

Annual Report

2008



**ZENITH BANK (GHANA) LIMITED**

*...in your best interest*



**PEOPLE • TECHNOLOGY • SERVICE**

**Call toll free  
0800 10100**

**ZENITH BANK**  
*...in your best interest*

**Head Office:** Premier Towers, opposite Pension House, Liberia Road, Accra, PMB CT393, Accra. **Tel:** 021 660095, 660093, 660085. **Ext.** 131, 116, 251 & 128. **Fax:** 021 660133  
**Branches:** Patrice Lumumba Branch. Tema Branch. Takoradi Branch. Kumasi Main Branch. Tudu Branch. Spinlex Road Branch.



*“our strategic outlook is to create  
a financial services company that people instinctively  
seek out to help them create, build and preserve the  
wealth they need to seize opportunities  
and achieve their goals”*

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## CORPORATE INFORMATION

### THE BOARD

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Mary Chinery-Hesse (Mrs.)	Board Chairman
Andy Ojei	Managing Director / Chief Executive Officer
Jim Ovia	Director
Martins Egwuenu	Director
Henry Benyah	Director
Steve Omojafor	Director
Kwame Sarpong	Director

### COMPANY SECRETARIES

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Micheal O. Otu  
Daniel Agamah

### AUDITORS

---

PricewaterhouseCoopers  
(Chartered Accountants)

### CORRESPONDENT BANKS

---

Ghana International Bank  
69 Cheapside  
London EC2P 2BB  
United Kingdom  
Swift Code: GHIBGB2L

Citibank London  
Canary Square  
Canary Wharf  
London E14 5LB  
Swift Code: CITIGB2L

Citibank N.A  
111 Wall Street  
19<sup>th</sup> Floor  
New York, N.Y. 10005  
Swift Code: CITIUS33

HSBC Bank Plc.  
Corporate Banking  
2 Exchange Square  
85 Maude St  
Sandown 2196  
South Africa  
Swift Code: HSBCZAJJ

Zenith Bank (UK) Ltd  
39 Cornhill London  
EC3V 3ND  
London  
United Kingdom

Swift Code: ZEIBGB2L



ZENITH BANK (GHANA) LIMITED  
Head Office

Premier Towers, Liberia Road  
PMB CT 393, Accra, Ghana

Tel: (+233)21 660075,660079, 660093,660095,660201

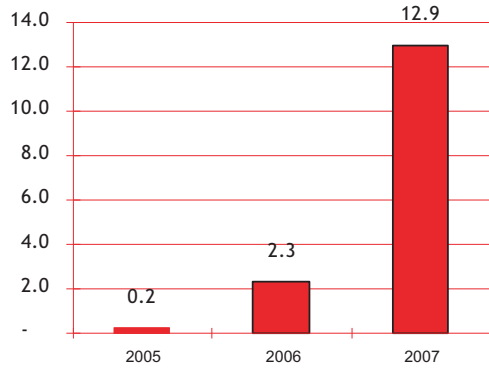
Fax: (+233)21 660760, 660091

Enquiry: [info@zenithbank.com.gh](mailto:info@zenithbank.com.gh)

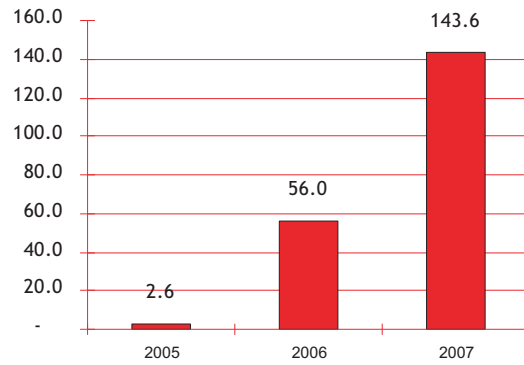
Website: [www.zenithbank.com.gh](http://www.zenithbank.com.gh)

# FINANCIAL HIGHLIGHTS

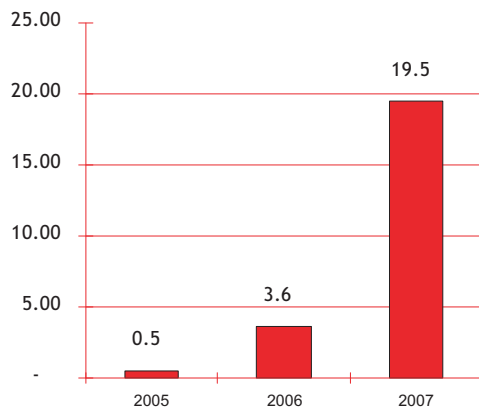
Net Interest Income (GH¢'M)



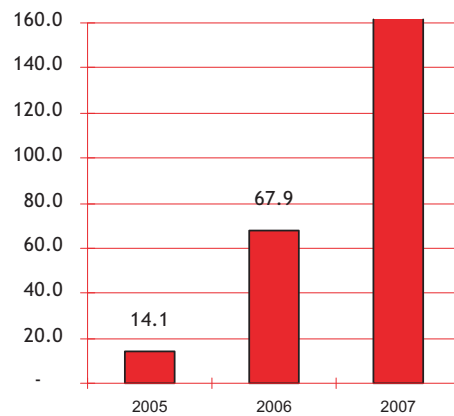
Total Deposits (GH¢'M)



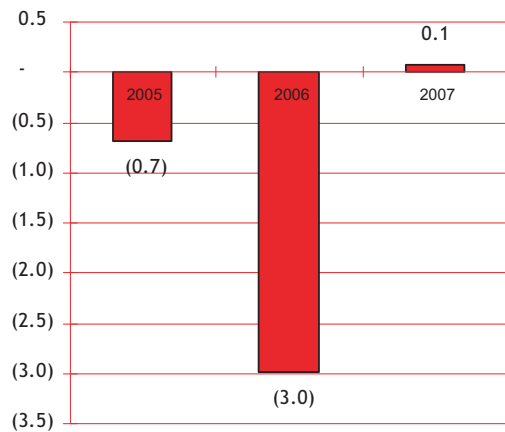
Gross Earnings (GH¢'M)



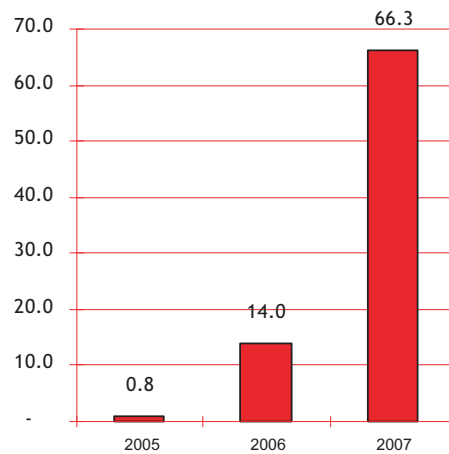
Total Assets plus Contingents (GH¢'M)



Profit/(Loss) After Tax (GH¢'M)



Total Loans (GH¢'M)



## FINANCIAL HIGHLIGHTS

Gross Earnings	+439%
Profit After Tax	+102%
Total Deposits	+156%
Total Loans	+374%
Total Assets plus Contingents	+172%

## RESULTS AT A GLANCE

	<b>2007</b> (GH¢ '000)	<b>2006</b> (GH¢ '000)	<b>GROWTH</b>
<b>Income Statement</b>			
Gross Earnings	19,544	3,624	439%
Interest Income	12,944	2,324	457%
Profit / (Loss) Before Tax	52	(2,933)	102%
<b>Balance Sheet</b>			
Loans and Advances	66,345	13,984	374%
Customer Deposits	143,622	56,024	156%
Total Assets plus Contingents	184,468	67,900	172%



## CORPORATE PROFILE

### Corporate Information

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Zenith Bank (Ghana) Limited ("Zenith"), a financial services provider, was incorporated in April 2005 under the Banking Act 2004 (Act 673) as amended by Banking (Amendment) Act 2007 (Act 738) as a private limited company and commenced universal banking operation in September 2005. Zenith is a subsidiary of Zenith Bank Plc, one of the largest banks in Nigeria by market capitalization, assets and profitability with "Triple A" risk ratings, and among the foremost on the African continent.

