ANNUAL REPORT

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PRUDENTIAL BANK LIMITED

Front view of the Bank's 34th branch at Nungua, Accra

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OVERVIEW

This section gives information about the Bank, its Board of Directors, a summary of performance over the last five (5) years and the Chairman's Statement

ABOUT US

Prudential Bank Limited (PBL) opened for business on 15 August 1996

The main areas of the Bank's operations are domestic and international banking, project financing, SME financing, e-banking services, international money transfer and funds management.

The Bank has a network of 36 branches and agencies located in six of the ten regions in Ghana, with plans to expand to all ten regions.

PBL has consistently won several prestigious awards in banking since its inception. The Bank continues to be a member of the Ghana Club 100.

Mr. Stephen Sekyere-Abankwa, Managing Director

Corporate Mission

To provide domestic and international banking services with a strategic focus on project financing, trade financing, export development and SME financing. PBL is committed to playing a positive and innovative role in the financial intermediation process and, most importantly, to offer the best banking services.

Vision

To be a successful indigenous and the preferred bank in Ghana offering the most remunerative banking services to the public.

Subsidiary Companies

Prudential Bank has three subsidiary companies – PBL Properties Limited, Prudential Securities Limited and Prudential Stockbrokers Limited.

PBL Properties Limited is engaged in the acquisition and development of banking premises for the Bank and also the management of ancillary staff and facilities.

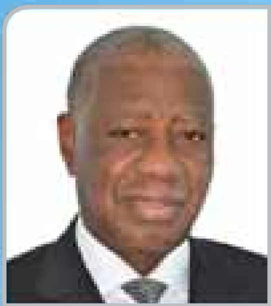
Prudential Securities Limited is engaged in fund management, corporate finance and business advisory services.

Prudential Stockbrokers Limited is engaged in stockbrokerage, equity and economic research and advisory services.

www.prudentialbank.com.gh

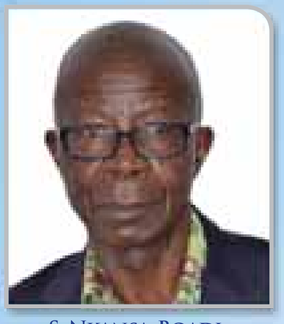
BOARD OF DIRECTORS

JOHN S. ADDO
CHAIRMAN



S. SEKYERE-ABANKWA
M. D.

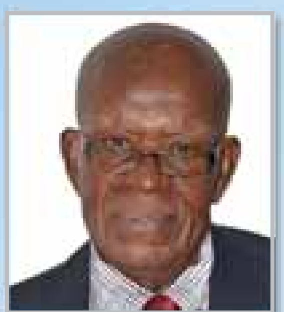
JOANA F. DICKSON
MEMBER



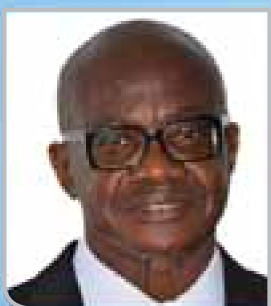
S. NKANSA-BOADI
MEMBER

NORTEY K. OMABOE
MEMBER

ARETHA DUKU
MEMBER



K. AGYEI-GYAMFI
MEMBER



K. KWAKYE-MINTAH
MEMBER

STEPHEN A. ASARE
MEMBER

FRED KWASI BOATENG
MEMBER

OSEI YAW OSAFO (BOARD SECRETARY)

AUDITORS:
Asamoa Bonsu & Co,
Chartered Accountants,
C758/3, Near Gye Nyame Hotel, Asylum Down
P.O. Box AN-7751,
Accra

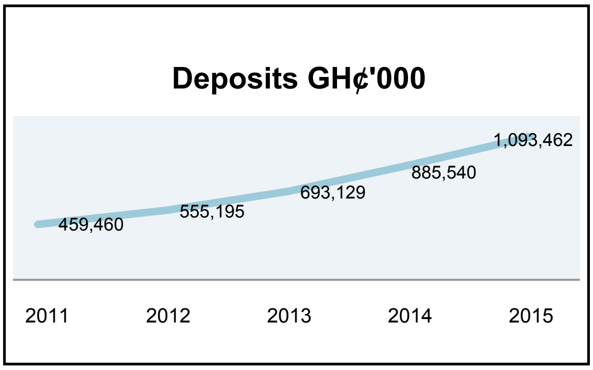
Tel.: 233-302-224783

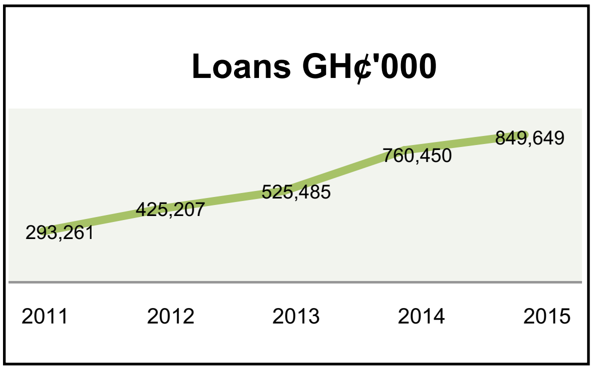
POSTAL ADDRESS:
Private Mail Bag
General Post Office
Accra.

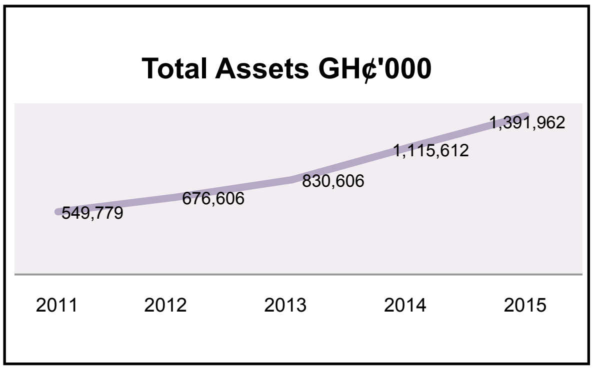
REGISTERED OFFICE:
No. 8 John Harmond Street
(Formerly No. 8 Nima Avenue)
Ring Road Central
Accra, Ghana

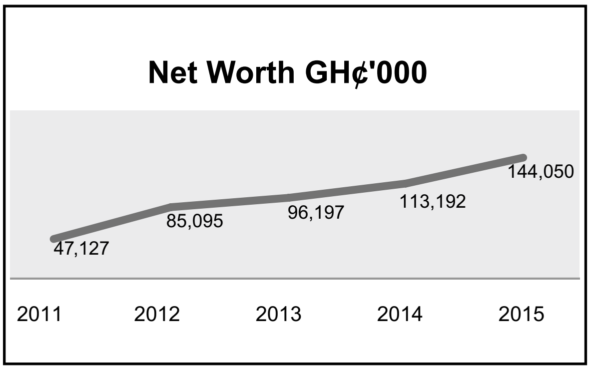
Tel:	233-302-781200-5
Fax:	233-302-781210
TLX:	233-302-2954 PBL GH
	233-302-2087 PBL GH
Cable:	Prubank
Swiftcode:	PUBKGHAC
E-mail:	headoffice@prudentialbank.com.gh
Website:	www.prudentialbank.com.gh

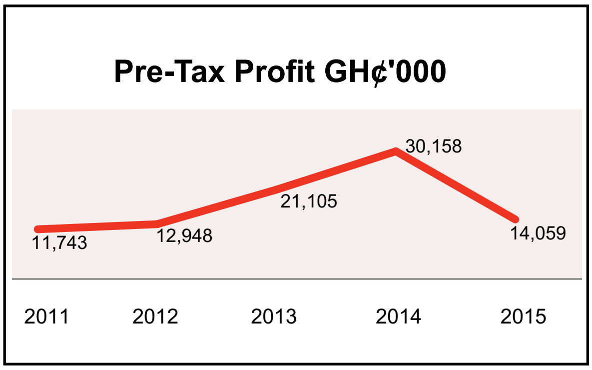
FINANCIAL HIGHLIGHTS

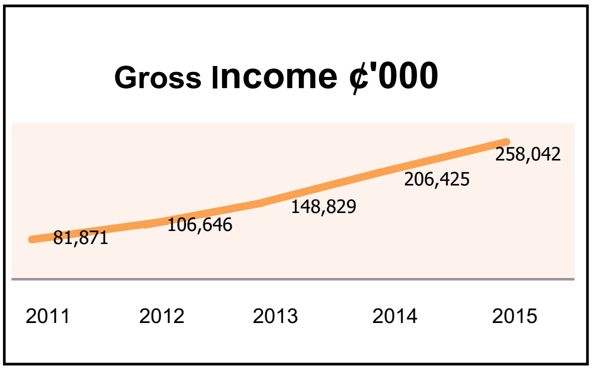


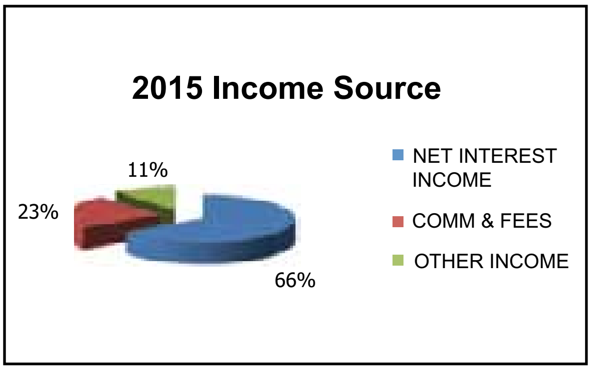


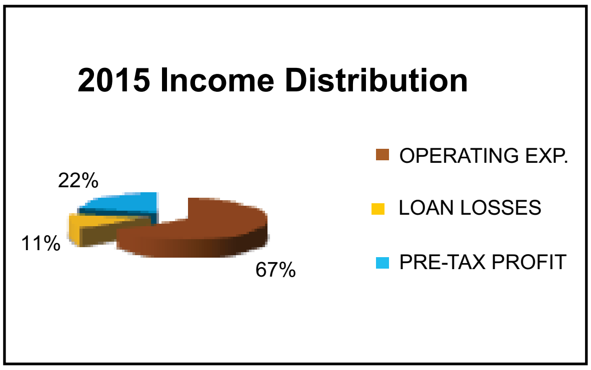












FIVE YEARS SUMMARY OF PERFORMANCE 2011 - 2015

	2015 GH¢'000	2014 GH¢'000	2013 GH¢'000	2012 GH¢'000	2011 GH¢'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Interest Income	204,560	153,151	107,317	78,263	58,598
Interest Expense	(102,297)	(69,732)	(43,242)	(35,466)	(26,564)
NET INTEREST INCOME	**102,263**	**83,419**	**64,076**	**42,797**	**32,034**
Commissions and Fees	36,343	30,316	22,286	19,464	15,126
Other Operating Income	17,139	22,958	19,226	8,919	8,147
TOTAL INCOME	**155,745**	**136,693**	**105,588**	**71,180**	**55,307**
Loan Impairment Expense	(30,483)	(15,531)	(17,210)	(5,457)	(3,528)
Operating Expenses	(111,203)	(91,004)	(67,273)	(52,775)	(40,036)
PROFIT BEFORE TAX	**14,059**	**30,158**	**21,105**	**12,948**	**11,743**
Taxation	(4,261)	(10,770)	(6,993)	(3,332)	(3,506)
PROFIT FOR THE YEAR	**9,798**	**19,388**	**14,112**	**9,616**	**8,237**
Other Comprehensive Income	24,059	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**33,857**	**19,388**	**14,112**	**9,616**	**8,237**
RETAINED EARNINGS					
Balance at 1st January	10,586	4,125	671	5,094	1,684
Profit for the year	9,798	19,388	14,112	9,616	8,237
	20,384	**23,513**	**14,783**	**14,710**	**9,921**
Transfer to Statutory Reserve Fund	(2,450)	(9,694)	(7,056)	(4,808)	(4,119)
Transfer to Credit Risk Reserve	2,517	(838)	(593)	(231)	(708)
Dividend Paid	(3,000)	(2,395)	(3,009)	-	-
Transfer to Stated Capital	-	-	-	(9,000)	-
Balance at 31st December	**17,451**	**10,586**	**4,125**	**671**	**5,094**
STATEMENT OF FINANCIAL POSITION **ASSETS**					
Cash and Balances with Bank of Ghana	156,726	130,840	70,885	79,645	52,931
Government Securities	154,688	86,846	99,035	50,371	65,718
Due from other Banks and Financial Institutions	117,253	72,323	84,123	80,143	99,627
Loans and Advances	849,649	760,450	525,485	425,207	293,261
Taxation	6,852	-	3,194	2,846	1,043
Equity investment	7,366	7,366	7,366	6,366	6,366
Other Assets	7,202	7,195	5,409	5,016	4,388
	1,299,736	**1,065,020**	**795,497**	**649,594**	**523,334**
Property, Plant & Equipment	83,207	38,957	32,064	24,899	24,121
Intangible assets	9,019	11,635	3,045	2,113	2,324
TOTAL ASSETS	**1,391,962**	**1,115,612**	**830,606**	**676,606**	**549,779**
LIABILITIES AND SHAREHOLDERS' FUNDS **LIABILITIES**					
Customer Deposits	1,093,462	885,540	693,129	555,195	459,460
Taxation	-	1,430	-	1,450	1,383
Borrowings	127,486	97,500	19,889	13,019	13,988
Other Liabilities	26,964	17,950	21,391	21,847	27,821
TOTAL LIABILITIES	**1,247,912**	**1,002,420**	**734,409**	**591,511**	**502,652**
SHAREHOLDERS FUNDS					
Stated Capital	62,453	62,453	62,453	62,453	25,100
Retained Earnings	17,451	10,586	4,125	671	5,094
Statutory Reserve Fund	34,586	32,136	22,442	15,385	10,577
Credit Risk Reserve	-	2,517	1,679	1,086	855
Revaluation Surplus	29,559	5,500	5,500	5,500	5,500
TOTAL EQUITY AND RESERVES	**144,050**	**113,192**	**96,197**	**85,095**	**47,127**
TOTAL LIABILITIES AND SHAREHOLDERS' FUND	**1,391,962**	**1,115,612**	**830,606**	**676,606**	**549,779**

CHAIRMAN'S STATEMENT

1.0 INTRODUCTION

Distinguished Shareholders, Directors, Ladies and Gentlemen, it is my pleasure to welcome you once again to the 19th Annual General Meeting of Prudential Bank Limited and to report on the performance of your Bank for the year ended 31st December 2015.

2.0 THE GLOBAL ECONOMIC ENVIRONMENT

The performance of the global economy in Year 2015 was characterised by a further deceleration of economic activity in key emerging and developing economies which overshadowed a modest recovery in major high-income countries.

The deceleration was accompanied by further falls in commodity prices, particularly crude oil prices which dropped below USD40 per barrel towards the end of 2015. The continued decline in crude oil prices was driven mainly by increased production from OPEC particularly from Saudi Arabia and Iraq and high oil stocks in the OECD countries.

Other challenges included subdued global trade, weak capital flows and bouts of financial market volatility. According to the World Bank Global Economic Prospects report for January 2016, global growth for 2015 is estimated at 2.4% compared to 2.6% recorded in 2014.

In developing economies, growth in 2015 is estimated at 4.3% down from 4.9% in 2014. Most developing economies experiencing weak growth are concentrated in Latin America and to a lesser extent Sub-Saharan Africa where commodity exporters are struggling to maintain growth.

The major high-income economies however continued to recover steadily throughout 2015.

Overall, the U.S. economy grew by 2.5% in 2015 compared to 2.4% in 2014, on the back of a consumption led recovery. The Euro countries, which are largely net importers of oil, grew by 1.5% in 2015 compared to 1% in 2014 supported by low oil prices and improved credit conditions. Growth in Japan recovered moderately to 0.8% in 2015 from 0.1% in 2014 and in China growth slowed from 7.3% in 2014 to 6.9% in 2015.

The World Bank projects an outlook of slow growth for the global economy on the back of continued steady recovery in high-income countries and stabilization of commodity prices. Global growth is therefore expected to improve from 2.4% in 2015 to 2.9% in 2016 and 3.1% in 2017.

3.0 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2015

The economy of Ghana in Year 2015 continued to suffer from macro-economic imbalances and subdued economic activity. Consequently, the economic performance was characterized by declining growth, increasing inflation rates, rising debt levels and high financial vulnerabilities.

According to the World Bank Global Economic Prospects report for January 2016, Ghana's Gross Domestic Product (GDP) growth is estimated at 3.4% for 2015 compared to the Government Budget target of 5.4%.

The year 2015 was the fourth consecutive year of declining growth from the record 14% achieved in 2011 down to 9.3% in 2012, 7.3% in 2013, 4.2% in 2014 and now 3.4% in 2015.

The decline in GDP growth in 2015 was due mainly to the severe energy crisis and its consequent adverse effects on economic output, domestic and external debt burdens and deteriorated financial and macroeconomic imbalances.

Annual inflation rose steadily in the first half of the year, from 16.4% at the end of January 2015 to 17.9% at the end of July 2015. This was caused mainly by the significant currency depreciation in the early part of the year, the upward adjustment in fuel prices and increased food prices. The pace of inflation however slowed in the second half of the year due to tightening monetary stance, relative exchange rate stability and slower pace of price increases. For the entire year, the rate increased by 0.7% to 17.7% at the end of December 2015.

On the currency market, the Ghana Cedi depreciated against the major currencies throughout the year. It depreciated against the US dollar by 26.1% in the 6 months to end of June but recovered in the second half of the year to a full year depreciation of 15.7% by the end of December 2015. This compares favourably with the 2014 depreciation of 31.3%. The sharp depreciation in the first half of the year however affected economic activities and inflation adversely.

