2009
Annual Report

ZENITH BANK (GHANA) LIMITED

...in your best interest

“...Our approach centres on the protection of the investments of our shareholders and customers, to communicate to them our unfailing resolve to instil and maintain a high level of trust and integrity in the Zenith brand...”

CONTENTS


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CORPORATE INFORMATION

THE BOARD

Mary Chinery-Hesse (Mrs.)	Board Chairman
Andy Ojei	Managing Director / Chief Executive Officer
Daniel Asiedu	Executive Director (Appointed in July 2009)
Jim Ovia	Director
Martins Egwuenu	Director
Henry Benyah	Director
Steve Omojafor	Director
Kwame Sarpong	Director

Company Secretaries

Micheal O. Otu
Daniel Agamah

AUDITORS

PricewaterhouseCoopers
(Chartered Accountants)

SOLICITORS

Femi Atoyebi & Partners

CORRESPONDENT BANKS

Ghana International Bank
69 Cheapside
P.O. Box 77
London EC2P
Swift Code: GHIBGB2L

Citibank N.A,
Citibank House
111 Old Juery
London, WC2R1HP
Swift Code: CITIGB2L

Citibank N.A
111 Wall Street
19th Floor
New York, NY10043
Swift Code: CITIUS33

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

Bank of Beirut (UK) Limited
17A Curzon Street
London (West End)
W1J5HS
United Kingdom
Swift Code: BRBAGB2L

Zenith Bank (UK) Ltd
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London
United Kingdom
Swift Code: ZEIBGB2L

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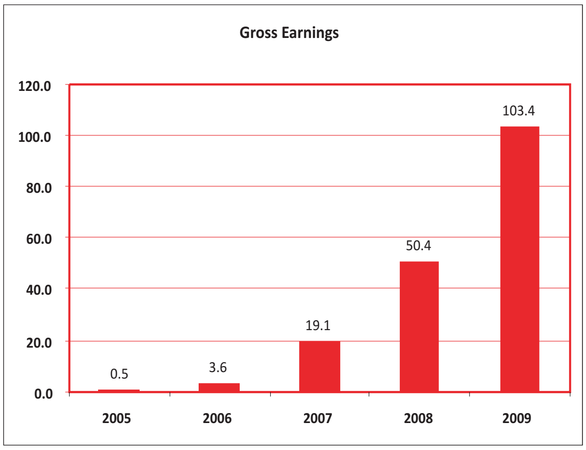
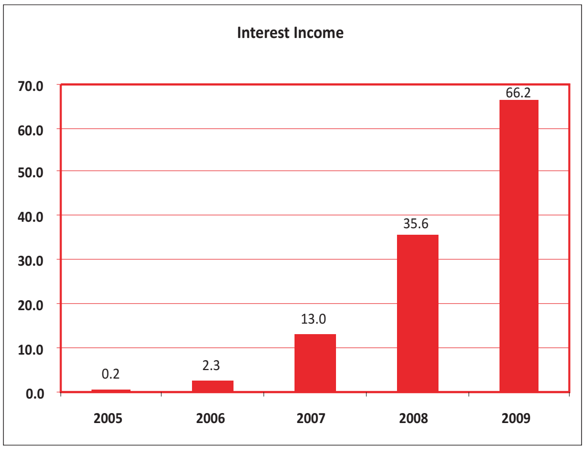
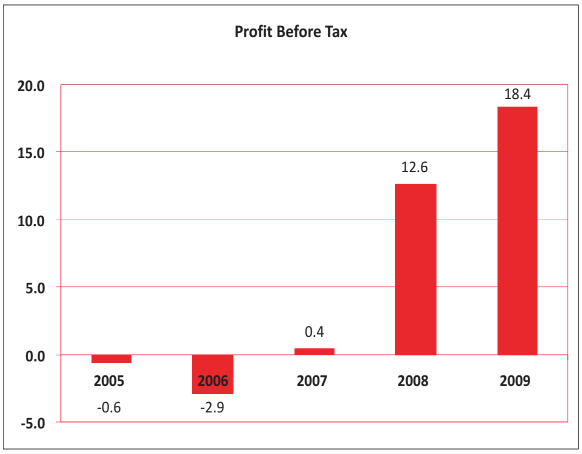
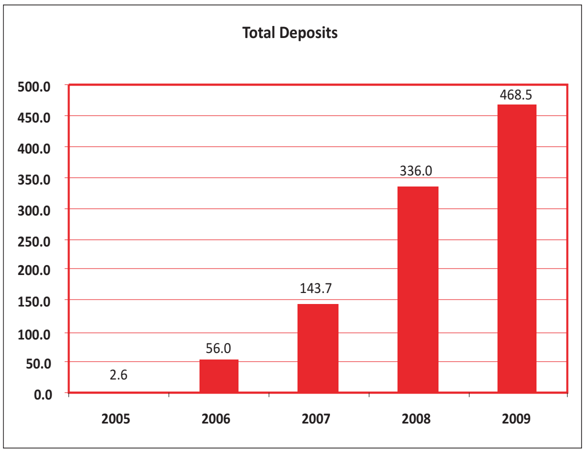
Enquiry: info@zenithbank.com.gh
Website: www.zenithbank.com.gh

