liquidity was provided for by putting in place a foreign USD exchange SWAP with Bank of Ghana, thereby making emergency funding accessible. Funding lines with SG Group and International Financing Institutions provided medium term and contingency funding for foreign currency.

The first half of 2015 saw significant depreciation in the local currency against dollar. USD/GHS which closed at 3.2001 in 2014 had hit 4.3079 by end June, a depreciation of some 25.72% on GHS. The local currency found traction thereafter to close the year at a little over 15% depreciation. Foreign exchange volumes were maintained despite the difficult environment. Ghana Fixed Income Market (GFIM) was launched in August and the bank has positioned itself for active participation in the secondary market for government securities. Secondary activity saw an increase of 87.75% in turnover and 70% increase in income compared to 2014. New foreign brokers were signed up to bring volume to trading activity.

Treasury implemented by end 2015 a new Dealing/Market Risk platform where all products are now booked, processed and monitored. Efficiencies generated should translate to better pricing for clients; cost reduction through reduced or eliminated processing errors, speedy execution of client transactions and better risk monitoring. The tool lends itself to new product development as it covers all asset classes.

**Development in Small Medium Sized Enterprise**

The year under review saw a continuation of the re-shaping agenda of the SME business unit. Steps in this direction included the setting up of the credit monitoring aspect of the portfolio, beefing up of the team, and significant improvements in the credit delivery turnaround times to be more responsive to customer needs.

To ensure effective monitoring and recovery processes, SME Support Unit was set up in January 2015. This helped curb the spiral non-performing loans (NPL) trends witnessed in the portfolio over the years. The NPL evolution took a positive trend towards the end of the second half of 2015.

The risk participation arrangement with Agence Française de Développement (AFD) continued and was duly taken advantage of to grow our credit stock which saw a growth of 19% year on year.

For the first time in many years, the SME business saw commission income overtake interest income due to appropriate price reviews, acquisition of trade business clients and benefits from the centralization of some income recognition processes. Our commission income lines grew by 29% compared to last year.

The SME deposit stock witnessed a 21% increase over 2014 year end position, continuing its fast growth. In spite of the keen competition from both the upper and lower tiers of the market, banks and non-banks, our closeness to our customers paid off with significant growth recorded in our local currency deposits.

**The Future**
Management and Staff together commenced the implementation of a growth strategy in October 2015. This was aimed at defining a clear strategic move that will take our Bank to an ambitious competitive position by 2018. As a result the following will be implemented.

For 2016 Branches will be reorganized to become more sales-oriented, more customer-friendly and provide more comfort to the sales staff. There will be separate cubicles for all Universal Relationship Officers and dedicated "privileged spaces" for affluent and mass affluent customers, together with automatic queue management systems and digital corners in all branches. We will also equip more urban areas and more medium sized towns with offsite solar ATMs as well as providing Light Mobile Branches to the sales teams to improve their efficiency in prospection and for on-site customer on-boarding.

For Products we will offer the new Mobile Banking product "Mobilize" to be launched in 2016. Also with the launch of the new Retail packages in 2016, this would translate into a sustainable increase of our Retail customers' equipment rate and generate more commissions. We will also review our lending policy to individuals to generate more loans while keeping a reasonable cost of risk.

For the business market, we would re-segment and reorganize Corporate and SME to improve the market coverage and strengthen the Bank's presence on the ground; this would be in a clear move aimed at enlarging our customer base and being more efficient in cross-selling. The Bank would launch the SG Group's Global Transaction Banking organization (regrouping International Trade Sales, Cash Management, Factoring and cards activity for businesses) and some new Cash Management products.

With these initiatives derived from the strategic roadmap built together by Management and Staff and with commitment and hard work, I am confident that we will succeed in transforming our Bank and strengthening our brand throughout the country. Our ambition is to leverage on our revamped set up, our new growth strategy and the new Societe Generale Group's Leadership Model values to enable SG Ghana become the preferred Bank in the country, chosen for the professionalism of its teams and for the quality of service it delivers to its customers. We intend to invest in 2016 and beyond in the development of our business, both for our Retail and Corporate customers.

This growth strategy will help us generate more revenue and more profitability that will eventually be redistributed to all the stakeholders of the Bank, the shareholders and staff being the very first of them. Thus, we will be able to increase our equity to further foster the growth of our business, and to attract and retain the best people.

Long live Ghana and Long live Societe Generale Ghana !

**Sionle YEO**
***MANAGING DIRECTOR***

# REPORT OF THE **DIRECTORS**

The directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2015 reports as follows:

| | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| The Bank recorded net profit before taxation | **64,387,599** | 71,016,619 |
| From which is deducted taxation of | **(19,782,522)** | (21,205,074) |
| Giving a net profit after taxation of | **44,605,077** | 49,811,545 |
| There was a transfer to statutory reserves of | **(11,151,269)** | (12,473,845) |
| Leaving a profit for the year after taxation and transfer to statutory reserves of | **33,453,808** | 37,337,700 |
| When added to the opening balance on the income surplus account as of 1 January of | **50,345,751** | 35,978,519 |
| From which is deducted a reclassification adjustment of | **(319,732)** | - |
| From which is deducted a bonus issue transferred to Stated Capital | **(34,662,687)** | - |
| And Adjusting it with Transfer from Capital Surplus | **-** | 6,733,743 |
| And Adjusting it with Transfer from Other Reserves | **-** | 2,869,137 |
| From which is deducted a withholding tax on Bonus Issue | **(2,682,476)** | - |
| From which is deducted final Dividend Paid of | **-** | (20,033,634) |
| Leaving a balance of | **46,134,664** | 62,885,465 |
| And adjusting it with transfer from Regulatory Credit Reserve of | **4,371,060** | (12,539,714) |
| It leaves a closing balance on the Income Surplus account of | **50,505,724** | 50,345,751 |

**Nature of business**
There has been no change in the nature of the business of the Bank. The Bank is a public company under the provisions of the Companies Code, 1963 (Act 179) and is listed on the Ghana Stock Exchange.

**Holding company**
The Societe Generale Group through its wholly owned investment subsidiary SG Financial Services Holding owns 52% of the issued capital of the bank, thus making Societe Generale Ghana Limited, a subsidiary of Societe Generale Group.

**Stated capital**
The Bank has complied with the minimum stated capital requirement for universal banking as directed by the Bank of Ghana.

**Changes in Board of Directors and Senior Management**
**Re-election of Directors**
In accordance with Section 88 (1) of the Regulations of the Bank, Mr Michel Miaille, Kofi Ampim, and Mr Pierre Wolmarans retire by rotation and being eligible; offer themselves for re-election as Directors

**Mr. Michel Miaille:** Michel Miaille holds Bachelor's degree in Law. He joined Société Générale in 1971. In 1980-1986 he was the General Manager of Société Générale Nigeria. From 1986 to 1990 he was the General Manager for a Société Générale affiliate in Oman in the Middle East. From 1990 to 1994 Mr Miaille was the General Manager for Société Générale Taiwan. From 1994 to 1999, he was the Managing Director for Société Générale Cameroon. His last position was Managing Director of Société Générale de Banques Cote d'Ivoire. He joined the Board of Directors on 26th March, 2003.

**Mr. Kofi Ampim:** Kofi Ampim holds a Bachelors degree and a Masters degree in International Business and Finance from the Pace University Lubin School of Business in New York. He is an Investment Banker and a Director of Total Oil Company. He is also the Chairman of Belstar Capital Limited and also Chairman of Allianz Insurance Ghana Limited which is a subsidiary of the largest insurance companies in the world. He joined the Board of Directors on 26th March, 2003.

**Mr. Pierre Wolmarans:** Pierre Wolmarans holds LLB and B Com (Law, Economics and Accountancy 3A) and is an Attorney by profession. He joined Société Générale in 1990. He is presently the Chief Executive for Société Générale Corporate and Investment Bank, Southern Africa and Indian Ocean Region, Johannesburg. He joined the Board of Directors on 7 February, 2005.

**Election of a Director**
In accordance with Regulation 72(1) and 90 of the Regulations of the Bank Mr Sionle Yeo appointed during the year offer himself for election.

**Mr Sionle Yeo:** Mr Sionle Yeo is the Managing Director of the Bank. He holds a Post Graduate ITB degree from Institut Technique de Banque CNAM Paris. He is also a graduate of Engineering ENSIEG from Ecole Nationale Superieure d'Ingenieurs Electriciens de Grenoble group ING and specialised in Automation and Industrial Computer Science with honours. He holds an Engineering ESIM degree from Ecole Superieure d'ingenieurs de Marseille, with cross training option in Civil Engineering. Prior to joining Societe Generale Ghana he was Chief Executive Officer of Societe Generale Burkina Faso from 2011 to 2015. Mr Yeo was the Deputy Managing Director of Societe Generale Cote d'Ivoire from 2008 to July 2011 and was instrumental in re-launching the Bank after the Ivorian crisis. Mr Yeo was appointed to the Board of Directors of Societe Generale Ghana on 17 April 2015 with the Bank of Ghana granting approval to the said appointment on 30 July 2015.

**Directors' Interest**
Two Directors holding office at the end of the year owned a total of 4,884 shares of the Bank's total shares of 367,281,269. None of the other Directors had any interest in the shares of the Bank at any time during the year. None of the Directors had a material interest in any contract of significance with the Bank during the year.

**Dividend**
The Board of Directors have recommended a dividend payment of GH¢ 0.076 per share for the year ended 31 December 2015.

**Bonus Issue**
There has been no proposal for the issue of bonus shares during the year under review.

**Auditors**
The auditors, Messrs Deloitte & Touche, in accordance with Section 134 (5) of the Companies Code, 1963 (Act 179), will

resign as auditors of the bank at the close of the Annual General Meeting. This is in line with the mandatory rotation of auditors of banks as directed by the Bank of Ghana. The Board of Directors wish to place on record their appreciation to Messrs Deloitte & Touche for their many years of service that they have provided to the Bank.

**Auditors Remuneration**
In accordance with Section 134 (5) and 135 of the Companies Code, 1963 (Act 179) a resolution to appoint Messrs Ernst & Young as the Company's auditors and to authorize the Directors to determine the remuneration for the year ended 31 December 2016 will be proposed at the Annual General Meeting.

**Increase in the Stated Capital of the Bank**
The Board of Directors will be seeking Shareholders' approval to increase the Bank's Stated Capital from One Hundred Million Ghana Cedis (GH¢ 100,000,000) to One Hundred and Forty Million Ghana Cedis (GH¢140,000,000) through a Rights Issue.

**Substantial Shareholders**
Details of the Bank's twenty largest shareholders are disclosed in note 47 to the financial statements.

**Corporate Governance**
Societe Generale Ghana Limited respects the standards of good corporate governance, which include transparency, accountability and rights of all its stakeholders.

**Credit Risk Committee**
In line with its Corporate Governance principles, the Board of Directors has a Credit Risk Committee made up of the following directors:

| | | |
|---|---|---|
| Michel Miaille | - | Chairman |
| Alexander Maymat | - | Member |
| Christian Celin | - | Member |
| Sionle Yeo | - | Member |
| Francois Marchal | - | Member |

This committee identifies and monitors the key risks of the bank and evaluates their management. It ensures that the appropriate policies and organisation are in place to manage the risks to which the bank is exposed in the area of market and credit risk. Specifically regarding counterparty risks, the Credit Risk Committee reviews the content of and changes to the portfolio per type of facility and debtor, the regulatory ratios and key indicators, changes to the quality of commitments: sensitive, irregular and non-performing files, compliance with the conditional authorizations issued by the Board in line with Societe Generale Group norms, adequacy of the level of provision for the risks incurred and the efficiency of debt collection. The Committee reports its findings to the Board of Directors with the requisite recommendations.

**Audit and Accounts Committee**
In line with its Corporate Governance principles, the Board of Directors has an Audit and Accounts Committee made up of the following directors:

| | | |
|---|---|---|
| Nii Adja Nablah | - | Chairman |
| Alexander Maymat | - | Member |
| Christian Celin | - | Member |
| Michel Miaille | - | Member |
| Kofi Ampim | - | Member |
| Teresa Ntim | - | Member |

This committee reviews and makes recommendations to the Board on all aspects of the audit and financial reporting processes. In attendance at Audit and Accounts Committee meetings are the Managing Director, Deputy Managing Director, Chief Operating Officer, Head of Audit Department, Head of Permanent Control Department and where necessary, the Bank's External Auditors.

**Nomination and Compensation Committee**
In line with its Corporate Governance principles the Board of Directors has a Nomination and Compensation Committee made up of the following directors:

| | | |
|---|---|---|
| Teresa Ntim | - | Chairperson |
| Kofi Asamoah | - | Member |
| Kofi Ampim | - | Member |
| Nii Adja Nablah | - | Member |
| Michel Miaille | - | Member |
| Sionle Yeo | - | Member |

This Committee ensures the bank has a board of competent and effective composition and is adequately charged to carry out its responsibility in the best interest of the bank and its shareholders. The Committee makes recommendations to the Board in respect of succession plans, appointments and competitive compensation packages for management officers of the Bank.

**Compliance with Securities and Exchange Commission Regulations**

The Bank has complied with the regulations of the Securities and Exchange Commission (L.I. 1728 Regulation 61) and has submitted to the Commission as requested, two (2) reports of the Audit and Accounts Committee for the year 2015. The Audit Committee held three meetings during the year under review. In fulfilment of the Securities and Exchange Commission requirements, we present a summary of the reports so submitted:

- Report on the Credit Risk, Operational Risk, and Market Risk Activities
- Report on Structural Risks and Statutory Ratios
- Report on Bank of Ghana's Prudential Ratios
- Report on an overview of the Audit Division and its functions
- Report on Compliance Monitoring, Anti Money Laundering and Permanent Supervision ensuring continuous monitoring of operational activities.
- Report on Counterparty Risks
- Report on Changes in Organisational Structure
- Report on Business Continuity Plan
- Audit Reports on Branches submitted.

The External Auditors submitted their audit plan for the year and performed the audit in accordance with International Standards on Auditing.

***By order of the board***

| | |
|---|---|
| *Chairman* | *Managing Director* |
| ***Kofi Ampim*** | ***Sionle Yeo*** |

# STATEMENT OF **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the bank at the end of the period and of the profit or loss of the bank for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether the applicable accounting standards have been followed.
- Ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

The directors are responsible for ensuring that the bank keeps accounting records which disclose with reasonable accuracy the financial position of the bank and which enable them to ensure that the financial statements comply with the Companies Code, 1963 (Act 179), the Banking Act, 2004 (Act 673), the Banking (Amendment) Act, 2007 (Act 738) and International Financial Reporting Standards. They are responsible for safeguarding the assets of the bank and hence for taking steps for the prevention and detection of fraud and other irregularities.

The above statement should be read in conjunction with the statement of the auditors' responsibilities on page 25, which is made with a view to distinguishing, for shareholders, the respective responsibilities of the directors and the auditors in relation to the financial statements.

Deloitte.

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# INDEPENDENT AUDITORS' REPORT

*To the Members of Societe Generale Ghana Limited*

## Report on the financial statements

We have audited the financial statements of Societe Generale Ghana Limited which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies on pages 32 to 46 and other explanatory notes as set out on pages 47 to 81.

**Directors' responsibility for financial statement**

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Code, 1963 (Act 179), and the Banking Act, 2004 (Act 673), as amended by the Banking (Amendment) Act, 2007 (Act 738), 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.

**Auditors' responsibilities**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respect, the financial position of Societe Generale Ghana Limited, as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Code, 1963 (Act 179), and the Banking Act, 2004 (Act 673), as amended by the Banking (Amendment) Act, 2007 (Act 738).

**Report on other legal and regulatory requirements**

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

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. in our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books, and
iii. the statement of financial position and statement of profit or loss and other comprehensive income of the bank are in agreement with the books of accounts.

The Banking Act, 2004 (Act 673) Section 78 (2) requires that we state certain matters in our report. We hereby state that:

i. the accounts give a true and fair view of the state of affairs of the bank and its results for the period under review;
ii. we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
iii. the bank's transactions are within its powers; and
iv. the bank has generally complied with the provisions in the Banking Act, 2004 (Act 673) and the Banking (Amendment) Act, 2007 (Act 738).