The difficult economic situation compelled the Government of Ghana to initiate an IMF-supported programme to revive the growth prospects of the economy.

The IMF board approved a three-year Extended Credit Facility (ECF) of US$918m in April 2015, to support a reform programme aimed at faster growth and job creation while protecting social spending. The reform program seeks to boost growth and help reduce poverty by restoring macroeconomic stability through tighter fiscal discipline, strengthened public finances, and slowing inflation. The reform measures were expected to dampen non-oil growth initially in 2015 ahead of a projected growth rebound in subsequent years.

3.1 Interest Rates

The Monetary Policy Committee (MPC) of the Bank of Ghana raised the Monetary Policy Rate (MPR) cumulatively by 500 basis points (bps) from 21% in January 2015 to 26% by December 2015, indicating a further tightening of monetary policy to curb inflation.

Interest rates on government securities decreased marginally during the year 2015. Between January 2015 and December 2015, the benchmark 91-day Treasury bill rate decreased from 25.8% to 22.9%. Similarly, the 182-day Treasury bill rate decreased from 26.4% to 24.4% whilst the 1-year Treasury note remained unchanged at 23%.

In line with the above decreases, average lending rates of banks decreased from 29% at the end of 2014 to 27.5% at the end of 2015. The inter-bank overnight interest rate which reflects the rate at which commercial banks borrow from and lend to each other increased to 25.3% at the end of December 2015 from 23.7% at the end of December 2014.

4.0 THE BANKING INDUSTRY

Distinguished Shareholders and Directors, the banking industry of Ghana continued to be competitive. In Year 2015, one new bank was licensed to increase the number of universal banks to twenty-nine (29). The number of bank branches exceeded 1,000 by the end of year 2015.

During the year 2015, the non performing loans (NPL) of the banking sector increased sharply by 14.9% from the 2014 level of GH¢2.72 billion to GH¢4.52 billion at the end of 2015 due to the difficult economic conditions.

That notwithstanding, the banking sector continued to remain sound with a strong asset base.

The banking sector total assets increased by 23.1% to GH¢63.3 billion at the end of December 2015 compared to a growth of 42.2% recorded in December 2014. Net Loans and Advances grew by 22% to GH¢27.09 billion as at the end of December 2015 compared to a 44% growth in the previous year.

As mentioned earlier, Banks' loan quality generally deteriorated in 2015 with an increase in non-performing loans between 2014 and 2015. The NPL ratio at the end of December 2015 was 14.9% against 11.3% recorded at the end of the previous year.

The liquidity conditions of the banking sector tightened during the year 2015 but remained within generally acceptable limits.

For the same period, the capital adequacy ratio for the banking industry declined from 17.9% to 17.7% mainly on account of weaker credit delivery and additional bad debt provisioning by some banks. The ratio however remained well above the prudential and statutory requirements.

The Central Bank continued to apply strict controls in the exercise of its regulatory and supervisory roles to ensure that the robustness of the banking industry was maintained.

5.0 PERFORMANCE OF PBL IN YEAR 2015

5.1 Branch and other Developments

Distinguished Shareholders and Directors, in furtherance of our objective of bringing banking services to the door step of our customers, your bank opened one branch at Nungua, in the Greater Accra Region. This brought the total number of branches to thirty-four branches and two agencies in six out of the ten regions of Ghana.

In line with the technological trends in the banking industry, your Bank made significant investments to upgrade and enhance its IT infrastructure. Some of the key system changes and improvements include the upgrade of network equipment and other data centre hardware to meet international IT security standards and upgrade of computer operating systems.

Your Bank also completed the development of its head office annex, a few meters away from the main head office.

5.2 Mobilization of Resources

5.2.1 Deposits

During the year under review, your Bank mobilized GH¢207.9 million in deposits to increase its deposit base from GH¢885.5 million to GH¢1,093.5 million, an increase of 23.4%, compared with 28% increase in the previous year. Current and savings accounts deposits together accounted for 55% of total deposits whilst time deposits accounted for 45%. A significant proportion of the deposits was mobilised from private entities and individuals.

5.2.2 Shareholders' Funds

Shareholders' funds increased by 27% from GH¢113.2 million at the end of Year 2014 to GH¢144 million at the end of the Year 2015 as compared with 18% growth rate in Year 2014. The growth was due to revaluation surplus arising from a revaluation of properties and earnings retained during the year.

5.3 Allocation of Resources

The Bank continued to make judicious use of resources by engaging in profitable activities that sought to optimize the risks and returns relationship associated with its asset allocation decisions whilst ensuring that day-to-day operational and regulatory liquidity requirements were met.

The total assets of your Bank grew by 25% from GH¢1.12 billion as at 31st December, 2014 to GH¢1.39 billion as at 31st December, 2015. The growth was funded by deposits, borrowings and shareholders' funds.

5.3.1 Investments

The Bank's investment in government securities stood at GH¢154.7 million as at the end of Year 2015. The investment in government securities was necessary for liquidity management.

5.3.2 Lending Operations

During the year 2015, the Bank further consolidated its core business by growing its Loans and Advances portfolio by 12%. This increased the loans and advances portfolio from GH¢760.5 million at the end of Year 2014 to GH¢849.6 million at the end of Year 2015.

5.4 Results of Operations

Distinguished Shareholders and Directors, as mentioned earlier, the non performing loans ratio of the Banking industry worsened in the year 2015 due to the difficult economic conditions.

Your Bank therefore had to make a bad debt provision of GH¢30.5 million for the year 2015 against the previous year provision of GH¢15.5 million.

Consequently, your Bank's pre-tax profit for the year 2015 decreased by 53% to GH¢14.1 million from GH¢30.2 million achieved in year 2014. The profit after tax for the year was GH¢9.8 million, which translates into a return on assets (ROA) of 0.78% and return on equity (ROE) of 7.62%.

As you would expect, your bank is disappointed with the 2015 operating results due to the material deviation from its consistently good performance.

5.5 Dividend

Distinguished ladies and gentlemen, as a result of the significant drop in the 2015 profit, the Directors were unable to recommend the payment of dividend to shareholders.

5.6 Corporate Social Responsibility

Building relations and investing in our communities continue to be key aspects of your Bank's core values.

Distinguished ladies and gentlemen, your Bank reduced its funding support for education and other social needs from GH¢723,764 in year 2014 to GH¢429,764 in year 2015 in view of the difficult operating environment.

The institutions that received support from your Bank during the year included the following:

- University of Cape Coast;
- Valley View University;
- University of Ghana Business School;
- Ghana Police Command;
- World Food Programme;

- Ghana Red Cross;
- Ghana Academy of Arts and Sciences;
- Komfo Anokye Teaching Hospital;
- Noguchi Memorial Institute for Medical Research

5.7 Change in Shareholding structure

Dear Shareholders, during the year 2015, the Social Security and National Insurance Trust sold its entire 4.74% shareholding in your Bank to Mr Frank Owusu, thereby increasing Mr Owusu's stake to 12.76%.

The transaction was approved by Bank of Ghana and finalized in March 2016.

5.8 Proposed Increase in Stated Capital

Distinguished Ladies and Gentlemen, as you know, your Bank is seeking to increase its stated capital from the current GH¢62.45 million to at least GH¢120 million.

The requirement to increase the stated capital is in line with the Bank of Ghana directive and Basel II accord which requires Banks to maintain sufficient capital reserves to support their risk appetite.

This would also strengthen the capital base of your Bank to enable it engage in higher volumes of financial transactions.

Finally, the increase in stated capital will improve the Single Obligor Limit and also reduce the borrowings and its associated costs.

I therefore urge all shareholders to support the proposed increase in capital to sustain the long term viability of our Bank, failing which, the Bank will be obliged to open up the capital to new shareholders.

5.9 Corporate Governance

Distinguished Ladies and Gentlemen, your Bank continued to commit itself to sound and effective corporate governance practices which ensured effective oversight and management of the Bank to enhance shareholder value.

I am pleased to report that during the year under review the Board and its Audit & Risk Management Sub-Committee continued to perform their supervisory obligations effectively. The two bodies held regular scheduled meetings to deliberate on key operational issues including quarterly performance reports, Internal Control and Bank of Ghana reports, which promoted effective control and direction of the Bank. The Board also regularly reviewed the Bank's risk exposure to inform its risk related decisions. The Bank continued to comply with all relevant Bank of Ghana laws and regulations as well as anti-money laundering laws.

6.0 OUTLOOK FOR THE FUTURE

6.1 The Global Economy

Global growth is expected to improve gradually over the coming years according to the World Bank Global Economic Prospects Report for January 2016. Growth is expected to rise from 2.4% in 2015 to 2.9% in 2016, reaching 3.1% in 2017.

This anticipated improvement in global growth is dependent on continued gains in major high-income countries, a gradual tightening of financing conditions, a stabilization of commodity prices and a reduced pace of slowing growth in China.

6.2 The Ghanaian Economy

The Ghana Government projects a recovery in the production and pricing of cocoa and gold and a significant improvement in electricity supply which should boost economic growth in the years 2016 and 2017.

Average inflation is expected to moderate to 15% under the effects of the tight monetary policy and ongoing fiscal consolidation.

GDP growth for 2016 is expected to be 5.4%, up from an estimated 3.4% for 2015 on the back of increased oil production and a resolution of the electricity crisis.

6.3 The Banking Industry

Distinguished Ladies and Gentlemen, according to the Bank of Ghana Financial Stability Report for January 2016, the banking sector continues to be sound and solvent albeit with some deterioration in asset quality and efficiency.

The increased competition in the banking industry is likely to intensify with the licensing of one new bank in 2015 bringing the total number of banks operating in the industry to twenty-nine (29).

The industry's performance is expected to get better with the expected improvement in energy supply, ongoing fiscal consolidation reflected in lower Treasury bill rates and relative stability in the exchange rate.

The regulatory environment is also expected to be tightened to ensure that the operations of banks are sustained on a sound footing.

6.4 Prudential Bank Limited

Distinguished Ladies and Gentlemen, the focus for 2016 will be intensive loan recoveries and efficient cost-management.

Your Bank would also continue to expand into commercially viable areas of the country, invest in technology, improve the customer experience, and introduce innovative products onto the market.

Your Bank is currently in the second year of its fifth strategic plan which involves initiatives to enhance the Bank's overall services to make the Bank more attractive to prospective customers.

Your Bank also plans to build on its achievements in previous years and consolidate its core business by growing the Bank's brand and increasing its market share.

7.0 ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my deepest appreciation to all our customers whose continued patronage and loyalty have contributed in no small measure to the continued success of the Bank.

I also commend the Management and Staff of the Bank for their dedicated service and professionalism in the midst of the intense competition in our industry.

Finally, I wish to thank you Shareholders and colleague members on the Board for your co-operation and invaluable contributions that have sustained the Bank in its endeavours over the past nineteen years. Based on your mutual support and cooperation, we continue to look to the future with confidence.

Thank you,

JOHN SACKAH ADDO
CHAIRMAN

FINANCIALS

This section contains the report of the Directors, report of the independent auditors and the financial statements with supporting notes for the year ended 31st December, 2015

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to the members their nineteenth annual report together with the audited financial statements of the Bank and its subsidiaries for the year ended 31st December, 2015 as follows:

a. Subsidiaries

The subsidiary companies of the Bank are incorporated in Ghana and wholly owned by the Bank. They are:

(i) PBL Properties Limited: engaged in the acquisition and development of banking premises.

(ii) Prudential Securities Limited: engaged in fund management, corporate finance, and business advisory services, and

(iii) Prudential Stockbrokers Limited: engaged in stock-brokerage, equity and economic research and advisory services.

b. Principal Activities

The principal activities carried out by the Bank during the year under review were within the limits permitted by its Regulations and its Banking Licence and also consistent with its strategic focus. There were no changes in the principal activities of the Bank during the year.

c. Results

The results of operations for the year ended 31st December, 2015 are set out in the Consolidated Statement of Profit or Loss and other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements from page 31 to 85.

The Consolidated Statement of Financial Position and this Report have been signed by two directors indicating the Board's approval of the Consolidated Statement of Financial position, Annexed Financial Statements and the Notes.

A summary of the results is as follows:

	THE GROUP		THE BANK	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Net Profit for the year was	10,655	20,343	9,798	19,388
To which was added the balance brought forward on surpluses at the beginning of the year	15,401	7,985	10,586	4,125
	26,056	28,328	20,384	23,513
From which the following transfers have been made				
Statutory Reserve	(2,450)	(9,694)	(2,450)	(9,694)
Credit Risk Reserve	2,517	(838)	2,517	(838)
Dividends Paid	(3,000)	(2,395)	(3,000)	(2,395)
	(2,933)	(12,927)	(2,933)	(12,927)
Leaving a balance on Retained Earnings at end of the year of	**23,123**	**15,401**	**17,451**	**10,586**
TOTAL ASSETS	**1,453,435**	**1,119,388**	**1,391,962**	**1,115,612**

d. Directors' Assessment of the State of the Bank's Affairs

The Directors consider the Bank's state of affairs to be satisfactory. They have a reasonable expectation that the Bank will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing these financial statements.

BY ORDER OF THE BOARD

DIRECTOR **DIRECTOR**

ACCRA

23RD MARCH 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Companies Act, 1963 (Act 179) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and its subsidiaries and of their profit or loss for the year.

The Banking Act, 2004 (Act 673) as amended by The Banking (Amendment) Act 2007 (Act 738) requires every bank to prepare annually as at 31st December of each year financial statements and returns in accordance with that Act.

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

a. Select accounting policies, which comply with the Companies Act 1963, (Act 179) and the Banking Act 2004, (Act 673) as amended and in accordance with International Financial Reporting Standards and to apply them consistently.

b. Make judgments and estimates that are reasonable and prudent.

c. Ensure applicable accounting standards have been followed and any material departures disclosed.

d. Ensure the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standards and ensuring that the Bank and its subsidiaries keep accounting records which disclose with reasonable accuracy the financial position of the Bank and its subsidiaries and which enable them to ensure that the financial statements comply with the Companies Act 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended. They are also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PRUDENTIAL BANK LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Prudential Bank Limited, which comprise the Consolidated Statement of Financial Position as at 31st December, 2015, Consolidated Statement of Profit or Loss and other Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As described on Page 22, the Bank's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the Banking Act, 2004 (Act 673) as amended and the Companies Act, 1963 (Act 179). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

It is our responsibility to form an independent opinion based on our audit of these statements and to report same to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical standards and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatements.

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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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 consolidated financial statements show a true and fair view of the consolidated financial position of Prudential Bank Limited and its subsidiaries as at 31st December, 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Companies Act, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended.

Report on other Legal and Regulatory Requirements

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion proper books of account have been kept by the Bank and its subsidiaries, so far as appears from our examination of those books; and

iii. The Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss and other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity of the Bank and its subsidiaries are in agreement with the books of account.

The Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738), requires that we state certain matters in our report. We hereby certify that:

i. The financial statements give a true and fair view of the state of affairs as at 31st December, 2015 of the Bank and its subsidiaries and the results for the year ended on that date;

ii. We obtained all the information and explanations required for the efficient performance of our audit;

iii. The Bank and its subsidiaries transactions are within their powers; and

iv. The Bank has generally complied with the provisions of the Banking Act, 2004 (Act 673) as amended.

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Asamoa Bonsu & Co.
CHARTERED ACCOUNTANTS, ICAG Licence Number ICAG/F/2016/155
C758/3, Asylum Down, near Gye Nyame Hotel
P.O. Box AN-7751, Accra
Signing Partner, Osei Yaw Asamoa (ICAG/P/1192)

23RD MARCH 2016

Senior staff of the Bank pose with customers in Takoradi at the end of a one-day credit seminar organised by the Bank.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		THE GROUP		THE BANK	
	Notes	**2015 GH¢'000**	**2014 GH¢'000**	**2015 GH¢'000**	**2014 GH¢'000**
Interest Income	5	204,560	153,151	204,560	153,151
Interest Expense	6	(102,297)	(69,728)	(102,297)	(69,732)
NET INTEREST INCOME		102,263	83,423	102,263	83,419
Commissions & Fees	7	36,343	30,316	36,343	30,316
Other Operating Income	8	18,145	23,709	17,040	22,907
Total Income		156,751	137,448	155,646	136,642
Loan Impairment Expense	9	(30,483)	(15,531)	(30,483)	(15,531)
Operating Expenses	10	(111,316)	(90,840)	(111,203)	(91,004)
NET OPERATING PROFIT		14,952	31,077	13,960	30,107
Other Income		133	157	99	51
Profit Before Tax		15,085	31,234	14,059	30,158
Taxation	15	(4,430)	(10,891)	(4,261)	(10,770)
Profit for the Year		**10,655**	**20,343**	**9,798**	**19,388**
OTHER COMPREHENSIVE INCOME					
Items that will never be reclassified to profit or loss in subsequent periods:					
Revaluation surplus on land and buildings		79,488	–	24,059	–
Total other comprehensive income		**79,488**	**–**	**24,059**	**–**
TOTAL COMPREHENSIVE INCOME		**90,143**	**20,343**	**33,857**	**19,388**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		THE GROUP		THE BANK	
	Notes	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
ASSETS					
Cash and Balances with Bank of Ghana	12	156,726	130,840	156,726	130,840
Government Securities	13	157,934	88,352	154,688	86,846
Due from other Banks & Financial Institutions	14	117,311	72,324	117,253	72,323
Taxation	15	6,852	–	6,852	–
Loans and Advances	16	849,649	760,450	849,649	760,450
Equity Investment	18	227	232	7,366	7,366
Other Assets	19	7,596	7,224	7,202	7,195
		1,296,295	1,059,422	1,299,736	1,065,020
Property, Plant & Equipment	21	148,052	48,283	83,207	38,957
Intangible Assets	22	9,088	11,683	9,019	11,635
TOTAL ASSETS		**1,453,435**	**1,119,388**	**1,391,962**	**1,115,612**
LIABILITIES					
Customer Deposits	20	1,092,503	884,370	1,093,462	885,540
Taxation	15	–	1,380	–	1,430
Borrowings	23	127,486	97,500	127,486	97,500
Other Liabilities	24	28,296	18,130	26,964	17,950
TOTAL LIABILITIES		**1,248,285**	**1,001,380**	**1,247,912**	**1,002,420**
EQUITY AND RESERVES					
Stated Capital	29	62,453	62,453	62,453	62,453
Retained Earnings		23,123	15,402	17,452	10,586
Statutory Reserve Fund		34,586	32,136	34,586	32,136
Credit Risk Reserve		–	2,517	–	2,517
Revaluation Surplus		84,988	5,500	29,559	5,500
Total Equity and Reserves		**205,150**	**118,008**	**144,050**	**113,192**
TOTAL LIABILITIES AND EQUITY		**1,453,435**	**1,119,388**	**1,391,962**	**1,115,612**

These Financial Statements and accompanying Notes were approved at the Board Meeting held on the date stated below.