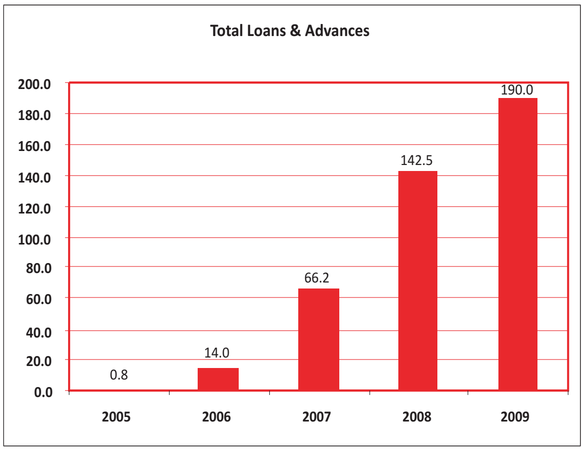
FINANCIAL HIGHLIGHTS

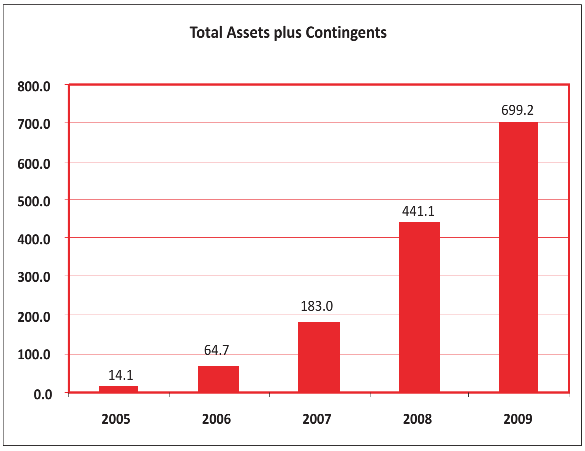












RESULTS AT A GLANCE

	2009 (GH¢)	2008 (GH¢)	GROWTH
Income Statement			
Gross Earnings	103,428,011	50,372,872	105 %
Net Interest Income	22,148,483	16,459,569	35 %
Profit Before Tax	18,372,077	12,625,716	46%
Balance Sheet			
Total Loans and Advances	190,005,886	142,471,176	33%
Customer Deposits	468,513,097	339,992,666	39%
Total Assets plus Contingents	699,181,827	441,074,272	59%

CORPORATE PROFILE

Zenith Bank (Ghana) Limited ("Zenith"), a financial services provider, was incorporated in April 2005 under the Banking Act 2004 (Act 673) as a private limited company and commenced universal banking operation in September 2005. It is a subsidiary of Zenith Bank Plc, one of the largest banks in Africa by all measures, with "AAA" risk ratings. Its awards earned in recent years include the Bank of the Year, 2005 (Financial Times London). African Bank of the Year, 2007 (African Investor), Best Bank in Nigeria, 2008 (Euromoney) and Best Global Bank, 2008 (African Investor)

Zenith currently operates twenty-two branches and agencies, connected online, real time and 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.