Deloitte & Touche

*Chartered Accountants*
*4 Liberation Road*
*Accra - Ghana*
*Licence Number: ICAG/F/2016/129*

*Andrew Opuni-Ampong*
*Practising Certificate Licence No: ICAG/P/1132*

23 February 2016

Partners: F. N. Sackey A. Opuni-Ampong D. Owusu
Member of Deloitte Touche Tohmatsu Limited

# FINANCIAL **STATEMENTS**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

| | NOTE | 2015 GH¢ | 2014 GH¢ |
|---|---|---|---|
| **Total Revenue** | 5 | **336,649,016** | 297,237,120 |
| Interest & Similar Revenue | 6 | **226,751,618** | 180,974,219 |
| Interest & Similar Expense | 7 | **(53,422,038)** | (44,186,330) |
| **Net Interest Income** | | **173,329,580** | 136,787,889 |
| Fees & Commission Income | 8 | **64,583,434** | 50,279,612 |
| Fees & Commission Expense | 8a | **(12,564,792)** | (10,179,626) |
| **Net Commission Income** | | **52,018,642** | 40,099,986 |
| Trading Revenue | 9 | **28,231,562** | 41,207,515 |
| Investment Income | 10 | **-** | 184,000 |
| Other Operating Income | 11 | **17,082,402** | 24,591,774 |
| **Total Other Operating Income** | | **45,313,964** | 65,983,289 |
| **Total Operating Income** | | **270,662,186** | 242,871,164 |
| Credit Loss Expenses | 12 | **(37,912,719)** | (38,625,775) |
| **Net Operating Income** | | **232,749,467** | 204,245,389 |
| Personnel Expense | 13 | **(81,684,827)** | (60,184,066) |
| Other Operating Expenses | 14 | **(76,374,304)** | (65,210,074) |
| Depreciation | 26 | **(9,483,078)** | (7,187,280) |
| Amortization | 26a | **(819,659)** | (647,350) |
| **Total Operating Expenses** | | **(168,361,868)** | (133,228,770) |
| **Profit before Tax Expense** | | **64,387,599** | 71,016,619 |
| Income Tax Expenses | 15 | **(16,563,142)** | (17,654,243) |
| National Stabilization Levy | 15b | **(3,219,380)** | (3,550,831) |
| **Profit after Tax Expense** | | **44,605,077** | 49,811,545 |
| ***Other comprehensive income:*** | | | |
| *Items that may be reclassified subsequently to profit & loss:* | | | |
| - Available for sale financial assets | | | |
| Net fair value (loss) on available-for-sale financial assets during the year | | **(379,043)** | (654,993) |
| Reclassification adjustment relating to available for sale financial assets disposed of in the year | | **453,478** | (140,154) |
| | | **74,435** | (795,147) |
| **Total Comprehensive Income for the Year** | | **44,679,512** | 49,016,398 |
| **Earnings Per Share:** | | | |
| Basic and diluted earnings per share (GH¢) | 16 | **0.12** | 0.15 |

# STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

| | NOTE | 2015 GH¢ | 2014 GH¢ |
|---|---|---|---|
| **Assets** | | | |
| Cash and Balances with Bank of Ghana | 17 | 248,884,782 | 180,766,261 |
| Due from Other Banks and Financial Institutions | 18 | 601,270,232 | 170,171,026 |
| Financial Investments | 19 | 126,744,550 | 337,196,973 |
| Other Assets | 20 | 23,719,330 | 19,754,058 |
| Loans and Advances to Customers | 21 | 911,472,524 | 883,044,221 |
| Unquoted Equity Investments | 23 | 406,500 | 406,500 |
| Current Tax Assets | 24a | 631,056 | 136,354 |
| National Stabilization Levy | 24b | 416,444 | 161,422 |
| Long Term Operating Lease | 25 | 3,485,050 | 3,633,350 |
| Property, Plant and Equipment | 26 | 82,517,945 | 79,141,492 |
| Intangible Assets | 26a | 1,424,092 | 1,537,707 |
| Deferred Tax Assets | 15a | 1,769,371 | - |
| **Total Assets** | | 2,002,741,876 | 1,675,949,364 |
| **Liabilities** | | | |
| Customer Deposits | 27 | 1,395,809,526 | 1,127,429,783 |
| Subordinated Debt | 28a | 40,000,000 | - |
| Due to Banks & Other Financial Institutions | 28b | 194,266,381 | 236,247,094 |
| Interest Payable and Other Liabilities | 29 | 108,685,768 | 89,485,714 |
| Deferred Tax Liabilities | 15a | - | 803,608 |
| **Total Liabilities** | | 1,738,761,675 | 1,453,966,199 |
| **Shareholders' Fund** | | | |
| Stated Capital | 31 | 100,000,000 | 62,393,558 |
| Income Surplus Account | 43c | 50,505,724 | 50,345,751 |
| Capital Surplus | 43d | 23,978,541 | 23,978,541 |
| Share Deals Account | 43e | - | 2,943,755 |
| Statutory Reserve Fund | 43f | 74,140,106 | 62,988,837 |
| Regulatory Credit Reserve | 43g | 15,432,939 | 19,803,999 |
| Other Reserves | 32 | (77,109) | (471,276) |
| **Total Shareholders' Fund** | | 263,980,201 | 221,983,165 |
| **Total Liabilities and Shareholders' Fund** | | 2,002,741,876 | 1,675,949,364 |

*The accompanying notes form an integral part of these financial statements.*

Approved by the Board on 18 February 2016 and signed on its behalf as follows:

**Kofi Ampim** - *Chairman*

**Sionle Yeo** - *Managing Director*

# STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2015

**December 2015**

| | Stated Capital | Income surplus | Capital surplus | Share deals account | Statutory reserve fund | General Regulatory credit reserve | Other reserves | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **Balance as 1 January 2015** | **62,393,558** | **50,345,751** | **23,978,541** | **2,943,755** | **62,988,837** | **19,803,999** | **(471,276)** | **221,983,165** |
| Reclassification adjustment | - | **(319,732)** | - | - | - | - | **319,732** | - |
| *Movements during the Year :* | | | | | | | | |
| Total comprehensive income | - | **44,605,077** | - | - | - | - | **74,435** | **44,679,512** |
| *Other Movements in Equity* | | | | | | | | - |
| Transfer to statutory reserve | - | **(11,151,269)** | - | - | **11,151,269** | - | - | - |
| Transfer from General Regulatory Credit Reserve | - | **4,371,060** | - | - | - | **(4,371,060)** | - | - |
| Transfer of Share Deals Account | **2,943,755** | - | - | **(2,943,755)** | - | - | - | - |
| Transfer of Bonus Issue | **34,662,687** | **(34,662,687)** | - | - | - | - | - | - |
| Withholding Tax on Bonus Issue | - | **(2,682,476)** | - | - | - | - | - | **(2,682,476)** |
| **Balance at 31 December 2015** | **100,000,000** | **50,505,724** | **23,978,541** | **-** | **74,140,106** | **15,432,939** | **(77,109)** | **263,980,201** |
| | | | | | | | | |
| **DECEMBER 2014** | | | | | | | | |
| Balance as 1 January 2014 | 62,393,558 | 35,978,519 | 30,712,284 | 2,943,755 | 50,514,992 | 7,264,285 | 3,193,008 | 193,000,401 |
| *Movements during the Year :* | | | | | | | | |
| Total Comprehensive Income | - | 49,811,545 | - | - | - | - | (795,147) | 49,016,398 |
| *Other Movements in Equity:* | | | | | | | | |
| Transfer of Revaluation Gain on Assets disposed off | - | 6,733,743 | (6,733,743) | - | - | - | - | - |
| Transfer of Gain on Sale of Investment in Associate | - | 2,869,137 | - | - | - | - | (2,869,137) | - |
| Dividend Paid | - | (20,033,634) | - | - | - | - | - | (20,033,634) |
| Transfer to Statutory Reserve | - | (12,473,845) | - | - | 12,473,845 | - | - | - |
| Transfer to General Regulatory Credit Reserve | - | (12,539,714) | - | - | - | 12,539,714 | - | - |
| Balance at 31 December 2014 | 62,393,558 | 50,345,751 | 23,978,541 | 2,943,755 | 62,988,837 | 19,803,999 | (471,276) | 221,983,165 |

# STATEMENT OF CASH FLOWS

For The Year Ended 31December 2015

| | NOTE | 2015<br>GH¢ | 2014<br>GH¢ |
|---|---|---|---|
| **Cash flow from Operating Activities** | | | |
| Operating Profit before Taxation | | **64,387,599** | 71,016,619 |
| **Adjustments for:** | | | |
| Depreciation | 26 | **9,483,078** | 7,187,280 |
| Amortization | 26a | **819,659** | 647,350 |
| Credit Impairment Charge | 22 | **37,912,719** | 38,625,775 |
| Loan and Advances Written Off | 22 | **(5,616,728)** | (735,349) |
| Interest in Suspense | 21 | **12,757,413** | 10,628,985 |
| Long Term Operating Lease Amortization | 25 | **148,300** | 148,300 |
| Unrealized Losses | | **13,691,834** | 9,468,530 |
| Dividend from Investments | 10 | **-** | (184,000) |
| Profit on Sales of Property, Plant and Equipment | 11 | **(424,681)** | (13,382,948) |
| Other Non Cash Movement | | **(277,608)** | (142,403) |
| **Operating Profit before Working Capital Changes** | | **132,881,585** | 123,278,139 |
| **Changes in Operating and Other Assets and Liabilities** | | | |
| Increase in Other Assets | 20 | **(3,965,272)** | (5,418,050) |
| Increase in Other Liabilities | 29 | **19,200,054** | 27,535,882 |
| Increase in Customer Deposit | 27 | **268,379,743** | 201,300,180 |
| Increase in Loans and Advances to Customers | 21 | **(73,481,707)** | (191,160,721) |
| Decrease/(Increase) in Financial Investments | 19 | **210,597,920** | (198,332,229) |
| (Decrease)/Increase Amount due to Banks and Other Financial Institutions | 28b | **(41,980,713)** | 200,773,725 |
| | | **378,750,025** | 34,698,787 |
| Income Tax Paid | 24a | **(19,373,992)** | (10,524,673) |
| Capital Gains Tax Paid | | **-** | (1,676,663) |
| National Stabilization Levy Paid | 24b | **(3,474,402)** | (3,260,553) |
| | | **(22,848,394)** | (15,461,889) |
| **Net Cash Generated from Operating Activities** | | **488,783,216** | 142,515,037 |
| **Cash flow from Investing Activities** | | | |
| Purchase of Property, Plant and Equipment | 26 | **(12,874,970)** | (11,858,423) |
| Purchase of Intangible Assets | 26a | **(706,044)** | (457,227) |
| Proceeds from Sale of Property, Plant and Equipment | | **436,087** | 13,132,047 |
| Proceeds from Sale of Investments | | **-** | 11,195,800 |
| Dividend Received | | **-** | 184,000 |
| **Net Cash (used in)/generated from Investing Activities** | | **(13,144,927)** | 12,196,197 |
| **Cash flow from Financing Activities** | | | |
| Dividend Paid | 33 | **-** | (20,033,634) |
| Subordinated debt | 28a | **40,000,000** | - |
| Withholding Tax on Bonus Issue | | **(2,682,476)** | - |
| **Net Cash used in Financing Activities** | | **37,317,524** | (20,033,634) |
| Increase in Cash and Cash Equivalents | | **512,955,813** | 134,677,600 |
| Net Foreign Exchange Difference | | **(13,738,086)** | (9,412,424) |
| Cash & Cash Equivalents as 1 January | | **350,937,287** | 225,672,111 |
| **Cash and Cash Equivalents at 31 December 2015** | 41 | **850,155,014** | 350,937,287 |
| **Operational Cash Flows from Interest:** | | | |
| Interest Received | 6 | **226,751,618** | 180,974,219 |
| Interest Paid | 7 | **53,422,038** | 44,186,330 |

# NOTES TO THE **FINANCIAL STATEMENTS**

*For the year ended 31 December 2015*

**1. Reporting Entity**

Societe Generale Ghana Limited (the Bank) is a limited liability company incorporated in Ghana under the Companies Code, 1963 (Act 179). The Bank is domiciled in Ghana with its registered office at 2nd Crescent, Royalt Castle Road, Ring Road Central, Accra. The Bank is authorized and licensed to carry out the business of banking and provides retail banking, corporate banking, investment banking and other financial intermediation activities and specialized financing activities such as leasing and consumer credits through its network of branches and outlets including divisions across Ghana.

The principal activities of the Bank are described in the Directors' Report. Societe Generale (Group), a bank incorporated in France, is the ultimate parent of the Bank.

The Bank is listed on the Ghana Stock Exchange (GSE). This has enabled the equity shares of the Bank to be traded publicly on the GSE.

**1.1 Authorization for publication**

The financial statements of the Bank for the year ended 31 December 2015were authorized for issue in accordance with a resolution of the board of directors on 18 February 2016.

**1.2 Statement of compliance**

The financial statements of the Bank For the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**1.2.1 Presentation of Financial Statements**

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the date is presented in note 39.

**1.3 Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year.

**2 Summary of significant accounting policies**

The significant accounting policies applied by Societe Generale Ghana Limited in the preparation of the financial statements are set out below:

**2.1 Basis of preparation**

The financial statements of the Bank have been prepared on a historical cost basis, except for available for sale investments, other financial assets and financial liabilities held for trading which is at fair value. Land & buildings are also carried under the revaluation model.

**2.2 Functional and presentation currency**

The financial statements are presented in Ghana Cedis [GH¢], which is the functional and presentational currency of the Bank.

**2.3 Foreign currency transactions**

Transactions denominated in foreign currencies are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognized in profit or loss under the heading "trading revenue". Foreign exchange gains and losses resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss under the heading "other operating income".

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flow as part of the reconciliation of cash and cash equivalents at the beginning and end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

**2.4 Segmental reporting**

IFRS 8 requires the identification of operating segments to be on the basis of internal reports that are reviewed by an entity's Chief Operating Decision Maker (CODM) to

## *Notes to the **Financial Statements** Cont.*

allocate resources to the segment and assess its performance.

IFRS 8 requires entities whose shares or debts are traded publicly to produce segmental report.

Societe Generale Ghana Limited is managed on a basis that takes account of the different business lines that dominate the operating activities of the Bank. Major business lines of the Bank are:

a Retail banking
b Corporate banking
c SME banking
d Treasury

The banking activities of the Bank have been segmented into various business lines. The profitability of these business lines is assessed based on the profit and Loss statement produced. These are illustrated in Note 42.

**2.5 Property, plant and equipment**

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

Land and buildings held for use in the provision of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed every five years to ensure that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for provision of services or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the bank's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

| | |
|---|---|
| Buildings | 3.00% |
| Furniture and equipment | 20.00% |
| Computer | 33.33% |
| Household furniture | 25.00% |
| Motor vehicles | 33.33% |

Leasehold land amortized over leased period.
Freehold land not depreciated.

## Notes to the **Financial Statements** Cont.

Costs associated with routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalized if it is probable that future economic benefits associated with the item will flow to the Bank.

The carrying values of property and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

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

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

Residual values, useful lives and methods of depreciation for property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

### 2.6 Intangible assets: Computer software

Costs incurred to acquire and bring to use specific computer software licenses are capitalized. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. The amortization period and method for an intangible asset, in this case computer software, are reviewed at least at each reporting date. Changes in the expected useful life in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on the intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight line method on the basis of the expected useful lives of the assets which range between 4 and 5 years.

The carrying values of intangible assets are reviewed for indications of impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

Gains or losses arising from de- recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### 2.7 Provisions

The Bank recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current

*Notes to the **Financial Statements** Cont.*

market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**2.8 Employee benefits**

The Bank contributes to two defined contribution schemes (the Social Security Fund and the Provident Fund) on behalf of employees.

**a Social security contributions**

This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees. All employer contributions are charged to profit or loss as incurred and included under personnel expenses.

**b Provident Fund**

This is Societe Generale Ghana Limited's specific defined contribution scheme under which the Bank contributes 10% of qualifying employees' basic monthly salaries to a fund managed by a trustee on behalf of, and for the benefit of the employees. All employer contributions are charged to profit or loss as incurred and included under personnel expenses with no further or future obligation on the part of the Bank.

**2.9 Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

**a Interest income**

Interest income is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated on initial recognition of the financial asset or liability, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses.

The calculation includes all amounts for processing and commitment fees paid or received by the Bank that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retains no part of the loan package for itself or retains a part at the same effective interest rate for all interest-bearing financial instruments, including loans and advances, as for the other participants.

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

**b Commissions and fees**

Commission and fees revenues and expenses that are integral part of financial instruments and are included in the measurement of the effective interest rate are spread over the period of the financial instruments. Commission and fees in respect of services are recognized in the income statement when the related services are performed.