BY ORDER OF THE BOARD

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) **DIRECTORS**
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23RD MARCH **2016**

CONSOLIDATED STATEMENT OF CASH FLOWS

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
OPERATING PROFIT	**15,085**	**31,234**	**14,059**	**30,158**
Add Back:				
Charge for Depreciation	7,010	5,639	6,968	5,622
Charges for Amortisation	3,593	1,585	3,589	1,581
Charge for Loan Impairments	30,509	8,258	30,509	8,258
Provision in Contingent/Other Liabilities	(15)	8	(15)	8
(Profit)/Loss on Sale of Property, Plant & Equipment	(90)	26	(60)	26
Cash Inflow from Trading Activities	**56,092**	**46,750**	**55,050**	**45,653**
(INCREASE)/DECREASE IN OPERATING ASSETS				
(Increase)/Decrease in Government Securities	32,558	31,337	31,738	32,540
(Increase)/Decrease in Loans/Advances	(119,693)	(245,432)	(119,693)	(243,232)
(Increase)/Decrease in Other Assets	(372)	(183)	(7)	(1,786)
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Increase/(Decrease) in Customers' Deposits	208,132	191,835	207,922	192,412
Increase/(Decrease) in Other Liabilities	10,166	(4,122)	9,014	(3,440)
Increase/(Decrease) in Borrowings	29,986	77,611	29,986	77,611
Tax paid	(12,662)	(6,304)	(12,542)	(6,146)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**204,207**	**91,492**	**201,468**	**93,612**
INVESTING ACTIVITIES				
(Increase)/Decrease in Equity Investments	5	(44)	–	–
Proceeds on Sale of Property, Plant & Equipment	161	30	131	30
Purchase of Property, Plant & Equipment	(27,362)	(10,419)	(27,231)	(12,568)
Purchase of Intangible Assets	(998)	(10,241)	(973)	(10,172)
	(28,194)	**(20,674)**	**(28,073)**	**(22,710)**
FINANCING ACTIVITIES				
Dividends Paid	**(3,000)**	**(2,395)**	**(3,000)**	**(2,395)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**173,013**	**68,423**	**170,395**	**68,507**
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Balance as at 1st January,	252,813	184,390	252,511	184,004
Add Net Cash Flow	173,013	68,423	170,395	68,507
Balance as at 31st December	**425,826**	**252,813**	**422,906**	**252,511**
COMPOSITION				
Cash on Hand	36,226	34,360	36,226	34,360
Balance with Bank of Ghana	120,500	96,480	120,500	96,480
Balances with other Banks	43,837	4,843	43,837	4,843
Government Securities	151,790	49,650	148,928	49,348
Overnight Lending	11,551	5,050	11,551	5,050
Foreign Time Deposits	48,994	48,137	48,994	48,137
Items in Course of Collection	12,928	14,293	12,870	14,293
	425,826	**252,813**	**422,906**	**252,511**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – GROUP

	STATED CAPITAL GH¢'000	RETAINED EARNINGS GH¢'000	STATUTORY RESERVE GH¢'000	CREDIT RISK RESERVE GH¢'000	REVALUATION SURPLUS GH¢'000	TOTAL EQUITY GH¢'000
Balance at 1st January 2014	62,453	15,401	32,136	2,517	5,500	118,007
Profit for the year	–	10,655	–	–	79,488	90,143
	62,453	**26,056**	**32,136**	**2,517**	**84,988**	**208,150**
Transactions with Owners						
Dividend Paid	–	(3,000)	–	–	–	(3,000)
Other Movement in Equity						
Transfer to Statutory Reserve	–	(2,450)	2,450	–	–	–
Transfer to Credit Risk Reserve	–	2,517	–	(2,517)	–	–
Total Transfers	**–**	**(2,933)**	**2,450**	**(2,517)**	**–**	**(3,000)**
Balance at 31st December, 2015	**62,453**	**23,123**	**34,586**	**–**	**84,988**	**205,150**
Comparative Figures – 2014						
Balance at 1st January, 2014	62,453	7,985	22,442	1,679	5,500	100,059
Profit for the year	–	20,343	–	–	–	20,343
	62,453	**28,328**	**22,442**	**1,679**	**5,500**	**120,402**
Transaction with Owners						
Dividend Paid	–	(2,395)	–	–	–	(2,395)
Other Movements in Equity						
Transfer to Statutory Reserve	–	(9,694)	9,694	–	–	–
Transfer to Credit Risk Reserve	–	(838)	–	838	–	–
Total Transfers	**–**	**(12,927)**	**9,694**	**838**	**–**	**(2,395)**
Balance at 31st December, 2014	**62,453**	**15,401**	**32,136**	**2,517**	**5,500**	**118,007**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – BANK

	STATED CAPITAL GH¢'000	RETAINED EARNINGS GH¢'000	STATUTORY RESERVE GH¢'000	CREDIT RISK RESERVE GH¢'000	REVALUATION SURPLUS GH¢'000	TOTAL EQUITY GH¢'000
Balance at 1st January, 2015	62,453	10,586	32,136	2,517	5,500	113,192
Profit of the year	–	9,798	–	–	24,059	33,857
	62,453	**20,384**	**32,136**	**2,517**	**29,559**	**147,049**
Transactions with owners						
Dividend Paid	–	(3,000)	–	–	–	(3,000)
Other Movement in Equity						
Transfers to Statutory Reserve	–	(2,450)	2,450	–	–	–
Transfer to Credit Risk Reserve	–	2,517	–	(2,517)	–	–
Total Transfers	**–**	**(2,933)**	**2,450**	**(2,517)**	–	**(3,000)**
Balance at 31st December, 2015	**62,453**	**17,451**	**34,586**	**–**	**29,559**	**144,049**
Comparative Figures – 2014						
Balance at 1st January, 2014	62,453	4,125	22,442	1,679	5,500	96,199
Profit of the year	–	19,388	–	–	–	19,388
	62,453	**23,513**	**22,442**	**1,679**	**5,500**	**115,587**
Transaction with Owners						
Dividend Paid	–	(2,395)	–	–	–	(2,395)
Other Movements in Equity						
Transfer to Statutory Reserve	–	(9,694)	9,694	–	–	–
Transfer to Credit Risk Reserve	–	(838)	–	838	–	–
Total Transfers	**–**	**(12,927)**	**9,694**	**838**	**–**	**(2,395)**
Balance at 31st December, 2014	**62,453**	**10,586**	**32,136**	**2,517**	**5,500**	**113,192**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

1.0 STATEMENT OF COMPLIANCE

1.1 International Financial Reporting Standards (IFRSs)

The financial statements of the Bank for the year ended 31st December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRSs).

1.2 References

References to "The financial statements" comprise the Consolidated Statements of:

a. Profit or Loss and other Comprehensive Income;

b. Financial Position;

c. Cash Flows and

d. Changes in Equity.

References to the Group comprise the Bank and its subsidiaries.

2.0 ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank and which have been applied in preparing these financial statements are stated below:

2.1 Basis of Measurement

The financial statements have been prepared under the historical cost convention as modified by the adoption of fair value measurement basis, in compliance with IFRS requirements, for investments and financial assets and financial liabilities measured at fair value.

2.2 Functional and Presentation Currency

The financial statements are presented in Ghana Cedi (GH¢) which is the functional and presentation currency of the Group. The amounts or values in these financial statements have been rounded to the nearest thousand Ghana Cedi (GH¢'000), except when otherwise indicated.

2.3 Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria apply to revenue recognition.

2.3.1 Interest Income and Expense

Interest income and expense are recognised in the consolidated statement of profit or loss for all interest bearing financial instruments including loans and advances as interest accrues using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or liability.

2.3.2 Non-Interest Income

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

– income earned on performance of discrete services (such as funds transfers, special clearing, transaction negotiation with third parties etc) is recognized as revenue upon completion of the act or service;

– income arising from service fees (such as special statement requests, safe custody, commission on turnover, etc) is recognized as services are provided.

2.3.3 Income Tax

Income Tax in the Consolidated Statement of Profit or Loss and other Comprehensive Income comprises current tax and deferred tax.

Current tax is the tax expected to be payable under the Internal Revenue Act 2000 (Act 592), on the taxable profit for the year.

Deferred income tax is provided on all temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the rate expected to be applicable in the period during which the asset 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 of the same taxation authority, and when a legal right to set off exists.

The carrying amount of deferred tax assets is reviewed at each financial position date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available for full or partial utilization of the deferred tax asset.

2.4 Financial Instruments Categorisation, Initial Recognition and Subsequent Measurement

2.4.1 Categorisation

The Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss; financial assets measured at amortised cost; and financial assets measured at fair value through other comprehensive income.

2.4.2 Date of Recognition

Purchases and sale of financial assets are recognized on the transaction date.

2.4.3 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 or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2.4.4 Subsequent Measurement of Financial Instruments

a. Financial Assets at Fair Value Through Profit or Loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- Held for Trading

  A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future, or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

- Designated at Fair Value Through Profit or Loss

  Upon initial recognition as financial asset, it is designated at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value subsequent to initial recognition. Gains or losses upon subsequent measurement are treated in profit or loss.

b. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if both of the following conditions are met:

i. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Term loans to customers come under this category. They are initially recognized when cash is advanced to the borrowers at fair value, inclusive of transaction costs. Subsequent to initial recognition, term loans are measured at amortised cost less impairment losses.

c. Financial Assets Measured at Fair Value Through other Comprehensive Income

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 and recognised in the statement of financial position at their fair value. Other financial assets that are neither cash nor categorized under any other category also come under this classification.

Financial assets measured at fair value through other comprehensive income are measured at fair value with gains and losses arising from changes in fair value recognised directly in other comprehensive income until the financial asset is either sold, becomes impaired, or matures, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Interest calculated using the effective interest method is recognised in the consolidated statement of profit or loss. Dividends on equity instruments are recognised in the consolidated statement of profit or loss when the Bank's right to receive payment is established.

d. Financial Liabilities

Financial liabilities are classified as non-trading, held for trading or designated at fair value through profit or loss. Non-trading liabilities are measured subsequent to initial recognition at amortised cost by applying the effective interest method. Held for trading liabilities or liabilities designated at fair value through profit or loss, are measured at fair value. All financial liabilities shown in the statement of financial position are non-trading liabilities.

2.4.5 Determination of Fair Value of Financial Instruments

i. Availability of Active Market

The fair value of a financial instrument traded in active markets such as the Ghana Stock Exchange (GSE) at the reporting date is based on its quoted market price without any deduction of transaction costs.

ii. Non-Availability of Active Market

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Investments whose fair value can be reliably measured are measured professionally through the use of valuation techniques.

iii. Short Term Receivables

The fair value of short term receivables approximate book value and are measured as such.

2.4.6 Derecognition of Financial Assets and Liabilities

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

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

2.4.7 Impairment of Financial Assets

a. Framework for Measuring Impairment of Financial Assets

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

Evidence of impairment may include indications that the borrower or a group of borrowers is 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. Loans and Advances and Amounts due from Banks and other Financial Institutions

For loans and advances to customers and amounts due from banks and other financial institutions carried at amortised 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 (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 the statement of profit or loss.

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 future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is determined using 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.

c. Other Financial Assets

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

In the case of other debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortised cost. 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 recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

2.4.8 Offsetting Financial Assets and Financial Liabilities

The rights of set off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract including the reporting entity itself. The right of set off must not be contingent on a future event.

The offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect equivalent to the net settlement and therefore, meet the net settlement criterion.

2.5 Regulatory Credit Risk Reserve

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a charge or credit is made to Retained Earnings in respect of the difference required to bring up the cumulative provision to the level required under the Bank of Ghana regulations. Under current regulations, the Credit Risk Reserve does not qualify as Tier 1 capital for the computation of capital adequacy.

2.6 Property, Plant and Equipment

The Group 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 amount meets the materiality threshold set by the Group.

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and any impairment in value. Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. No depreciation is provided on land.

Land and buildings are revalued every five years or at shorter intervals as may be deemed necessary by the Group.

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

- Computer Hardware – 25%
- Furniture and Fittings – 20%
- Motor Vehicle – 20%
- Branch Development – 12.5%
- Plant & Machinery – 12.5%
- Office Equipment – 12.5%
- Land and buildings – 3%

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 Group.

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

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

An item of property, plant and equipment is 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the year the item is derecognized.

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

2.6.1 Investment Property

Investment property is recognized as an asset when:

a. It is probable that the future economic benefits that are associated with the investment property will flow to the entity; and

b. The cost of the investment property can be measured reliably.

Investment property is a property held to earn rentals or for capital appreciation or both.

The Group uses the fair value model in measuring its investment property. Under this model, investment property is initially measured at cost which includes transaction costs.

After initial recognition, investment property is subsequently measured at fair value which reflects market conditions at the end of the reporting period or by a valuation by a knowledgeable professional valuer.

A gain or loss arising from a change in the fair value is recognized in profit or loss for the period in which it arises.

An investment property is derecognized (eliminated from the Consolidated Statement of Financial Position) on disposal, transferred to owner-occupied or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

2.7 Intangible Assets – Computer Software

Costs incurred to acquire and bring to use specific computer software licenses are capitalized and amortised on the basis of the expected useful lives using the straight-line method. Maximum useful life ranges between 4 and 5 years.

2.8 Provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group 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 the statement of 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 market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.9 Foreign Currency

Transactions denominated in foreign currency are translated into cedis at the rates of exchange ruling on the dates of the transactions.

Assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the statement of financial position date.

Any gains or losses resulting from foreign currency translation or exchange are dealt with through the consolidated statement of profit or loss for the year.

2.10 Cash & Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash, balances with Bank of Ghana, amounts due from other banks and financial institutions and short term government securities.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest rate method.

2.12 Impairment of Non-Financial Assets

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the consolidated statement of profit or loss.

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

2.13 Employee Benefits

2.13.1 Short-Term Benefits

Short-term employee benefits are amounts payable to employees that fall due wholly within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term employee benefits is recognised as an expense in the period when the economic benefit is given as an employment cost. Unpaid short-term employee benefits as at the end of the accounting period are recognised as accrued expenses and any short-term benefit paid in advance are recognised as prepayments to the extent that they will lead to future cash refunds or a reduction in future cash payments.

Wages and salaries payable to employees are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income at gross amount. The Group's contributions to the social security fund are also charged as expenses.

2.13.2 Defined Benefit Pension Scheme

Under a National Defined Benefit Pension Scheme, the Group contributes amounts equivalent to13% of employees' basic salary to Social Security and National Insurance Trust (SSNIT) for employee pensions. The Group's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

2.13.3 Provident Fund

The Bank has a Provident Fund Scheme for all permanent employees. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 5%. The Bank's obligation under the plan is limited to the relevant contribution which is invested at interest rates agreed by the trustees of the scheme and the Bank.

2.14 Events after the Reporting Date

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

2.15 Standards and Interpretations not yet Effective

The following standards which are relevant to the financial statements have been published but not yet effective. Consequently the Bank has not adopted them.

2.15.1 IFRS 9 “Financial instruments”

Summary of the Requirements

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible Impact on Consolidated Financial Statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

Given the nature of the Group’s operations, this standard is expected to have a pervasive impact on the Group’s financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

2.15.2 IFRS 15 “Revenue from Contracts with Customers”

Summary of the Requirements

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 ”Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible Impact on Consolidated Financial Statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

2.15.3 The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- IFRS 14 "Regulatory Deferral Accounts"
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1).

3.0 Significant Accounting Estimates, Assumptions and Judgements

In the preparation of the financial statements, the Group makes estimations and applies judgement that could affect the reported amount of assets and liabilities. Key areas in which judgement is applied include:

3.1 Fair value of Unquoted Equity Investments

The unquoted equity instruments have been valued based on the expected cash flows and discounted current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

3.2 Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3.3 Impairment of Financial Assets

The Group makes an allowance for unrecoverable financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgement is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets.

3.4 Impairment of Non Financial Assets (Including Property, Plant & Equipment (PPE))

The Group assesses at least at each financial year end 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 belongs. 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 of those cash flows.