Zenith currently operates eight branches, connected online, real time and each with ATM facilities. It operates with the objective of making banking easier and better than anything customers have ever experienced. Among its most distinguishing traits are its cutting edge ICT platform which sets it apart from competitors, its passionately aggressive staff and its devotion to the development of systems and products to satisfy customer specifications.

### Corporate Performance

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In less than three years of operation, Zenith improved upon its operating capacity, size and market share in all parameters. Between 2005 and 2007 alone, it grew its asset base by over 1,012 percent to GH¢156 million, grew its deposit base by 5,484 percent and increased its loan portfolio very significantly. It also became profitable in 2007, a remarkable achievement, considering the current competitive landscape as well as shrinking industry profitability and margins.

Zenith played a major role in the transformation of the banking industry into an intensely competitive, customer oriented, more efficient and technologically inclined industry. Indeed, before Zenith commenced operations relationship banking was relatively novel, e-banking was almost restricted to ATMs, banking was limited to a few hours in the day and weekend banking was almost non-existent. The bank catalyzed and pioneered several of the dynamism currently prevalent in the banking industry.

### Service Excellence

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Zenith is re-defining banking on many other fronts. Through immense investments, it has acquired the ability to stay in the forefront of such fast-growing operations as internet banking, mobile banking, electronic payments and many other key programs that provide customers with greater service speed, accuracy and options. The result, as Zenith builds this technology across the country, will be a nationwide, well-connected bank developed to the specifications of its customers and other stakeholders to give them great value.

Its highly skilled and dedicated management and staff promise and deliver superior banking as well as professional excellence in service delivery.

### CORE VALUES

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Zenith's core values are:

People, Technology and Service

## PRODUCTS AND SERVICES

Zenith provides a range of banking services, including cash current accounts, savings accounts, investment products, cash management, lending, as well as trade banking and other corporate banking services to its customer base across Africa.

Its specialized products include:

- Church Premium Account
- Cheque and Save Account
- Zenith Children's Account (ZECA)
- Zenith Pay Advance Salary Scheme (ZPASS)
- Zenith Investment Plan Account (ZIPA)
- Zenith Investment Savings Account (ZISA)
- Akwaaba Account

### E-BUSINESS PRODUCTS

Imagine a flexible system which allows you to conduct almost all banking transactions from whichever location. You only need to be equipped with a cell phone or a connected computer. That's the convenience the Zenith e-banking bouquet offers customers. Below are a few of them:

#### WEB PRODUCTS

##### Internet Banking (i-bank)

A web-based service which enables you to view real time online account balances, view and download individual and consolidated account statements, make money transfers, pay bills online, stop cheques, order bank drafts, order cheque books and confirm cheques through the internet, anytime, anywhere.

##### Automated Direct Payment System (ADPS) (Corporate Internet Banking)

A secure system with which corporate bodies make bulk payments to staff, contractors, and distributors without time, location or amount limits, while receiving real time transaction notifications via the internet.

##### Eazytrade (e-commerce)

Enables users to make local purchases online.

#### MOBILE SOLUTIONS

##### Z-Mobile and SMS Banking

A cell phone based solution for effecting banking transactions like transferring funds, making bill payments, purchasing phone airtime as well as requesting account balances and viewing mini statements.

#### E-SOLUTIONS

##### Schools Solution

A product developed by Socketworks Limited to provide e-Education that meets the daily digital needs of schools. Services include automation of registration processes, automation of examinations and records departments, staff management, electronic library management, enterprise knowledge management and electronic notice boards.

It automates campus processes and helps establish digital centres within school communities.

##### e-Ticketing Solution

Provides a platform for customers to make reservations and purchase airline and bus tickets online.

##### Embassy Solution

An online service which facilitates visa application processes and visa fee payments.

#### REPORTING TOOLS

##### Reconciliation Tool

Simplifies the reconciliation of customers' ledgers with their bank's statements.

##### Z-Prompt

An excellent online real time service which delivers emails and SMS notifications of all account transactions (both debits and credits) and includes the current balance with each notification.



## Are you a Zenith person?

Then you are enjoying  
zPrompt, Z-ISA, Z-PASS,  
iBanking, ZECA, CHEQUE & SAVE,  
ZIPA and Platinum Banking

If not then contact us on toll free

# 0800 10100

or any Zenith Bank branch



## ZENITH BANK

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[www.zenithbank.com.gh](http://www.zenithbank.com.gh)

e-mail: [ebusiness@zenithbank.com.gh](mailto:ebusiness@zenithbank.com.gh)

## BRANCH NETWORK

### Head Office

Premier Towers  
Liberia Road  
PMB CT 393, Accra, Ghana  
Tel: (+233)21 660075,660079,  
Fax: (+233)21 660760, 660091  
Website: [www.zenithbank.com.gh](http://www.zenithbank.com.gh)

### Airport Branch

Plot No. A.229  
Patrice Lumumba Road  
Airport Residential Area  
Accra  
Tel: (+233) 21 774047  
Fax: (+233) 21 774345

### Tema Branch

Meridian Drive  
Community One  
Tema  
Tel: (+233) 22 201266  
Fax: (+233) 22 201248

### Takoradi Branch

Market Circle  
Takoradi  
Tel: (+233) 31 21127  
Fax: (+233) 31 21142

### Kumasi Main Branch

Plot 22, BLK T  
Ahodwo Road  
Adiebeba  
Kumasi  
Tel: (+233) 51 83281  
Fax: (+233) 51 83282

### Tudu Branch

Dakmak House  
Kojo Thompson Road  
Accra  
Tel: (+233) 21 679812  
Fax: (+233) 21 679813

### Spintex Road Branch

18 Ayiku Lane  
Spintex Road  
Accra  
Tel: (+233) 21 815597  
Fax :(+233) 21 815593

### Graphic Road Branch

Tamakloe House  
45 Ring Road Industrial Estates  
South Extension  
Accra  
Tel: (+233) 21 253364  
Fax: (+233) 21 253385

### Katamanto Cash Agency

Tarzan House  
Katamanto  
Accra  
Tel: (+233) 28 9516792  
Fax: (+233) 21 671874