Major Milestones Covered

In just over four full years of operation, Zenith has improved upon its operating capacity, size, market share and industry rankings in all parameters. It has built financial, structural and technological muscle, established its presence in all four corners of the country and has created a beacon of innovation and service excellence in the Ghanaian banking industry.

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 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 pioneered several of the innovations currently prevalent in the industry.

For its efforts, the bank was adjudged the Bank of the Year in Ghana as well as the Best Bank in Financial Performance in the country for the 2008 financial year, in addition to other awards at the Corporate Initiative, Ghana Banking Awards.

Service Excellence

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 in recent times, Visa payment systems, as well as many other key programs that provide customers with greater 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 staff promise and deliver superior banking as well as professional excellence in service delivery.

CORE VALUES

Zenith's core values are:

Belief in God
Integrity
Keeping the Service Promise


Be a Zenith person...
Stand Out
Zenith Church Premium Account
is a customized financial package for churches, which provides them with active cash management, cash handling, funds management, personalized financial services.
Z-ISA
is an Investment Savings Account that helps you to save up adequate funds to make periodic household purchases.
Z-ECA
is a Children's Account designed to give your child, up to the age of 18 years, a head start in life.
ZPrompt
is an online real-time product to inform our customers about transactions against their accounts via email or SMS.
School Solutions
is a product designed for schools to automate all administrative processes, including, Admissions, Registration, the bursary department, Exams & Records, Campus intranet, etc.
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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)

E-BUSINESS PRODUCTS

Imagine a flexible system which allows you to conduct almost all banking transactions from any location. You only need to be equipped with a cell phone or an internet connected laptop. That's the convenience the Zenith e-banking bouquet offers customers. Below are a few of the e-business 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, distributors without time, location or volume limits, while making 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 to provide e-Education that meets the daily digital needs of campuses including 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 tickets online.

Embassy Solution

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

Salary Solution

Streamlines staff salary payments for customers' workforce irrespective of where staff salary accounts are domiciled.

REPORTING TOOLS

Reconciliation Tool

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

Z-Prompt (Deposit Notification)

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.

Zenith Visa Cards

The Zenith range of visa cards comprise the Visa Credit, Visa Debit and Visa Prepaid cards, a hustle-free mode of payment for all international transactions. These cards function on all 29 million visa branded ATMs points of sale in 170 countries worldwide. They are convenient and effective, typical attributes of all Zenith banking products and services.

Third Party Collaborations

Zenith has leveraged its excellent e-business platform and cash management services to ease the operations of several institutions in a number of Third Party Collaborations.

Some of these institutions are:

- Databank Financial Institutions
- Electricity Company of Ghana
- KLM Royal Dutch Airlines
- Multichoice Ghana Limited
- UT Financial Services
- British Council
- Ghana Water Company Limited
- West Africa Examinations Council
- Delta Airlines
- Ghana Rubber Estates Limited

Auto Loans

In collaboration with a number of auto companies, Zenith provides finance to its customers for the purchase of automobiles.

Partner companies include:

- Toyota Ghana Limited
- Stallion Investments
- PHC Motors
- Rana Motors

BRANCH NETWORK

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Fax: (+233) 21 774345

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Fax: (+233) 22 201248

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Fax: (+233) 21 679813

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Fax :(+233) 21 815593

Graphic Road Branch
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Accra
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Fax: (+233) 21 253385

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North Industrial area
Kaneshie
Accra
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Tel: (+233) 21 255156

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Accra
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Fax: +233 (21) 522172

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University Campus
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Ahodwo Road, Adiebeba
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Fax: (+233) 51 83282

Adum Branch
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Fax: (+233)051 49511

Suame Branch
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Fax: +233 (51) 46123

Tamale Branch
Central Market
Tamale
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Fax: (+233)071 27422