The Bank earns commission and fees from a diverse range of services provided to its customers. Fee revenue is accounted as follows:

- Revenue is earned on execution of discrete act (such as funds transfers, special clearing and fees arising from negotiating transactions with third

## Notes to the **Financial Statements** Cont.

parties) is recognized as revenue when the act is completed.

- Income earned from the provision of services (such as request for special statements, safe custody, COTs and advisory services) is recognized as revenue as the services are provided.

- Fees which forms an integral part of the effective interest rate of a financial instrument (such as commitment and processing fees on corporate loans) is recognized as an adjustment to the effective interest rate.

**c Dividends**

Revenue is recognized when the Bank's right to receive the dividend is established and treated as investment revenue.

**d Rental income**

Rental revenue is recognized on accrual basis.

**e Other operating income**

This is made up of other operating income including bad debts recovered, profit or loss on sale of property, plant and equipment, other miscellaneous incomes and exchange gains.

### 2.10 Interest expense

Interest expense is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense.

The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument. The calculation includes all amounts for processing and commitment fees paid by the Bank that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

### 2.11 Taxation

Income tax charged to the profit or loss account for the year comprises current tax and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or other comprehensive income, in which case it is recognized in shareholders' equity or other comprehensive income.

**a Current income tax**

Current tax is the tax expected to be payable under the Income Tax Act, 2015 (Act 896) on the taxable profit for the year, calculated using the tax rates enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Bank intends to settle on net basis and the legal right to set off exists.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

**b Deferred income tax**

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

*Notes to the* ***Financial Statements*** *Cont.*

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is calculated using the rate expected to apply in the period in which the assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities and relate to income taxes levied by the same taxation authority, and when a legal right to set off exists in the entity.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

**c Value Added Tax -VAT**

Revenues, expenses and assets are recognized net of the amount of VAT except:

- Where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of value added tax included.
- The net amount of value added tax recoverable from, or payable to, the Ghana Revenue Authority is included as part of receivables or payables in the statement of financial position.

**2.12 National stabilization levy**

Under the National Fiscal Stabilization Levy Act, 2013 of Ghana, financial institutions and some large firms were required to pay a levy of 5% of their profit before tax towards fiscal stabilization with effect from July 2013. The Bank has complied with this statutory obligation.

**2.13 Classification of financial assets and liabilities**

The Bank classifies its financial assets as follows: financial assets held at fair value through profit or loss; loans and receivable; held-to-maturity and available for sale financial assets. However, the classification of financial liabilities is restricted to either held at fair value through profit or loss, or at amortized cost.

**2.14 Financial instruments - Initial recognition and subsequent measurement**

**a Date of recognition**

Purchases and sale of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognized on the trade date, i.e. the date the Bank commits to purchase or sell the asset.

**b Initial recognition of financial instruments**

Financial instruments are initially recognized at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**c Financial assets designated at fair value through profit and loss**

Financial instruments held at fair value through profit and loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit and loss.

## Notes to the **Financial Statements** Cont.

Debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short- term gains are classified as trading securities and recognized in the statement of financial position at their fair value.

Gains and losses arising from changes in their fair value are recognized in the profit and loss in the period in which they occur. Other financial assets at fair value through profit or loss are designated as such by management upon initial recognition.

Such assets are carried in the statement of financial position at their fair value and gains and losses recognized in the profit and loss in the period in which they occur.

Financial assets are only designated as at fair value through profit or loss when doing so results in more relevant information because it eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

**d Available for sale assets**

Debt securities including investments in money market and equity shares, other than those classified as trading securities or at fair value through profit or loss, are classified as available-for- sale and recognized in the statement of financial position at their fair value.

Available for sale financial assets are measured at fair value on the statement of financial position, with gains and losses arising from changes in the fair value of investments recognized in other comprehensive income and accumulated in other reserves in equity, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognized in equity is recognized through other comprehensive income into profit and loss.

Interest calculated using the effective interest method is recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive payment is established.

**e Held-to-maturity assets**

Held-to-maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates.

Financial assets including Government of Ghana Index Linked Bond that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortized cost using the effective interest method, less impairment losses.

**f Due from banks and loans and advances to customers**

Loans and advances to banks and customers are accounted for at amortized cost using the effective interest method, except those which the Bank intends to sell in the short term and which are accounted for at fair value, with the gains and losses arising from changes in their fair value reflected in profit or loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate.

Subsequent to initial recognition, loans and advances to banks and customers are stated on the statement of financial position at amortized cost using the effective interest method less impairment losses. The amortization is included in 'Interest and similar income' in profit or loss and losses arising from impairment are recognized in profit or loss in 'interest and similar expense'.

**g Financial liabilities**

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

Non-trading liabilities are recorded at amortized cost applying the effective interest method. Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

**h Determination of fair value of financial instruments**

**i) Availability of active market**

The fair value of a financial instrument traded in active

*Notes to the* ***Financial Statements*** *Cont.*

markets such as the Ghana Stock Exchange (GSE) at the reporting date is based on their quoted market price without any deduction of transaction costs.

**ii) Non-availability of active market**

Where market prices are not available, the Bank establishes a fair value by using valuation techniques. These include the use of recent arm's- length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants.

For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

**i De-recognition of financial assets and liabilities**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either when the bank have a legal right to offset the amount and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.
- the Bank has transferred substantially all the risks and rewards of the asset, or
- the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset.

In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay. A financial liability is derecognized when the obligation is discharged, cancelled or expired.

**j Offsetting**

Financial assets and liabilities are off set and the net amount is shown in the statement of financial position, and only when the bank have a legal right to offset the amount and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**k Derivatives**

Usually, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration at their inception. However, these instruments frequently involve a high degree of leverage and are very volatile.A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank. Over–the–counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.The Bank's exposure under derivative contracts is closely monitored as part of the overall management of its market risk

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.The main differences in the risks associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward

# *Notes to the **Financial Statements** Cont.*

contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index. Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

## 2.15 Impairment of financial assets

### a Framework for impairing financial assets

At each reporting date the Bank assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets have become impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the fact that the debt is being restructured to reduce the burden on the borrower.

### b Available-for-sale financial assets

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss) is removed from available for sale reserve and recognized through other comprehensive income into profit or loss.

Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit and loss statement.

### c Loans and advances and due from banks & other financial institutions

For loans and advances to customers and amounts due from banks and other financial institutions carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows

*Notes to the **Financial Statements** Cont.*

(excluding future expected credit losses that have not yet been incurred).
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset until the asset is impaired (90 days overdue) ; after 90 days the interest is on a non-accrual basis.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collaterals have been utilized or have been transferred to the Bank and all the necessary procedures have been completed.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the 'other operating income'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. For the purposes of collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics, such as asset type, industry, geographical location, collateral type, past- due status and other relevant factors.

**2.16 Regulatory Credit Reserve Loans & Advances**

To cater for any excess of Bank of Ghana's credit loss provision requirements over loans and advances impairments based on IFRS principles, a transfer is made from the income surplus (distributable reserves) to a non-distributable reserves in the statement of changes in equity, being the Regulatory Credit Reserve.

The non-distributable Regulatory Credit Reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

**2.17 Dividend**

Dividends declared are treated as an appropriation of profit in the year of approval while dividends proposed are disclosed as a note to the financial statements.

**2.18 Cash and cash equivalents**

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

**2.19 Leasing**

The determination of whether an arrangement is a lease or not is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases which do not transfer to the bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in profit or loss on the straight line basis over the lease term. Contingent rental payable are recognized as expense in the period in which they occurred.

**2.20 Borrowing**

Borrowings by the Bank are initially recognized at fair value and there after stated at amortized cost. Associated net transaction costs of borrowings are recognized in profit or loss over the maturity period of the borrowings.

**2.21 Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognized in the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with corresponding obligation to return it, including accrued interest as a liability within Cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is

*Notes to the* ***Financial Statements*** *Cont.*

treated as interest expense and is accrued over the life of agreement using the Effective Interest Rate (EIR). When the counterparty has the right to sell or re- pledge the securities, the Bank reclassifies those securities in its statement of financial position to Financial assets held for trading pledged as collateral or to Financial investments available-for- sale pledged as collateral, as appropriate.

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

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

**2.22 Financial guarantees**

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within' other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the income statement in general expenses. The premium received is recognized in the income statement in Net fees and commission income on straight line basis over the life of the guarantee.

**3 Significant Accounting Estimates, Assumptions & Judgments**

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

**3.1 Going concern**

The management of the Bank has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the required resources to continue in business for the foreseeable future.

Furthermore, the Bank's management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Consequently, the financial statements continue to be prepared on the going concern basis.

**3.2 Fair value of unquoted equity Instruments**

The fair value of a financial asset is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

**3.3 Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to

*Notes to the* ***Financial Statements*** *Cont.*

determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax is shown in Note 15.

**3.4 Impairment of financial assets**

The Bank makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets. Refer to 2.15(b) and (c) for details.

**3.5 Impairment of non financial assets (Including PPE)**

The Bank assesses at least at each reporting date whether there is any evidence that non financial assets (including PPE) may be impaired.

Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value discount rates in order to calculate the present value of those cash flows.

**4 Application of new and revised International Financial Reporting Standards (IFRSs)**

**4.1 Standards and Interpretations effective in the current period**

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

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

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

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

*Notes to the **Financial Statements** Cont.*

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

**4.2 Standards and Interpretations in issue not yet adopted**

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective:

**IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).**

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

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

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

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

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

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

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

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

*Notes to the* ***Financial Statements*** *Cont.*

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

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

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

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

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

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

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

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

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

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation issued by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

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

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants issued by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the

*Notes to the **Financial Statements** Cont.*

scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

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

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

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

*The bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.*

# *Notes to the* ***Financial Statements*** *Cont.*

| | | 2015 | 2014 |
|---|---|---|---|
| **5** | **Revenue** | **GH¢** | GH¢ |
| | Interest and Similar Revenue | **226,751,618** | 180,974,219 |
| | Fee & Commission Revenue | **64,583,434** | 50,279,612 |
| | Trading Revenue | **28,231,562** | 41,207,515 |
| | Other Income | **17,082,402** | 24,775,774 |
| | | **336,649,016** | 297,237,120 |

| | | 2015 | 2014 |
|---|---|---|---|
| **6** | **Interest and Similar Revenue** | **GH¢** | GH¢ |
| | Cash & Short Term Funds | **14,496,526** | 4,889,587 |
| | Investments Securities (Note 6a) | **19,717,879** | 17,396,978 |
| | Loans & Advances | **192,537,213** | 158,687,654 |
| | | **226,751,618** | 180,974,219 |

| | | 2015 | 2014 |
|---|---|---|---|
| **6a** | **Investments Securities** | **GH¢** | GH¢ |
| | Government of Ghana Treasury Bills | **19,653,502** | 17,348,721 |
| | Other Securities | **64,377** | 48,257 |
| | | **19,717,879** | 17,396,978 |

| | | 2015 | 2014 |
|---|---|---|---|
| **7** | **Interest and Similar Expense** | **GH¢** | GH¢ |
| | Savings Accounts | **20,482,444** | 20,419,725 |
| | Current Accounts | **370,725** | 314,351 |
| | Term Deposits | **13,261,071** | 12,959,088 |
| | Borrowings | **19,307,798** | 10,493,166 |
| | | **53,422,038** | 44,186,330 |

| | | 2015 | 2014 |
|---|---|---|---|
| **8** | **Fees and Commission Income** | **GH¢** | GH¢ |
| | Domestic Operations | **51,481,764** | 40,036,500 |
| | Remittance | **2,276,796** | 1,960,600 |
| | Cards Operations | **10,442,855** | 8,041,732 |
| | Brokerage | **382,019** | 240,780 |
| | | **64,583,434** | 50,279,612 |

| | | 2015 | 2014 |
|---|---|---|---|
| **8a** | **Fees and Commission Expense** | **GH¢** | GH¢ |
| | Remittance | **258,662** | 300,757 |
| | Cards Operations | **11,141,051** | 8,854,398 |
| | Cheque Books | **412,248** | 295,436 |
| | Cash Collection | **752,831** | 729,035 |
| | | **12,564,792** | 10,179,626 |

| | | | 2015 | 2014 |
|---|---|---|---|---|
| **9** | **Trading Revenue** | | **GH¢** | GH¢ |
| | Forex Trading Revenue | (Note 9a) | **6,724,734** | 25,363,755 |
| | Swap Trading Revenue | (Note 9b) | **9,258,380** | 8,635,950 |
| | Bond Trading Revenue | (Note 9c) | **12,248,448** | 7,207,810 |
| | | | **28,231,562** | 41,207,515 |

# *Notes to the **Financial Statements** Cont.*

| | | 2015 | 2014 |
|---|---|---|---|
| **9a** | **Forex Trading Revenue** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Forex Trading Gains | **46,915,509** | 71,481,260 |
| | Forex Trading Losses | **(40,190,775)** | (46,117,505) |
| | | **6,724,734** | 25,363,755 |
| **9b** | **Swap Trading Revenue** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Debt Instruments | **25,008,380** | 18,734,712 |
| | Net Forex Gains | **6,765,000** | 8,345,000 |
| | Cost of Swap | **(22,515,000)** | (18,443,762) |
| | | **9,258,380** | 8,635,950 |
| **9c** | **Bond Trading Revenue** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Margin on Bond Trading | **12,248,448** | 7,207,810 |
| **10** | **Investment Revenue** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Dividend Received | **-** | 184,000 |
| **11** | **Other Operating Income** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Bad Debt Recoveries | **710,673** | 1,092,973 |
| | Profit on Sale of Plant, Property and Equipment | **424,681** | 13,382,948 |
| | Miscellaneous & Others (Note: 11a) | **7,170,133** | 1,084,515 |
| | Exchange Gain | **8,776,915** | 9,031,338 |
| | | **17,082,402** | 24,591,774 |
| **11a** | **Miscellaneous & Others** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Miscellaneous | **6,841,903** | 751,351 |
| | Rent/Hiring Fees | **86,406** | 108,060 |
| | Postages | **18,432** | 52,876 |
| | Fees Received - Insurance | **223,392** | 172,228 |
| | | **7,170,133** | 1,084,515 |
| **12** | **Credit Loss Expenses** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Individual Impairment | **53,235,000** | 44,567,000 |
| | Portfolio Impairment | **811,719** | (2,085,225) |
| | Reversals during the Year | **(16,134,000)** | (3,856,000) |
| | | **37,912,719** | 38,625,775 |

*Notes to the* ***Financial Statements*** *Cont.*

| | | 2015 | 2014 |
|---|---|---|---|
| **13** | **Personnel Expenses** | **2015** | 2014 |
| | | **GH¢** | GH¢ |
| | Salaries, Bonuses and Staff Allowances | **60,204,517** | 47,135,569 |
| | Social Security Fund Contribution | **4,073,626** | 3,345,834 |
| | Provident Fund Contribution | **3,160,225** | 2,586,499 |
| | Medicals | **2,798,152** | 1,345,384 |
| | Insurance | **469,558** | 366,980 |
| | Other Employee Costs | **10,978,749** | 5,403,800 |
| | | **81,684,827** | 60,184,066 |

| | | | 2015 | 2014 |
|---|---|---|---|---|
| **14** | **Other Operating Expenses** | | **2015** | 2014 |
| | | | **GH¢** | GH¢ |
| | Directors and Key Management Emoluments (14a) | | **3,530,891** | 3,930,706 |
| | Donations | | **272,640** | 104,794 |
| | Advertising and Marketing | | **4,691,882** | 3,804,557 |
| | Training | | **1,434,620** | 807,722 |
| | Auditors Remuneration (14b) | | **321,950** | 273,800 |
| | Others : | Office Expenses | **36,924,115** | 28,017,367 |
| | | Administrative Expenses | **8,020,445** | 6,106,455 |
| | | General Expenses | **21,177,761** | 22,164,673 |
| | | | **76,374,304** | 65,210,074 |

**14a** Details of directors and key management emoluments are those disclosed under related party transactions under note 34c.

**14b Auditors' Remuneration**

Auditors' remuneration in relation to statutory audit amounted to GH¢321,950 (2014: GH¢273,800).

| | 2015 | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Statutory Audit | **321,950** | 273,800 |

The description of the types of services within the category above include: Audit related regulatory reporting services include services for assurance and other services that are reasonably related to the performance of the audit or review of financial statements.

| | | 2015 | 2014 |
|---|---|---|---|
| **15** | **Income Tax Expense** | **2015** | 2014 |
| | Analysis of charge for the year | **GH¢** | GH¢ |
| | Current Tax (15c & 24) | **18,879,290** | 13,760,657 |
| | Deferred Tax (15a) | **(2,316,148)** | 1,979,532 |
| | Tax audit adjustment | **-** | 237,391 |
| | Capital gains tax incurred and paid during the year | **-** | 1,676,663 |
| | Charge to statement of profit or loss and other comprehensive income | **16,563,142** | 17,654,243 |

The current tax charge on the profit is based on Ghana's corporate tax rate of 25% (2014:25%).