### Ho Cash Agency

Ho Polytechnic  
Ho  
Tel: (+233) 91 25671/ 25582/ 94  
Fax: (+233) 91 25676

## BOARD OF DIRECTORS



**Mary Chinery-Hesse (Mrs)**  
Board Chairman



**Andy Ojei** - MD/CEO



**Jim Ovia** - Director



**Henry Benyah**- Director



**Steve Omojafor** - Director



**Martins Egwenu** - Director



**Kwame Sarpong** - Director



## Zenith Offers

- Speed
- Convenience
- Innovation
- Status
- Reliability
- Security

**Your Comfort... Our Priority**  
***Talk to Us.***



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## KEY MANAGEMENT STAFF



**Andy Ojei**  
MD /CEO



**Daniel Asiedu**  
Chief Operating Officer



**Marufatu Bawuah**  
Group Head- Retail Banking



**Frank Oduro Kwachie**  
Group Head, Corporate Banking



**Eva Richter-Addo**  
Head, HR/  
Corporate Communications



**Daniel Agamah**  
Head, Legal/  
Company Secretary



**Johnson Olakunmi**  
Head, Internal Control & Audit



**Kwame Asa Adadey**  
Head, Treasury



**Charlotte Yawa Impraim**  
Head, Credit Risk Management



# Platinum Banking

- ▶ **Status**
- ▶ **Convenience**
- ▶ **Custom**
- ▶ **Advisory**



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**Mary Chinery-Hesse (Mrs)**  
Board Chairman

## CHAIRMAN'S STATEMENT

Despite a relatively difficult economy in 2007, an intense customer-focused approach combined with disciplined planning, prioritizing and execution enabled us to achieve most of our strategic objectives set out at the beginning of the year. We successfully expanded our asset base funded by strong deposit growth and also returned profits to prove our capacity to optimize shareholder value in an intensely competitive environment.

Zenith Bank today is one of the fastest growing banks in the industry with a healthy asset quality.

This year's financial results were gratifying, given external headwinds our industry faced in 2007 in the form of a flattening yield curve and an energy sector driven decline in economic conditions, which the country will most likely continue to face in 2008. The curve represents the spread between short- and long-term interest rates and is a pointer to net interest income earning capacity of banks. Its flattening obliges banks to increase income from non-interest sources and to further diversify their product lines to remain profitable. With our product mix and operating efficiency as well as our revenue mix, we believe we are better positioned than many of our competitors in this environment. Aside from this, as our risk management team and relationship managers

analyze information about our customers in ever more prudent ways, we can grow our portfolio without significantly increasing our risk profile.

While we have built strong positions in many customer segments and product lines as well as returned profits, our market penetration is actually small, given our potential, and our concentration risk is also high given our asset and liability portfolio. It is consequently imperative for us to increase our penetration to dilute our liability and asset concentration as well as reduce our interest costs.

### Strategic Outlook

Cognizant of the enormous opportunities, strong branding, aggressive expansion, the provision of apposite banking products and services as well as deepening our relationship with our existing customers to gain a larger proportion of their businesses are avenues we intend to focus our energies on. By focusing on these and other opportunities, we aim to generate a strong and consistent organic growth.

Our ultimate goal is to build a financial services company that offers the most convenient banking network for our retail customers nationwide and a global financial market platform to serve our corporate and retail clients. We are building a company that consistently leverages information technology and market knowledge to innovate for customers and clients; that knows how to integrate its operations and businesses to create greater value for customers and shareholders alike; and that delivers the highest standard of service quality to individuals, businesses and institutions of all sizes. In sum, our strategic outlook is the creation of a financial services company that people and organizations throughout Ghana and around the world instinctively seek out to help them create, build and preserve the wealth they need to seize their opportunities, achieve their goals and realize their dreams.

### Acknowledgements

My foremost acknowledgement goes to the Lord God almighty for his protection and guidance. I also thank our customers for their patronage, suggestions and appellations. They really helped shape every facet of our service delivery. I am also thankful to my fellow board members for their advice and support, the Managing Director for his able stewardship and to the management and staff of the bank for their commitment.



**Andy Ojei - MD/CEO**

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## **CEO's STATEMENT**

The year 2007 was one of success and achievement for Zenith Bank. We delivered an outstanding financial performance and our ability to innovate, integrate and execute to serve customers needs enabled us to grow our customer base and profitability.

We invested significantly in our infrastructure, improving our delivery to both existing and new clients to demonstrate our proven ability to drive growth through the competitive advantages we bring to the marketplace. At the same time, we demonstrated our capacity to integrate operating efficiency into our systems to enhance shareholder value.

### **OPERATING ENVIRONMENT**

#### **International Economy**

In response to continuing financial turbulence during the fourth quarter of 2007, global economic growth moderated to 3.6 percent down from 3.9 percent in 2006; after four years of robust global economic growth and buoyant trade. Global growth is expected to slow further in 2008 to 3.3 percent, as the effective cost of capital remains elevated for financial institutions, firms, and households.

Among developing countries, growth remained strong at 7.4 percent in 2007, after an equally strong 7.5 percent in 2006. This growth was underpinned by continued strength in East and Southern Asia as well as favourable world commodity prices.

In Sub-Saharan Africa, GDP continued to grow strongly in 2007 with output estimated grow at 6.1 percent for 2007 as a whole grounded in sharp gains for regional oil exporters. In addition to this, recent rises in global commodity demand and prices as well as a notable pickup in capital spending focused on the transport, telecommunications, and construction sectors accounted for growth in non-oil exporting countries. The sub-region's GDP is anticipated to be sustained at a pace above 6 percent through 2008.

#### **Domestic Economy**

In Ghana, economic performance in 2007 as measured by growth in the real GDP was projected at 6.3 percent, slightly lower than the projected 6.5 percent, and also lower than the 6.4 percent achieved in 2006. The deceleration in economic activity was dominantly attributed to the energy crises which reduced the productivity of Industry and its consequent contribution to GDP. The Bank of Ghana's Composite Index of Economic Activity also recorded a marginal deceleration during the year, growing by 20.1 percent, slightly below the trend growth rate of 21.1 percent. In addition to these, the Bank of Ghana's survey showed that though still high, business and consumer confidence had dipped mainly as a result of increases in crude oil prices and utility tariffs.

Inflation stayed high on the back of, among other factors, high crude oil prices and increased utility tariffs, to close 2007 at 12.7 percent up from the 10.9 percent realized in December 2006. In response to rising inflation and economic dynamics, the Bank of Ghana increased its prime rate by 100 basis points to 13.5 in November 2007. Short term interest rates on the money market also increased.

In the exchange market the Ghana cedi lost some ground. Developments in the nominal bilateral exchange rates of the cedi against the three core currencies, the US Dollar, the Pound Sterling and

the Euro, show that upon a successful re-denomination the Ghana cedi depreciated against each of the currencies by 5.0, 6.9 and 17.5, percent respectively in 2007.

Nevertheless, available information on other key real sector parameters indicates that the economic base is expanding. This expansion was driven mainly by private sector credit as well as increased earnings and activity in the cocoa, mining, construction, commerce, hospitality, business services, real estate and financial sectors. Supermarket retail sales, a benchmark for aggregate urban consumer spending, also increased steadily throughout much of the year signalling robust consumer spending.

The country also successfully leveraged on its improving economic climate and risk rating by issuing an over-subscribed Eurobond to raise US\$600 million for monumental infrastructural projects.

Aside of these, FDI flows into the country doubled in 2007 as a result of a combination of the bright investment climate the country offers as well as the turbulence in advanced financial markets and the shift in investor interest to emerging markets. A total of GH¢1.15 billion (US\$1.2 billion) was invested in Ghana out of which GH¢144 million (US\$155 million) constituted new equity investment from new companies that registered in the year 2007. The Ghana Investment Promotion Centre registered 305 new projects in 2007 with an estimated total investment of GH¢5.27 billion (US\$5.67 billion).