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Ghana Rubber Estates Limited
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Ho Agency
Ho Polytechnic
Ho
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Fax: (+233)91 25676

Katamanto Cash Agency
Tarzan House
Katamanto
Accra
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Fax: (+233)21 671874

BOARD OF DIRECTORS

Mary Chinery-Hesse
Board Chairman

Andy Ojei
Outgoing MD/CEO

Jim Ovia
Director

Henry Benyah
Director

Chief Eddy M. Egwuenu
Director

Kwame Sarpong
Director

Steve Omojafor
Director

Daniel Asiedu
Executive Director/Incoming MD/CEO

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2009, 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 judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) and Banking Amendment Act, 2007 (Act 738).

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

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

Parent company

The Bank is a subsidiary of Zenith Bank PLC, a bank incorporated in the Federal Republic of Nigeria.

Financial results

	GH¢
Profit before tax for the year is	18,372,077
to which is deducted National Stabilization levy of	(461,573)
to which is deducted a tax charge of	(5,600,621)
giving a profit after tax for the year of	12,309,883
to which is added a balance brought forward on income surplus account of	426,705
out of which is transferred to statutory reserve fund as required by Section 29 of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2008, (Act 738)	(6,154,941)
and a transfer to stated capital of	(5,000,000)
leaving a surplus carried forward on income surplus account of	1,581,647

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2009.

Auditor

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

BY ORDER OF THE BOARD:

Director: Mary Chinery-Hesse

Director: Daniel Asiedu

Date: 5 March 2010

CHAIRMAN'S STATEMENT

Mary Chinery-Hesse: Board Chairman

Chairman's Speech

For yet another year, we have exhibited our tenacity to wither the storm to produce astonishing results in all measures. Our duty to shareholders, customers and the community at large remained paramount in 2009.

Over the years, we have built a solid banking model designed around a relationship management concept of delivering competitively priced quality products and services to the doorsteps of our customers. Our approach centered on the protection of the investments of our shareholders and customers, to communicate to them our unfailing resolve to instil and maintain a high level of trust and integrity in the Zenith brand. We constantly remind ourselves, amongst others, of the opportunity costs facing our stakeholders, the intensely competitive nature of the industry within which we operate, the numerous risks inherent in the banking business and the continuously changing regulatory structure of the sector.

In furtherance of these, we determined in 2009, to uphold strict and prudent levels of risk management, customer-centric products and services, strong discipline, efficiency and diligence in our operations. The continuing results of this approach were encouraging.

In an industry with an average Impaired Loans to Gross Loans ratio of 14.9 percent, Zenith Bank's was 6.3 percent. Furthermore, our Capital Adequacy Ratio (CAR) of 26.12 percent towers over the industry average of 18.6 percent. Overall, we kept a strong risk profile to assert our objective of protecting shareholder and customer investments in our bank.

In addition, we improved our operating efficiency, raising our Profit Before Tax to GH¢18.4 million, a 45.5 percent increase when compared with the 2008 figure of GH¢12.6 million. We reduced our exposure to interest rate risk by increasing Other Income as a ratio of Operating Income from 47 percent to 63 percent. This is part of our continuing strategy to reduce income volatility attributed to market interest rate trends. At the bottomline, we grew our After-Tax Profit by 28.9 percent, having increased our Gross Earnings by 105.3 percent. This compares favourably with an industry average growth in After-Tax Profit of 11.5 percent.

We equally shored up our capital base to GH¢61 million in marginal excess of the new regulatory limit of GH¢60 million and grew our Shareholders' Funds to GH¢73 million. Total Assets plus Contingent Liabilities also grew by 59 percent to GH¢699 million, funded principally by Customer Deposits which rose by 40 percent to close at GH¢469 million in 2009. We surpassed the industry average in all these measures.

These respectable financial results were achieved via an expansion of our product and service offering as well as an extension of our branch network. The bank will continue, in 2010, to further innovate and extend its reach to improve accessibility to our superior offering and the convenience our customers enjoy.