		THE GROUP		THE BANK	
		2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
4.	**SOCIAL RESPONSIBILITIES**				
	Amount spent in fulfilling social responsibility obligations	429	724	429	724
5.	**INTEREST INCOME**				
	Loans & Advances	175,739	130,895	175,739	130,895
	Investment Securities	25,174	19,774	25,174	19,774
	Placements, Special Deposits	3,647	2,482	3,647	2,482
		204,560	153,151	204,560	153,151
	Analysis by Class of Financial Asset				
	Measured at Amortised Cost	65,283	63,986	65,283	63,986
	Measured at Fair Value through Profit or Loss	139,277	89,165	139,277	89,165
		204,560	**153,151**	**204,560**	**153,151**
6.	**INTEREST EXPENSE**				
	Time & Other Deposits	69,528	49,289	69,528	49,293
	Overnight and Call Accounts	23,164	15,966	23,164	15,966
	Current Account	9,531	4,224	9,531	4,224
	Borrowed Funds	74	249	74	249
		102,297	**69,728**	**102,297**	**69,732**
7.	**COMMISSIONS AND FEES**				
	Commissions on Turnover	4,847	4,340	4,847	4,340
	Commissions on Transfers/Letters of Credit	5,619	5,534	5,619	5,534
	Facility Fees	12,919	11,397	12,919	11,397
	Brokerage Fees	247	168	247	168
	Commissions on Guarantees & Indemnities	3,897	2,170	3,897	2,170
	Commissions on Managed Funds	88	7	88	7
	Payment Orders	330	305	330	305
	Commissions on FX Withdrawals	977	430	977	430
	Money Transfers	2,287	2,471	2,287	2,471
	e-Banking income	1,383	903	1,383	903
	Others	3,749	2,591	3,749	2,591
		36,343	**30,316**	**36,343**	**30,316**

	THE GROUP		THE BANK	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
8. OTHER OPERATING INCOME				
Gain on Exchange	14,511	17,654	14,510	17,654
Rent Income/Other Income	1,105	811	6	19
Exchange Revaluation Surplus	2,529	5,244	2,524	5,234
	18,145	**23,709**	**17,040**	**22,907**
9. LOAN IMPAIRMENT EXPENSE				
Specific (Individually assessed)	29,114	5,815	29,114	5,815
General (collectively assessed)	1,380	2,443	1,380	2,443
Write-offs	4	7,265	4	7,265
Provisions against Contingent Liabilities	(15)	8	(15)	8
	30,483	**15,531**	**30,483**	**15,531**
10. OPERATING EXPENSES				
Licence & Fees	4	3	–	–
Staff Costs	51,896	42,199	47,060	38,588
Advertising & Marketing	4,131	3,585	4,131	3,585
Administrative Expenses	10,787	13,079	11,699	13,669
Training	1,673	1,030	1,673	1,030
Depreciation & Amortisation	10,585	7,218	10,557	7,204
Directors' Emoluments	1,268	895	1,163	895
Auditors' Remuneration	225	167	168	145
Motor Vehicle Running Expenses	5,538	4,296	5,530	4,290
Occupancy Cost	11,035	9,132	14,081	11,593
Maintenance of Systems	6,376	2,869	6,366	2,858
Other Operating Expenses	7,798	6,368	8,775	7,148
	111,316	**90,840**	**111,203**	**91,004**
11(a). STAFF COSTS				
Salaries & Wages	45,486	37,934	40,657	34,329
Social Security	1,851	1,490	1,846	1,485
Provident Fund - Employers' Contribution	710	572	708	570
Medical Expenses	2,742	1,818	2,742	1,818
Retirement Benefits	1,107	386	1,107	386
	51,896	**42,199**	**47,060**	**38,588**

The average number of persons employed by the Bank during the year was 855 (2014 - 832)

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
11(b). Included in the Staff Costs and Directors' Emoluments are amounts incurred in respect of Directors and key management personnel				
Gross Salary	2,498	2,193	2,498	2,193
Social Security Fund	106	104	106	104
Provident Fund	68	69	68	69
	2,672	**2,366**	**2,672**	**2,366**
12. CASH AND BALANCES WITH BANK OF GHANA				
Cash on Hand	36,226	34,360	36,226	34,360
Cash with Bank of Ghana	120,500	96,480	120,500	96,480
	156,726	**130,840**	**156,726**	**130,840**
13. GOVERNMENT SECURITIES				
Short Term – Treasury Bills	151,790	49,650	148,928	49,348
Long Term				
Sinking Fund**	82	80	82	80
Bank of Ghana Bond	5,492	37,699	5,108	36,495
1-Year Treasury Bills	570	923	570	923
	6,144	38,702	5,760	37,498
	157,934	**88,352**	**154,688**	**86,846**

** The Sinking Fund is earmarked for the repayment of some maturing Preference Shares.

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
14. DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS				
A. Nostro Account Balances	43,837	4,843	43,837	4,843
Items in Course of Collection	12,929	14,293	12,871	14,293
Overnight Lending	11,551	5,050	11,551	5,050
Foreign Time Deposits	48,994	48,137	48,994	48,137
	117,311	**72,323**	**117,253**	**72,323**
B. BHF Bank	4,056	3,449	4,056	3,449
Citi Bank	11,239	382	11,239	382
Ghana International Bank	26,715	963	26,715	963
Bank of Beirut	1,827	49	1,827	49
Items in Course of Collection	12,929	14,294	12,871	14,293
Overnight Lending	11,551	5,050	11,551	5,050
Foreign Time Deposits	48,994	48,137	48,994	48,137
	117,311	**72,323**	**117,253**	**72,323**

15(A). TAXATION – GROUP

	Tax Years	Balance 1-Jan-14 GH¢'000	Charges for Year GH¢'000	Payments GH¢'000	Balance 31-Dec-14 GH¢'000	Charge for year GH¢'000	Payments GH¢'000	Balance 31st Dec-15 GH¢'000
	2007	69	–	–	69	–	–	69
	2008	198	–	–	198	–	–	198
	2009	(743)	–	–	(743)	–	–	(743)
	2010	(863)	–	–	(863)	–	–	(863)
	2011	(775)	–	–	(775)	–	–	(775)
	2012	(1,637)	–	–	(1,637)	–	–	(1,637)
	2013	(994)	1,151	3,272	3,429	–	–	3,429
	2014	–	8,044	(7,843)	201	–	(55)	146
		(4,745)	9,195	(4,571)	(121)	–	(55)	(176)
	2015	–	–	–	–	3,479	(11,146)	(7,667)
		(4,745)	9,195	(4,571)	(121)	3,479	(11,201)	(7,843)
NFSL		(11)	1,508	(1,732)	(235)	703	(1,461)	(993)
Deferred Tax		1,548	188	–	1,736	248	–	1,984
		(3,208)	**10,891**	**(6,303)**	**1,380**	**4,430**	**(12,662)**	**(6,852)**

(B.) TAXATION – BANK

	Tax Years	Balance 1-Jan-14	Charges for Year	Payments	Balance 31-Dec-14	Charge for year	Payments	Balance 31st Dec-15
	2007	69	–	–	69	–	–	69
	2008	198	–	–	198	–	–	198
	2009	(739)	–	–	(739)	–	–	(739)
	2010	(839)	–	–	(839)	–	–	(839)
	2011	(798)	–	–	(798)	–	–	(798)
	2012	(1,618)	–	–	(1,618)	–	–	(1,618)
	2013	(1,026)	1,151	3,336	3,461	–	–	3,461
	2014	–	7,927	(7,750)	177	–	(55)	122
		(4,753)	9,078	(4,414)	(89)	–	(55)	(144)
	2015	–	–	–	–	3,310	(11,026)	(7,716)
		(4,753)	9,078	(4,414)	(89)	3,310	(11,081)	(7,860)
NFSL		15	1,508	(1,732)	(209)	703	(1,461)	(967)
Deferred Tax		1,543	184	–	1,727	248	–	1,975
		(3,195)	**10,770**	**(6,146)**	**1,429**	**4,261**	**(12,542)**	**(6,852)**

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

(C) Computation of Effective Tax Rate

	THE GROUP		THE BANK	
	2015 GH¢'000	**2014 GH¢'000**	**2015 GH¢'000**	**2014 GH¢'000**
Profit before Tax	15,085	31,234	14,059	30,158
Income Tax Using Applicable Tax Rate 25%	3,771	7,809	3,515	7,540
Add/Deduct the Effect of the following				
Depreciation	2,646	1,805	2,639	1,801
Operating expenses not allowable	915	1,564	915	1,564
Loan impairment expenses	4,136	2,067	4,136	2,067
Interest expense on Agric loans	281	131	281	131
Capital allowances	(2,807)	(2,583)	(2,807)	(2,427)
Exchange Revaluation Surplus	(631)	(1,309)	(631)	(1,309)
Interest Income on Agric loans	(562)	(288)	(562)	(288)
Income Tax expense	7,749	9,195	7,486	9,079
Effective Rate - Percentage	51	29	53	30

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

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Overdrafts	347,996	391,681	347,996	391,681
Term Loans	564,685	401,307	564,685	401,307
Gross Loans & Advances	**912,681**	**792,988**	**912,681**	**792,988**
Less: Impairment Allowance	(63,032)	(32,538)	(63,032)	(32,538)
Net Loans & Advances	**849,649**	**760,450**	**849,649**	**760,450**
a. Loans and Advances (including Credit bills negotiable) to staff and customers	**912,681**	**792,988**	**912,681**	**792,988**
b. Loan Impairment Allowance ratio (Loan impairment to Gross Loans and Advances)	6.91%	4.10%	6.91%	4.10%
c. Gross Non-Performing Loans ratio (Aggregate of Sub-Standard - Loss Loans to Total Loans)	11.45%	7.10%	11.45%	7.10%
d. Ratio of 50 Largest Exposures to Total Exposure	55.99%	54.79%	55.99%	54.79%

ANALYSIS BY TYPE AND CUSTOMER

	THE GROUP 2015 GH¢'000	THE GROUP 2014 GH¢'000	THE BANK 2015 GH¢'000	THE BANK 2014 GH¢'000
Individuals	78,677	13,214	78,677	13,214
Other Private Companies	801,518	757,682	801,518	757,682
Joint Private & State Enterprises	–	–	–	–
Government Department & Agencies	8,890	–	8,890	–
Public Enterprise	–	–	–	–
Staff	23,596	22,092	23,596	22,092
	912,681	**792,988**	**912,681**	**792,988**
Less: Impairment Allowance	(63,032)	(32,538)	(63,032)	(32,538)
Net Book Value	**849,649**	**760,450**	**849,649**	**760,450**

ANALYSIS BY BUSINESS SEGMENT:

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Agriculture, Forestry & Fishing	15,351	7,213	15,351	7,213
Mining & Quarrying	50,901	33,706	50,901	33,706
Manufacturing	86,865	71,525	86,865	71,525
Construction	52,674	41,499	52,674	41,499
Electricity, Gas & Water	102,535	80,218	102,535	80,218
Commerce & Finance	218,126	214,838	218,126	214,838
Transport, Storage & Communication	27,094	16,291	27,094	16,291
Services	279,417	217,076	279,417	217,076
Miscellaneous	79,718	110,622	79,718	110,622
	912,681	**792,988**	**912,681**	**792,988**
Less: Impairment Allowance & Interest Suspense	(63,032)	(32,538)	(63,032)	(32,538)
Net Book Value	**849,649**	**760,450**	**849,649**	**760,450**

RELATED STAFF

Included in Loans and Advances are the following amounts due from related persons

Executive Directors	1,709	1,804	1,709	1,804
Key Management Personnel	2,381	2,711	2,381	2,711
	4,090	**4,515**	**4,090**	**4,515**

17. MOVEMENTS IN GROUP'S ALLOWANCE FOR IMPAIRMENTS

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Balance 1st January	32,538	25,133	32,538	25,133
Write-Offs/Recoveries	–	(7,482)	-	(7,482)
Decrease in Impairments	(765)	(644)	(765)	(644)
Increase in Impairments	31,259	15,531	31,259	15,531
Balance 31st December	**63,032**	**32,538**	**63,032**	**32,538**

18. EQUITY INVESTMENTS

	Percentage Holding	No. of Shares	THE GROUP 2015 GH¢'000	THE GROUP 2014 GH¢'000	THE BANK 2015 GH¢'000	THE BANK 2014 GH¢'000
Subsidiaries						
PBL Properties Limited	100	5,600,000	–	–	5,600	5,600
Prudential Stockbrokers Limited	100	10,000,000	–	–	1,000	1,000
Prudential Securities Limited	100	5,782,705	–	–	578	578
Total Associated Companies			**–**	**–**	**7,178**	**7,178**
Other Investments						
**Other Equity Investments			39	44	–	–
Metro Mass Transit Limited	1.67	10,000	98	98	98	98
Airport West Hospitalty. Limited	4.03	900,000	90	90	90	90
			277	**232**	**188**	**188**
Total Equity Investments			**277**	**232**	**7,366**	**7,366**

**Other Equity Investments are shares held by Subsidiaries.

19. OTHER ASSETS

	THE GROUP 2015 GH¢'000	THE GROUP 2014 GH¢'000	THE BANK 2015 GH¢'000	THE BANK 2014 GH¢'000
Accounts Receivables & Prepayments	6,343	5,478	5,874	5,449
Tradeable Asset	–	530	–	530
Stationery	953	958	953	958
Others	300	258	375	258
	7,596	**7,224**	**7,202**	**7,195**

20. CUSTOMERS DEPOSITS

	THE GROUP 2015 GH¢'000	THE GROUP 2014 GH¢'000	THE BANK 2015 GH¢'000	THE BANK 2014 GH¢'000
Current Accounts	379,976	351,890	380,933	353,060
Savings Accounts	213,928	177,723	213,930	177,723
Time Deposits	498,599	354,757	498,599	354,757
	1,092,503	**884,370**	**1,093,462**	**885,540**
Analysis by Type of Depositor				
Financial Institutions	1,779	820	1,779	820
Individuals and Other Private Enterprises	1,087,064	883,550	1,088,023	884,720
Government Departments & Agencies	–	–	–	–
Public Enterprises	3,660	–	3,660	–
	1,092,503	**884,370**	**1,093,462**	**885,540**
Twenty Largest Depositors	**273,246**	**186,071**	**273,246**	**204,028**
Ratio of Twenty Largest Depositors to Total Deposits	25.01%	21.04%	24.99%	23.04%

21.(a) PROPERTY, PLANT AND EQUIPMENT – GROUP

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
COST									
At 1st January, 2015	2,450	9,840	9,146	3,541	10,852	6,937	9,462	18,637	70,865
Additions during the year	1,580	530	3,020	956	1,571	4,912	9,349	5,444	27,362
Revaluation Surplus	–	–	–	–	–	–	–	79,488	79,488
Adjustment on Revaluation	–	–	–	–	–	–	–	(609)	(609)
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(616)	–	–	(10)	–	–	(626)
At 31st December, 2015	4,030	9,895	11,550	4,497	12,423	11,839	18,649	103,597	176,480
DEPRECIATION									
At 1st January, 2015	1,116	5,178	5,624	1,776	5,314	2,796	–	778	22,582
Charges for the Year	339	837	1,518	615	1,370	1,764	–	567	7,010
Adjustment on Revaluation	–	–	–	–	–	–	–	(609)	(609)
Released on Disposal	–	–	(545)	–	–	(10)	–	–	(555)
At 31st December, 2015	1,455	6,015	6,597	2,391	6,684	4,550	–	736	28,428
NET BOOK VALUE									
At 31st December, 2015	2,575	3,881	4,953	2,106	5,739	7,289	18,649	102,861	148,052
At 31st December, 2014	1,334	4,662	3,522	1,765	5,538	4,141	9,462	17,859	48,283

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2015 GH¢'000	2014 GH¢'000
Gross Book Value	596	6,652
Accumulated Depreciation	(525)	(6,596)
Net Book Value	71	56
Sales Proceeds	161	30
Gain/(Loss) on Disposal	90	(26)

21.(b) PROPERTY, PLANT AND EQUIPMENT – GROUP

Comparative Figures – 2014

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
COST									
At 1st January, 2014	2,082	9,778	8,125	3,986	9,511	5,568	8,958	17,025	65,033
Additions during the year	368	197	1,231	922	1,942	3,643	504	1,612	10,419
Revaluation Surplus	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	–	–
Disposal	–	(135)	(210)	(1,367)	(601)	(2,274)	–	–	(4,587)
At 31st December, 2014	2,450	9,840	9,146	3,541	10,852	6,937	9,462	18,637	70,865
DEPRECIATION									
At 1st January, 2014	856	4,096	4,347	2,590	4,693	4,315	–	579	21,476
Charges for the Year	260	1,217	1,392	577	1,221	773	–	199	5,639
Released on Disposal	–	(135)	(115)	(1,391)	(600)	(2,292)	–	–	(4,533)
At 31st December, 2014	1,116	5,178	5,624	1,776	5,314	2,796	–	778	22,582
NET BOOK VALUE									
At 31st December, 2014	1,334	4,662	3,522	1,765	5,538	4,141	9,462	17,859	48,283
At 31st December, 2013	1,226	5,682	3,778	1,396	4,818	1,253	8,958	16,446	43,557

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2014 GH¢'000	2013 GH¢'000
Gross Book Value	6,652	717
Accumulated Depreciation	(6,596)	(684)
Net Book Value	56	33
Sales Proceeds	30	66
(Loss)/Gain on Disposal	(26)	33