## **The Banking Industry**

The banking industry continues to expand both in asset base and in contribution to the growth efforts of the economy. Total assets of the banking system grew by 50.4 percent in 2007 compared with 41.1 percent recorded for 2006. This growth was funded significantly by deposits as time and savings deposits increased by 48.1 percent in 2007 compared with 27.0 percent in 2006. The quality of banks' loan books continued to improve during the year. The Non-Performing Loans (NPLs) ratio declined from 7.9 percent in 2006 to 6.9 percent in 2007. Banks' loan loss provision to gross loans ratio declined from 7.4 percent in

December 2006 to 5.9 percent in December 2007. However, industry profitability declined in 2007 as a result of increasing operating expenses and deposit costs in response to rising competition.

Several reforms were adopted in the industry's legal and regulatory framework, in particular the Banking Amendment Act 2007 (Act 738), the Foreign Exchange Act 2006 (Act 723), and the Anti-Money Laundering Bill passed by Parliament, together constitute a change in the regulatory and incentive structure in support of a market-based economy, with the financial sector truly serving as a pivot. Credit Reporting Act 2006 (Act 726) was also adopted to allow for, among other things, the establishment of credit referencing bureaux to pool credit information in accordance with international best practice, and create the framework for better assessment and pricing of risk.

A very significant development in the industry was the announcement of an elevation of the minimum capital requirement for banks from the current GH¢7m to GH¢60m with effect from December 2009. This directive is intended to increase the financial stability and operating capacity of banks to take advantage of opportunities emanating from the integration of the Ghanaian financial market into the global economy.

With the number of universal banks expected to increase from 23 to 25 because of the likely presence of Bank of Baroda from India and Sahel Bank headquartered in Libya, banks' assets would go up significantly before the new capital requirement commences.

In a nutshell, domestic and global economic dynamics have generated several opportunities and challenges for the bank, and Zenith is firmly positioning itself to optimize gains therefrom.

## **OPERATING PERFORMANCE**

In 2007, despite a difficult economic climate that hampered the industry's performance, we made significant tactical progress toward our goal of becoming a top financial services company in the country. We took measures to identify and to capitalize on the massive potential of the bank, specifically our superior IT infrastructure, human resource and unrivalled customer relationship management institution.

## Products and Services

We invested immensely in the enhancement and marketing of our ATM service, our internet banking as well as our mobile banking facilities. Our e-banking platform is currently unmatched within the industry and we can confidently say that our current internet banking service, a fast, secure, accessible real time online banking service, is second to none. Attesting to Ghanaian market's preference for quality, our e-banking customer base has grown enormously over the past months.

In addition, we continued to innovate several service packages that proved suitable to customer expectations, yielding financial results and a remarkable growth in our customer base.

## Financial Performance

Financially, we experienced remarkable growth in our asset and deposit base this year, a performance which propelled the acquisition of a larger market share in both parameters. Our asset base grew by 94 percent from GH¢65 million to GH¢156 million between 2006 and 2007. This asset growth was funded by a deposit strength of GH¢144 million, up by 123 percent from the 2006 closing level of GH¢56 million. The bank's loan portfolio also rose by 123 percent from GH¢14 million to GH¢66 million between 2006 and 2007.

Importantly, we returned an after-tax profit of GH¢0.7 million and gross earnings of GH¢19.5 million, up from the GH¢2.98 million after-tax loss and GH¢3.6 million gross earnings realized in 2006. 59 percent of our income emanated from fees and commissions income whilst the remaining 41 percent came from net interest income.

## Extension of Branch Network

True to our corporate strategy to maintain an extensive branch network, to create a unique banking hall experience and a strong brand, we opened three more branches to bring our total branch network to eight. This represents a strong network for our service offering and we intent to further expand this network extensively in 2008.

## Risk Management

This year, the bank increased its risk management mechanisms to protect the assets of all stakeholders. These included the strengthening of our Credit Risk Management department to conduct asset evaluation and administer asset monitoring systems. As a result of rising industry costs and competition, we deem it obligatory to enhance our asset quality to improve upon our bottomline, aside from the primary objective of protecting shareholder capital and customer deposits.

## Corporate Responsibility

We are aware that while a company's primary objective must be in enhancing shareholders' value, the reputation of a company is as much a function of its corporate image as it is of its financial performance. In conformity with this, we invested in a number of educational, humanitarian and sports programs, notable among which were our support to the Ghana Police Service, sponsorship of the Four Nation Tournament and the sponsorship of the senior national team, the Black Stars.

## OUTLOOK FOR 2008

In the midst of unmistakably difficult times, I remain confident of our outlook. There are good reasons for this confidence. We are building this bank with a clear vision of what our customers expect from us.

Our prime motive for 2008 is to continue with the establishment of the major components necessary to turn this vision into reality. In addition to our people and our culture, which, taken together, represent our greatest advantage; we project to expand our footprints nationwide, focusing on establishing a leading presence in all major cities and towns. We will invest in our branch network and mould them into centres for financial advice and sales.

We have analyzed the dynamics of the e-business sector and are determined to leverage that business line aggressively to gain an early and dominant leadership. Zenith is poised be at the

edge of innovation, leveraging its IT expertise in this highly competitive environment and offering a comprehensive line of high quality services to our clientele.

As we look forward to building on our momentum in 2008, we are aware of the opportunities within the Ghanaian economy and I believe we are well positioned for the future.

Our balance sheet growth and business strategy give us great confidence to deliver financial and operational excellence which will see us break into the top rank of the industry. I am of the firm conviction, on the basis of positive trends in customer service and growth in our key businesses, that we have the right business strategy and a sound long-term plan to achieve our expected results.



## DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2007, which discloses the state of affairs of the Bank.

### 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 Bank and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

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

### Principal activity

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The principal activity of the bank is to provide full banking and related services.

### Financial results

	GH¢
Profit Before Tax for the year is	52,197
to which is added a tax credit of	<u>18,164</u>
giving a Profit After Tax for the year of	70,361
to which is added a deficit brought forward on income surplus account of	(3,663,800)
out of which is transferred to statutory reserve fund as required by Section 29 of the Banking Act, 2004 (Act 673)	<u>(35,181)</u>
leaving a deficit carried forward on income surplus account of	<u>(3,628,620)</u>

### Dividend

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The directors do not recommend the payment of a dividend for the year ended 31 December 2007.

### Auditors

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The auditors, PricewaterhouseCoopers, will continue in office in accordance with Section 134 (5) of the Ghana Companies Code, 1963 (Act 179).

Dated 26 March 2008  
By Order of the Board:

Signed

**Daniel Agamah**  
Company Secretary

# CORPORATE GOVERNANCE

## Introduction

---

Corporate governance, the system by which companies are managed and controlled, is a topic of great importance, both to the directors of the Bank and its shareholders.

The Board is committed to business integrity and professionalism in all its activities. As part of this commitment the Board supports the highest standards of corporate governance and the development of best practice. The Bank has in place various mechanisms for regularly appraising our processes to ensure that we operate in compliance with the dynamics in the corporate governance environment. This includes the responsibilities of the Board and how they are met, the composition of the Board and selection procedures for new directors and relationships with stakeholders.

## The Board and Board committees

---

The Board consists of the Chairman, one executive director and five non-executive directors. The executive director generally has responsibility for making and implementing operational decisions and running the Bank's businesses. The non-executive directors support the skills and experience of the executive director, by approving strategy and policy based on their knowledge and experience of other businesses and industries.