# Notes to the **Financial Statements** Cont.

## 15a Deferred tax

| | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| Balance as at 1 January | **803,608** | (956,746) |
| Tax expense during the year recognised in profit or loss | **(2,316,148)** | 1,979,532 |
| Tax (income) during the year recognised in equity | **(256,831)** | (219,178) |
| **Balance as at 31 December** | **(1,769,371)** | 803,608 |

Deferred tax assets and liabilities are attributable to the following:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Assets GH¢** | **Liabilities GH¢** | **Net GH¢** | Assets GH¢ | Liabilities GH¢ | Net GH¢ |
| Property, plant and equipment | **1,884,400** | **-** | **1,884,400** | 1,493,479 | - | 1,493,479 |
| Provisions and Contingencies | **(3,628,055)** | **-** | **(3,628,055)** | (920,985) | - | (920,985) |
| (Gains) / losses on AFS investments | **-** | **(25,716)** | **(25,716)** | - | 231,114 | 231,114 |
| Net tax liabilities/(assets) | **(1,743,655)** | **(25,716)** | **(1,769,371)** | 572,494 | 231,114 | 803,608 |

## 15b National Stabilization Levy

| Analysis of Charge for the Year | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| Charge to statement of profit or loss and other comprehensive income | **3,219,380** | 3,550,831 |

In accordance with the National Fiscal Stabilization Act, 2013 (Act 862) all companies in Banking, Non Bank Financial Institutions, Insurance, Mining, Brewery and Communication are supposed to pay a levy of 5% of profit before tax towards National Fiscal Stability .

## 15c Factors Affecting the Current Tax Charged for the year

A reconciliation of the charge that would result from applying the standard Ghana corporate tax rate to profit before tax to tax charge for the year is given below:

| | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| Profit for the year | **64,387,599** | 71,016,619 |
| Tax charge thereon at Ghana corporate tax rate of 25% | **16,096,900** | 17,754,155 |
| *Factors affecting Charge:* | | |
| Tax effect of items not deductible for tax purposes | **5,935,873** | 2,340,999 |
| Items of different tax rates | **23,453** | 8,645 |
| Net tax effect of deductible income and unrealised gains | **(491,029)** | (4,004,096) |
| Tax effect of capital allowance | **(2,685,907)** | (2,339,046) |
| Tax on corporate profit (Note 15) | **18,879,290** | 13,760,657 |
| Effective Corporate Income tax rate | **29%** | 19% |

The tax charge on profit for the year is based on Ghana's corporate tax rate of 25% (2014:25%).

*Notes to the **Financial Statements** Cont.*

## 16 Earnings per Share

Basic earnings per share is calculated by dividing the profit after tax for the year attributable to the equity holders of the Bank by the weighted average number of shares, held during the year after deducting treasury shares.

The following table shows the income and share data used in the calculation of the basic earnings per share:

| | 2015 | 2014 |
|---|---|---|
| Profit attributable to shareholders of the Bank (GH¢) | 44,605,077 | 49,811,545 |
| Weighted average number of outstanding ordinary shares | 367,281,269 | 333,893,894 |
| Basic Earning per Share (GH¢) | 0.12 | 0.15 |

**Diluted Earnings per Share:** The Bank has no category of dilutive potential ordinary shares.

## 17 Cash on Hand and Cash Balances with Bank of Ghana

| | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| Cash on Hand | 46,482,614 | 43,803,781 |
| Balance with Bank of Ghana | 202,402,168 | 136,962,480 |
| | 248,884,782 | 180,766,261 |

Deposits with Bank of Ghana includes a mandatory reserve of GH¢146,794,105 (2014: GH¢110,089,087) and are not available for use in the Bank's day to day operations.

## 18 Due from Banks and other Institutions

| | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| Nostro Account Balances and Nostro Placements | 549,972,871 | 70,089,458 |
| Items in Course of Collection | 11,297,361 | 10,081,568 |
| Placement with Local Banks | 40,000,000 | 90,000,000 |
| | 601,270,232 | 170,171,026 |

## 19 Financial Investments

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| **Financial Investments** | **AFS Through P&L GH¢** | **AFS Through Equity GH¢** | **Total GH¢** | AFS Through P&L GH¢ | AFS Through Equity GH¢ | Total GH¢ |
| Balance as at 1 January | 53,922,374 | 283,274,599 | 337,196,973 | 26,044,673 | 113,936,373 | 139,981,046 |
| Additions | 413,653,510 | 540,958,655 | 954,612,165 | 316,755,980 | 501,714,296 | 818,470,276 |
| Reimbursements/Disposals | (416,541,252) | (748,668,833) | (1,165,210,085) | (288,557,124) | (331,580,923) | (620,138,047) |
| Fair value movement during the year | 46,251 | 99,246 | 145,497 | (321,155) | (795,147) | (1,116,302) |
| Balance as at 31 December | 51,080,883 | 75,663,667 | 126,744,550 | 53,922,374 | 283,274,599 | 337,196,973 |

None of the financial instruments was pledged as collateral during the year (2014: Nil).

*Notes to the **Financial Statements** Cont.*

| 20 | **Other Assets** | **2015** | 2014 |
|---|---|---|---|
| | | **GH¢** | GH¢ |
| | Stationary and Consumable Stocks | **-** | 78,619 |
| | Prepayments and Sundry Debtors | **18,915,368** | 13,907,194 |
| | Accrued Income | **107,368** | 135,690 |
| | Other Sundry items | **-** | 1,175,113 |
| | Deferred Cost on Staff Loans - Note 20a | **4,696,594** | 4,457,442 |
| | | **23,719,330** | 19,754,058 |

Included in prepayments and sundry debtors is GH¢11,003,808 relating to prepayments on office premises. (2014: GH¢8,482,576).

**20a Deferred Cost on Staff Loans**

This refers to the difference between the fair value of staff loans and the value based on the concessionary rate.

| 21 | **Loans and advances** | **2015** | 2014 |
|---|---|---|---|
| | | **GH¢** | GH¢ |
| | Overdrafts | **374,044,772** | 321,470,500 |
| | Term Loans | **575,209,434** | 552,484,121 |
| | Export Bill | **2,578,149** | 2,093,002 |
| | Staff Loan | **24,158,948** | 22,167,588 |
| | Equipment Finance Lease | **72,230,302** | 76,524,687 |
| | **Gross Loans and Advances** | **1,048,221,605** | 974,739,898 |
| | Interest in Suspense | **(37,871,554)** | (25,114,141) |
| | Less: Allowances for Impairment - Note 22 | **(98,877,527)** | (66,581,536) |
| | | **911,472,524** | 883,044,221 |

All loans have been written down to their estimated recoverable amount. Suspended interest related to such loans amounted to GH¢ 37,871,554 (2014: GH¢ 25,114,141).

| 21a | **Other Statistics** | **2015** | 2014 |
|---|---|---|---|
| | i. Loan Loss Provision Ratio | **8.14%** | 6.83% |
| | ii. Gross Non-performing Loan Ratio | **14.80%** | 13.75% |
| | iii 50 Largest Exposure (Gross Funded Loan and Advances to Total Exposure) | **58.29%** | 58.85% |

| 21b | **Analysis by Type of Customers** | **2015** | 2014 |
|---|---|---|---|
| | | **GH¢** | GH¢ |
| | Individual | **341,241,888** | 308,402,187 |
| | Private Enterprise | **496,885,365** | 469,868,382 |
| | Public Enterprise | **118,054,425** | 102,434,368 |
| | Government Departments and Agencies | **67,880,979** | 71,867,375 |
| | Staff | **24,158,948** | 22,167,586 |
| | | **1,048,221,605** | 974,739,898 |

*Notes to the* ***Financial Statements*** *Cont.*

| 21c | Analysis by Industry Sector | 2015 | 2014 |
|---|---|---|---|
| | | GH¢ | GH¢ |
| | Agriculture, Forestry and Fishing | 122,879,189 | 67,772,375 |
| | Mining and Quarrying | 6,582,472 | 4,693,114 |
| | Manufacturing | 171,852,926 | 237,356,735 |
| | Construction | 32,844,427 | 18,581,056 |
| | Electricity, Gas and Water | 73,551,527 | 155,454,320 |
| | Commerce and Finance | 168,416,312 | 141,450,619 |
| | Transport, Storage, Communication and services | 444,424,698 | 324,323,038 |
| | Miscellaneous* | 27,670,054 | 25,108,641 |
| | | 1,048,221,605 | 974,739,898 |

*Miscellaneous includes Staff Personal Loans of GH¢24,158,948 (2014: GH¢22,167,586)

| 22 | Impairment Allowance for Loans and Receivables | 2015 | 2014 |
|---|---|---|---|
| | | GH¢ | GH¢ |
| | Balance at 1 January | 66,581,536 | 28,691,111 |
| | Charge for the Year | 37,912,719 | 38,625,774 |
| | Amount Written Off | (5,616,728) | (735,349) |
| | Balance at 31 December | 98,877,527 | 66,581,536 |
| | Individual Impairment | 96,951,196 | 65,518,551 |
| | Collective Impairment | 1,926,331 | 1,062,985 |
| | Balance at 31 December | 98,877,527 | 66,581,536 |

Loan provisioning/impairment are carried out in accordance with Bank of Ghana Policy as well as the principles of IFRS. Loan impairment losses calculated based on IFRS principles are passed through the statement of comprehensive income.

When the credit loss provision calculated under IFRS principles is less than what is required under the Bank of Ghana, transfers are made from the income surplus account into the non- distributable regulatory credit reserves. During the year ended 2015, the provisions for bad debts against loans and advances exceeded provision computed under IFRS guidelines by GH¢15,432,939 (GH¢19,803,999 in 2014). This excess amount has been transferred from the income surplus to General Regulatory Credit Reserve in line with Bank of Ghana regulations.

| | 2015 | 2014 |
|---|---|---|
| | GH¢ | GH¢ |
| Provisions per Bank of Ghana Guidelines | 114,310,466 | 86,385,535 |
| Provisions per IFRS | (98,877,527) | (66,581,536) |
| General Regulatory Credit Reserve | 15,432,939 | 19,803,999 |

*Notes to the **Financial Statements** Cont.*

Under both the Bank of Ghana requirements and IFRS principles of loan impairment, some loans were individually assessed for impairment and others were assessed collectively. The gross amount of loans individually assessed for impairment for the year was GH¢216,289,569 (2014: GH¢214,992,000). The stock of loans collectively assessed was GH¢19,263,312 (2014:GH¢11,146,124). One group exists under the collective category and the Bank applies a standard rate of 10%.

| **Category** | **Level of Provision Required** |
|---|---|
| a. Current | 1% |
| b. Other Loans Especially Mentioned ("OLEM") | 10% |
| c. Substandard | 25% |
| d. Doubtful | 50% |
| e. Loss | 100% |

**23** Unquoted Equity Investments

| | **2015 GH¢** | 2014 GH¢ |
|---|---|---|
| Advans Ghana Limited (Unlisted Equity Measured at Cost) | **406,500** | 406,500 |

**24a Current Tax: Assets/Liabilities**

| | **Balance 01-Jan GH¢** | **Charge for the year GH¢** | **Payment/Credits during the year GH¢** | **Balance 31-Dec GH¢** |
|---|---|---|---|---|
| Corporate tax | | | | |
| 2013 | (1,243,768) | - | - | **(1,243,768)** |
| 2014 | 1,107,414 | - | - | **1,107,414** |
| 2015 | - | 18,879,290 | (19,373,992) | **(494,702)** |
| | (136,354) | 18,879,290 | (19,373,992) | **(631,056)** |

**24b National Stabilization Levy**

| | **2015 GH¢** | 2014 GH¢ |
|---|---|---|
| Balance as at 1 January | **(161,422)** | (451,700) |
| Charge to statement of profit or loss and other comprehensive income | **3,219,380** | 3,550,831 |
| Payment during the year | **(3,474,402)** | (3,260,553) |
| Balance as at 31 December | **(416,444)** | (161,422) |

The levy charged on the profit is based on a rate of 5%.
In accordance with the National Fiscal Stabilization Act, 2013, (Act 862) all companies in Banking, Non Bank Financial Institutions, Insurance, Mining, Brewery and Communication are supposed to pay a levy of 5% of profit before tax towards National Fiscal Stability.

*Notes to the **Financial Statements** Cont.*

| | | 2015 | 2014 |
|---|---|---|---|
| **25** | **Long Term Operating Lease** | | |
| | The Bank as a lessee | **GH¢** | GH¢ |
| | Balance as at 1 January | **3,633,350** | 3,781,650 |
| | Amount expensed during the Year | **(148,300)** | (148,300) |
| | Balance as at 31 December | **3,485,050** | 3,633,350 |

| | | 2015 | 2014 |
|---|---|---|---|
| **25a** | **Future Minimum Lease Payments are as follows** | **GH¢** | GH¢ |
| | Not later than one year | **148,300** | 148,300 |
| | Later than one year but not later than five years | **593,200** | 593,200 |
| | Later than five years | **2,743,550** | 2,891,850 |
| | Balance as at 31 December | **3,485,050** | 3,633,350 |

Operating lease payments represent rentals payable by the Bank for its land where the Bank is a lessee.

**26 Property, Plant and Equipment**

| **2015** | **Land & Building** | **Computers** | **Furniture & Equipment** | **Motor Vehicles** | **Assets in Course of Construction** | **Total** |
|---|---|---|---|---|---|---|
| | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| **Cost/valuation** | | | | | | |
| Balance at 1 January | 72,529,021 | 15,440,040 | 14,625,020 | 1,345,400 | 4,518,034 | 108,457,515 |
| Additions | 4,418,154 | 1,142,144 | 3,547,969 | 235,326 | 3,531,377 | 12,874,970 |
| Transfers | 1,286,306 | 103,461 | 3,198,165 | - | (4,587,932) | - |
| Disposal/other adjustments | (2,662,177) | (7,717) | 2,324,551 | (173,316) | - | (518,659) |
| **Balance at 31 December** | 75,571,304 | 16,677,928 | 23,695,705 | 1,407,410 | 3,461,479 | 120,813,826 |
| **Depreciation** | | | | | | |
| Balance at 1 January | 9,032,084 | 13,185,757 | 5,950,078 | 1,148,104 | - | 29,316,023 |
| Charge for the year | 3,530,524 | 1,335,363 | 4,475,823 | 141,368 | - | 9,483,078 |
| Disposals/other adjustments | - | (7,717) | (332,606) | (162,897) | - | (503,220) |
| Balance at 31 December | 12,562,608 | 14,513,403 | 10,093,295 | 1,126,575 | - | 38,295,881 |
| **Net book value** | | | | | | |
| **At 31 December 2015** | **63,008,696** | **2,164,525** | **13,602,410** | **280,835** | **3,461,479** | **82,517,945** |

It is the policy of the Bank to revalue its Land and Buildings every five years. The last revaluation exercise was held in 2011. The valuation was done by two independent firm of valuers, KOA Consult and Value Properties Limited. This resulted in a revaluation surplus of GH¢24,166,132 which was recognized as capital surplus.