21.(c) PROPERTY, PLANT AND EQUIPMENT – BANK

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
COST									
At 1st January, 2015	2,450	9,841	9,086	3,527	10,697	6,892	9,495	9,316	61,304
Additions during the year	1,580	530	3,013	956	1,563	4,912	9,341	5,336	27,231
Revaluation Surplus	–	–	–	–	–	–	–	24,058	24,058
Adjustment on Revaluation	–	–	–	–	–	–	–	(609)	(609)
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(596)	–	–	–	–	–	(596)
At 31st December, 2015	4,030	9,896	11,503	4,483	12,260	11,804	18,674	38,738	111,388
DEPRECIATION									
At 1st January, 2015	1,116	5,179	5,563	1,767	5,184	2,760	–	778	22,347
Charges for the Year	339	837	1,518	615	1,368	1,729	–	562	6,968
Adjustment on Revaluation	–	–	–	–	–	–	–	(609)	(609)
Released on Disposal	–	–	(525)	–	–	–	–	–	(525)
At 31st December, 2015	1,455	6,016	6,556	2,382	6,552	4,489	–	731	28,181
NET BOOK VALUE									
At 31st December, 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	38,007	83,207
At 31st December, 2014	1,334	4,662	3,523	1,760	5,513	4,132	9,495	8,538	38,957

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2015 GH¢'000	2014 GH¢'000
Gross Book Value	596	6,651
Accumulated Depreciation	(525)	(6,597)
Net Book Value	71	54
Sales Proceeds	131	30
Gain/(Loss) on Disposal	60	(24)

21.(d) PROPERTY, PLANT AND EQUIPMENT – BANK

Comparative Figures – 2014

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
COST									
At 1st January, 2014	2,082	9,779	8,065	3,972	9,384	5,523	8,991	5,527	53,323
Additions during the year	368	197	1,231	922	1,914	3,643	504	3,789	12,568
Transfer	–	–	–	–	–	–	–	–	–
Disposal	–	(135)	(210)	(1,367)	(601)	(2,274)	–	–	(4,587)
At 31st December, 2014	2,450	9,841	9,086	3,527	10,697	6,892	9,495	9,316	61,304
DEPRECIATION									
At 1st January, 2014	856	4,097	4,290	2,582	4,569	4,285	–	579	21,257
Charges for the Year	260	1,217	1,388	576	1,215	767	–	199	5,622
Released on Disposal	–	(135)	(115)	(1,391)	(600)	(2,292)	–	–	(4,533)
At 31st December, 2014	1,116	5,179	5,563	1,767	5,184	2,760	–	778	22,347
NET BOOK VALUE									
At 31st December, 2014	1,334	4,662	3,523	1,760	5,513	4,132	9,495	8,538	38,957
At 31st December, 2013	1,226	5,682	3,775	1,390	4,815	1,238	8,991	4,948	32,066

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2014 GH¢'000	2013 GH¢'000
Gross Book Value	6,652	717
Accumulated Depreciation	(6,596)	(684)
Net Book Value	56	33
Sales Proceeds	30	66
(Loss)/Gain on Disposal	(26)	33

21.(e) VALUE OF EACH CLASS OF ASSETS CARRIED UNDER THE COST MODEL

i. PROPERTY, PLANT & EQUIPMENT – GROUP

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
COST									
At 1st January, 2015	2,450	9,840	9,146	3,541	10,852	6,937	9,462	18,637	70,865
Additions during the year	1,580	530	3,020	956	1,571	4,912	9,349	5,444	27,362
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(616)	–	–	(10)	–	–	(626)
At 31st December, 2015	4,030	9,896	11,550	4,497	12,423	11,839	18,649	24,718	97,601
DEPRECIATION									
At 1st January, 2015	1,116	5,178	5,624	1,776	5,314	2,796	–	778	22,582
Charges for the Year	339	837	1,518	615	1,370	1,764	–	567	7,010
Released on Disposal	–	–	(545)	–	–	(10)	–	–	(555)
At 31st December, 2015	1,455	6,015	6,597	2,391	6,684	4,550	–	1,345	29,037
NET BOOK VALUE									
At 31st December, 2015	2,575	3,881	4,953	2,106	5,739	7,289	18,649	23,373	68,564
At 31st December, 2014	1,334	4,662	3,522	1,765	5,538	4,141	9,462	17,859	48,283

21.(e) VALUE OF EACH CLASS OF ASSETS CARRIED UNDER THE COST MODEL

ii. PROPERTY, PLANT & EQUIPMENT – BANK

	Plant & Machinery GH¢'000	Branch Development GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Office Equipment GH¢'000	Computer Hardware GH¢'000	Capital Work In Progress GH¢'000	Land & Buildings GH¢'000	TOTAL GH¢'000
COST									
At 1st January, 2015	2,450	9,841	9,086	3,527	10,697	6,892	9,495	9,316	61,304
Additions during the year	1,580	530	3,013	956	1,563	4,912	9,341	5,336	27,231
Transfers	–	(475)	–	–	–	–	(162)	637	–
Disposal	–	–	(596)	–	–	–	–	–	(596)
At 31st December, 2015	4,030	9,896	11,503	4,483	12,260	11,804	18,674	15,289	87,939
DEPRECIATION									
At 1st January, 2015	1,116	5,179	5,563	1,767	5,184	2,760	–	778	22,347
Charges for the Year	339	837	1,518	615	1,368	1,729	–	562	6,968
Released on Disposal	–	–	(525)	–	–	–	–	–	(525)
At 31st December, 2015	1,455	6,016	6,556	2,382	6,552	4,489	–	1,340	28,790
NET BOOK VALUE									
At 31st December, 2015	2,575	3,880	4,947	2,101	5,708	7,315	18,674	13,949	59,149
At 31st December, 2014	1,334	4,662	3,523	1,760	5,513	4,132	9,495	8,538	38,957

21.(f) The land and buildings were revalued in February 2015 by an independent valuer on the basis of open market valuation for existing use.

		THE GROUP		THE BANK	
		2015 GH¢'000	**2014 GH¢'000**	**2015 GH¢'000**	**2014 GH¢'000**
22.	**INTANGIBLE ASSETS**				
	These consist of Computer Software				
	Cost				
	At 1st January	17,028	8,854	16,952	8,844
	Disposals	–	(2,064)	–	(2,064)
	Additions	998	10,238	973	10,172
	31st December	18,026	17,028	17,925	16,952
	Amortisation				
	At 1st January	5,345	5,824	5,317	5,800
	Disposals	–	(2,064)	–	(2,064)
	Charge for Year	3,593	1,585	3,589	1,581
	Total Amortisation - 31st December	8,938	5,345	8,906	5,317
	Net Book Value - Year End	**9,088**	**11,683**	**9,019**	**11,635**
	Net Book Value - Previous Year	**11,683**	**3,030**	**11,635**	**3,044**
23	**BORROWINGS**				
	Short Term:				
	Money Market	125,734	96,095	125,734	96,095
	Long Term:				
	Export Trade, Agricultural & Industrial Development Fund (EDAIF)	1,648	1,302	1,648	1,302
	Preference Shares	104	103	104	103
	TOTAL	**127,486**	**97,500**	**127,486**	**97,500**
24	**OTHER LIABILITIES**				
	Danida Funds	23	47	23	47
	TIP/MOF Funds	236	268	236	268
	Deferred Incomes/Other Creditors	19,621	10,320	18,289	10,139
	Payment Orders & Bankers Payments	8,095	6,815	8,095	6,816
	Margins on Letters of Credit	321	680	321	680
		28,296	**18,130**	**26,964**	**17,950**

25. MANAGED FUNDS

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
TIP/MOF Fund	280	268	280	268
Danida Capital Fund for NTEs	3,247	3,089	3,247	3,089
GTZ/SMERP Fund	1,036	1,036	1,036	1,036
MOWAC/Japanese Fund	62	62	62	62
RUMSEC	2,927	2,927	2,927	2,927
	7,552	**7,382**	**7,552**	**7,382**

(a) TIP/MOF Fund

This represents a special credit scheme being administered by the Bank on behalf of the Government of Ghana. The Scheme is targeted at Enterprises engaged in the production and export of Non- Traditional Export Commodities.

(b) Danida Capital Fund for NTEs

This represents a special credit scheme being administered by the Bank on behalf of the Danish International Development Agency for Small and Medium Scale Enterprises engaged in fish processing, food processing and handicraft sub-sectors of the economy.

(c) GTZ/SMERP Fund

This is a fund set up by the Government of Ghana and Germany to provide credit to small and micro- enterprises.

(d) MOWAC/Japanese Fund

This is a fund set up by the Governments of Ghana (through its Ministry of Women and Children Affairs - MOWAC) and Japan to provide working capital for women entreprenuers who are disadvantaged in accessing loans from the traditional banks.

(e) RUMSEC

This is a fund set up by the Government of Ghana to provide credit to Co-operative Groups in Micro Enterprises.

(f) Custodial Operations

Prudential Bank has been licensed by the Securities and Exchange Commission under the Securities Industry Law, 1993, PNDCL 333, and is further registered as a Pension Fund Custodian with National Pensions Regulatory Authority (NPRA), to provide custodial services under the National Pensions Act, 2008, (Act 766).

As a Pension Fund Custodian, the Bank's functions as prescribed under sections 155 and 156 of the National Pensions Act, 2008, (Act 766) include:

i. Holding of pension funds assets in trust for members

ii. Receiving contributions remitted by employers on behalf of Trustees

iii. Notifying trustees within 48 hours on receipt of contributions from employers

iv. Settling transactions and undertaking activities related to the administration of pension fund investment including the collection of dividend and related activities;

v. Reporting to NPRA on matters related to the assets being held on behalf of the trustees at a periodic interval as NPRA may determine (currently on quarterly basis).

The value of clients' investments under custody as a 31st December, 2015 was GH₵36,431,960.

26. TRUSTEE OPERATIONS

HFC 2016 - GHS80,000,000 BOND

The Bank acts as Trustees for HFC Bank Ltd on an GHS80,000,000 Bond issued in December 2013 and finally maturing on December 2016. Current balance after some redemptions in previous periods/years is in the sum of GHS18,018,415.

27. FINANCIAL ASSETS BY CATEGORY

2015 – GROUP	Measured at Amortised Cost GH¢'000	Measured at Fair Value Thro' P or L* GH¢'000	Measured at Fair Value Thro' OCI* GH¢'000	Total GH¢'000
Government Securities	157,934	–	–	157,934
Due from Other Banks & Financial Institutions	60,603	56,708	–	117,311
Loans & Advances to Customers	523,339	326,310	–	849,649
Equity Investment	–	–	227	227
	741,876	**383,018**	**227**	**1,125,121**
2014 – GROUP				
Government Securities	88,352	–	–	88,352
Due from Other Banks & Financial Institutions	53,187	19,137	–	72,324
Loans & Advances to Customers	385,112	375,338	–	760,450
Equity Investment	–	–	232	232
	526,651	**394,475**	**232**	**921,358**
2015 – BANK				
Government Securities	154,688	–	–	154,688
Due from Other Banks & Financial Institutions	60,545	56,708	–	117,253
Loans & Advances to Customers	523,339	326,310	–	849,649
Equity Investment	–	–	7,366	7,366
	738,572	**383,018**	**7,366**	**1,128,956**
2014 – BANK				
Government Securities	86,846	–	–	86,846
Due from Other Banks & Financial Institutions	53,186	19,137	–	72,323
Loans & Advances to Customers	385,112	375,338	–	760,450
Equity Investment	–	–	7,366	7,366
	525,144	**394,475**	**7,366**	**926,985**

***NOTE:** P or L means "Profit or loss";
OCI means "Other comprehensive income"

28. FINANCIAL LIABILITIES BY CATEGORY

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Customer Deposit	1,092,503	884,370	1,093,462	885,540
Borrowings	127,486	97,500	127,486	97,500
	1,219,989	**981,870**	**1,220,948**	**983,040**

a. Contingencies & Commitments

The Group entered into various commitments in the normal course of its business which are not reflected in the accompanying Statement of Financial Position.

These commitments are shown below:

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Guarantees and Indemnities	35,205	44,944	35,205	44,944
Documentary Credits	48,906	25,217	48,906	25,217
	84,111	**70,161**	**84,111**	**70,161**

b. Collateral

The carrying amount of financial assets pledged by the Bank against liabilities or contingent liabilities is as follows:

Particulars of Financial Assets

	THE GROUP		THE BANK	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Cash in various currencies	6,243	1,980	6,243	1,980

The cash collateral account is maintained with correspondent banks against maturing letters of credit. The correspondent bank is entitled on maturity of a letter of credit, to debit the cash collateral account without notice to the Bank which is obliged to adopt the debit.

29. STATED CAPITAL

The Stated Capital of the Bank consists of proceeds from issue of shares for cash or other consideration and, transfers from Retained Earnings to Capital.

Number of Authorised Shares of no par value **1,000,000,000**

	2015		2014	
ISSUED AND FULLY PAID:	**Number**	**GH¢'000**	**Number**	**GH¢'000**
Issued for Cash Consideration	148,690,910	38,472	148,690,910	38,472
Issued for consideration other than cash	3,075,000	31	3,075,000	31
Capitalisation issues	155,300,000	23,950	155,300,000	23,950
	307,065,910	**62,453**	**307,065,910**	**62,453**

There are no shares of the Bank held in Treasury.

30. STATUTORY RESERVE FUND

The Fund represents the amount set aside from annual net profits after tax, as required by section 29 of the Banking Act, 2004, (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738).

31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES – BANK

Liquidity Gap

This measures the ability of the Bank to meet demands of depositors and other suppliers on its liquid assets and is measured as the difference between the assets of the Bank and its liabilities or financial obligations.

This gap as measured at the close of business on 31st December, 2015 was as follows:

	TOTAL GH¢'000	0-3 Months GH¢'000	3-6 Months GH¢'000	6-12 Months GH¢'000	Over 1 Year GH¢'000
Cash and Bank Balances	156,726	156,726	–	–	–
Government Securities	154,688	107,672	11,329	30,687	5,000
Due from other Banks/ Financial Institutions	117,253	117,253	–	–	–
Equity Investment	7,366	–	–	–	7,366
Loans and Advances	849,649	233,802	145,958	137,420	332,469
Taxation	6,852	6,852	–	–	–
Other Assets	7,202	4,232	787	514	1,669
Property, Plant & Equipment	83,207	11,954	23,244	31,009	17,000
Intangible Assets	9,019	500	596	2,000	5,923
Total Assets	**1,391,962**	**638,991**	**181,914**	**201,630**	**369,427**
Customer Deposits	1,093,462	260,587	145,958	137,420	549,497
Other Liabilities	26,964	8,910	8,095	3,446	6,513
Borrowings	127,486	74,460	1,658	51,368	–
TOTAL LIABILITIES	**1,247,912**	**343,957**	**155,711**	**192,234**	**556,010**
Liquidity Gap	**144,050**	**295,034**	**26,203**	**9,396**	**(186,583)**
Proportion of Assets to Liabilities	**1.12**	**1.86**	**1.17**	**1.05**	**0.66**
31st December 2014					
Total Assets	1,115,612	536,613	165,004	167,835	246,160
Total Liabilities	1,002,419	239,528	144,564	154,093	464,234
Liquidity Gap	113,193	297,085	20,440	13,742	(218,074)
Proportion of Assets to Liabilities	**1.11**	**2.24**	**1.14**	**1.09**	**0.53**

BY ORDER OF THE BOARD

....

.... **DIRECTOR**

ACCRA

23RD MARCH **2016**

32. SUMMARY OF FOREIGN CURRENCY EXPOSURES AT YEAR END IN CEDI EQUIVALENTS OF THE FOLLOWING MAJOR FOREIGN CURRENCIES

	USD	GBP	Euro	Others	2015 Total	2014 Total
ASSETS	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
Cash/Balances with Bank of Ghana	13,480	5,013	3,876	–	22,369	29,192
Due from Other Banks	35,911	10,952	45,968	–	92,831	52,980
Loans & Advances	352,208	149	847	–	353,204	275,078
Other Assets	311	–	–	–	311	–
	401,910	**16,114**	**50,691**	**–**	**468,715**	**357,251**
LIABILITIES						
Due to Customers	361,258	14,023	50,888	–	426,169	330,514
Due to other Banks	31,273	–	–	–	31,273	–
Borrowings	927	63	58	–	1,048	24,249
Other Liabilities	1,583	25	35	–	1,643	2,180
	395,041	**14,111**	**50,981**	**–**	**460,133**	**356,943**
NET ON BALANCE SHEET POSITION	**6,869**	**2,003**	**(290)**	**–**	**8,582**	**308**
31st December, 2014						
Total Assets	293,849	13,059	50,342	–	357,250	266,617
Total Liabilities	294,851	12,838	49,254	–	356,943	265,984
	(1,002)	**221**	**1,088**	**–**	**307**	**633**
Off Balance Sheet Credit Items						
Letters of Credits	32,560	–	–	–	32,560	12,948
Bonds and Guarantees	5,784	–	–	–	5,784	19,478
	38,344	**–**	**–**	**–**	**38,344**	**32,426**

33.0 RISK MANAGEMENT

Efficient risk management is fundamental to the long term profitability and survival of the Bank. As a result, the Bank continues to manage risks inherent in its operations through a process of ongoing identification, measurement, assessment and monitoring.

33.1 Overview

Risk is inherent in every material business activity of the Bank. The nature of the Bank's operations exposes it mainly to liquidity, credit, market, operational, compliance, strategic and reputational risks. To ensure that the Bank takes only measured risks, PBL has integrated effective risk management in its daily business activities, processes and procedures.

The Bank has established a comprehensive risk management framework for managing the risks inherent in its operations at all times and levels throughout the Bank. The risk management framework ensures the identification, measurement and control of the risks at all levels in the Bank with a view to safeguarding its integrity, reputation and financial strength. The risk management framework also contains details of the Bank's risk governance structure.

PBL maintains a risk governance structure geared towards strengthening risk identification, measurement, management and control whilst positioning the Bank to manage the changing regulatory environment in an efficient and effective manner. The risk governance structure ensures oversight of and accountability for, the effective management of risks inherent in the Bank's operations.