Andy Ojei, who was the Managing Director/Chief Executive Officer since inception of the bank, has been recalled to the parent company in Nigeria to assume other responsibilities. In his stead, the Board appointed Daniel Asiedu (the Chief Operating Officer), who was appointed an Executive Director in July 2009, as the Managing Director/ Chief Executive Officer effective January 2010. We hold a lot of confidence in Daniel's ability to bear the trailblazer to the satisfaction of all our stakeholders.

You all have my sincere gratitude.

MANAGEMENT TEAM

Andy Ojei
Outgoing MD/CEO

Daniel Asiedu
Executive Director/Incoming MD/CEO

Abiola Bawuah
General Manager

Daniel Agamah
Asst. General Manager/Company Sec.

Eva Richter-Addo
Head, HR/ Corporate Comm.

George Tsidi Blavo
Group Head

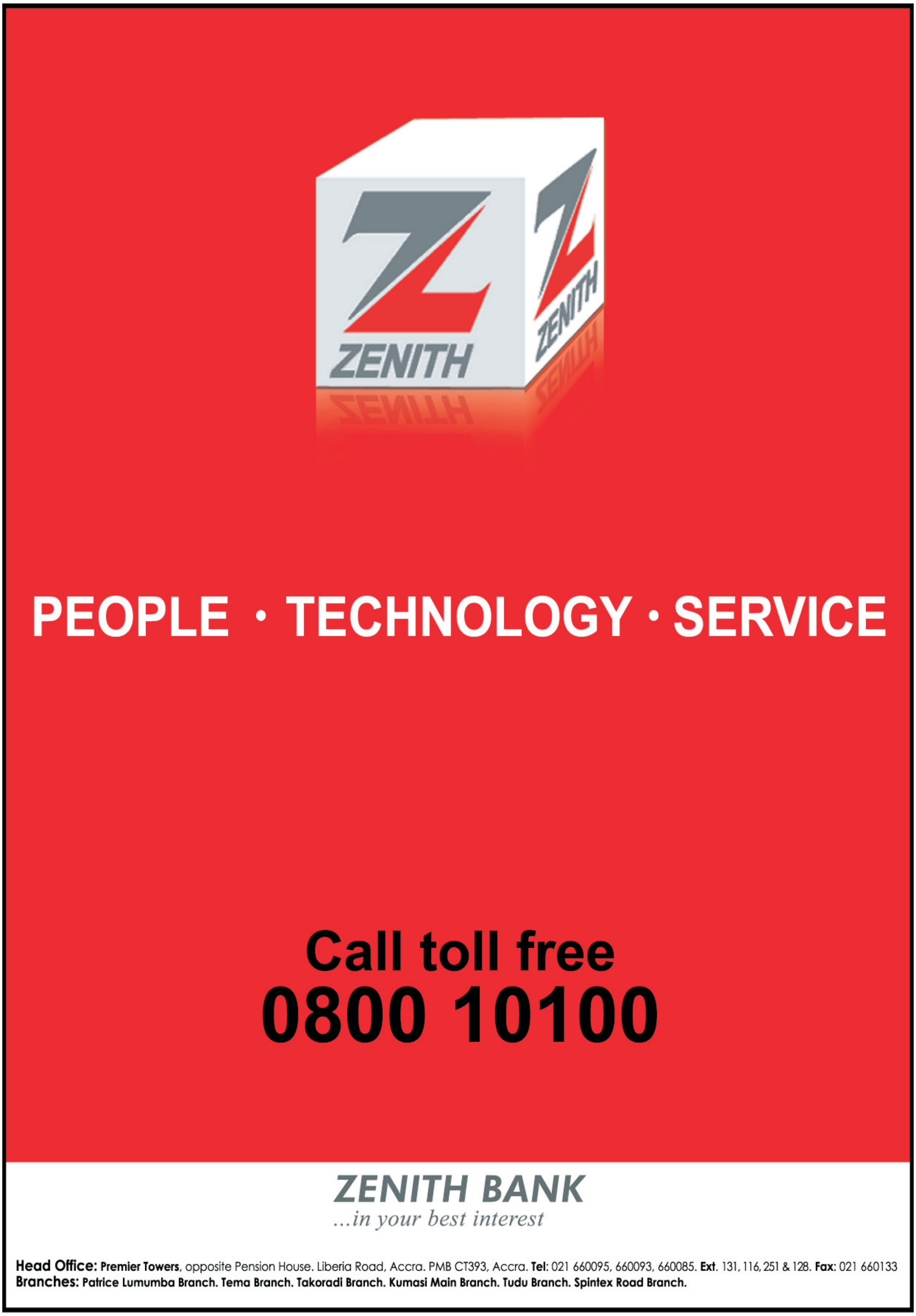
Johnson Olakunmi
Head, Internal Control & Audit