*Notes to the **Financial Statements** Cont.*

## 26 Property, Plant and Equipment

| 2014 | Land & Building GH¢ | Computers GH¢ | Furniture & Equipment GH¢ | Motor Vehicles GH¢ | Assets in Course of Construction GH¢ | Total GH¢ |
|---|---|---|---|---|---|---|
| **Cost/valuation** | | | | | | |
| Balance at 1 January | 45,001,280 | 13,626,294 | 12,945,835 | 1,464,033 | 37,943,858 | 110,981,300 |
| Additions | 1,337,645 | 1,243,557 | 1,821,019 | 24,158 | 7,432,045 | 11,858,424 |
| Transfers | 33,904,703 | 582,071 | 5,630,846 | - | - | 40,117,620 |
| Disposal/other adjustments | (7,714,607) | (11,882) | (5,772,680) | (142,791) | (40,857,869) | (54,499,829) |
| **Balance at 31 December** | 72,529,021 | 15,440,040 | 14,625,020 | 1,345,400 | 4,518,034 | 108,457,515 |
| **Depreciation** | | | | | | |
| Balance at 1 January | 6,392,815 | 11,869,612 | 8,964,062 | 1,027,980 | - | 28,254,469 |
| Charge for the year | 3,008,895 | 1,328,060 | 2,587,445 | 262,880 | - | 7,187,280 |
| Disposals/other adjustments | (369,626) | (11,915) | (5,601,429) | (142,756) | - | (6,125,726) |
| Balance at 31 December | 9,032,084 | 13,185,757 | 5,950,078 | 1,148,104 | - | 29,316,023 |
| **Net book value** | | | | | | |
| **At 31 December 2014** | **63,496,937** | **2,254,283** | **8,674,942** | **197,296** | **4,518,034** | **79,141,492** |

## 26a Intangible Assets

| Computer Software | **2015 GH¢** | 2014 GH¢ |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | **13,832,924** | 12,635,447 |
| Additions | **706,044** | 457,228 |
| Transfers | **-** | 740,249 |
| **Balance at 31 December** | **14,538,968** | 13,832,924 |
| **Amortisation** | | |
| Balance at 1 January | **12,295,217** | 11,647,867 |
| Charge for the Year | **819,659** | 647,350 |
| Balance at 31 December | **13,114,876** | 12,295,217 |
| **Carrying amount** | | |
| **31 December** | **1,424,092** | 1,537,707 |

The amortization periods and key factors considered in determining the useful life are the same as disclosed in note 2.6.

*Notes to the* ***Financial Statements*** *Cont.*

| | | 2015 | 2014 |
|---|---|---|---|
| **27** | **Customer Deposits** | **2015** | 2014 |
| | **Analysis by Type of Deposits** | **GH¢** | GH¢ |
| | Term Deposits | **184,394,202** | 79,061,686 |
| | Saving Accounts | **225,816,373** | 197,745,835 |
| | Current Accounts | **984,488,931** | 844,357,951 |
| | Vostro | **1,110,020** | 6,264,311 |
| | | **1,395,809,526** | 1,127,429,783 |

| | | 2015 | 2014 |
|---|---|---|---|
| **27a** | **Analysis by Type of Deposits** | **GH¢** | GH¢ |
| | Financial Institutions | **13,710,768** | 10,952,344 |
| | Individuals and Other Private Enterprise | **1,247,508,215** | 1,070,641,363 |
| | Government Departments and Agencies | **4,801,045** | 6,077,394 |
| | Public Enterprises | **129,789,498** | 39,758,682 |
| | | **1,395,809,526** | 1,127,429,783 |
| | 20 Largest depositors to total deposit ratio | **32.48%** | 29.28% |

| | | 2015 | 2014 |
|---|---|---|---|
| **28a** | **Subordinated debt** | **GH¢** | GH¢ |
| | Societe Generale Group | **40,000,000** | - |

In February 2015 Societe Generale Group granted the bank a subordinated loan of USD 24,390,243.9 an equivalent of GH¢80, 000,000 with a tenor of 10 years and an interest rate of 6-month Libor plus a margin of 9.60%.

There was to be no repayment of the principal for a minimum of 5 years. The repayment was to be a sole payment for the whole amount on the last day of its initial term 5 February 2025. The interest is payable semi-annually, in arrears, over the 10 year period.

However, based on an exceptional approval from the Bank of Ghana, 50% of the debt (USD 12,195,121.95) was repaid in November, 2015.

| | | 2015 | 2014 |
|---|---|---|---|
| **28b** | **Due to banks and other financial institutions** | **GH¢** | GH¢ |
| | Borrowings - Repurchase agreement | **1,839,800** | 53,545,151 |
| | European International Bank | **35,483,250** | 33,441,045 |
| | PROPARCO | **62,040,000** | 61,110,750 |
| | International Finance Corporation (IFC) | **91,080,000** | 83,202,600 |
| | Ghana Private Sector Development Fund | **-** | 57,664 |
| | Edif Managed Fund | **3,823,331** | 4,889,884 |
| | | **194,266,381** | 236,247,094 |

The Bank has not had any defaults of principal, interest or other breaches with regard to any liabilities during 2015 or 2014.

## *Notes to the **Financial Statements** Cont.*

**Summary of Borrowing Arrangements**

**Societe de Promotion et de Participation pour la Cooperation Economique (PROPARCO).** This is a USD 30 million long-term credit line ('the facility') granted to the bank. The first draw down of USD 6 million has a fixed interest rate of 5.12% and will mature on 30 April 2020. The second draw down of USD 4 million has a fixed interest rate of 5.19% and will mature on 30 April 2020. The third draw down was EUR7.5 million. The related interest rate is 6-months Libor plus a margin of 370 basis points and will mature on 31 October 2024.

**European Investment Bank (EIB).** This is a EUR 20 million credit facility extended to the bank by EIB. The loan is to be used to finance up to 50% of the banks capital expenditure intended to develop the bank's intermediation capacities (such as developing its branch network, IT Systems, training etc.) and for financing eligible Private Sector Small and Medium Sized Enterprises. The interest rate on the drawn portion is fixed at 5.422% and matures on 1 April 2024. As at 31 December 2015 the outstanding balance is USD 9.35 million.

**International Finance Corporation (IFC).** This is a USD30 million IFC Senior Loan. The loan is to be used to exclusively finance trade-related lending activities of the bank by way of sub-loans to eligible borrowers. None of the proceeds of the IFC Senior Loan may be used to refinance or reschedule existing indebtedness of an eligible sub-borrower (including debt to equity convertions) unless that refinancing or scheduling is part of a financial restructuring aimed at the acquisition of new capital assets by that eligible sub-borrower. The loan matures 15 March 2016, with a rollover option on an uncommitted basis for up to two (2) additional one (1) year periods. The current interest rate is 3-months LIBOR plus a margin of 350 basis points. As at 31 December 2015 an amount of USD 24 million was outstanding.

**Export Trade, Agriculture and Industrial Development Fund (EDAIF)** is a public Investment Fund operating as an agency of the Ministry of Trade and Industry and governed by an Act of parliament. The objective of the fund is to provide financial resources for the development and promotion of: export trade, agriculture related to agro-processing and industrial development. The Fund is sustained by inflows from the following sources: 0.75% of value of non-petroleum commercial imports; 10% of net divestiture proceeds; such other monies as the Minister of Finance in consultation with the Minister of Trade and Industry with Parliament's approval may determine to be paid into the Fund; recoveries of loans and interest payments, etc. Current interest rate applicable on credit facilities is 12.5% (which is subject to review by the board from time to time). No minimum loan is prescribed but the maximum loan per borrower is pegged at GH¢ 10.0 million. Facility tenures are short term - not exceeding 2 years, medium term - not exceeding 5 years and long term - for a period not exceeding 10 years.

**Ghana Private Sector Development Fund (GPSDF).** This is a fund established by the Italian government to assist the private sector. The Bank accesses this fund for on-lending to companies meeting the eligibility criteria. There was no draw down during the year 2015.

**Repurchase Agreement.** The Bank has no programme to borrow and lend securities but to sell securities under agreements to repurchase (repos) and to purchase securities under agreements to resell (reverse repos). Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to Financial assets held for trading pledged as collateral or to Financial investments available-for-sale pledged as collateral, as appropriate.Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within Cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in Net interest income and is accrued over the life of the agreement using the EIR.If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale

## Notes to the **Financial Statements** Cont.

within Financial liabilities held for trading and measured at fair value with any gains or losses included in Net trading income. Up to 31 December 2015 all transactions have been of the nature 'Securities sold under agreements to repurchase at a specified future date'.

| 29 | **Interest Payable and Other Liabilities** | **2015** | 2014 |
|---|---|---|---|
| | | **GH¢** | GH¢ |
| | Creditors | **8,528,030** | 8,549,412 |
| | Other Creditors and Provisions (30) | **80,439,903** | 58,610,902 |
| | Accruals | **9,207,133** | 12,850,014 |
| | Deferred Income | **5,814,108** | 5,017,944 |
| | Deferred Income on Staff Loans | **4,696,594** | 4,457,442 |
| | | **108,685,768** | 89,485,714 |

| 30 | **Other Creditors and Provisions** | **2015** | 2014 |
|---|---|---|---|
| | | **GH¢** | GH¢ |
| | Payment Orders | **8,233,842** | 7,621,685 |
| | Statutory Deductions | **1,192,089** | 1,249,271 |
| | Provisions | **13,166,510** | 9,455,178 |
| | Litigation | **1,425,304** | 3,044,473 |
| | Interest Payable | **4,446,177** | 3,717,421 |
| | Unallocated Deposits | **44,103,417** | 21,024,440 |
| | Fair Value of Derivative | **-** | 10,093,762 |
| | Subordinated Debt Revaluation | **6,280,488** | - |
| | Other Commitments & Credit Balances | **1,592,076** | 2,404,672 |
| | | **80,439,903** | 58,610,902 |

**Unallocated Deposits**
This comprises uncleared balances on customer cheques and balances on customer transit accounts pending onward transfer.

**Derivative Financial Instruments**
The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

*Notes to the* ***Financial Statements*** *Cont.*

| | **2015** | **2015** | 2014 | 2014 |
|---|---|---|---|---|
| | **GH¢** | **GH¢** | GH¢ | GH¢ |
| | **Fair value of derivatives held for trading** | **Notional amount** | Fair value of derivatives held for trading | Notional amount |
| | **GH¢** | **GH¢** | GH¢ | GH¢ |
| Foreign Exchange SWAP | - | - | 10,094,000 | 172,000,000 |
| | ======== | ========= | ======== | ========= |

Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favourable movements in prices, rates or indices.

The derivatives of the bank are fair valued at level 2 using the discounted cash flow method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

## 30a Provisions

| | Bonus | Technical & Other Management Fees | Reorganisation | Contingencies | Others | Total |
|---|---|---|---|---|---|---|
| **2015** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| As at 1 January 2015 | 1,930,472 | 1,911,160 | 885,808 | 1,183,939 | 3,543,799 | 9,455,178 |
| Provisions made during the year | 3,390,999 | 5,639,731 | 7,683,329 | 3,309,763 | 4,736,331 | 24,760,153 |
| Payments/Reversals | (3,171,526) | (7,550,891) | (6,071,180) | (1,021,417) | (3,233,807) | (21,048,821) |
| | ---------------- | ---------------- | ---------------- | ---------------- | ---------------- | ---------------- |
| **As at 31 December 2015** | **2,149,945** | **-** | **2,497,957** | **3,472,285** | **5,046,323** | **13,166,510** |
| | ========= | ========= | ========= | ========= | ========= | ========= |
| 2014 | | | | | | |
| As at 1 January 2014 | 1,603,396 | 1,939,872 | 412,178 | 1,052,030 | 941,854 | 5,949,330 |
| Provisions made during the year | 3,026,959 | 6,466,339 | 1,660,099 | 1,303,004 | 4,779,130 | 17,235,531 |
| Payments/Reversals | (2,699,884) | (6,495,050) | (1,186,469) | (1,171,096) | (2,177,184) | (13,729,683) |
| | ---------------- | ---------------- | ---------------- | ---------------- | ---------------- | ---------------- |
| As at 31 December 2014 | 1,930,471 | 1,911,161 | 885,808 | 1,183,938 | 3,543,800 | 9,455,178 |
| | ========= | ========= | ========= | ========= | ========= | ========= |

**Technical and Other Management Fees:** These are provisions made for SG Group's assistance to the SG Ghana subsidiary to ensure standardisation of banking practices across the group. The aim of these provisions is thus, to ensure a stronger managerial governance via projects and new products , deep monitoring of operational and credit risks and update of Information Technology tools for all subsidiaries.

**Reorganisation:** This is a provision made for staff members who want to take advantage of the Bank's voluntary exit programme (early leavers programme).

**Contingencies:** This is a provision made on the Bank's net exposure to contingent liabilities mainly letters of credit and letters of guarantees.

*Notes to the* ***Financial Statements*** *Cont.*

**30b Litigation**

| | 2015 | 2014 |
|---|---|---|
| | GH¢ | GH¢ |
| As at 1 January | 3,044,475 | 2,630,302 |
| Provisions made during the year | - | 414,173 |
| Reversals during the year | (1,619,171) | - |
| **As at 31 December** | **1,425,304** | 3,044,475 |

**31 Stated Capital**

| a. Authorised ordinary shares | 2015 | 2014 |
|---|---|---|
| Number of ordinary shares of no par value | 500,000,000 | 500,000,000 |

| | 2015 | | 2014 | |
|---|---|---|---|---|
| b. Issued and fully paid ordinary shares | Number | Amount | Number | Amount |
| | | GH¢ | | GH¢ |
| Issued and fully paid ordinary shares | 367,281,269 | 100,000,000 | 333,893,894 | 62,393,558 |

**32 Other Reserves**

| | 2015 | 2014 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance 1 January | (471,276) | 3,193,008 |
| Movements during the year | 394,167 | (3,664,284) |
| Balance at 31 December | (77,109) | (471,276) |

**33 Dividend Declared and Paid**

| | 2015 | 2014 |
|---|---|---|
| Equity dividend on ordinary shares: | GH¢ | GH¢ |
| Final dividend for the preceding year | - | 20,033,634 |
| Total dividend payments during the year | - | (20,033,634) |
| **Balance at 31 December** | - | - |

Dividends are treated as appropriation of profit in the year of approval by shareholders. But dividends proposed are disclosed as Notes to the Financial Statements.

*Notes to the* ***Financial Statements*** *Cont.*

## 34 Related Party Transactions / Disclosures

A number of banking transactions were entered into with related parties in the normal course of business. These include loans and placements. These transactions were carried out on commercial terms and at arms length.

During the year the following transactions were performed with related parties:

### a. Interest paid and interest received from related parties during the year

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Interest Paid** | **Interest Received** | Interest Paid | Interest Received |
| | **GH¢** | **GH¢** | GH¢ | GH¢ |
| Societe Generale Borrowing | **8,879,673** | **64,377** | 1,287,794 | 48,257 |
| | ======== | ======== | ======== | ======== |

There was no outstanding balance in relation to borrowings from related parties at the end of the financial year (2014: Nil).

### b. Related party balances at December

| Lending to Related Parties: | **2015** | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Officers and Employees other than Directors | **24,158,948** | 22,167,586 |
| | ---------------- | ---------------- |
| Placement with Societe Generale Group | **139,989,900** | 8,481,640 |
| | ---------------- | ---------------- |
| Nostro Account Balances with SG and other Subsidiaries | **215,952,102** | 44,663,906 |
| | ---------------- | ---------------- |

### c. Compensation to key management personnel of the Bank

| | **2015** | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Fees | **585,286** | 346,510 |
| Directors Expenses | **339,851** | 453,354 |
| Salaries & Other Benefits | **2,605,754** | 3,130,842 |
| | ---------------- | ---------------- |
| | **3,530,891** | 3,930,706 |
| | ======== | ======== |

### d. Loans to Directors

There were no loans to directors during the period.

### e. Controlling Relationship

Societe Generale Group is related by virtue of its ultimate (100%) controlling interest in SG Financial Services Holding, which has significant controlling interest in the shareholding in Societe Generale Ghana Limited.

## 35 a Contingent Liabilities

| | **2015** | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Guarantees and Indemnities | **184,967,014** | 47,555,744 |
| Letters of Credit & Others | **163,458,003** | 87,373,511 |
| | ---------------- | ---------------- |
| | **348,425,017** | 134,929,255 |
| | ========== | ========== |

*Notes to the* ***Financial Statements*** *Cont.*

The Bank's contingent liabilities are commitments undertaken on behalf of the Bank's customers to make payments to third parties in the event of the customer's default in the case of guarantees, or on the delivery of appropriate documentation by the payment recipient in the case of letters of credit. The value of these contingent liabilities are recorded in the books of the Bank at the fair value required to settle the obligation.

| **b Undrawn Commitments** | **2015** | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Undrawn Commitments | **168,334,619** | 14,371,152 |
| | ========= | ======== |

**36 Possible Legal Liability**

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Bank had several unresolved legal claims.The only significant legal claim against the Bank is relates to the provision of Cash Collection Services in respect of a customer for which the Bank was sued. The Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed. Adequate provision has been made for all the relevant litigation for which losses may be possible. The possible outflow which could result from all such litigation, based on the current status of the various legal proceedings, is estimated to be no more than GH¢382,700 (2014: GH¢ 437,700) while the timing of the outflow is uncertain.