The Bank uses the Three Lines of Defence Model for managing risks. The model ensures that risk management is performed at all levels of the Bank's operations. This approach provides a clear allocation of responsibilities for the ownership and management of risks as follows:

i. In the first line of defence, heads of divisions, departments and branch managers are primarily responsible for managing risks inherent in their business units. These Departments and branches continuously assess and evaluate risks associated with their day-to-day operations. The process ensures strict adherence to the Bank's operational policies, procedures and controls.

ii. The second line of defence consists of dedicated risk management committees well structured to assist the first line of defence in the implementation of risk management procedures approved by the Board.

iii. The third line of defence consists of the Internal Control Division comprising Branch Inspection, Systems Audit and Internal Audit as well as the Compliance and Risk Management Departments. These departments provide an independent assessment and validation of the adequacy and effectiveness of the overall risk management function and governance structures of the Bank and report independently to the Board. External Auditors also have a statutory duty to provide an independent opinion on the Bank's financial statements and the adequacy of the Bank's accounting systems to the Board of Directors, Shareholders and Bank of Ghana.

The risk governance system of the Bank is therefore multi-faceted, involving the Board of Directors and management level committees. At the highest level, the Board of Directors, supported through the Audit and Risk Management sub-committee of the Board determines the risk strategy, policy, limits and appetite for the Bank. The Board regularly reviews the Bank's risk exposure to enable it take appropriate risk related decisions.

The Risk Management Department assists management in the formulation of the overall policies including various risk management strategies and control. The Department also provides a review of the overall risk profile from time to time. The Head of the Risk Management Department is responsible for coordinating the risk management issues emanating from the various committees, divisions and departments of the Bank and is primarily responsible for ensuring that the Bank's risk profile is consistent with its financial resources and the risk appetite defined by the Board.

33.2 Categories of Risks

The major types of risks confronting the Bank include the following:

Liquidity Risk: This is the risk that the Bank will be unable to meet customers' withdrawals, committed loans and advances disbursements and other payment obligations as they fall due.

Credit Risk: This arises from the possibility that the Bank will incur losses from the failure of customers or counter parties to repay credit facilities granted them and/or to discharge their obligations under contingent liabilities.

Market Risk: It is the possible negative impact on the operations of the Bank resulting from movements in interest and foreign exchange rates as well as movements in general market prices.

Operational Risk: The potential of losses resulting from inadequate or failed internal processes, people, systems and external events.

Compliance Risk: The risk of legal or regulatory sanctions, material financial loss or loss of reputation PBL may suffer as a result of its failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct applicable to the banking industry.

Strategic Risk: This results from adverse business decisions, ineffective or inappropriate business plans and strategy execution or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence or other risks inherent in the operations of the Bank including reputational risk.

Reputational Risk: This is the risk that any negative publicity involving the Bank could damage its public image.

The risk management framework of the Bank is therefore designed to enable the Bank to identify, measure, manage and control the risks mentioned above.

33.2.1 Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from either its inability to meet its maturing obligations as they fall due or to fund increases in assets without incurring unacceptable costs. The management of this risk enables the Bank to minimise the mismatch in the timing of cash flows relating to its assets and liabilities and also ensures that it regularly maintains the cash reserve requirement of Bank of Ghana.

Liquidity risk could occur if customers suddenly withdraw more funds than expected which cannot be met from the Bank's available cash resources, from selling or pledging assets, or by borrowing funds from third parties. Liquidity risk could also occur if the Bank is unable to meet the primary reserve required by Bank of Ghana or meet committed loan disbursements.

(See note 34 for a detailed description of the Bank's treasury function and liquidity risk management)

33.2.2 Credit Risk

Credit risk refers to the risk that a borrower will default in repaying a credit facility either in full or in part or that a counter-party will be unwilling or unable to perform an obligation thereby resulting in financial loss to the Bank.

The principal sources of credit risk inherent in the Bank's operations arise from loans and advances to customers as well as off Statement of Financial Position transactions such as guarantees, undertakings and letters of credit.

The Bank manages credit risk through well structured systems and controls which ensure that relevant committees meet to take appropriate decisions on credit applications and reports in order to control credit risk at various stages of the credit delivery process. The Bank pursues a prudent policy for granting credit facilities to customers.

The Bank also applies the Know Your Customer (KYC) principle when granting credit facilities to customers. In other words, credit facilities are granted to businesses whose management, integrity and expertise are known and considered to be acceptable by the Bank. In addition, the Bank adequately assesses the financial performance of borrowers' businesses before granting credit facilities to such businesses.

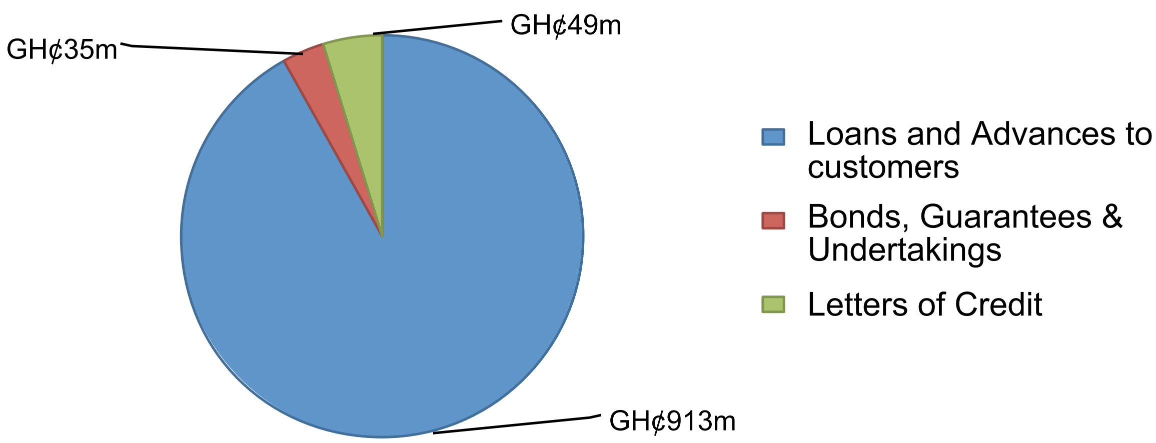
Credit facilities granted to customers, both corporate and retail, are closely monitored on a regular basis to uncover early warning signals of non-performance for the necessary remedial measures to be taken.

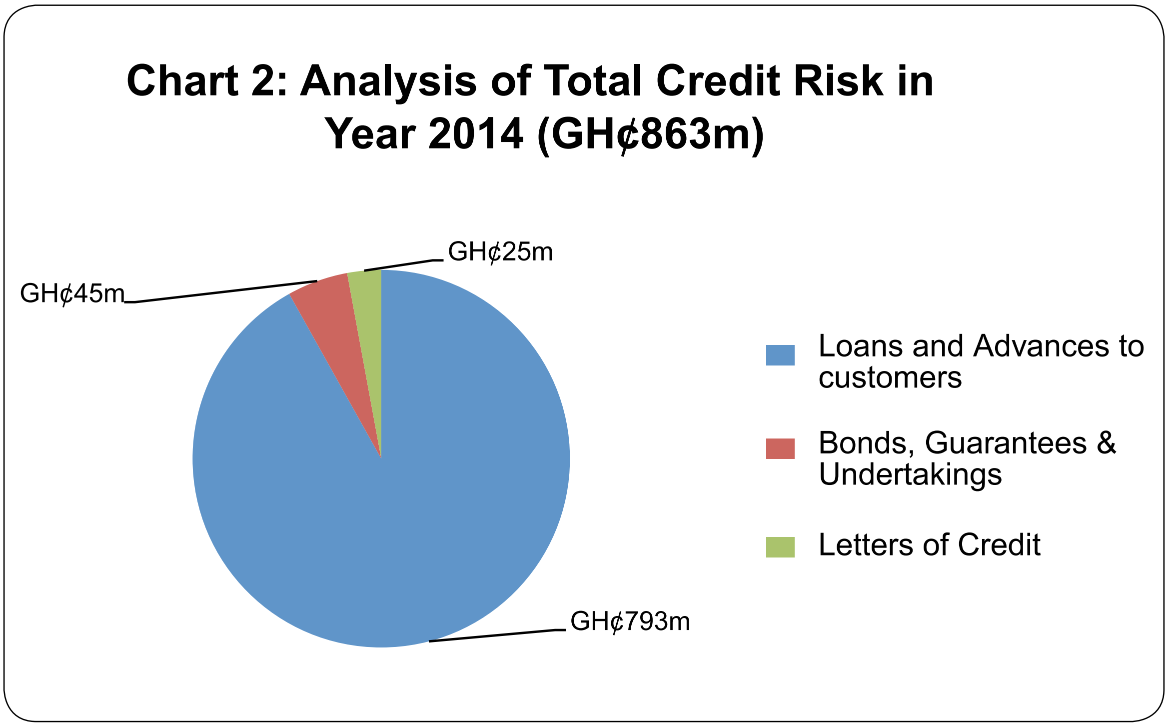
Early risk detection is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to credit exposures in order to effectively manage such exposures and maximize loan recovery.

The Bank requires appropriate collateral to secure credit facilities granted to borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. Collateral held as security against credit risk consists mainly of mortgages over landed property as well as cash and Government securities. While collateral can be an alternative source of repayment, it does not mitigate or compensate for a borrower's questionable reputation.

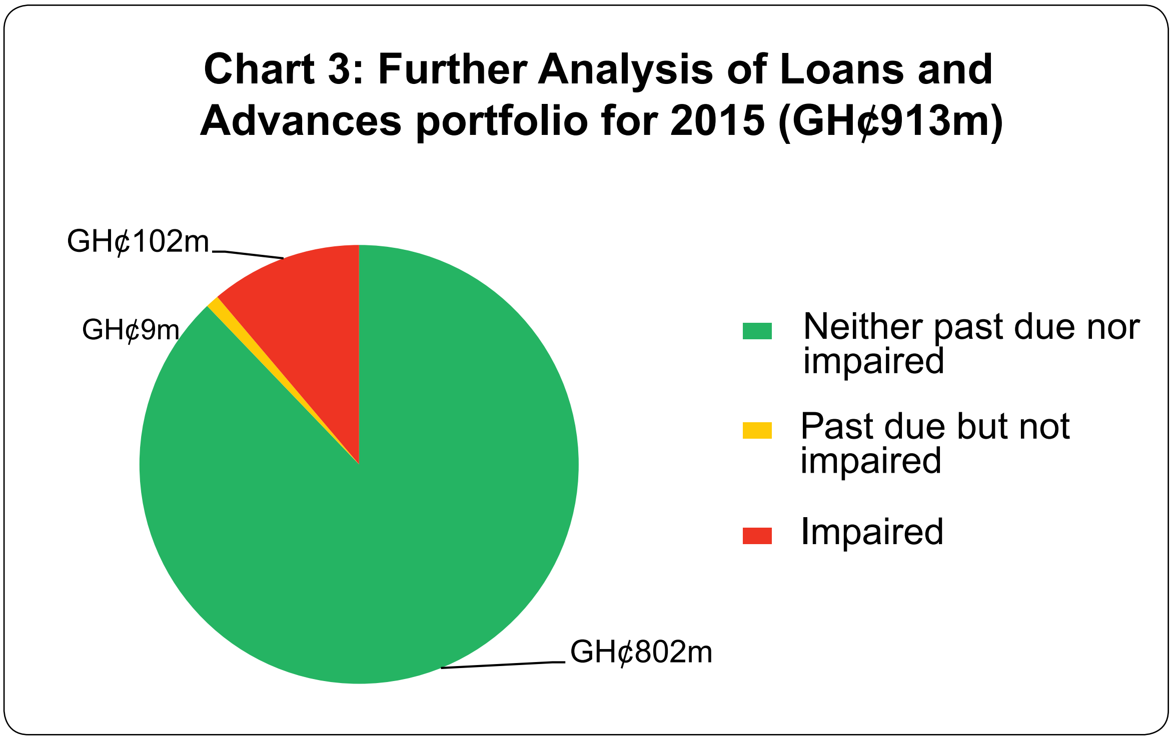
The maximum amount of credit risk of the Bank at the end of Years 2015 and 2014 emanating from the above mentioned risk sources is depicted in Charts 1 and 2.

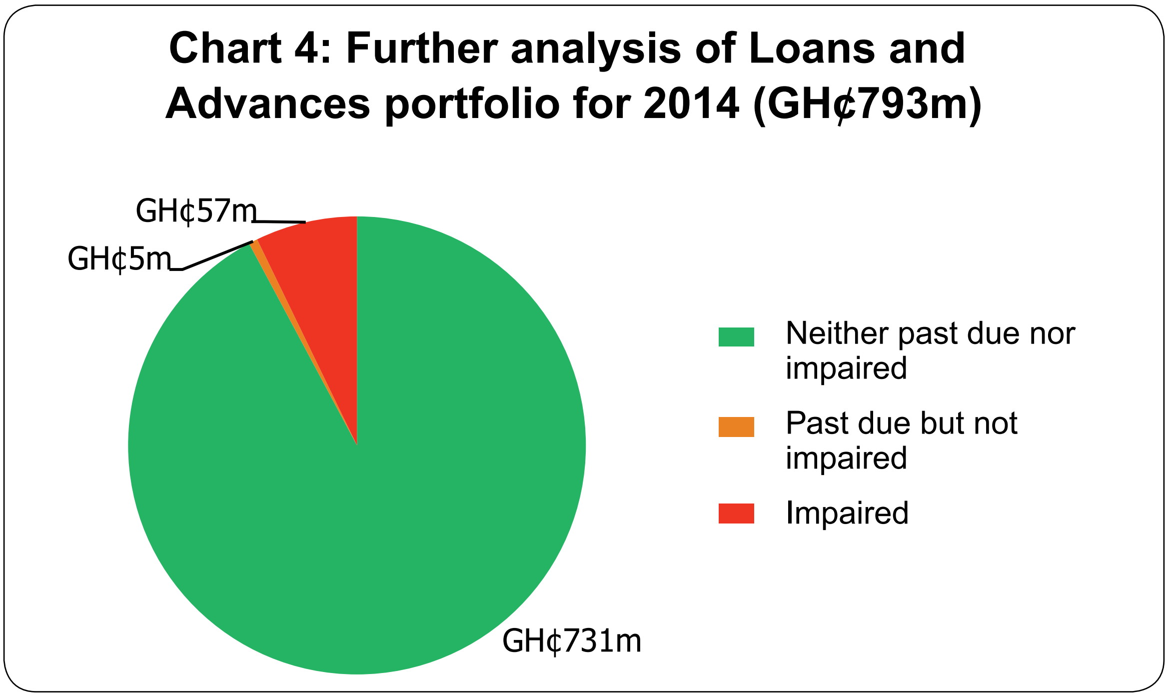
Chart 1: Analysis of Total Credit Risk in Year 2015 (GH¢997m)





The loans and advances portfolio for Years 2015 and 2014 is further analyzed in terms of quality as shown in Charts 3 and 4:





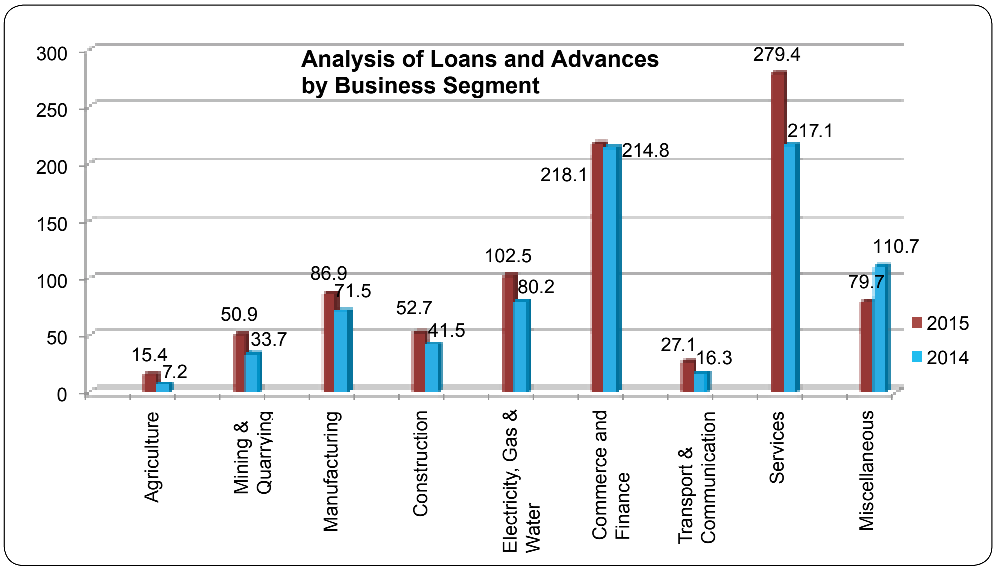
The fair value of collateral security held on loans and advances in the “Past due but not impaired” and “Impaired” categories was GH¢119 million (GH¢62 million in 2014).

Credit Concentration Risk

The Bank monitors credit concentration risks by business segment and by type of customer.

Credit Concentration Risk by Business Segment

An analysis of credit concentration risks by business segment as at the end of Years 2015 and 2014 is shown in the chart below:



Credit Concentration Risk by Type of Customer

An analysis of credit concentration risk by type of customer is shown in Table 1 below:

TABLE 1: ANALYSIS OF LOANS AND ADVANCES BY TYPE OF CUSTOMER

	2015 GH¢'m	2014 GH¢'m
Individuals	78.7	13.2
Other Private Enterprises	801.5	757.7
Government Departments and Agencies	8.90	-
Staff	23.6	22.1
TOTAL	**912.7**	**793.0**

33.2.3 Market Risk

Market risk is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. PBL is currently exposed to interest rate and foreign exchange rate risks with no exposure to equity or commodity price risks.