The Board meets regularly and has a formal schedule of matters it addresses. All directors have access to the advice of the Company Secretary and independent professional advice is also available to directors in appropriate circumstances at the Bank's expense.

The roles of Chairman and Managing Director are separate with a clear division of responsibilities between them.

## Systems of Internal Control

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Zenith Bank (Ghana) Limited has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the business are being controlled.

The corporate internal assurance function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

## Code of Business Ethics

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Management has communicated the principles in the Bank's Code of Conduct, to its employees in the discharge of their duties. This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

## AUDITORS' REPORT



We have audited the accompanying financial statements of Zenith Bank (Ghana) Limited set out on pages 21 to 40. These financial statements comprise the balance sheet as at 31 December 2007 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

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The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Ghana Accounting Standards and with the requirements of the Ghana Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, (Act 738). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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

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Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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In our opinion, the Bank's transactions were within its powers, proper books of account have been kept and the accompanying financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Bank at 31 December 2007 and of the profit and cash flows for the year then ended in accordance with Ghana Accounting Standards, and comply with the Ghana Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, (Act 738).



## Report on other Legal Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- iii) the Bank's balance sheet and profit and loss account are in agreement with the books of account.

In accordance with Section 78(2) of the Banking Act 2004 (Act 673), we hereby confirm that:

- i) we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
- ii) in our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year under review; and
- iii) in our opinion, the bank's transactions were within its powers.



Chartered Accountants  
Accra

26<sup>th</sup> March 2008

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### (a) Basis of preparation

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The financial statements have been prepared under the historical cost convention and in accordance with Ghana Accounting Standards.

### (b) Treasury bills and other eligible bills

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Treasury bills and other eligible bills are debt securities issued by the Bank of Ghana for a term of three months, six months, one, two or three years. Bills are carried at their face value less unearned interest.

### (c) Bonds

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Two to three year bonds purchased to meet statutory reserve requirements are accounted for as held-to-maturity financial assets and are carried at amortised cost.

### (d) Property and equipment

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Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost of each asset over their useful lives. The principal annual rates used for this purpose are:

Leasehold land and building	2.00%	(or the period of the lease, if shorter)
Leasehold improvement	20.00%	(or period of primary lease where shorter)
Furniture, fittings and equipments	20.00%	- 25.00%
Computers	33.33%	
Motor vehicles	25.00%	

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Repairs and renewals are charged to the profit and loss account when the expenditure is incurred.

### (e) Foreign currency transactions

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Transactions in foreign currencies during the year are converted into Ghana cedis at rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ghana cedis at the exchange rates ruling at that date. Gains and losses resulting from the conversion and translation are dealt with in the profit and loss account in the year in which they arise.

### (f) Deferred income tax

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Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is probable.

### **(g) Cash and cash equivalents**

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Cash and cash equivalents includes investments with less than 91 days maturity from the date of acquisition, cash in hand balances with Bank of Ghana, treasury bills and other eligible bills, amounts due from and to other banks and dealing securities.

### **(h) Loans and advances**

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Loans and advances are stated in the balance sheet at the amount of principal and interest outstanding less provisions for bad and doubtful debts.

### **(i) Provision for bad and doubtful debts**

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Provision for bad and doubtful debts is made, having regard to specific risks. The provisions are made in respect of those advances that have been individually reviewed and specifically identified as bad or doubtful. In determining the level of provision required, management considers numerous factors including, but not limited to, domestic economic conditions, the composition of the advance portfolio and prior bad debt experience.

Provisions made during the year are charged as a separate amount in the profit and loss account. When an advance is deemed irrecoverable it is written off against the related bad debt provision. Subsequent recoveries of advances that have been written off are credited to the profit and loss account.

### **(j) Interest income and expense recognition**

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Interest income and expenses are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans and advances become doubtful of collection, recognition of interest income on such advances is suspended and is thereafter recognized only when cash is received.

### **(k) Fees and commission income**

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Commission is credited to income when the transaction leading to the commission is executed by the Bank and the customer.

Commitments fees are spread over the period of the advance to which they relate. The balance of the commitment fee is classified as deferred income.

If commitment fees are immaterial, they are credited to income at the time of receipt.

### **(l) Acceptances and letters of credit**

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Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

## **(m) Leases**

### **Advances under finance lease**

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Advances under finance lease are stated net of unearned lease finance income. Lease finance is amortised over the lease period to achieve a constant rate of return on the outstanding net investment.

### **Operating lease**

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The leases entered into by the bank are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

### **(n) Post balance sheet events**

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Events subsequent to the balance sheet date are reflected only to the extent that they relate to the accounts and when their effect is material.



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## PROFIT AND LOSS ACCOUNT

(All amounts are expressed in Ghana Cedis)

		Year ended 31 December	
	Notes	2007	2006
Interest income	1	12,944,175	2,323,700
Interest expense	2	<u>(7,752,794)</u>	<u>(1,005,400)</u>
Net interest income		5,191,381	1,318,300
Fee and commission income		4,760,559	1,014,200
Other operating income	3	<u>1,838,799</u>	<u>286,200</u>
Operating income		11,790,739	2,618,700
Operating expenses	4	(10,886,300)	(5,419,000)
Bad and doubtful debts expense	6	<u>(852,242)</u>	<u>(132,900)</u>
Profit /(loss) before tax		52,197	(2,933,200)
Tax credit/(charge)	7	<u>18,164</u>	<u>(47,100)</u>
Net profit/(loss) after tax transferred to income surplus account		<u><u>70,361</u></u>	<u><u>(2,980,300)</u></u>
<b>INCOME SURPLUS ACCOUNT</b>			
Balance at start of year		(3,663,800)	(683,500)
Net profit/(loss) for the year		<u>70,361</u>	<u>(2,980,300)</u>
Transfer to statutory reserve fund	20	<u>(3,593,439)</u> <u>(35,181)</u>	<u>(3,663,800)</u> <u>-</u>
Balance at end of year		<u><u>(3,628,620)</u></u>	<u><u>(3,663,800)</u></u>

## BALANCE SHEET

(All amounts are expressed in Ghana Cedis)

		At 31 December	
Assets	Notes	2007	2006
Cash and balances with Bank of Ghana	8	24,902,200	23,494,400
Government securities	9	34,689,771	9,022,600
Due from other banks and financial institutions	10	19,242,143	9,176,900
Loans and advances to customers	11	66,345,108	13,983,700
Other assets	12	4,017,794	3,088,100
Property and equipment	13	6,195,697	5,150,000
Leasehold property	14	849,612	816,700
Tax	15	<u>6,000</u>	<u>3,000</u>
Total assets		<u>156,248,325</u>	<u>64,735,400</u>
<b>Liabilities</b>			
Customer deposits	17	143,621,767	56,023,700
Interest payable and other liabilities	18	5,294,261	1,431,600
Tax	16	<u>87,236</u>	<u>105,400</u>
Total liabilities		<u>149,003,264</u>	<u>57,560,700</u>
<b>Shareholders' funds</b>			
Stated capital	19	10,838,500	10,838,500
Income surplus account		(3,628,620)	(3,663,800)
Statutory reserve fund	20	35,181	-
Total shareholders' funds		<u>7,245,061</u>	<u>7,174,700</u>
Total shareholders' funds and liabilities		<u>156,248,325</u>	<u>64,735,400</u>
Contingent liabilities	22	<u>28,219,641</u>	<u>3,165,400</u>