**37 Analysis of Financial Assets and Liabilities**

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortized cost. The principal accounting policies in Notes 2 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by class of financial instrument to which they are assigned, and therefore by the measurement basis:

| **31 December 2015** | **Designated at Fair Value through Profit & Loss** | **Held to Maturity Investments** | **Available for-sale Financial Assets** | **Loans and Receivables** | **Total Carrying Amount** | **Fair value** |
|---|---|---|---|---|---|---|
| | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| Cash & Cash Balances with BoG | 248,884,782 | - | - | - | **248,884,782** | **248,884,782** |
| Due from other Banks and Financial Institutions | 601,270,232 | - | - | - | **601,270,232** | **601,270,232** |
| Financial Investments | 51,080,883 | - | 75,663,667 | - | **126,744,550** | **126,744,550** |
| Loans and Advances | - | - | - | 911,472,524 | **911,472,524** | **911,472,524** |
| Unquoted Equity Investments | - | - | 406,500 | - | **406,500** | **406,500** |
| | ---------------- | ---------------- | ---------------- | ---------------- | ---------------- | ---------------- |
| Total Financial Assets | 901,235,897 | - | 76,070,167 | 911,472,524 | **1,888,778,588** | **1,888,778,588** |
| | ========= | ========= | ========= | ========= | ========== | ---------------- |
| Total Non-Financial Assets | | | | | | **113,963,288** |
| | | | | | | ---------------- |
| Total Assets | | | | | | **2,002,741,876** |
| | | | | | | ========= |

*Notes to the **Financial Statements** Cont.*

| **Financial Liabilities** | **Financial Liabilities Measured at Amortised Cost GH¢** | **Total Carrying Amount GH¢** | **Fair value GH¢** |
|---|---|---|---|
| Customers Deposits | 1,395,809,526 | **1,395,809,526** | **1,395,809,526** |
| Due to Banks and Other Financial Institutions | 234,266,381 | **234,266,381** | **234,266,381** |
| Interest Payable and Other Liabilities | 108,685,768 | **108,685,768** | **108,685,768** |
| Total Financial Liabilities | 1,738,761,675 | **1,738,761,675** | **1,738,761,675** |
| Total Non-financial Liabilities | | | **263,980,201** |
| Total Liabilities and Shareholders Fund | | | **2,002,741,876** |

| **31 December 2014** | **Designated at Fair Value through Profit & Loss GH¢** | **Held to Maturity Investments GH¢** | **Available for-sale Financial Assets GH¢** | **Loans and Receivables GH¢** | **Total Carrying Amount GH¢** | **Fair value GH¢** |
|---|---|---|---|---|---|---|
| Cash & Cash Balances with BoG | - | - | - | 180,766,261 | 180,766,261 | 180,766,261 |
| Due from other Banks and Financial Institutions | - | - | - | 170,171,026 | 170,171,026 | 170,171,026 |
| Financial Investments | 53,922,374 | - | 283,274,599 | - | 337,196,973 | 337,196,973 |
| Loans and Advances | - | - | - | 883,044,221 | 883,044,221 | 883,044,221 |
| Unquoted Equity Investments | - | - | 406,500 | - | 406,500 | 406,500 |
| Total Financial Assets | 53,922,374 | - | 283,681,099 | 1,233,981,508 | 1,571,584,981 | 1,571,584,981 |
| Total Non-Financial Assets | | | | | | 104,364,383 |
| Total Assets | | | | | | 1,675,949,364 |

**37 Analysis of Financial Assets and Liabilities**

| **Financial Liabilities** | Financial Liabilities Measured at Amortised Cost GH¢ | Total Carrying Amount GH¢ | Fair value GH¢ |
|---|---|---|---|
| Customers Deposits | 1,127,429,783 | 1,127,429,783 | 1,127,429,783 |
| Due to Banks and Other Financial Institutions | 236,247,094 | 236,247,094 | 236,247,094 |
| Interest Payable and Other Liabilities | 90,289,322 | 90,289,322 | 90,289,322 |
| Total Financial Liabilities | 1,453,966,199 | 1,453,966,199 | 1,453,966,199 |
| Total Non-financial Liabilities | | | 221,983,165 |
| Total Liabilities and Shareholders Fund | | | 1,675,949,364 |

*Notes to the* ***Financial Statements*** *Cont.*

## 38. Determination of Fair Value and Fair Values Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by the valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs have a significant effect on the recorded fair
- Level 3: Techniques for which inputs have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker codes, investment in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank's own models whereby the majority of assumptions are market observable.

Non-market observable inputs means that fair values are determined in whole, or in parts, using a valuation technique, based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Therefore, observable inputs reflect the Bank's own assumption about the assumptions that market participants will use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available which might include the Bank's own data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy done on a recurring basis.

| | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **31 December 2015** | | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| Government securities | 19 | **-** | **126,744,550** | **-** | **126,744,550** |
| | | **-** | **126,744,550** | **-** | **126,744,550** |
| 31 December 2014 | Note | Level 1 | Level 2 | Level 3 | Total |
| | | GH¢ | GH¢ | GH¢ | GH¢ |
| Government securities | 19 | - | 337,196,973 | - | 337,196,973 |
| | | - | 337,196,973 | - | 337,196,973 |

There were no transfers between levels 1 and 2 within the period.

### Level 2 Valuation Technique

The assets in Level 2 comprise mainly Government of Ghana securities (Treasury Bills). They are valued using published results of tender for government of Ghana and Bank of Ghana bill, notes and bonds at the financial year end.

### Day 1 Profit

The day 1 loss recognised on the derivative financial instrument was GH¢60,000 (2014: Day 1 Profit of GH¢8,345,000).

# Notes to the **Financial Statements** Cont.

## 39. Financial risk management

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank is exposed to credit risk, liquidity risk, interest rate risk and market risk. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

### Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

### Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

### Risk Committees

The Risk Committees have the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committees are responsible for managing risk decisions and monitoring risk levels. The main Risk Committees and its frequency of meetings are:

i. Credit Risk Committee - Quarterly;
ii. Asset and Liabilities Committee - Weekly;
iii. Structural Risk Committee - Quarterly;
iv. Market Risk Committee - Quarterly;
v. Operational Risk Committee (Periodic and Permanent Control, Business Continuity Planning and Compliance) - Quarterly.

### Risk Management

Risk Management is done under specialists units of Credit and Market Risk Department and Operational and Permanent Control Division. These units are responsible for implementing and maintaining risk related procedures to ensure independent control process is maintained.

### Risk Control

Risk Control is done under the various specialist units of Risk Management where monitoring of compliance with risk principles, policies and limits across the Bank is undertaken. Each business group has its own unit which is responsible for the independent control risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. These units also ensure the complete capture of the risk in risk measurement and reporting systems through the various committees to the Board.

### Bank Treasury

The Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks management of the Bank.

### Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

The most significant risks which the bank is exposed to and how they are managed are as below:

### 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 geographical and industry concentrations, and by monitoring exposures in relation to such limits.

## *Notes to the **Financial Statements** Cont.*

The Bank also manages its counter party risk through adherence to Bank of Ghana prudential requirements by ensuring that it's secured lending to any single borrower is below 25% of its net worth and that any single unsecured lending by the bank is less than 10% of the bank's net worth.

The framework for managing this risk is the credit policy which spells out the overall underwriting standards, credit approval process, credit administration and recovery processes. The policy is reviewed from time to time (at least yearly) in response to risk profile of new business opportunities/products, and any challenges with the recovery process.

The Bank has established a credit quality review process through the Credit Committee 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 system, which assigns major 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 action.

The Bank's credit quality review process is established in line with the Societe Generale Group's risk management governance based on the following;

- A strong managerial involvement throughout the entire organization: From the Board of Directors through to the Credit Committee and to the operational field management teams.
- A tight framework of internal procedures and guidelines.
- A well defined permanent supervision process that assists to identify through a self examination the need for review of certain processes to improve on the Bank's credit delivery and collection processes.
- Independence of Risk assessment department from the business divisions;

The bank in estimating and establishing its potential credit losses, counterparty limits are established by the use of a credit risk classification system, which assigns major counterparties 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 action.

The Credit Committee also monitors the portfolio of loans and debt collection operations.

In this capacity, it does:

- analyze the portfolio of loans: retail customers, companies, banks and financial institutions and sovereign,
- monitor irregular commitments and the main sensitive risks,
- monitor debt collection files,
- assess guarantees and monitor provisions,
- ensure that the actions reported are monitored and performed

Total Credit approvals for 2015 was GH¢1,408.12 million; an increase of 77% compared to GH¢795.37million recorded in 2014. The volume of files however declined by 4%; from 13,961 files in 2014 to 13,372 files in 2015.

There has been a slight deterioration in the Non Performing Loan ratio over the period. NPL ratio (Bank of Ghana regulations) increased to 14.80% in December 2015 from 13.75% in December 2014. It increased over the period on the back of deterioration of some major corporate accounts. Close follow-up action plan has been implemented on these accounts to ensure repayment of arrears. Adequate provisions have been made in respect of all non-performing loans to ensure that the bank does not make any significant losses although the prospect of recovery for these loans is high.

In line with the bank's policy, the provisions have been made for all delinquent facilities in addition to a collective provisioning done for all sensitive and potentially sensitive clients.

The Net Cost of Risk increased by 3%; in absolute terms to GH¢ 39.0 million in December 2015 from GH¢38.0 million

## *Notes to the **Financial Statements** Cont.*

as at December 2014 as a result of increased provisions made to cover the deterioration of some major corporate accounts in the year and also. Consequently there was a decrease in basis point of the Net Cost of Risk from 389.62 bp in 2014 to 374.83 bp in 2015. All loans above 90days were specifically provisioned for whilst loans between 31 - 90 days were collectively provided for at a loss rate of 10%.

At 31 December 2015, the bank's credit exposure were categorised as follows:

- Exposures that are neither past due nor impaired
- Exposures that are past due but not impaired and
- Individually impaired facilities

The balances for each category have been analysed below;

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Loans & advances to customers** | **Due from banks & financial inst.** | Loans & advances to customers | Due from banks & financial inst. |
| | **GH¢'000** | **GH¢'000** | GH¢'000 | GH¢'000 |
| Neither past due nor impaired | **720,337** | **601,270** | 623,108 | 170,171 |
| Past due but not impaired | **92,333** | - | 125,494 | - |
| Individually impaired | **235,552** | - | 226,138 | - |
| **Gross** | **1,048,222** | **601,270** | 974,740 | 170,171 |
| Less Allowance for impairment | **(98,878)** | - | (66,582) | - |
| Interest in suspense | **(37,871)** | - | (25,114) | - |
| **Net amount** | **911,473** | **601,270** | 883,044 | 170,171 |

Loans and advances to customers in Ghana analysed by customer type, as well as by industry sector is shown in note 21(b) & 21(c) above.

**Maximum Credit Exposure**

| | **2015** | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Placement with other Banks | **179,990** | 98,482 |
| Loans and Advances | **911,473** | 883,044 |
| Unsecured Contingent Liabilities and Commitments | **347,228** | 117,586 |
| | **1,438,691** | 1,099,112 |

**Fair Value of Collateral Held**

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

*Notes to the **Financial Statements** Cont.*

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

| | 2015 GH¢ | 2014 GH¢ |
|---|---|---|
| Against Impaired Assets | **245,579** | 207,844 |
| Against Past Due but not Impaired Assets | **157,905** | 197,356 |
| | **403,484** | 405,200 |

**Liquidity risk and Structural interest rate risk**

**Liquidity risk**

Liquidity risk arises from the mismatch of the timing of cash flows relating to assets and liabilities. The liquidity policy of the Bank is approved by the Board under guidelines issued by SG and monitored daily to ensure that its funding requirements can be met at all times and that a stock of high quality liquid assets is maintained.

The net liquidity gap resulting from liquidity analysis of assets and liabilities of the Bank as of 31 December 2015 is shown in the table below.

**Maturity analysis of the assets and liabilities**

The table shows summary of assets and liabilities analysed according to their contractual maturities or residual value.

| **31 December 2015**<br>**Assets** | **Total GH¢** | **Below 3 months GH¢** | **3 to 6 months GH¢** | **6 to 12 months GH¢** | **Above 1 year GH¢** |
|---|---|---|---|---|---|
| Cash on Hand and Cash Balances with Bank of Ghana | **248,884,782** | **248,884,782** | - | - | - |
| Due from Banks and other Financial Institutions | **601,270,232** | **601,270,232** | - | - | - |
| Financial Investments | **126,744,550** | **105,189,844** | **10,567,206** | **10,987,500** | - |
| Other Assets | **23,719,330** | **11,223,100** | **7,497,738** | **4,998,492** | - |
| Loans and Advances | **911,472,524** | **251,753,747** | **43,556,943** | **122,752,005** | **493,409,829** |
| Unquoted Equity Investment | **406,500** | - | - | - | **406,500** |
| Current Tax Assets | **631,056** | **631,056** | - | - | - |
| National Stabilization Levy | **416,444** | **416,444** | - | - | - |
| Long Term Operating Lease Prepaid | **3,485,050** | **37,075** | **37,075** | **74,150** | **3,336,750** |
| Property, Plant & Equipment | **82,517,945** | **1,833,644** | **1,833,643** | **3,667,286** | **75,183,372** |
| Intangible Assets | **1,424,092** | **118,674** | **118,674** | **237,349** | **949,395** |
| Deferred Tax | **1,769,371** | **1,769,371** | - | - | - |
| **Total assets** | **2,002,741,876** | **1,223,127,969** | **63,611,279** | **142,716,782** | **573,285,846** |

## *Notes to the **Financial Statements** Cont.*

| **Liabilities** | | | | | |
|---|---|---|---|---|---|
| Customer Deposits | **1,395,809,526** | **329,086,916** | **55,257,892** | **110,515,783** | **900,948,935** |
| Due to Banks, & other Financial Institutions | **194,266,381** | **132,226,381** | **62,040,000** | **-** | **-** |
| Subordinated Debt | **40,000,000** | **-** | **-** | **-** | **40,000,000** |
| Interest Payable & Other Liabilities | **108,685,768** | **53,086,577** | **35,381,304** | **20,217,887** | **-** |
| **Total Liabilities** | **1,738,761,675** | **514,399,874** | **152,679,196** | **130,733,670** | **940,948,935** |
| Net Liquidity Gap | **263,980,201** | **708,728,095** | **(89,067,917)** | **11,983,112** | **(367,663,089)** |
| **Contingent liabilities - Guarantees and Letters of Credit** | **348,425,017** | **223,801,534** | **107,464,969** | **12,672,514** | **4,486,000** |

| 31 December 2014<br>**Assets** | Total<br>GH¢ | Below 3 months<br>GH¢ | 3 to 6 months<br>GH¢ | 6 to 12 months<br>GH¢ | Above 1 year<br>GH¢ |
|---|---|---|---|---|---|
| Cash on Hand and Cash Balances with Bank of Ghana | 180,766,261 | 180,766,261 | - | - | - |
| Due from Banks and other Financial Institutions | 170,171,026 | 170,171,026 | - | - | - |
| Financial Investments | 337,196,973 | 121,417,907 | 180,471,505 | 7,512,115 | 27,795,446 |
| Other Assets | 19,754,058 | 7,904,574 | 5,924,742 | 3,949,828 | 1,974,914 |
| Loans and Advances | 883,044,221 | 276,774,958 | 36,942,881 | 111,103,929 | 458,222,453 |
| Unquoted Equity Investment | 406,500 | - | - | - | 406,500 |
| Current Tax: Assets | 136,354 | - | - | - | 136,354 |
| National Stabilization Levy | 161,422 | - | - | - | 161,422 |
| Long Term Operating Lease Prepaid | 3,633,350 | 37,075 | 37,075 | 74,150 | 3,485,050 |
| Property, Plant & Equipment | 79,141,492 | - | - | - | 79,141,492 |
| Intangible Assets | 1,537,707 | - | - | - | 1,537,707 |
| **Total assets** | 1,675,949,364 | 757,071,801 | 223,376,203 | 122,640,022 | 572,861,338 |
| **Liabilities** | | | | | |
| Customer Deposits | 1,127,429,783 | 364,555,126 | 46,293,391 | 92,608,781 | 623,972,485 |
| Due to Banks, & other Financial Institutions | 236,247,094 | 88,500,421 | 61,750,395 | 85,996,278 | - |
| Interest Payable & Other Liabilities | 89,485,714 | 41,103,814 | 20,735,100 | 27,646,800 | - |
| Deferred Tax | 803,608 | 803,608 | - | - | - |
| **Total Liabilities** | 1,453,966,199 | 494,962,969 | 128,778,886 | 206,251,859 | 623,972,485 |
| Net Liquidity Gap | 221,983,165 | 262,108,832 | 94,597,317 | (83,611,837) | (51,111,147) |
| **Contingent liabilities - Guarantees and Letters of Credit** | 134,929,255 | 97,735,522 | 14,134,936 | 19,813,420 | 3,245,377 |

## *Notes to the **Financial Statements** Cont.*

The gap profile is the difference between assets and liabilities which is calculated for each time- bucket. The results of this calculation are stressed and analysed through the internal ALM Report or the Group report Structural risk committee.Societe Generale Ghana Limited has a large and diversified deposit base which serves as a large part of mid and long-term financing resources.