Kwame Asa Adadey
Head, Treasury

Ephraim Enumegukae
Head, IT

Laud Affotey
Head, Property/ Admin

Charlotte Yawa Impraim
Head, Credit Risk Management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0800 10100
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...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. Spintex Road Branch.

CHIEF EXECUTIVE'S REVIEW

Andy Ojei, MD/CEO

FORGING AHEAD

This will be my final review to you as Managing Director and Chief Executive Officer of the bank. I want to thank the members of our Board for their service and guidance, and to management and staff of the bank for the support they gave me in several ways to make my administration a successful one. I am also grateful to our customers and all others who took an interest in the bank over the past years when I had the opportunity to occupy this office.

In November 2009, after over four years of operation, the board of directors asked me to remain as CEO past the close of the 2009 financial year and named Daniel Asiedu, the Chief Operating Officer of the bank, Managing Director/CEO-elect. Although we may have many challenges yet to face in this increasingly competitive industry, it is my judgment that we, over the past four and a half years have largely succeeded at establishing the foundations of the Ghana subsidiary and as such, the time is right to hand the reins of the company to a new generation of leadership to move the bank further ahead.

I would like to congratulate Daniel, and express the confidence I have in our management and their ability to fulfil our vision for Zenith Bank.

To this end, Mr. Asiedu has assumed my offices as of January 2010.

OPERATING ENVIRONMENT

The year 2009 proved to be that with the most difficult operating environment since we commenced operations in 2005. The complexity emanated from a combination of factors including a political changeover in Ghana, worsening global economic and financial conditions, its filtration into the Ghanaian Economy as well as austere fiscal and monetary policies implemented in Ghana as necessary measures to correct previously accumulated levels of public sector debt and trade deficit.

International Economy

The global economic meltdown and financial sector crises which commenced in 2008 continued in 2009, bringing in its wake the worst economic recession since the Great Depression. Resultantly, economies dipped, financial conditions worsened, productivity hit record low levels, business confidence declined and global unemployment rose to its highest level in recent history.

To forestall further depression, several advanced and emerging economies instituted fiscal packages which broadly succeeded at a stimulating a recovery in the second half of 2009; although projected economic growth for the entire year was largely negative for many countries. Overall, global projected growth for 2009 was negative 0.8 percent

In the outlook, global GDP is expected to rise by 3.9 percent in 2010 and 4.3 percent in 2011. In most advanced economies, the recovery is expected to remain sluggish by past standards, whereas in many emerging and developing economies, activity is expected to be relatively strong, largely driven by vibrant internal demand. Policy support is however, required to engineer a rebalancing of global demand, especially in regions where recovery is not yet well sustained.

Domestic Economy

Operating in the backdrop of these tumultuous global economic circumstances, the domestic economy experienced, in the first half of 2009, high and rising inflation and exchange rates, declining business confidence, a slowdown of economic activity as well as rising interest rates. These parameters, nonetheless, showed signs of recovery in the second half of the year. Overall, the year 2009 saw a decline in economic growth, lower private sector credit allocation and deteriorating stock market performance. The Ghana Stock Exchange recorded a 46.58 percent drop in its All Share Index, making it one of the worst performers in Africa. This compared unfavourably with the 58 percent growth realized in 2008.