The interest rate and exchange rate risks are inherent in the Bank's financial assets and liabilities such as loans, customer deposits, borrowings, securities and foreign exchange trading activities.

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Bank's lending, investment and funding activities give rise to interest rate risk because it carries a mix of both fixed and floating rate assets and liabilities on its books that are subject to re-pricing periodically.

Potential mismatches in interest rate sensitive assets and liabilities are caused by the following:

a. Movement in market interest rate;

b. Generation of new interest rate sensitive assets and liabilities;

c. Movement of interest rate sensitive assets and liabilities from one time band to another

The Bank employs an interest rate sensitivity model (Gap analysis) to measure and monitor interest rate sensitive assets and liabilities. The model is based on the classification of interest rate sensitive assets and liabilities into particular time bands with regards to maturity.

The Bank's interest rate risk management strategy is based on a variable (floating) interest rate pricing policy in pricing its assets and to a large extent its liabilities. This allows the Bank to re-price its assets and liabilities in tandem with changes in market rates. The Bank ensures that the re-pricing structure of the statement of financial position generates maximum benefits from interest rate movements.

The Bank also applies the matched-funding principle which requires that the amount of interest rate sensitive assets must at least be equal to the amount of interest rate sensitive liabilities in a particular time band. The Bank's strategy is to maintain an overall position of interest sensitive assets greater than interest sensitive liabilities.

Exchange rate risk is the potential loss of income and capital arising from movements in exchange rates of currencies in which the Bank has positions or commitments.

PBL measures its exposure to foreign exchange rate risk by using the Net Open Foreign Exchange position. The Bank, on a daily basis computes the net open position for each foreign currency for which the Bank has a position. The net open position is then stress tested against variations in the exchange rate of each of the currencies to determine the extent to which exchange rate movements can adversely affect the Bank's income statement.

The Bank manages foreign exchange risk inherent in its operations by:

a. Matching assets and liabilities denominated in the same currency to ensure that the impact of exchange rate movement on the Bank is largely positive.

b. Keeping foreign currency holdings in more stable currencies.

The Asset and Liability Committee (ALCO) and the Treasury Committee are responsible for the management of the Bank's market risk. The Risk Management Department is responsible for ensuring that the Bank's exposure to market risk is within the risk appetite levels defined by the Board. The primary responsibility for the daily monitoring and management of market risk is, however, delegated to the Treasury and International Banking Departments with the oversight supervision of the Managing Director.

The table below summarises the Group's exposure to foreign currency exchange risk as at 31st December 2015:

TABLE 2: CURRENCY EXPOSURES AS AT 31ST DECEMBER 2015

	US$ GH¢'000	GBP GH¢'000	Euro GH¢'000
Amount due to/(from) the Bank	6,869	2,003	(290)

The currency exposures are maintained within the Bank's risk tolerance levels and are closely monitored to ensure that revaluation losses are kept to a minimum.

33.2.4 Operational Risk

Operational risk is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events.

Operational risk may arise from:

a. Human errors or loss of customer data;

b. Fraud and theft;

c. Cyber attacks and hacking activities;

d. Failure to manage systems, operations, transactions and assets; and

e. Natural as well as man-made disasters.

At PBL, these risks are identified, measured, monitored and controlled through well designed operating procedures and controls, insurance policies, business continuity planning, internal audit and timely and reliable management reporting systems. Operational risk drivers at the Bank include quality of controls, volume of cash flows and transactions as well as other operational risk measures such as cash shortages, legal expenses, system failures etc.

The Bank manages its operational risk by regularly raising awareness of its employees to potential operational losses, improving early warning information systems and allocating risk ownership and responsibilities to branch managers and heads of departments. The Banking Operations Committee, IT Steering Committee and Business Strategy and Risk Management Committee are responsible for managing operational risk. The Risk Management Department coordinates all operational risk management activities.

A key threat to the Bank's operation is the possibility of cyber-attacks, computer virus attacks, unauthorized access, sabotage and other events that could adversely affect the security of its information systems. Failure to prevent or protect the Bank from such attacks could have a significant adverse impact on the Bank's operations in the form of loss of customer data and other sensitive information, financial loss or reputational damage.

The Bank's internal policies and procedures and other information security systems protect the confidentiality, integrity and availability of information assets held on its computer systems, software, networks and other electronic devices. In addition, the Bank continues to use the services of both internal and external information technology security experts to conduct independent reviews on the resilience of its IT systems to cyber-attacks and other information security threats. The security systems and processes deployed to protect the Bank's computer systems, networks and other IT resources are continuously upgraded to maintain their effectiveness against evolving cyber attacks and hacking activities.

Furthermore, the Bank has put in place physical controls to ensure that un-authorised persons do not have access to sensitive areas of the Bank.

The effective management of the Bank's operational risk therefore protects the Bank against unnecessary business disruptions and associated costs.

Business Continuity and Disaster Recovery Plan (BC/DRP)

Natural and man-made disasters such as fire, earthquakes, floods, wars, terrorist attacks, cyber-attacks, etc. may expose the Bank's operations to unexpected interruptions. Such events may threaten business operations and may ultimately affect the survival of the Bank. As a result, the Bank has put in place a Business Continuity and Disaster Recovery Plan (BC/DRP) as part of its strategic and operational risk management strategy to manage both minor and major potential disruptions to its operations.

The BC/DRP is a management process that identifies threats and vulnerabilities that could impact the Bank's continued operations. The Bank's BC/DRP provides a framework for building institutional resilience and capability to enable the Bank provide an effective response in the event of a disaster. The BC/DRP framework forms an integral part of the operational risk management strategy of the Bank.

The objective of the Bank's BC/DRP is to ensure that any business disruption caused by a disaster is well managed to safeguard the Bank's operations, reduce the impact of such a disruption to the barest minimum and ensure continuous service delivery to customers.

The Bank's operations are highly dependent on IT systems hence, failure of the IT systems at the Bank's primary data centre due to natural or man-made disasters could have a serious adverse impact on the Bank's operations and customers. The Bank has therefore established an offsite standby data centre facility where a replica of all business critical systems (both hardware and software) has been installed and is updated in real time. This standby facility is to enable the Bank resume operations within the shortest possible time in the event of a disruption which renders the Bank's IT facilities at the primary data centre inoperative.

The Bank has also procured the services of two communication service providers to provide network connectivity to all branches and the central processing facilities with one serving as a backup for the other.

In the event of a disaster at any of the Bank's branches, the affected branch staff will work from the nearest branch. The customers of the affected branch can also be served from the network of branches across the country. The Bank has also provisioned alternate office locations for head office staff for the purpose of business continuity in the event of any disruption that will require relocation of staff. Furthermore, the Bank has provided each of the Bank's business locations with a functional standby power facility to be used as back up to the national grid in the event of power outages.

The Bank's documented BC/DRP provides details of the required procedures and processes needed to restore business operations to normality in the event of a disaster. The plan is structured around teams with each team having clearly defined roles and responsibilities.

Staff members have been educated on the Bank's BC/DRP programme through regular training and update sessions.

In addition, the National Fire Service provides periodic fire and evacuation drills for all staff of the Bank biannually.

33.2.5 Compliance Risk

This is the risk of legal or regulatory sanctions, material financial loss or damage to the Bank's reputation as a result of failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct and practices applicable to the banking industry. Thus, compliance risk exposes the Bank not only to reputational damage, payment of fines, court orders, and civil penalties but can also lead to loss of business opportunities and diminished ability to expand key operations. Compliance failures can therefore have an adverse impact on the Bank's customers, staff as well as shareholders.

(See note 35 for a detailed description of the Bank's compliance function and compliance risk).

33.2.6 Reputational Risk

Reputational risk refers to the potential reputational damage that a company or an institution could suffer from any adverse or negative publicity about the company or the institution concerned. Prudential Bank, like any other institution is confronted with reputational risk. That is, any negative publicity about the Bank that could impair public confidence in the Bank and thereby cause a decline in its customer base or reduction in the volume of business transacted by customers.

Reputational risk may result from operational issues such as inefficient services that cause disaffection to customers and other stakeholders of the Bank. The major sources of reputational risk include system failures, unnecessary litigation, dealing with customers who engage in illegal business activities etc.

Internal operational issues such as system breakdowns, employee errors, employee fraud etc may expose PBL to serious reputational risk. In managing reputational risk emanating from these sources, the Bank has put in place appropriate measures and controls that ensure that system breakdowns and bookkeeping errors are checked at every level of operation in order to minimise their impact on customers and other stakeholders. These controls form part of the daily operational procedures of the Bank.

Unnecessary litigation is also another source of reputational risk to the Bank. The Bank manages reputational risk resulting from avoidable litigation by ensuring that any misunderstanding between the Bank and its customers is resolved in a cordial way.

The Bank's reputation depends not only on the way it conducts its business but also the way its customers conduct themselves. Thus, dealing with customers whose activities border on illegality, such as money laundering, is a source of reputational risk to the

Bank. To manage this type of risk and to avoid becoming associated with economic and financial crimes or being used as a conduit for channelling illegal monies into the country, PBL uses Know Your Customer (KYC) procedures to screen potential customers and also monitors customers account operations to ensure that customers who open accounts with the Bank are engaged in legitimate businesses. PBL also monitors customers' account operations to ensure that deposits into accounts are consistent with the type of business customers are engaged in. The Bank conducts due diligence on companies and their directors before bank accounts are opened.

Management has assigned the responsibility of safeguarding the Bank's reputation to every member of staff. The Bank's reputational risk management also revolves around effective communication between the Bank and its customers. This is achieved through daily monitoring of customer complaints and media reportage about the Bank for prompt resolution of the concerns raised or any adverse publicity.

33.3 Strategic Risk Management

Strategic risk is inherent in every business and is one of the major risk categories in the banking industry. It is the risk that results from adverse business decisions, ineffective execution of business plans and strategies, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence or other risks inherent in the operations of the Bank. In the banking industry, strategic risk is elevated due to changing customer preferences and competitive pressures. The Bank's appetite for strategic risk is assessed within the context of its strategic plan. Strategic risk is managed in the context of PBL's overall financial condition and assessed, and acted on by the Managing Director and Executive Management team. Significant strategic actions, such as capital actions and branch expansion, require review and approval of the Board.

The Board approves a strategic plan and annually reviews and approves a financial operating plan developed by Executive Management to implement the strategic goals for that year. With oversight by the Board, Executive Management ensures that the annual plans are consistent with the Bank's strategic plan, core operating tenets and risk appetite. The Board assesses the following areas as part of its annual review:

- Forecast earnings and returns on capital,
- Current risk profile,
- Current capital and liquidity requirements,
- Staffing levels and changes required to support the plan,
- Stress testing results and other qualitative factors such as industry growth and peer analysis.

The Executive Management Team also monitors the performance of new products introduced against product expectation.

34.0 TREASURY FUNCTION AND LIQUIDITY RISK MANAGEMENT

34.1 Treasury Function

The framework for the Bank's treasury function is designed to ensure efficient management of the Bank's liquid resources in the short, medium and long term.

The Treasury policy and investment manual of the Bank serves as a guide for its treasury operations.

Treasury operations are handled by the Treasury Department with an objective of striking a balance between maximization of earnings and minimization of liquidity risk. The department is also responsible for managing compliance risk inherent in the liquidity management of the Bank's operations. This includes management of the reserve ratio and net open position limits and submission of returns to the Central Bank.

The department therefore focuses on the management of the Bank's reserve position and liquid funds. This is achieved through storing adequate liquidity on the balance sheet via short-term investments in high-grade securities and interbank placements in both domestic and foreign currencies.

The Bank maintains a two-tier defensive investment portfolio for the purposes of liquidity management and generation of investment income. The first tier consists of short-term Government of Ghana and Bank of Ghana securities with structured maturities to generate liquidity continually to meet daily withdrawals, loan disbursements and other maturing obligations whilst the second tier consists of medium to long term high grade securities and corporate bonds with varying maturities to serve as a source of liquidity in emergency situations.

By this, the Bank avoids or minimises the need to rediscount securities or borrow high cost funds, “hot money,” from the market to generate liquidity to meet commitments.

The Treasury Department also manages the Bank's foreign currency resources held with Bank of Ghana and its correspondent banks. These resources are needed to support and settle foreign transactions, particularly international trade transactions such as payment for imports and other miscellaneous transactions.

This is achieved by mobilizing foreign currency resources on the foreign exchange market through spots, forwards, swaps, repos, etc to meet maturing obligations and other commitments.

In addition, the Bank mobilizes foreign currency deposits for the purpose of granting foreign currency denominated loans and advances to customers.

34.2 Liquidity Risk Management

The Bank's liquidity risk management aims at maintaining sufficient liquidity to ensure safe and sound operations and also minimise the mismatch in the timing of cash flows relating to its assets and liabilities. For this reason, the Bank considers liquidity risk from three different perspectives namely structural, tactical and contingency liquidity risks.

Structural liquidity risk arises from a mismatch of the maturities of the Bank's assets and liabilities which could lead to a liquidity crisis. Structural liquidity risk is controlled by managing the structure of assets and liabilities in the statement of financial position on a going concern basis. This is aimed at achieving a sound liquidity profile through the following:

i. Maintenance of a well diversified funding mix of customer deposits and borrowings (both secured and unsecured) through a bank-wide coordinated funding strategy. The funding mix is diversified both in terms of sources and maturities to have an inbuilt high level of stability. The Bank funds a substantial portion of its lending activities through customer deposits, which stood at GH¢1,093.5 million and GH¢885.5 million at December 31, 2015 and 2014 respectively.

ii. Holding a broad portfolio of high grade securities in the form of defensive investments that can be used to obtain secured funding from the money market. These investments are mainly held in Government of Ghana Securities with structured maturities. The Bank had unencumbered defensive investments of GH¢154.7 million at the end of December 2015;

iii. Managing any structural liquidity gap that may occur using the defensive investments and/or through the introduction of medium term funds – fixed deposits and borrowings, to rectify any such anomaly.

The Bank's exposure to liquidity risk as measured by the gap analysis in note 31 is summarized in the table below.

This measures the ability of the Bank to meet demands of depositors and other obligations from its liquid assets.

Table 3: Summary of Liquidity Risk exposure

	TOTAL GH¢'000	0-3 Months GH¢'000	3-6 Months GH¢'000	6-12 Months GH¢'000	Over 1 Year GH¢'000
31st December 2015					
Total Assets	1,391,962	638,991	181,914	201,630	369,427
Total Liabilities	1,247,912	343,957	155,711	192,234	556,010
Liquidity Gap	**144,050**	**295,034**	**26,203**	**9,396**	**(186,583)**
Proportion of Assets to Liabilities	**1.12**	**1.86**	**1.17**	**1.05**	**0.66**
31st December 2014					
Total Assets	1,115,612	536,613	165,004	167,835	246,160
Total Liabilities	1,002,419	239,528	144,564	154,093	464,234
Liquidity Gap	**113,193**	**297,085**	**20,440**	**13,742**	**(218,074)**
Proportion of Assets to Liabilities	**1.11**	**2.24**	**1.14**	**1.09**	**0.53**

The gap analysis above matches the qualified liquid assets and liabilities in the various time bands based on the remaining number of days to the contractual maturity dates. The unmatched position (gap) indicates the Bank's exposure to liquidity risk. The analysis shows that the Bank is well positioned to meet its short term liquidity needs as shown by the positive gaps for the six-month period.

Tactical liquidity risk arises from the shortage of short-term cash to meet customers' withdrawals or maturing obligations. It gives rise to the need for day to day liquidity management. The Treasury Department is responsible for managing the day-to-day liquidity needs of the Bank as a whole while branch managers are responsible for managing daily liquidity at branch level to ensure that customer withdrawal needs are always met.

The Treasury Department determines and monitors the daily liquidity position by preparing daily liquidity reports which summarise the daily cash inflows and outflows and reserve requirements. Any required borrowings or placements are actioned by the Treasury Department within the framework of the treasury policy guidelines. The daily report is subsequently submitted to management for approval.

A branch's daily cash holding depends on projected cash withdrawals and deposits based on past experience. In locations where there is more than one branch of the Bank, the other branch/branches serve as a source of cash replenishment for a cash deficit branch.

Contingency liquidity risk relates to planning for liquidity management under stress conditions. It is the Bank's policy to have adequate and up to date contingency funding plans to enable the Bank to respond effectively to liquidity stress events at various levels of severity. These policies are based on stress scenarios and include potential funding strategies and sources. Executive Management, with the assistance of the Treasurer is responsible for the activation of the Bank's liquidity risk contingency plan.

Counterparty Risk: Liquidity management involves dealings with counterparties thereby exposing the Bank to counterparty risk. To minimize counterparty risk, the department evaluates counterparties by reviewing half-yearly financial statements and market information on counterparties who are adversely rated.

The Treasury Committee meets regularly to review the liquidity position of the Bank in line with the treasury and investment policy of the Bank. The Bank maintained a healthy liquidity position throughout 2015.

35.0 COMPLIANCE FUNCTION AND COMPLIANCE RISK

35.1 Compliance Function

The pursuit of a sustainable long term profit objective requires the Bank to conduct its operations in accordance with high ethical standards to reflect compliance with the relevant laws, regulatory directives and core values of integrity, professionalism, honesty, and fairness. Compliance breaches could have a serious adverse impact on the Bank that could threaten its survival.