**Financing Facilities**
The Bank does not have any secured lending. It however has some unsecured lending arrangements with the following International Financial Institutions as shown in the table below:

| Entity | Total Amount | Amount Used | Amount Unused |
|---|---|---|---|
| PROPARCO | $30M | $16.347M | $13.652M |
| EIB | €20M | €8.587M | €11.412M |
| IFC | $30M | $24M | $6M |

**Structural interest rate**
The interest rate risk is the incurred risk in case of interest rate variations because of all on-and off- balance sheet operations, except operations subject to market risks. Global Interest Rate Risk is corresponding to interest rate on the banking portfolio.

The strategic management of liquidity is done at a high level of senior management (ALCO); review of results on weekly basis in line with competition and economic conditions and also ensure that regulatory requirements are met.

The risk management is supervised by the Group. Limits are defined at Group consolidated level and at the level of each Group consolidated entity, and are validated by the Credit Risk Committee. Finance department of the Group is responsible for checking the risk level of Societe Generale Ghana Limited.

Societe Generale Ghana Limited's main aim is to reduce its exposure to structural interest rate risk as much as possible. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set by the Finance Committee. The sensitivity is defined as the variation in the present value of future (maturities of up to 20 years) residual fixed rate positions (surplus or deficits) for a 1% parallel increase in the yield curve (i.e. this sensitivity does not relate to the sensitivity of annual net interest income). The limit for Societe Generale Ghana Limited is EUR 2 million (i.e. GH¢ 8.264 million), which is 3.16% of shareholders' equity.

In order to quantify its exposure to structural interest rate risks, Societe Generale Ghana Limited analyses all fixed- rate assets and liabilities on future maturities to identify any gaps. These positions come from their maturities.

Once the Bank has identified the gaps of its fixed- rate positions (surplus or deficit), it calculates the sensitivity (as defined above) to variations in interest rates. This sensitivity is defined as the variation of the net present value of the fixed-rate positions for an instantaneous parallel increase of 1% of the yield curve.

As at the end of 2015, SG Ghana's global sensitivity to interest rate risk following the procedure described above was 0.31% of the total balance sheet and below the GH¢ 8.264 million with a total sensitivity of GH¢ 6.301 million which represents 2.39% of the total shareholder's equity.

**Interest Rate Risk Exposure**
Interest rate risk exposure is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's exposure to the risk of changes in market interest rates relates primarily to the financial assets and liabilities with variable/floating interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variable held constant, of the Bank's profit before tax (through the impact on the floating rate financial assets and liabilities).

## *Notes to the* ***Financial Statements*** *Cont.*

Sensitivity of projected increase or decrease in interest rate is analysed below.

| | Increase/decrease in basis points | | Effect on profit before tax | | Effect on equity | |
|---|---|---|---|---|---|---|
| **31 December 2015** | **2015** | | **2015** | | **2015** | |
| GH¢ | **5%** | **(5%)** | **11,728,926** | **(11,728,926)** | **8,796,695** | **(8,796,695)** |
| USD | **7%** | **(7%)** | **1,048,889** | **(1,048,889)** | **786,667** | **(786,667)** |
| EUR | **5%** | **(5%)** | **133,307** | **(133,307)** | **99,980** | **(99,980)** |
| 31 December 2014 | 2014 | | 2014 | | 2014 | |
| GH¢ | 5% | (5%) | 8,936,877 | (8,936,877) | 6,702,658 | (6,702,658) |
| USD | 7% | (7%) | 204,961 | (204,961) | 153,721 | (153,721) |
| EUR | 5% | (5%) | 17,792 | (17,792) | 13,344 | (13,344) |

**Market risk**
Market risk is the risk of losses being incurred as a result of adverse movements in interest or exchange rates and arises in the Bank's treasury activities.

Market risk is controlled by interest mismatch and foreign currency open position limits approved by the Executive Committee of the Bank and monitored daily. The foreign currency exposure analysis of the Bank is shown in the currency exposure table below.

This risk is managed by the establishment of limits, monitoring of exposures on a daily basis and ensuring that regulatory requirements are met.

The task of the Market Risk Committee is to:
- identify, assess and monitor the market risks generated by transactions made on behalf of:
- the local Financial department (cash, liquid assets, balance sheet hedging) in relation with the Assets and Liabilities Management Committee
- professional customers (companies and institutional investors)
- define and monitor alert procedures
- make sure that the Back Office is really independent from the Front Office.

**Exchange rate sensitivity analysis**
The Bank's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from customer driven transactions. The sensitivity rates used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the changes in foreign currency rates. A positive number below indicates an increase in Profit or Equity whilst a negative number indicates a decrease in Profit or Equity. The profits below are the result of a net long exposure in the foreign currency coupled with an increase in the foreign currency rate. The losses on the other hand are mainly due to a net long exposure in the foreign currency coupled with a decrease in the foreign currency rate.

*Notes to the **Financial Statements** Cont.*

| | Increase/decrease in basis points | | Effect on profit before tax | | Effect on equity | |
|---|---|---|---|---|---|---|
| **31 December 2015** | **2015** | | **2015** | | **2015** | |
| | | | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| USD | **7%** | **(7%)** | **901,204** | **(901,204)** | **675,903** | **(675,903)** |
| GBP | **6%** | **(6%)** | **(26,683)** | **26,683** | **(20,012)** | **20,012** |
| EUR | **5%** | **(5%)** | **12,123** | **(12,123)** | **9,092** | **(9,092)** |
| Other currencies | **5%** | **(5%)** | **38,618** | **(38,618)** | **28,963** | **(28,963)** |
| 31 December 2014 | 2014 | | 2014 | | 2014 | |
| | | | GH¢ | GH¢ | GH¢ | GH¢ |
| USD | 7% | (7%) | (145,066) | 145,066 | (108,799) | 108,799 |
| GBP | 6% | (6%) | 28,435 | (28,435) | 21,326 | (21,326) |
| EUR | 5% | (5%) | 153,960 | (153,960) | 115,470 | (115,470) |
| Other currencies | 5% | (5%) | 28,467 | (28,467) | 21,350 | (21,350) |

**Exchange rate sensitivity analysis**

The following methods and assumptions used in the computation of sensitivity analysis

- i Foreign currency exposure is assumed to remain at constant values (closing balances at the end of the year).
- ii Use of average exchange rate for the year under consideration.
- iii Use of pre-determined stress levels (relevant range of stress level) based on extreme or worst case scenarios.
- iv There are no changes in the methods and assumptions from the previous periods.
- v The current corporate tax rate is applied in determining the effect on profit and equity.

Methods and assumptions used in the computation of sensitivity analysis

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The bank has adopted the Bank of Ghana requirement that banks maintain a total open position which is not more than 10% of their net worth. Within this limit, banks are also required to maintain single currency open positions not more than 5% of net worth.

**Currency Exposure**

The table below summarises the Bank's exposure to foreign exchange rate risks at year- end. The amounts stated in the table are the cedi equivalent of the foreign currencies.

## *Notes to the* ***Financial Statements*** *Cont.*

**31 December 2015**

| **Assets** | **USD GH¢** | **GBP GH¢** | **EURO GH¢** | **Others GH¢** | **Total GH¢** |
|---|---|---|---|---|---|
| Cash and Balances with Bank of Ghana | **34,394,464** | **2,793,863** | **13,658,015** | **-** | **50,846,342** |
| Due from Other Banks and Financial Institutions | **423,526,288** | **13,125,093** | **112,801,977** | **518,999** | **549,972,357** |
| Other Assets | **347,226** | **2,997** | **4,669** | **-** | **354,892** |
| Loan and Advances to Customers | **187,771,100** | **1,196** | **34,760,529** | **-** | **222,532,825** |
| **Total Assets** | **646,039,078** | **15,923,149** | **161,225,190** | **518,999** | **823,706,416** |
| **Liabilities** | | | | | |
| Due to Customers | **405,860,264** | **14,721,301** | **111,069,204** | **15,145** | **531,665,914** |
| Other Liabilities | **67,444,184** | **1,637,719** | **18,924,749** | **191,857** | **88,198,509** |
| Due to Other Banks and Financial Institutions | **159,283,050** | **-** | **30,990,000** | **-** | **190,273,050** |
| Total Liabilities | **632,587,498** | **16,359,020** | **160,983,953** | **207,002** | **810,137,473** |
| Net on Balance Sheet Position | **13,451,580** | **(435,871)** | **241,237** | **311,997** | **13,568,943** |
| Net Off Balance Sheet Position | **(379,500)** | **-** | **-** | **380,383** | **883** |
| **Net open position** | **13,072,080** | **(435,871)** | **241,237** | **692,380** | **13,569,826** |

31 December 2014

| **Assets** | USD GH¢ | GBP GH¢ | EURO GH¢ | Others GH¢ | Total GH¢ |
|---|---|---|---|---|---|
| Cash and Balances with Bank of Ghana | 22,498,283 | 1,895,744 | 14,697,331 | - | 39,091,358 |
| Due from Other Banks and Financial Institutions | 25,156,887 | 13,564,528 | 31,266,248 | 612,746 | 70,600,409 |
| Other Assets | 66,901 | 1,149 | - | - | 68,050 |
| Loan and Advances to Customers | 278,858,826 | 1,776 | 33,890,156 | - | 312,750,758 |
| **Total Assets** | 326,580,897 | 15,463,197 | 79,853,735 | 612,746 | 422,510,575 |
| **Liabilities** | | | | | |
| Due to Customers | 232,768,133 | 14,201,162 | 103,020,714 | 13,587 | 350,003,596 |
| Other Liabilities | 44,256,497 | 764,538 | 4,027,361 | 18,086 | 49,066,482 |
| Due to Other banks and Financial Institutions | 152,019,796 | - | 29,109,750 | - | 181,129,546 |
| Total Liabilities | 429,044,426 | 14,965,700 | 136,157,825 | 31,673 | 580,199,624 |
| Net on Balance Sheet Position | (102,463,529) | 497,497 | (56,304,090) | 581,073 | (157,689,049) |
| Net Off Balance Sheet Position | 100,166,554 | - | 59,427,628 | - | 159,594,182 |
| Net open position | (2,296,975) | 497,497 | 3,123,538 | 581,073 | 1,905,133 |

*Notes to the* ***Financial Statements*** *Cont.*

**Operational Risk**
Operational risk is the exposure to financial or other damage arising through unforeseen events or failure in operational processes and systems. Examples include inadequate controls and procedures, human error, deliberate malicious acts including fraud and business interruption.

These risks are controlled and monitored through system controls, segregation of duties, exception and exposure reporting, business continuity planning, reconciliations, internal audit and timely and reliable management reporting.

**Operational procedures are documented in an Operations Manual.**
The Bank has established and implemented an integrated Operational Risk (OR) framework comprising (i) Loss Collection policy, (ii) Key Risk Indicators (KRI) policy, (iii) Permanent Supervision policy, (iv) Compliance and anti-money laundering.

Policy which set out the organizational structure, overall policy framework, processes and systems for identifying, assessing, monitoring and controlling/ mitigating operational risks in the bank.

Societe Generale Ghana Limited has adopted the SG-Group BCP policy and methodology which is consistent with international standards.

The Bank has also created a comprehensive and independent review of the Business Continuity Planning and Operational Risk processes.

The Operational Risk Committee's task is to identify and assess the impact of operational risks on the smooth running and profitability of the bank, and to define and implement the strategy used to control them by continuously adapting the methods used to bring them into conformity with regulations in force and Societe Generale Group standards.

To achieve this, the committee:
- makes sure that the resources made available to the Operational Risk team are in line with the Bank's level of exposure.
- is responsible for the introduction and satisfactory operation of permanent supervision, and for the bank's Operational Risk control.
- is informed of the main types of operational risks and of the main operating losses recorded over the period.
- monitors the implementation of plans of action intended to correct and reduce Operational Risks.
- validates the findings of regulatory exercises (Risk & Control Self Assessment (RCSA), scenario analysis, KRI), introduces and monitors corrective action plans.
- introduces, maintains and tests the BCP and the Crisis management system.
- makes sure that the work done by Permanent Supervision is of good quality and approves its report.
- takes corrective action in the event of a deterioration in the control environment.
- keeps up to date with legislative and regulatory changes, as well as recommendations relating to periodic control.
- drafts and presents its activity report particularly intended for the Audit and Accounts Committee.

**Non Compliance & Reputation Risk and the prevention of Money Laundering**
The compliance function ensures that the risks of legal, administrative and/or disciplinary penalties, financial losses or injury to reputation, arising out of or in connection with failure to comply with local legislative and/or regulatory banking provisions, ethics and professional practices, as well as SG Group instructions, standards and/or processes are identified and controlled.

The bank's compliance activity is overseen at a high level by a senior management officer, the Head of Compliance and through the Compliance committee chaired by the Managing Director.

The main tasks of the compliance function are namely:
- to define in accordance with legal and regulatory requirements, the policies, principles and procedures applicable to compliance and the prevention of money laundering and terrorist financing and ensure that they are implemented.
- to ensure that professional and financial market regulations are respected.
- to prevent and manage any potential conflicts of interest with respect to customers.
- to propose the ethical rules to be respected by all staff.
- to train and advise staff and increase their awareness of compliance issues.

## Notes to the **Financial Statements** Cont.

**Other Operational Risks**
Through its normal activity, the Bank is also exposed to the following risks:

- Business risk: risk of the earnings break- even point not being reached because of costs exceeding revenues
- Strategic risk: risk entailed by a chosen business strategy or resulting from the Bank's inability to execute its strategy.

### 40 Regulatory Breaches

**Non-Compliance with Foreign Exchange Act 2006 (Act 723).**
Transfers on behalf of a customer were found to have been made without appropriate documentation and therefore in contravention of Foreign Exchange Act, 2006 (Act 723). The Bank of Ghana imposed a pecuniary sanction of GH¢108,590 as penalty.

**Late Submission of Returns to Bank of Ghana**
An amount of GH¢ 6,000 was imposed on the bank for late submission of returns to Bank of Ghana.

### 41 Cash and Cash Equivalents

The cash and cash equivalents of the bank as at the end of the year are shown below:

| | **2015** | 2014 |
|---|---|---|
| | **GH¢** | GH¢ |
| Cash on Hand and Balances with Bank of Ghana | **248,884,782** | 180,766,261 |
| Due from Banks and Other Financial Institutions | **601,270,232** | 170,171,026 |
| | **850,155,014** | 350,937,287 |

### 42 Segmental Reporting

For management purposes, the bank is organized into four operating segments based on products and services as follows;

- **Retail Banking**

This unit primarily serves the needs of individuals, high net worth clients and institutional clients. It is principally responsible for providing loans and other credit facilities, as well as mobilizing deposits and providing other transactions.

- **Corporate Banking**

This unit is principally responsible for providing loans and other credit facilities, as well as mobilizing deposits and providing other transactions to the Bank's corporate clients.

- **Small and Medium Enterprises**

This unit is principally responsible for providing loans and other credit facilities, as well as mobilizing deposits and providing other transactions and services to small and medium enterprises.

- **Treasury**

This unit undertakes the bank's funding activities. It also manages the liquidity position of the Bank through activities such as borrowings, and investing in liquid assets such as short-term placements and government debt securities.

Management monitors the operating results of each business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. The main source of difference is the use of a transfer pricing mechanism in apportioning investment income for the segment.