The financial statements on pages 25 to 40 were approved by the Board of Directors on

March 26, 2008 and were signed on its behalf by:

Director: Signed

Director: Signed

## STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in Ghana Cedis)

	Stated capital	Income surplus account	Statutory reserve fund	Total
Year ended 31 December 2007				
At start of year	10,838,500	(3,663,800)	-	7,174,700
Net profit after tax	-	70,361	-	70,361
Transfer to statutory reserve fund	-	(35,181)	35,181	-
At end of year	<u>10,838,500</u>	<u>(3,628,620)</u>	<u>35,181</u>	<u>7,245,061</u>
Year ended 31 December 2006				
At start of year	10,838,500	(683,500)	-	10,155,000
Net loss	-	(2,980,300)	-	(2,980,300)
Transfer to statutory reserve fund	-	-	-	-
At end of year	<u>10,838,500</u>	<u>(3,663,800)</u>	<u>-</u>	<u>7,174,700</u>



## CASH FLOW STATEMENT

(All amounts are expressed in Ghana Cedis)

		Year ended 31 December	
	Notes	2007	2006
Cash flows from operating activities			
Profit/(loss) before tax		52,197	(2,933,200)
Depreciation and amortisation	13&14	1,729,212	787,500
Charge for bad and doubtful debt	6	852,242	132,900
Tax paid	15	<u>(3,000)</u>	<u>(3,000)</u>
Cash generated from/(used in) operating activities before changes in operating assets and liabilities		<u>2,630,651</u>	<u>(2,015,800)</u>
Changes in operating assets and liabilities			
Increase in loans and advances	11	(53,213,650)	(13,290,700)
Increase in other assets		(929,694)	(1,119,700)
Increase in amounts due to customers	17	87,598,067	53,451,900
Increase in other liabilities	18	<u>3,862,661</u>	<u>166,200</u>
Net cash generated from operating activities		<u>39,948,035</u>	<u>37,191,900</u>
Cash flows from investing activities			
Purchase of property and equipment	13&14	(2,807,821)	(4,244,500)
Purchase of bills maturing after 90 days		(24,677,059)	(5,553,700)
Proceeds from disposals		<u>-</u>	<u>43,400</u>
Net cash used in investing activities		<u>(27,484,880)</u>	<u>(9,754,800)</u>
Net increase in cash and cash equivalents		12,463,155	27,437,100
Cash and cash equivalents at beginning of year		<u>32,671,300</u>	<u>5,234,200</u>
Cash and cash equivalents at end of year	21	<u>45,134,455</u>	<u>32,671,300</u>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

	2007	2006
<b>1. Interest income</b>		
Loans and advances	7,092,524	774,700
Government securities	4,630,205	1,436,100
Cash and short term funds	<u>1,221,446</u>	<u>112,900</u>
	<u>12,944,175</u>	<u>2,323,700</u>
<b>2. Interest expense</b>		
Time and other deposits	4,898,184	722,400
Overnight and call accounts	2,398,676	266,900
Borrowings	<u>455,934</u>	<u>16,100</u>
	<u>7,752,794</u>	<u>1,005,400</u>
<b>3. Other operating income</b>		
Other income	94,122	21,100
Gain on exchange	<u>1,744,677</u>	<u>265,100</u>
	<u>1,838,799</u>	<u>286,200</u>
<b>4. Operating expenses</b>		
Staff costs (Note 5)	3,360,675	1,274,400
Depreciation and amortization (Note 14 & 15)	1,729,212	787,500
Directors' emoluments	36,900	4,600
Auditors' remuneration	33,832	20,700
Advertising and marketing	252,329	488,192
Training	98,897	64,100
Administrative expenses	<u>5,374,455</u>	<u>2,779,508</u>
	<u>10,886,300</u>	<u>5,419,000</u>
<b>5. Staff costs</b>		
Wages and salaries	2,980,518	994,900
Social security benefits	144,976	69,800
Others	<u>235,181</u>	<u>209,700</u>
	<u>3,360,675</u>	<u>1,274,400</u>

The number of persons employed by the Bank at the end of the year was 285 (2006: 177).

	2007	2006
<b>6. Bad and doubtful debts expense</b>		
General credit risk provision	<u>852,242</u>	<u>132,900</u>

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

7. Tax	2007	2006
Current income tax (Note 16)	-	-
Deferred income tax (Note 17)	<u>(18,164)</u>	<u>47,100</u>
Tax (credit)/charge	<u>(18,164)</u>	<u>47,100</u>

8. Cash and balances with Bank of Ghana	2007	2006
Cash in hand	6,901,244	1,878,100
Balances with Bank of Ghana	<u>18,000,956</u>	<u>21,616,300</u>
	<u>24,902,200</u>	<u>23,494,400</u>

Balances with Bank of Ghana include a mandatory reserve deposit of GH¢1,620,086 (2006: GH¢5,065,600).

These funds are not available to finance the Bank's day to day operations and do not attract interest.

9. Government securities	2007	2006
Treasury bills	4,316,271	19,700
Other eligible bills	<u>30,373,500</u>	<u>9,002,900</u>
	<u>34,689,771</u>	<u>9,022,600</u>

Analysis by maturity	2007	2006
Maturing within 90 days of the date of acquisition	990,112	-
Maturing after 90 days but within 182 days of the date of acquisition	3,326,159	19,700
Maturing after 182 days of the date of acquisition	11,330,000	6,302,900
Maturing after 1 year of the date of acquisition	<u>19,043,500</u>	<u>2,700,000</u>
	<u>34,689,771</u>	<u>9,022,600</u>

Treasury bills are debt securities issued by the Bank of Ghana for a term of three months, six months or a year. Bills are carried at their face value less unearned interest.

10. Due from other banks and financial institutions	2007	2006
Items in the course of collection from other banks	4,514,207	4,766,700
Placements with other banks	<u>14,727,936</u>	<u>4,410,200</u>
	<u>19,242,143</u>	<u>9,176,900</u>

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

11. Loans and advances to customers	2007	2006
Analysis by type of customer		
Private enterprises	62,831,971	12,498,600
Individuals	3,875,625	1,313,700
Staff	<u>641,036</u>	<u>312,600</u>
Gross loans and advances	67,348,632	14,124,900
Less provision for impairment and interest in suspense:		
Interest in suspense	(10,082)	-
Provision for bad and doubtful debts	<u>(993,442)</u>	<u>(141,200)</u>
	<u>66,345,108</u>	<u>13,983,700</u>
<b>Analysis by business segments</b>	<b>2007</b>	<b>2006</b>
Transport, storage and communication	2,019,646	3,854,500
Manufacturing	24,091,055	81,200
Construction	3,152,930	130,300
Commerce and finance	14,451,353	1,691,200
Services	18,849,593	3,788,700
Staff	641,036	312,600
Miscellaneous	<u>4,143,019</u>	<u>4,266,400</u>
Gross loans and advances	67,348,632	14,124,900
Less provision for impairment and interest in suspense:		
Interest in suspense	(10,082)	-
Provision for bad and doubtful debts	<u>(993,442)</u>	<u>(141,200)</u>
	<u>66,345,108</u>	<u>13,983,700</u>
<b>Analysis by type of advance</b>		
Overdrafts	48,676,243	10,000,600
Term loans	<u>18,672,389</u>	<u>4,124,300</u>
Gross loans and advances	67,348,632	14,124,900
Less provision for impairment and interest in suspense:		
Interest in suspense	(10,082)	-
Provision for bad and doubtful debts	<u>(993,442)</u>	<u>(141,200)</u>
	<u>66,345,108</u>	<u>13,983,700</u>

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

	2007	2006
<b>Movement in provisions for impairment and interest in suspense is as follows:</b>		
At start of period	141,200	8,300
Increase in provisions - general	532,238	132,900
Increase in provisions - specific	<u>320,004</u>	<u>-</u>
	993,442	141,200
Interest in suspense	10,082	<u>-</u>
At end of period	<u>1,003,524</u>	<u>141,200</u>

All loans have been written down to their estimated recoverable amount.