To ensure effective management of the Bank's compliance risks, the Board has established a compliance department as an integral part of the Bank's management system. The compliance function of the Bank covers four key areas, namely compliance with:

a. Prudential regulation requirements;

b. Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance requirements;

c. Statutory and other regulatory requirements such as National Pension Regulatory requirements, Securities and Exchange Commission requirements etc; and

d. Internal Management policies and employees conduct.

The objective of the compliance function is to ensure that the Bank conducts its activities in conformity with its own rules, current legislations, supervisory guidelines as well as good practices in order to minimise the risk of irregularity, material financial loss, regulatory sanctions and reputational damage.

PBL's Compliance function is underpinned by the following principles:

- Integrity and reputation are PBL's key assets;
- The Board and Senior Management are the compliance owners;
- Management must set a good example for compliance; and
- Compliance is a shared responsibility by all employees, regardless of position within the Bank.

The Bank's compliance function is carried out by the Compliance Department with direct oversight supervision by the Board of Directors through the Audit & Risk Management Sub-Committee of the Board. The responsibility of the department is to proactively identify, assess and monitor compliance risks faced by the Bank and also assist management in fulfilling its compliance responsibilities. The Compliance Department supports and works closely with divisions and departments of the Bank to comply with emerging compliance developments to minimise compliance failures. The functions of the Compliance Department include the following:

a. Identification and assessment of compliance risks associated with the Bank's operations on a proactive basis;

b. Monitoring and testing compliance by performing sufficient and representative compliance tests on the Bank's operations;

c. Ensuring compliance with relevant laws, regulations and directives including compliance with the Banking Act, Foreign Exchange Act, Bank of Ghana directives, tax laws, pension laws etc.

d. Monitoring of all prudential returns submitted to Bank of Ghana to ensure that they are accurate, complete and submitted on time;

e. Assisting Management to build a strong compliance culture through education and training of employees on compliance issues and acting as the point of contact on compliance matters;

f. Liaising with relevant external bodies, including correspondent banks and other external experts on compliance issues to ensure compliance with statutory and regulatory requirements;

g. Advising the Board and Management on compliance laws, rules and standards and also keeping them informed on developments in the compliance environment;

h. Ensuring that all employees, divisions, departments and branches operate in line with Management directives, policies and procedures;

i. Certifying legal documents covering credit facilities granted to customers to ensure that pre-disbursement conditions and covenants are met before the Bank disburses such facilities;

j. Ensuring compliance with AML/CFT laws, regulations and directives within the Bank;

k. Submission of quarterly compliance reports to the Audit and Risk Management Sub-Committee of the Board.

The department adopts a risk-based approach in carrying out the above functions and managing the Bank's exposure to compliance risks. This involves the use of clear and accessible policies, procedures and a comprehensive system of internal controls embedded in the Bank's operations to avert possible compliance failures. The Compliance Department also monitors divisions and departments responsible for preparing periodic reports and returns to regulatory bodies such as Bank of Ghana, Financial Intelligence Centre, Ghana Revenue Authority, National Pension Regulatory Authority, and Securities and Exchange Commission of reporting deadlines and the need to review returns for accuracy and completeness before submission.

35.2 Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the Bank's reputation as a result of failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct and practices applicable to the banking industry. Compliance breaches expose the Bank to reputational damage, payment of fines, court orders, civil penalties, loss of business opportunities and diminished ability to expand key operations. Compliance failures can therefore have an adverse impact on the Bank's customers, staff as well as other stakeholders.

Managing the Bank's compliance risk on a proactive basis is fundamental to driving shareholder value. The Bank has clear and accessible policies and procedures embedded in its operations to forestall possible compliance failures. These policies and procedures include a comprehensive system of internal controls aimed at ensuring continuous improvement in managing the Bank's compliance risk.

As already mentioned, the Board has established and resourced a compliance department to be responsible for managing the compliance risks inherent in the operations of the Bank. The head of the department reports quarterly to the Audit & Risk Management Sub-Committee of the Board.

36.0 CAPITAL

36.1 The Objectives of Capital Management

The primary objective of capital management in the Bank is to ensure that:-

- it complies with the minimum stated capital requirement of Bank of Ghana;
- it complies with the regulatory capital requirement that enables it to meet the minimum Capital Adequacy Ratio requirements of Bank of Ghana at all times;
- its operations would consistently improve its profitability and shareholder value.

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

36.2 Capital Description

The Bank's Regulatory Capital consists of both Tier 1 and Tier 2 capital. Tier 1 capital consists of stated capital, statutory reserves and current and previous year's retained earnings. Tier 2 capital consists of subordinated term debts, convertible debentures and revaluation surplus.

The current level of the Bank's capital which complies with the existing minimum capital requirement of Bank of Ghana is summarised below:

36.3 The Level of Capital Adequacy

	THE GROUP		THE BANK	
	2015	**2014**	**2015**	**2014**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Tier 1 Capital				
Paid Capital	62,453	62,453	62,453	62,453
Disclosed Reserves	57,709	50,054	52,037	45,238
Intangible & Other Assets	(13,053)	(15,075)	(6,250)	(8,155)
Total Qualifying Tier 1 Capital	**107,109**	**97,432**	**108,240**	**99,536**
Tier 2 Capital	**84,988**	**5,500**	**29,558**	**5,500**
Total Regulatory Capital	**192,097**	**102,932**	**137,798**	**105,036**
Risk Weighted Assets				
On Balance Sheet	1,029,579	825,852	975,298	828,025
Off Balanch Sheet	49,740	51,236	49,740	51,236
Total	**1,079,319**	**877,088**	**1,025,038**	**879,261**
Add Allowable NOP and Average Annual	108,792	79,401	107,598	77,957
Total Risk Weighted Assets	**1,188,111**	**956,489**	**1,132,636**	**957,218**
Capital Adequacy Ratio (%)	**16.17**	**10.76**	**12.17**	**10.97**

The Bank's regulatory capital was above the required minimum throughout the year.

37. SHAREHOLDERS

The Shareholders of the Bank are:

	Name	No. of Shares	Percentage Holding
1.	J.S. Addo Consultants Limited	76,208,525	24.82
2.	Mr. Kwesi Atuah	38,254,761	12.46
3.	Trustees of PBL Staff Provident Fund	34,325,146	11.18
4.	Mr. N.K. Omaboe	32,030,000	10.43
5.	Ghana Union Assurance Limited	31,603,478	10.29
6.	Mr. Frank Owusu	24,615,385	8.02
7.	Mr. Stephen Sekyere-Abankwa	16,015,000	5.21
8.	Mr. Kofi O. Esson	15,384,615	5.01
9.	National Trust Holding Company Limited	14,560,000	4.74
10.	Social Security & National Insurance Trust	14,560,000	4.74
11.	Mr. John K. Addo	7,281,000	2.37
12.	Nana Agyei Duku	2,228,000	0.73
	TOTAL	**307,065,910**	**100.00**

CORPORATE INFORMATION

This section contains branch locations and addresses, details of correspondent banks and notice of Annual General Meeting

BRANCH LOCATIONS AND ADDRESSES

GREATER ACCRA REGION

ABEKA BRANCH
Apugu Tower,
Abeka Lapaz
Accra
Telephone: 233-302-220919/ 220920,
233-540-106755/6
233-289-557914
Fax: 233-302-220929

ABOSSEY OKAI BRANCH
Cap & May House,
Ring Road West,
Accra
Telephone: 233-302-669107/ 8,
233-540-106765/6
233-289-557939
Fax: 233-302-668126

ACCRA BRANCH
Swanzy Shopping Arcade
(Former Kingsway Building)
Telephone: 233-302-678982/ 671943 – 5
233-540-106730/1
233-289-557915
Fax: 233-302-678942

ADENTAN BRANCH
4A Lami Dwaahe Street
Housing Estate Road
Adentan Housing Estate
Telephone: 233-302-501346/ 7,
233-540106732/3
233-289-557912
Fax: 233-302-501345

BAWALESHIE BRANCH
Parcel No. 980
Adjacent SEL Fuel Station
East Legon, Accra
Telephone: 233-302-522885/7
233-540-106736/ 7
Fax: 233-302-522886

EAST LEGON BRANCH
No. 2 Lyndy Street
Near American House
East Legon, Accra
Telephone: 233-302-747269/70
233-540-109480/1
233-289-557956
Fax: 233-302-747271

GICEL BRANCH
Gicel Estates,
Weija, Accra
Telephone: 233-302-850174 - 6
233-540-109478/9
Fax: 233-302-850173

INTERNATIONAL BANKING DEPT.
No. 8 John Harmond Street
(Formerly No. 8 Nima Avenue)
Ring Road Central, Accra
Telephone: 233-302-781184
Fax: 233-302-781194

KWAME NKRUMAH CIRCLE BRANCH
Oksart Place, Adjacent Ernest Chemist
Ring Road Central
Kwame Nkrumah Circle, Accra
Telephone: 233-302-246513/ 246521,
233-302-246531
233-540-106757/8
233-289-557938
Fax: 233-302-246523

MADINA BRANCH
Albert House,
Zongo Junction, Madina
Telephone: 233-302-511111/2
233-540-111719/20
233-577-986039
233-289-556861
Fax: 233-302-511485

MAKOLA BRANCH
31st December Market
Makola, Accra
Telephone: 233-302-676638/9
233-302-677837
233-540-116535/ 116754
233-289-557933
Fax: 233-302-676640

MATAHEKO BRANCH
No. B439/15
The Ground Floor, IRS Building
Mataheko, Accra
Telephone: 233-540-106761/ 2
233-289-577928/ 9
Fax: 233-577-900081

METHODIST UNIVERSITY COLLEGE AGENCY
Methodist University College Campus
Dansoman, Accra
Telephone: 233-302-302484/ 5
233-289-557937
Fax: 233-302-302486

NORTH INDUSTRIAL AREA BRANCH
Melcom Plus
No. 3 Otublohum Street
North Industrial Area, Accra
Telephone: 233-302-221856/ 7
233-302-221880
233-540-106767/8
233-289-557932
Fax: 233-302-221875

NUNGUA BRANCH
Unnumbered Property
Nungua Sokpoti
Adjacent Electricity Company of Ghana
Nungua Office, Accra

Telephone: 233-302-719369 /719466
233-243-400270/1
Fax: 233-302-719458

ODORKOR BRANCH
Off Accra-Winneba Road
Odorkor Traffic Light, Accra
Telephone: 233-302-311710/ 12
233-540-109482
233-263-778526
233-289-557941
Fax: 233-302-311716

OKAISHIE BRANCH
No. 657/4, Knutsford Avenue
NAB Brothers Building
Okaishie, Accra
Telephone: 233-302-664144/ 664154
233-540-116537/8
233-289-557946
Fax: 233-302-664174

RING ROAD CENTRAL BRANCH
No. 8 John Harmond Street
(Formerly No. 8 Nima Avenue)
Ring Road Central, Accra
Telephone: 233-302-781179/ 781201/2
233-302-781206/7
233-540-111746/7
Fax: 233-302-781210

SPINTEX ROAD BRANCH
(Adjacent CCTC, Near the Coca-Cola Roundabout)
Spintex Road, Accra
Telephone: 233-302-814399/ 814409
233-302-813830
233-540-116530/1
233-289-557942
Fax: 233-302-812934

TEMA COMMUNITY ONE BRANCH
Prudential House,
Off Krakue Road, Commercial Area, Tema
Telephone: 233-303-217160-2/ 217140
233-540-111717/8
233-289-557935
Fax: 233-303-217137

TEMA FISHING HARBOUR BRANCH
Hillpok Yard
Tema Fishing Harbour
Telephone: 233-303-207352/ 3
233-303-207345/ 9
233-540-111715/6
233-289-557916
Fax: 233-303-207357

TESANO BRANCH
No. C111A/19, Nsawam Road, Tesano
Near Tesano Police Station
Telephone: 233-302-258170/ 258172
233-540-109474/7
233-289-557934
Fax: 233-302-258173

VALLEY VIEW UNIVERSITY AGENCY
Valley View University Campus, Oyibi
Telephone: 233-277-759333
233-289-557930
Fax: 233-277-900090

WEIJA BRANCH
(Opposite Phastor Contrete Works)
Accra-Winneba Road,
Weija, Accra
Telephone: 233-302-853494/ 5
233-540-106759/60
233-289-557913
Fax: 233-302-853496

ZONGO JUNCTION BRANCH
Link Road,
Opposite the Total Filling Station
Zongo Junction, Accra
Telephone: 233-302-678781/ 678819
233-302-678824
233-540-106763/4
233-289-557931
Fax: 233-302-678830

ASHANTI REGION

ABOABO BRANCH
Near the Traffic Light, along the
Aboabo-Airport Dual Carriageway,
Kumasi
Telephone: 233-3220-47350 - 2
233-3220-98892/ 3
233-540-111721/2
233-289-557919
Fax: 233-3220-47357

ADUM BRANCH
Prudential Plaza,
(Formerly Unicorn House)
Adum, Kumasi
Telephone: 233-3220-83811/ 2
233-3220-83814
233-540-111723/4
233-289-557917
Fax: 233-3220-83815

AFFUL NKWANTA BRANCH
Near Kumasi Children's Park
Telephone: 233-3220-49450 - 2
233-540-106747/8
233-289-557920
Fax: 233-3220-49455

ATONSU BRANCH
91 Block "A"
Within Unity Oil Commercial Complex,
Atonsu
Telephone: 233-3220-83750/ 1
233-3220-80741
233-540-106743/4
233-289-557922
Fax: 233-3220-80635

KUMASI BRANCH
Cocobod Jubilee House
Adum, Kumasi
Telephone 233-3220-25667
233-540-106745/ 6
233-289-557918
Fax: 233-3220-25917

SUAME MAAKRO BRANCH
Tarkwa Maakro, New Road
Kumasi,
Telephone: 233-3220 46717/46727/46851
233-540-106740/1
233-289-557921
Fax: 233-3220-46897

CENTRAL REGION

CAPE COAST BRANCH
Palm House,
101/3 Commercial Street
Cape Coast
Telephone: 233-3321-31575/ 35393
233-540-116532/3
233-289-557923
Fax: 233-3321-31576

UNIVERSITY OF CAPE COAST BRANCH
Oye Inn, Behind the Science Block
University of Cape Coast
Telephone: 233-3321-35653/ 4
233-289-557924
Fax: 233-3321-35643

WESTERN REGION

TAKORADI HARBOUR BRANCH
Takoradi Harbour
Harbour Area
Telephone: 233-3120-21300/ 21909
233-3120-21616/ 31317
233-540-106750/1
233-289-557926
Fax: 233-3120-31371

TAKORADI MARKET CIRCLE
62 Liberation Road
Market Circle, Takoradi
Telephone: 233-3120-27415/ 27452/ 27479
233-540-106752/ 111749
233-289-557925
Fax: 233-3120-27504

BRONG AHAFO REGION

TECHIMAN BRANCH
Ground Floor of House No. 186
Block B, Sector 4S
Techiman-Tamale Main Road, Techiman
Telephone: 233-3525-22915/6
233-540-106738/9
Fax: 233-3525-22917

NORTHERN REGION

TAMALE BRANCH
Quality First Building (1st Floor)
Opposite Main Taxi Rank, Tamale
Telephone: 233-3720 27740 – 2
233-540-106734/5
233-289-557927
Fax: 233-3720-27744

All our Branches are networked and customers can withdraw or pay in at any of them.

CORRESPONDENT BANKS

CITIBANK N.A.
111 WALL STREET
19TH FLOOR
NEW YORK, N.Y. 10043
U.S.A.

CITIBANK N.A.
CITIGROUP CENTRE
P.O. BOX 78
33 CANADA SQUARE, CANARY WHARF
LONDON E14 5LB
UNITED KINGDOM

CITIBANK A.G.
NEUE MAINZER STRASSE 75
60311 FRANKFURT MAIN
GERMANY

BHF BANK
AKTIENGESSELLSCHAFT
BOCKENHEIMER LANDSTRASSE 10
60323 FRANKFURT AM MAIN
GERMANY

GHANA INTERNATIONAL BANK PLC
67 CHEAPSIDE
1ST FLOOR
LONDON, EC2V 6AZ
UNITED KINGDOM

BANK OF BEIRUT (UK) LIMITED
17A CURZON STREET
LONDON W1J 5HS
UNITED KINGDOM

NOTICE OF ANNUAL GENERAL MEETING

We are pleased to give you notice of, and invite you to the nineteenth (19th) Annual General Meeting of Prudential Bank Limited to be held at the Boardroom of the Head Office, No. 8 Nima Avenue, Ring Road Central, Accra, on Wednesday, 27th April, 2016, at 11am to transact the following business:

Agenda

1. To receive and consider the report of the Directors for the financial year ended 31st December, 2015.
2. To receive and consider the Auditors Report for the financial year ended 31st December, 2015.
3. To receive, consider and approve the Annual Accounts.
4. To re-elect the Auditors
5. To authorize the Directors to fix the remuneration of the Auditors.

Dated this 4th day of April, 2016.

By Order of the Board

OSEI YAW OSAFO
BOARD SECRETARY

NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in place of that Member. A Proxy need not be a Member. A Proxy Form is attached.

2. The Proxy Form must be delivered by hand or post to **The Secretary, Prudential Bank Limited, PMB, G.P.O No. 8 Nima Avenue, Ring Road Central, Kanda, Accra** at least 24 hours before the appointed time for the Meeting.

3. A copy of the Audited Financial Statement is attached.

Officials of the Bank at the launch of the Bank's Xpress Money Global Money Transfer service.

The Managing Director, Stephen Sekyere-Abankwa (seventh from right) and senior staff of the Bank pose with the Nungua branch staff at the branch opening ceremony in October 2015