


AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2016

In thousands of GH¢

	2016		2015	
	The Bank	The Group	The Bank	The Group
Assets				
Cash and cash equivalents	638,851	642,944	411,920	413,458
Non-Pledged trading assets	68,607	68,607	72,263	72,262
Pledged assets	22,300	22,300	10,000	10,000
Other investments	42,838	28,376	17,423	24,887
Loans and advances to customers	919,964	919,436	924,736	890,890
Investment securities	8,612	26,225	32,946	33,441
Current income tax assets	25,111	25,275	9,830	9,740
Deferred tax assets	15,199	15,263	-	-
Intangible asset	6,512	6,685	9,654	9,893
Other assets	45,200	76,900	19,728	75,334
Property, plant and equipment	62,977	65,545	57,919	60,424
Total assets	1,856,171	1,897,556	1,566,419	1,600,329
Liabilities and equity				
Deposits from banks	-	-	24,000	24,000
Deposits from customers	1,558,210	1,558,210	1,189,454	1,189,454
Borrowing	41,845	41,845	28,463	28,463
Deferred tax	-	-	3,189	3,098
Other liabilities	114,967	149,905	141,558	159,987
Total liabilities	1,715,022	1,749,958	1,386,664	1,405,002
Equity				
Stated capital	96,191	96,191	96,191	96,191
Income surplus	(47,682)	(43,750)	(13,475)	(167)
Revaluation reserve	32,293	32,309	32,819	32,835
Statutory reserve fund	57,203	57,203	57,203	57,203
Regulatory credit risk reserve	2,400	2,400	6,273	6,273
Housing development assistance reserve	744	744	744	744
Total equity attributable to equity holders of the Bank	141,149	145,097	179,755	193,079
Non-controlling interest	-	2,501	-	2,248
Total equity	141,149	147,598	179,755	195,327
Total liabilities and equity	1,856,171	1,897,556	1,566,419	1,600,329

The financial statements were approved by the Board of directors on February 8, 2017 and signed on its behalf by:

Chairman: 

Managing Director: 

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016

In thousands of GH¢

	2016		2015	
	The Bank	The Group	The Bank	The Group
Interest income	276,012	287,572	251,081	256,676
Interest expense	(156,383)	(156,383)	(113,672)	(113,672)
Net interest income	119,629	131,189	137,409	143,004
Fee and commission income	20,096	35,768	14,894	28,934
Fee and commission expense	(729)	(729)	(400)	(427)
Net fee and commission income	19,367	35,039	14,494	28,507
Net trading income	11,503	11,503	26,761	26,761
Other operating income	2,372	12,359	9	5,567
Other income	19,990	11,510	5,127	5,722
Operating income	172,861	201,600	183,800	209,561
Net impairment loss on financial asset	(69,781)	(72,781)	(85,203)	(81,848)
Personnel expenses	(84,264)	(97,770)	(75,801)	(90,111)
Operating lease expenses	(6,870)	(7,981)	(4,975)	(6,066)
Depreciation and amortization	(11,957)	(12,933)	(8,940)	(9,732)
Other expenses	(56,984)	(73,917)	(45,960)	(54,034)
Loss before income tax for the period	(56,995)	(63,782)	(37,079)	(32,230)
National Stabilization Levy	-	(393)	-	(353)
Tax expense	18,389	16,446	(2,162)	(3,752)
Loss for the period	(38,606)	(47,729)	(39,241)	(36,335)
Loss attributable to:				
Controlling Equity holders of the bank	(38,606)	(47,982)	(39,241)	(37,071)
Non-controlling interest	-	253	-	736
Loss for the period	(38,606)	(47,729)	(39,241)	(36,335)

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER, 2016

In thousands of GH¢

	2016		2015	
	The Bank	The Group	The Bank	The Group
Cash flows from Operating activities				
Cash generated from operations	277,552	278,872	97,711	105,490
Interest paid-long term bonds and borrowing	(17,454)	(17,454)	(16,968)	(16,968)
Tax paid	(11,377)	(13,456)	(9,996)	(11,555)
National stabilization levy paid	(2,119)	(2,527)	(2,142)	(2,489)
Net cash generated from operating activities	246,602	245,435	68,605	74,478
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,103)	(15,265)	(11,111)	(12,682)
Purchase of Intangible asset- software	(742)	(785)	(6,522)	(6,559)
Proceeds from sale of property, plant and equipment	740	935	179	271
Purchase of government securities	(4,394,445)	(4,394,531)	(1,627,452)	(1,667,350)
Sale of government securities	4,385,804	4,385,815	1,614,251	1,653,516
(Purchase)/sale of other investments	(8,127)	(3,489)	18,617	8,272
(Purchase)/sale of investment securities	6,134	(10,984)	(11,612)	(9,794)
Investment in venture capital fund	913	18,200	716	716
Net cash used in investing activities	(23,826)	(20,104)	(22,934)	(33,610)
Cash flows from financing activities				
Dividend paid	-	-	(17,843)	(17,843)
Redemption of bonds	(16,766)	(16,766)	(25,628)	(25,628)
Borrowings repaid	(32,902)	(32,902)	(48,962)	(48,962)
Proceeds from borrowings	43,245	43,245	26,839	26,839
Net cash generated from financing activities	(6,423)	(6,423)	(65,594)	(65,594)
Increase in cash and cash equivalents	216,353	218,908	(19,923)	(24,726)
Net foreign exchange difference	10,578	10,578	6,143	6,143
At 1 January	411,920	413,458	425,700	432,041
Cash and cash equivalents as at 31 December	638,851	642,944	411,920	413,458