	2007	2006
Loan loss provision ratio	1%	1%
Gross non-performing loans ratio	1%	0%
Ratio of 50 largest exposures	40%	65%

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

12. Other assets	2007	2006
Interest receivable and prepayments	2,525,603	1,764,700
Preoperational expenses	-	911,300
Inter-company receivable	25,488	-
Others	<u>1,466,703</u>	<u>412,100</u>
	<u>4,017,794</u>	<u>3,088,100</u>

### 13. Property and equipment

Cost	Leasehold improvement	Furniture, fittings and equipment	Computers	Motor vehicles	Capital work in progress	Total
At start of year	1,581,500	1,299,300	781,800	1,158,400	1,243,000	6,064,000
Additions	434,193	410,046	459,889	379,127	1,074,566	2,757,821
Transfers from WIP	<u>716,307</u>	<u>604,202</u>	<u>667,450</u>	<u>69,093</u>	<u>(2,057,052)</u>	-
At end of year	<u>2,732,000</u>	<u>2,313,548</u>	<u>1,909,139</u>	<u>1,606,620</u>	<u>260,514</u>	<u>8,821,821</u>
Accumulated depreciation						
At start of year	187,900	188,500	278,300	259,300	-	914,000
Charge for the year	<u>487,694</u>	<u>446,380</u>	<u>423,224</u>	<u>354,826</u>	-	1,712,124
At end of year	<u>675,594</u>	<u>634,880</u>	<u>701,524</u>	<u>614,126</u>	-	2,626,124
Net book value						
At 31 December 2007	<u>2,056,406</u>	<u>1,678,668</u>	<u>1,207,615</u>	<u>992,494</u>	<u>260,514</u>	<u>6,195,697</u>
At 31 December 2006	<u>1,393,600</u>	<u>1,110,800</u>	<u>503,500</u>	<u>899,100</u>	<u>1,243,000</u>	<u>5,150,000</u>

	2007	2006
Disposal of assets		
Cost of assets	-	53,300
Accumulated depreciation	-	<u>(9,900)</u>
Net book value	-	43,400
Sale proceeds	-	<u>(43,400)</u>
Profit on disposal of property and equipment	-	-

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

### 14. Leasehold property

	2007
Cost	
At start and end of year	840,000
Addition	<u>50,000</u>
At end of year	<u>890,000</u>
Amortisation	
At start of year	23,300
Charge for the year	<u>17,088</u>
At end of year	<u>40,388</u>
At 31 December 2007	<u>849,612</u>
At 31 December 2006	<u>816,700</u>

### 15. Tax

Current tax	Balance 01/01/2007	Charge for the year	Payments made in the year	Balance at 31/12/07
2006	(3,000)	-	-	(3,000)
2007	-	-	<u>(3,000)</u>	<u>(3,000)</u>
Total	<u>(3,000)</u>	-	<u>(3,000)</u>	<u>(6,000)</u>

### 16. Deferred income tax

Deferred tax is calculated in full on all temporary differences under the liability method, using a principal corporate income tax rate of 25%. The movement on the deferred tax account is as follows:

	2007	2006
At start of year	105,400	58,300
Charge to profit and loss account	<u>(18,164)</u>	<u>47,100</u>
At end of year	<u>87,236</u>	<u>105,400</u>

The deferred income tax liability is attributable to the following items:

Property and equipment	<u>87,236</u>	<u>105,400</u>
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The deferred income tax charged to the profit and loss account comprises the following temporary differences:

	2007	2006
Accelerated tax depreciation	<u>(18,164)</u>	<u>47,100</u>

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

17. Customer deposits	2007	2006
<b>Analysis by business</b>		
Corporate customers		
- Current/settlement accounts	10,142,794	3,458,500
- Term deposits	56,767,684	35,544,100
<b>Small and medium sized enterprises</b>		
- Current/settlement accounts	32,964,082	5,187,800
- Term deposits	17,466,980	6,713,400
<b>Retail customers</b>		
- Current/settlement accounts	7,607,096	2,882,100
- Term deposits	<u>18,673,131</u>	<u>2,237,800</u>
	<u>143,621,767</u>	<u>56,023,700</u>
<b>Analysis by product</b>		
Current accounts	50,713,972	11,528,500
Term deposits	87,334,899	43,448,200
Savings	<u>5,572,896</u>	<u>1,047,000</u>
	<u>143,621,767</u>	<u>56,023,700</u>
<b>Analysis by type of depositors</b>		
Financial institutions	3,001,763	1,811,500
Individual and other private enterprises	117,682,896	36,182,600
Public enterprises	<u>22,937,108</u>	<u>18,029,600</u>
	<u>143,621,767</u>	<u>56,023,700</u>
Ratio of 20 largest depositors to total deposits	52%	64%
<b>18. Interest payable and other liabilities</b>		
Interest payable	3,156,600	498,100
Other payables	156,084	184,000
Due to Zenith Bank Plc	1,981,577	696,900
Others	<u>-</u>	<u>52,600</u>
	<u>5,294,261</u>	<u>1,431,600</u>



## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

### 19. Stated capital

	2007		2006	
	Number of shares	Proceeds	Number of shares	Proceeds
Authorised Ordinary shares of no par value	<u>1,000,000,000</u>		<u>1,000,000,000</u>	
Issued for cash consideration	<u>108,384,960</u>	<u>10,838,500</u>	<u>108,384,960</u>	<u>10,838,500</u>

There is no unpaid liability on any shares. There are no treasury shares held. There are no calls or instalments unpaid.

### 20. Statutory reserve fund

	2007	2006
Balance at 1 January	-	-
Transfer during the year	<u>35,181</u>	-
Balance at 31 December	<u>35,181</u>	-

The statutory reserve fund represents the cumulative amount set aside from annual net profit after tax as required by Section 29 of the Banking Act, 2004 (Act 673). The proportion of net profits transferred to this reserve ranges from 12.5% to 50% of net profit after tax depending on the ratio of the existing statutory reserve fund to paid up capital.

### 21. Cash and cash equivalents

	2007	2006
Cash and balances with Bank of Ghana (Note 9)	24,902,200	23,494,400
Treasury bills (Note 10)	990,112	-
Due from other banks and other financial institutions (Note 11)	<u>19,242,143</u>	<u>9,176,900</u>
	<u>45,134,455</u>	<u>32,671,300</u>

### 22. Contingent liabilities and commitments

#### Contingent liabilities

In common with other banks, the Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

#### Contingent liabilities

	2007	2006
Commercial letters of credit outstanding	13,155,149	2,958,800
Guarantees and bid bonds outstanding	<u>15,064,492</u>	<u>206,600</u>
	<u>28,219,641</u>	<u>3,165,400</u>

## NOTES (continued)

(All amounts in the notes are expressed Ghana cedis unless otherwise stated)

### 22. Contingent liabilities and commitments (continued)

#### Commitments

The Bank did not have any undrawn formal stand-by facilities, credit lines and other commitments to lend at 31 December 2007.