## *Notes to the* ***Financial Statements*** *Cont.*

| 31 December 2015 | Retail | Corporate | SME | Treasury | Total |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **Revenue** | | | | | |
| Interest & Similar Revenue (3rd Parties) | 91,578,502 | 98,237,274 | 36,935,842 | - | 226,751,618 |
| Interest & Similar Expense | (18,474,894) | (31,360,987) | (3,586,157) | - | (53,422,038) |
| **Net Interest income** | **73,103,608** | **66,876,287** | **33,349,685** | **-** | **173,329,580** |
| Fees & Commission Revenue | 26,842,715 | 25,839,158 | 11,519,542 | 382,019 | 64,583,434 |
| Fees & Commission Expense | (11,785,767) | (755,072) | (23,953) | - | (12,564,792) |
| **Net Commission Income** | **15,056,948** | **25,084,086** | **11,495,589** | **382,019** | **52,018,642** |
| Trading Revenue | (2,361,227) | 11,398,109 | 6,767,952 | 12,426,728 | 28,231,562 |
| Investment Revenue | - | - | - | - | - |
| Other Operating Income | 4,695,307 | 1,546,642 | 746,692 | 10,093,761 | 17,082,402 |
| **Total Other Operating Income** | **2,334,080** | **12,944,751** | **7,514,644** | **22,520,489** | **45,313,964** |
| **Total Operating Income** | **90,494,636** | **104,905,124** | **52,359,918** | **22,902,508** | **270,662,186** |
| Credit Loss Expenses | (5,208,906) | (27,540,961) | (5,162,852) | - | (37,912,719) |
| **Net Operating Income** | **85,285,730** | **77,364,163** | **47,197,066** | **22,902,508** | **232,749,467** |
| Personnel Expenses | (48,172,988) | (16,438,889) | (13,666,735) | (3,406,215) | (81,684,827) |
| Depreciation/Amortization | (8,345,216) | (824,219) | (824,219) | (309,083) | (10,302,737) |
| Other Operating Expenses | (26,430,627) | (28,479,795) | (19,245,412) | (2,218,470) | (76,374,304) |
| Total Operating Expenses | (82,948,831) | (45,742,903) | (33,736,366) | (5,933,768) | (168,361,868) |
| **Profit Before Tax** | **2,336,899** | **31,621,260** | **13,460,700** | **16,968,740** | **64,387,599** |
| **Total Assets** | 721,826,413 | 1,067,164,542 | 210,918,510 | 2,832,411 | 2,002,741,876 |
| **Total Liabilities** | 587,059,200 | 920,568,341 | 231,134,134 | - | 1,738,761,675 |

No revenue from transactions with a single customer or counter party amounted to 10% or more of the Bank's total revenue in 2015 or 2014.All Segment revenue are from external customers only. The Accounting policies of the reportable segments are the same as the Bank. There were no intra company profit for the period under review.

*Notes to the **Financial Statements** Cont.*

| 42 Segmental Reporting - continued | Retail | Corporate | SME | Treasury | Total |
|---|---|---|---|---|---|
| 31 December 2014 | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **Revenue** | | | | | |
| Interest & Similar Revenue (3rd Parties) | 71,385,110 | 92,675,428 | 16,913,681 | - | 180,974,219 |
| Interest & similar expense | (17,375,028) | (24,032,065) | (2,779,237) | - | (44,186,330) |
| **Net Interest income** | **54,010,082** | **68,643,363** | **14,134,444** | **-** | **136,787,889** |
| Fees & Commission Revenue | 20,293,217 | 20,776,190 | 8,969,425 | 240,780 | 50,279,612 |
| Fees & Commission Expense | (10,114,532) | (5,569) | (59,525) | - | (10,179,626) |
| **Net Commission Income** | **10,178,685** | **20,770,621** | **8,909,900** | **240,780** | **40,099,986** |
| Trading Revenue | 946,176 | 16,254,676 | 8,162,903 | 15,843,760 | 41,207,515 |
| Investment Revenue | 121,440 | 16,560 | 46,000 | - | 184,000 |
| Other Operating Income | 11,289,635 | 1,310,860 | 3,641,279 | 8,350,000 | 24,591,774 |
| **Total Other Operating Income** | **12,357,251** | **17,582,096** | **11,850,182** | **24,193,760** | **65,983,289** |
| **Total Operating Income** | **76,546,018** | **106,996,080** | **34,894,526** | **24,434,540** | **242,871,164** |
| Credit Loss Expenses | (3,441,150) | (32,819,276) | (2,365,349) | - | (38,625,775) |
| **Net Operating Income** | **73,104,868** | **74,176,804** | **32,529,177** | **24,434,540** | **204,245,389** |
| Personnel expenses | (41,756,325) | (9,929,121) | (5,130,431) | (3,368,189) | (60,184,066) |
| Depreciation/Amortization | (6,287,879) | (655,688) | (588,438) | (302,625) | (7,834,630) |
| Other Operating Expenses | (22,567,056) | (24,316,680) | (16,432,159) | (1,894,179) | (65,210,074) |
| Total Operating Expenses | (70,611,260) | (34,901,489) | (22,151,028) | (5,564,993) | (133,228,770) |
| **Profit Before Tax** | **2,493,608** | **39,275,315** | **10,378,149** | **18,869,547** | **71,016,619** |
| **Total Assets** | 594,419,269 | 826,011,482 | 255,518,613 | - | 1,675,949,364 |
| **Total Liabilities** | 516,099,743 | 745,776,729 | 192,089,727 | - | 1,453,966,199 |

## 43 Capital

**Capital management**

The primary objectives of the Bank's capital management are to ensure that the bank complies with externally imposed capital requirement by Bank of Ghana and that the bank maintains strong credit rating and healthy capital ratios in order to support its business and to maximise shareholders value. The Bank manages its capital structure and makes adjustment to it in the light of changes in the economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

## *Notes to the* ***Financial Statements*** *Cont.*

**a Capital Definition**
The Bank's capital comprises stated capital, share deals account, retained earnings including current year profit and various reserves the company is statutorily required to maintain. As a bank, it also has regulatory capital as defined below:

**b. Stated Capital**
This amount is made up of issue of shares for cash and transfers from retained earnings.

**c. Income Surplus**
This amount represents the cumulative annual profits after appropriations available for distribution to shareholders.

**d. Capital Surplus**
This amount comprises revaluation of property, plant and equipment.

**e. Share Deals**
The amount represents transactions in respect of treasury shares.

**f. Statutory Reserve**
This is amount set aside from annual profit as a non-distributable reserve in accordance with regulatory requirements.

The transfer to Statutory Reserve Fund is in compliance with Section 29 of the Banking Act, 2004 (Act 673) as amended by the Banking Act, 2007 (Act 738).

**g Regulatory Credit Reserve**
This is amount set aside from retained earnings as a non-distributable reserve to meet minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances.

**h. Other Reserves**
This is made up of the share option reserve, available for sale reserve on debt securities and avail- able for sale on equity investments. Share option reserve is an amount set aside for future exercise of share options. Available for sale reserve on debt securities records unrealized gains and losses on government securities. Available for sale reserve on equity investments records unrealized fair value gains and losses on available for sale equity investments.

**i. Regulatory Capital**
Regulatory capital consist of Tier 1 capital, which comprises share capital, share deals account, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividend, net long positions in own share and goodwill. Certain adjustments are made to IFRS-based result and reserves, as prescribed by the Central Bank of Ghana. The other component of regulatory capital is Tier 2 capital which includes revaluation reserves.

**j. Capital adequacy**
The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Ghana. The capital adequacy ratio of the Bank as of 31 December 2015 is shown below:

# *Notes to the* ***Financial Statements*** *Cont.*

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Actual** | **Required by Bank of Ghana** | Actual | Required by Bank of Ghana |
| | **GH¢** | **GH¢** | GH¢ | GH¢ |
| Net Tier 1 Capital | **205,664,304** | **60,000,000** | 178,671,901 | 60,000,000 |
| Tier 2 Capital | **63,901,432** | **-** | 23,507,265 | - |
| **Total Capital** | **269,565,736** | **60,000,000** | 202,179,166 | 60,000,000 |
| Adjusted Capital Base (a) | **269,565,735** | | 181,941,877 | |
| Adjusted Asset Base (b) | **1,677,640,622** | | 1,349,820,186 | |
| **Capital Adequacy Ratio (a/b)** | **16.07%** | **10%** | 13.48% | 10% |

## 44 Compliance Status of Externally Imposed Capital Requirement

During the past year Societe Generale Ghana Limited complied in full with all its externally imposed capital requirements.

**Analysis of Shareholdings**

| **Category** | **Number of shareholders** | **Number of shares** | **Percentage Holding %** |
|---|---|---|---|
| 1-1,000 | 28,530 | 8,699,665 | 2.37% |
| 1,001-5,000 | 4,365 | 8,854,588 | 2.41% |
| 5,001-10,000 | 689 | 4,783,668 | 1.30% |
| Over 10,000 | 532 | 344,943,348 | 93.92% |
| | 34,116 | 367,281,269 | 100% |

## 45 Subsequent events

There were no major events after the reporting date that materially changed the Bank's position.

## 46 Comparative information

The comparative financial information, where considered necessary, have been reclassified to achieve consistency with presentation of current year figures.

## *Notes to the* ***Financial Statements*** *Cont.*

### 47 Twenty Largest Shareholders

| | **Shareholders**<br>Account Name | **Number of Holding** | **% Owned** |
|---|---|---|---|
| 1 | SG-FINANCIAL SERVICES HOLDING | 191,862,000 | 52.24 |
| 2 | SOCIAL SECURITY AND NATIONAL INSURANCE TRUST | 81,299,111 | 22.14 |
| 3 | OFORI DANIEL | 26,515,841 | 7.22 |
| 4 | SCGN/SSB& TRUST AS CUST FOR KIMBERLITE FRONTIER AFRICA MASTER FUND,L.P-RCKM | 9,368,960 | 2.55 |
| 5 | SOCIETE GENERAL EMPLOYEES' SHARE OWNERSHIP | 2,869,823 | 0.78 |
| 6 | AMENUVOR GIDEON | 2,362,468 | 0.64 |
| 7 | SCGN/ELAC POLICYHOLDERS FUND | 2,271,174 | 0.62 |
| 8 | SCBN/CITIBANK LONDON ROBECO AFRIKA FONDS N.V. | 1,851,960 | 0.50 |
| 9 | STD NOMS TVL PTY/BNYM SANV/VANDERBILT UNIVERSITY | 1,627,010 | 0.44 |
| 10 | SCGN/SSB&TRUST AS CUST FOR CONRAD N HILTON FOUNDATION-00FG | 1,625,140 | 0.44 |
| 11 | SSNIT SOS FUND | 1,488,836 | 0.41 |
| 12 | SAM ESSON JONAH MR. | 1,100,000 | 0.30 |
| 13 | SCGN/CACEIS FRANCE RE HMG GLOBETROTTER | 1,090,500 | 0.30 |
| 14 | TEACHERS FUND | 1,056,528 | 0.29 |
| 15 | MR PHILIP OPOKU-MENSAH | 1,000,000 | 0.27 |
| 16 | COCOBOD END OF SERVICE BENEFIT SCHEME | 992,313 | 0.27 |
| 17 | MBG ESSPA SCHEME | 865,057 | 0.24 |
| 18 | SCGN/SSB EATON VANCE TAX-MANAGED EMERGING MARKET FUND | 814,000 | 0.22 |
| 19 | SCGN/ RE:ELAC SHAREHOLDERS FUND | 784,163 | 0.21 |
| 20 | SCGN/CITIBANK KUWAIT INV AUTHORITY | 606,100 | 0.17 |
| | Total | 331,450,984 | 90.24 |
| | Others | 35,830,285 | 9.76 |
| | **Grand Total** | **367,281,269** | **100** |

### 48 Directors shareholding

| **Director** | **Shareholding** |
|---|---|
| Mrs. Teresa Ntim | 1,584 shares |
| Kofi Asamoah | 3,300 shares |

# PROXY FORM

I/We..........................................................................................................................
*(Block Capital Please)*

of..........................................................................being member/members of Societe Generale Ghana Limited,

hereby appoint..........................................................................................................
*(insert full name)*

Of ..........................................................................................................................
(or failing him the duly appointed Chairman of the meeting) as my/our Proxy to vote for me/us at the Annual General meeting to be held on Thursday 31st March 2016 at 11.00 a.m. and at every adjournment thereof):

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

| RESOLUTION | FOR | AGAINST |
|---|---|---|
| 1. To receive the Accounts | | |
| 2. To declare the final dividend as recommended | | |
| 3. To re-elect as a Director Michel Miaille | | |
| 4. To re-elect as a Director Kofi Ampim | | |
| 5. To re-elect as a Director Pierre Wolmarans | | |
| 6. To elect as a Director Sionle Yeo | | |
| 7. To approve Directors' fees | | |
| 8. To appoint Ernst & Young as Auditors | | |
| 9. To authorise the Directors to fix the Auditors fees | | |
| 10. To authorize the Board of Directors to decide at its discretion to increase the stated capital to a minimum of GHS140,000,000 through a Rights Issue subject to the applicable regulatory approvals and to set the parameters of the Rights Issue, the amount of which shall not exceed GHS41,000,000. | | |

Signed this.................................................... day of ..................................................... 2016

Shareholder's Signature.........................................................................................................

**THIS PROXY FORM SHOULD NOT BE SENT TO THE COMPANY SECRETARY IF THE MEMBER WILL BE ATTENDING THE MEETING**

**NOTES:**

1. A member (Shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for the Chairman of the Meeting to act as your proxy but, if you 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 of the Meeting.
3. In the case of joint holders, each holder should sign.
4. If executed by a corporation, the proxy form should bear its common seal or be signed on its behalf by a Director.
5. Please sign the above proxy form and post it so as to reach the address shown overleaf not later than 48 hours before the appointed time of the meeting.
6. The proxy must produce the Admission Card sent with the notice of the meeting to obtain entrance to the meeting.

# RESOLUTIONS TO BE PASSED AT
# THE ANNUAL GENERAL MEETING

**BOARD RESOLUTIONS**
The Board of Directors will be proposing the following resolutions which would be put to the Annual General Meeting:

**1. RECEIVE THE 2015 ACCOUNTS**
The Board shall propose the acceptance of the 2015 Accounts as the true and fair view of the state of affairs of the company for the year ended 31st December 2015

**2. DECLARATION OF DIVIDEND FOR 2015**
In accordance with Section 73(1) of the Companies Code 1963 Act 179 as amended by the Companies (Amendment) Act 2012, Act 835 and Section 36(1) of the Regulations of the Bank it is hereby proposed that a final dividend in respect of the financial year ended 31st December 2015 of GHS0.076 per share payable to all shareholders registered in the books of the Company at the close of business on 31st March 2016.

**3. RE-ELECT DIRECTORS**
In accordance with Section 298(a) of the Companies Code 1963 Act 179 as amended by the Companies (Amendment) Act 2012, Act 835 and Section 88 (1) of the Regulations of the Bank, Mr. Michel Miaille, Mr. Kofi Ampim and Mr. Pierre Wolmarans retire by rotation and being eligible; offer themselves for re-election as directors.

**4. ELECT A DIRECTOR**
In accordance with Section 72(1) of the Regulations Mr. Sionle Yeo appointed as a Director during the year and retiring being eligible offer himself for election.

**5. APPROVE DIRECTORS FEES**
In accordance with Section 194(1) of the Companies Code 1963 (Act 179) as amended by the Companies (Amendment) Act 2012, Act 835 and Section 78(3) of the Regulations of the Bank it is hereby proposed that the Directors remuneration be paid at such a rate not exceeding an aggregate of GH¢345,000.00

**6. APPOINTMENT OF AUDITORS AND AUTHORISATION OF THE DIRECTORS TO DETERMINE THE REMUNERATION OF THE AUDITORS AUDITORS**

In accordance with Section 134(5) of the Companies Code 1963 as amended by the Companies (Amendment) Act 2012, Act 835 and Section 54(2) (d) of the Regulations of the Bank, the Board of Directors recommend the appointment of Messrs Ernst & Young as Auditors of Societe Generale Ghana Limited. The Board will request that they fix the fees of the Auditors.

**7. TO INCREASE THE STATED CAPITAL TO A MINIMUM OF ONE HUNDRED AND FORTY MILLION GHANA CEDIS (GH¢140,000,000)**

In accordance with Section 66 of the Companies Code 1963 (Act 179) as amended by the Companies (Amendment) Act 2012, Act 835 and Section 45 of the Regulations of the Bank it is proposed that Shareholders hereby pass the following resolution.

To authorise the Board of Directors to decide To authorize the Board of Directors to decide, at its discretion, to increase the stated capital of the Bank to a minimum of One Hundred and Forty Million Ghana Cedis (GH¢140 million) through a rights issue (the "Rights Issue"), subject to applicable regulatory approvals and to set the parameters of the Rights Issue, the amount of which shall not exceed Forty One Million Ghana Cedis (GH¢41 million).

THE COMPANY SECRETARY
SOCIETE GENERALE GHANA
HEAD OFFICE
RING ROAD CENTRAL
P. O. BOX 13119
ACCRA

FOLD HERE

FOLD HERE

SOCIETE GENERALE
GHANA

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