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the international Financial Reporting Interpretations Committee ("IFRIC"), the Banking Act and the Ghana companies Act.

Risk Management Disclosures

- i. Quantitative Disclosures
- Capital Adequacy Ratio (%)
 - Non-Performing Loan (NPL) Ratio (%)

	2016	2015
Capital Adequacy Ratio (%)	11.50	13.36
Non-Performing Loan (NPL) Ratio (%)	21.75	20.33

ii. Qualitative Disclosures

- i. The Bank's dominant risks are credit, market, liquidity, operational and compliance risks.
ii. Risk Management and Compliance Frameworks

Dominant Risks

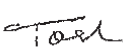
The Bank is exposed to the following risks:

- Credit Risk
- Operational Risk
- Liquidity Risk
- Market Risk

The Board of Directors established the Bank's Risk Management Frameworks and Assets and Liabilities Committee (ALCO) to be responsible for the monitoring of the Bank's risks.

The Bank also has Risk Management and Compliance Department which is guided by set of policy and procedure manuals which have been instituted by the Board of Directors and Management. A comprehensive departmental manual has established a framework within which Management effectively manages and controls risks. Tasks involved in the risk management functions are to identify, define, measure, control, monitor and mitigate potential events that could impair the ability of the Group to generate stable and sustainable financial results from its operations.

"The financial statements do not contain untrue statements, misleading facts, or omit material facts, to the best of our knowledge."

Joshua Alabi (Prof.) 
Chairman

Robert Le Hunte 
Managing Director

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December, 2016, which shows the state of affairs of the Bank standing alone and its subsidiaries (together called the "Group").

Statement of Directors' Responsibilities

The Directors are responsible for the preparation of financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the profit or loss and cash flows for that year. In preparing these financial statements, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act, 1963 (Act 179), and the Banking Act 2004 (Act 673) as amended by Banking (Amendment) Act 2007 (Act 738).

The Directors are responsible for ensuring that the Group keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group. The Directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The results of these subsidiaries have been included in the Group's financial statements.

Going Concern

The Bank has a strong capital and liquidity position and a good business franchise. The core business of the Bank continues to remain profitable with a competitive return on equity. The Directors therefore have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus we continue to adopt the going concern basis in preparing the annual financial statements.

Dividends

No Dividend has been recommended by the Directors for approval by the Shareholders.

Auditor

The Auditor, Ernst & Young Chartered Accountants, will continue to be in Office in accordance with section 134 (5) of the Companies Act, 1963 (Act 179).

Chairman: 

Managing Director: 

Date: 8th February, 2017

Date: 8th February, 2017

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF HFC BANK (GHANA) LIMITED AND IT'S SUBSIDIARIES

Opinion

The summary consolidated and separate financial statements, which comprise the consolidated and separate statement of financial position as at 31 December 2016, consolidated and separate statement of comprehensive income, consolidated and separate statement cash flows for the year then ended, and related notes, are derived from the audited financial statements of HFC Bank (Ghana) Limited and its Subsidiaries for the year ended 31 December 2016.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with the Bank of Ghana Guide for financial publication for banks and Bank of Ghana (BOG) licensed financial Institutions.

Summary consolidated and separate financial statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards, the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738). Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon.

The audited consolidated and separate financial statements and our report thereon

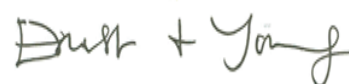
We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 22 March 2017. That report also includes the communication of other key matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Management's responsibility for the summary consolidated and separate financial statements

Management is responsible for the preparation of the summary consolidated and separate financial statements in accordance with the Bank of Ghana Guide for financial publication for banks & Bank of Ghana (BOG) licensed financial Institutions.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagement to Report on Summary Financial Statements.



Signed by Pamela Des Bordes (ICAG/P/1329)
For and on behalf of Ernst & Young (ICAG/F/2017/126)
Chartered Accountants
Accra, Ghana

Date: 22 March 2017



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