### 23. Concentration of assets, liabilities and off balance sheet items (currency risk)

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2007. Included in the table are the Bank's assets, liabilities and off balance sheet items at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalent of the foreign currencies.

At 31 December 2007	USD	GBP	EURO	CEDIS	TOTAL
<b>Assets</b>					
Cash and balances with Bank of Ghana	5,816,025	719,682	889,148	17,477,345	24,902,200
Government securities				34,689,771	34,689,771
Due from other banks and financial institutions	1,326,137	313,409	2,184,094	15,418,503	19,242,143
Loans and advances to customers	10,959,816	17,653	117	55,367,522	66,345,108
Other assets	-	-	-	4,017,794	4,017,794
Property and equipment	-	-	-	6,195,697	6,195,697
Leasehold property	-	-	-	849,612	849,612
Tax	-	-	-	6,000	6,000
<b>Total assets</b>	<b>18,101,978</b>	<b>1,050,744</b>	<b>3,073,359</b>	<b>134,022,244</b>	<b>156,248,325</b>
<b>Liabilities</b>					
Customer deposits	10,393,777	1,948,112	3,014,508	128,265,370	143,621,767
Interest payable and other liabilities	-	-	-	5,294,261	5,294,261
Deferred tax	-	-	-	87,236	87,236
<b>Total liabilities</b>	<b>10,393,777</b>	<b>1,948,112</b>	<b>3,014,508</b>	<b>133,646,867</b>	<b>149,003,264</b>
Net on balance sheet position	7,708,201	(897,368)	58,851	375,377	7,245,061
Net off balance sheet position	20,325,409	556,257	784,415	6,553,560	28,219,641
<b>At 31 December 2006</b>					
Total assets	10,275,300	1,689,300	2,150,300	50,620,500	64,735,400
Total liabilities	(6,035,900)	(383,100)	(311,300)	(50,830,400)	(57,560,700)
Net on balance sheet position	4,239,400	1,306,200	1,839,000	(209,900)	7,174,700
Net off balance sheet position	2,958,800	-	-	206,600	3,165,400

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

### 24. Maturities of assets and liabilities (liquidity risk)

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2007 to the contractual maturity date:

	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
<b>At 31 December 2007</b>					
<b>Assets</b>					
Cash and Balances with Bank of Ghana	24,902,200	-	-	-	24,902,200
Government securities	990,181	-	3,326,090	30,373,500	34,689,771
Due from other banks and financial institutions	6,423,199	12,818,944	-	-	19,242,143
Loans and advances to customers	20,156,972	19,370,023	26,310,905	507,208	66,345,108
Other assets	406,322	832,190	1,606,558	1,172,724	4,017,794
Property and equipment	-	-	-	6,195,697	6,195,697
Leasehold property	-	-	-	849,612	849,612
Tax	-	-	-	6,000	6,000
<b>Total assets</b>	<b>52,878,874</b>	<b>33,021,157</b>	<b>31,243,553</b>	<b>39,104,741</b>	<b>156,248,325</b>
<b>Liabilities</b>					
Customer deposits	56,143,610	29,362,560	31,475,892	26,639,705	143,621,767
Interest payable and other liabilities	153,618	1,981,577	3,159,066	-	5,294,261
Deferred tax	87,236	-	-	-	87,236
<b>Total liabilities</b>	<b>56,384,464</b>	<b>31,344,137</b>	<b>34,634,958</b>	<b>26,639,705</b>	<b>149,003,264</b>
<b>Net liquidity gap</b>	<b>(3,505,590)</b>	<b>1,677,020</b>	<b>(3,391,405)</b>	<b>12,465,036</b>	<b>7,295,061</b>
<b>At 31 December 2006</b>					
<b>Total assets</b>	<b>32,054,400</b>	<b>702,000</b>	<b>10,781,900</b>	<b>21,197,100</b>	<b>64,735,400</b>
<b>Total liabilities</b>	<b>(18,226,800)</b>	<b>(1,415,500)</b>	<b>26,205,700</b>	<b>(11,712,700)</b>	<b>(57,560,700)</b>
<b>Net liquidity gap</b>	<b>13,827,600</b>	<b>(713,500)</b>	<b>(15,423,800)</b>	<b>9,484,400</b>	<b>7,174,700</b>

## NOTES (continued)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

### 25. Maturities of assets and liabilities (liquidity risk) (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

### 26. Country analysis

The amount of total assets and total liabilities held by the Bank inside and outside Ghana is analysed below:

	2007		2006	
	In Ghana	Outside Ghana	In Ghana	Outside Ghana
<b>Assets</b>				
Cash and Balance with Bank of Ghana	24,902,200	-	23,494,400	-
Government securities	34,689,771	-	9,022,600	-
Due from other banks and financial institutions	14,754,603	4,487,540	7,408,700	1,768,200
Loans and advances to customers	66,345,108	-	13,983,700	-
Other assets	4,017,794	-	3,088,100	-
Property and equipment	6,195,697	-	5,150,000	-
Leasehold property	849,612	-	816,700	-
Tax	6,000	-	3,000	-
<b>Total assets</b>	<b><u>151,760,785</u></b>	<b><u>4,487,540</u></b>	<b><u>62,967,200</u></b>	<b><u>1,768,200</u></b>
<b>Liabilities</b>				
Customer deposits	139,697,004	3,924,763	55,433,100	592,700
Interest payable and other liabilities	5,294,261	-	1,431,595	-
Deferred tax	87,236	-	105,400	-
<b>Total liabilities</b>	<b><u>145,078,501</u></b>	<b><u>3,924,763</u></b>	<b><u>56,970,095</u></b>	<b><u>592,700</u></b>

## NOTES (concluded)

(All amounts in the notes are expressed in Ghana cedis unless otherwise stated)

### 27. Related party transactions

The Bank is controlled by Zenith Bank Plc which owns 90% of the issued shares. A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. Transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

(i) Deposits from directors	<b>2007</b>	2006
Deposit at 1 January	<b>96,000</b>	-
Deposit received during the year	<b>16,398</b>	96,000
Deposit repaid during the year	<u>-</u>	<u>-</u>
Deposit at 31 December	<u><b>112,398</b></u>	<u>96,000</u>
Interest expense on deposits	<u><b>13,095</b></u>	<u>8,900</u>
(ii) Due to Zenith Bank Plc		
Provision of goods and services	<u><b>1,981,577</b></u>	<u>696,900</u>

Currently, the managing director is on secondment from the parent company, Zenith Bank Plc, and his remuneration amounting to GH¢59,445 paid by them was charged to the bank.

### 28. Social responsibilities

The amount spent on fulfilling social responsibility for the year under review was GH¢21,703 (2006: Nil).

### 29. Comparatives

During 2007, the Bank of Ghana redenominated the country's currency by setting ten thousand cedis; ₵10,000 (old currency) to one Ghana cedi; GH¢1.00 (new currency). The comparative figures have therefore been converted to Ghana cedis.

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*Bank On The Winners*

**Let's Support Our Black Stars**



**Cheer Them To Victory**



**ZENITH BANK**  
*...in your best interest*



*Official Bank of the Black Stars*