Economic growth for 2009 was 5.7 percent marking a decline from the 7.3 percent achieved in 2008. Significant sectors which contributed the most to recorded growth were the construction, utilities, trade and hospitality, transport, storage, communication, as well as the finance, insurance, real estate and business services sub-sectors.

On the bright side, the fiscal and trade imbalances from 2008 reduced, with the broad budget deficit closing at 9.6 percent of GDP compared with 14.0 percent of GDP in 2008. The overall Balance of Payments position was a surplus of $1.2 billion compared with a deficit of $904.8 million in 2008. This resulted from improvements in the trade and capital accounts of the country. As a result of the improvements in the external sector, the Gross International Reserves of the Bank of Ghana grew from US$ 2 billion at the end of 2008 to $3.2 billion representing approximately three months of current import cover compared to 2.1 months of import cover achieved at the end of 2008.

Consequent to the progress made on the external front, the exchange rate which continued to depreciate remarkably in the first half of the year, a trend which commenced in the second half of 2008, begun to show stability in the third quarter of 2009. The Ghana Cedi as in 2009 recorded depreciations of 14.8 percent, 22.4 percent and 16.2 percent against the US Dollar, the Pound sterling and the euro respectively. This had implications for the level of inflation in the country.

Inflation levels recorded in 2009 were among the highest in recent history, averaging 19.29 percent, up from an average rate of 16.52 percent in 2008. Inflation surged from 19.86 percent in January to peak at 20.74 in June before declining gradually to 15.97 percent in December 2009. The most remarked driver of inflation was a continuous depreciation in exchange rates which mainly impacted on the non-food component of inflation.

The level of interest rates in 2009 remained high and rising for the most part of the year, continuing the trend started 2008. The benchmark 91-day Treasury bill rate rose consistently to peak at 25.9 percent in July 2009 before declining gradually to 22.5 percent at the close of the year. Other money market rates followed a similar trend. Interbank rates, for instance, rose from 12.02 percent to 28.25 percent between February 2008 and July 2009 and eventually settled at 16.42 percent in December 2009.

Resulting principally from high inflation levels, the Prime Rate was increased from 17 percent to 18.5 percent in March 2009 and was reduced by 50 basis points in November .Following consistent improvements in macroeconomic trends; it was further reduced recently, to 16 percent, further easing interest rate expectations.

Economic Outlook

Following, the resurgence in the world economy together with the restoration of macroeconomic stability in Ghana, the outlook is for strong growth in the Ghanaian economy. We accordingly anticipate a more buoyant business climate.

Inflation is expected to decline to a target band of 7.5 percent to 11.5 percent. Exchange rates are expected to remain relatively stable owing to the correction of the nation's trade position, structural policies being pursued by the government, and the expectation of oil production in 2010.

Interest rates are also forecast to fall further in 2010. This expectation draws from the decline in the Public Sector Borrowing Requirement and the slow down in inflationary expectations.

BANKING INDUSTRY

One of the prolific events in the banking industry in 2009 was the recapitalization of banks with majority foreign ownership. With one exception, all banks successfully met the requirement to shore up their stated capital to a minimum of GH¢60 million from the previous level of GH¢7million.

In addition to the above, several regulatory changes were implemented to increase the stability and effectiveness of Ghana's financial system. The Borrowers and Lenders Act 2008 (Act 773) and the Mortgage Finance Act 2008 (Act 770) were deployed whilst a National Pensions Regulatory Authority was established to prepare the grounds for the implementation of the Pensions Act 2008 (Act 754)

The financial performance of the industry was impacted upon by the afore-discussed economic events. The result was a surge in default rates, a rise in industry cost of funds and shrinking profit margins. Credit allocation was also markedly reduced relative to 2008. The quality of the banking industry's assets also took a dip in 2009 posing some risks to the overall delivery of credit in the economy. The ratio of non-performing loans to gross loans rose to 14.9 percent in December 2009, from 7.7 percent in 2008.

However, on a positive note, the financial soundness indicators of the banking industry, measured in terms of earnings, liquidity, solvency and capital adequacy were strong. Industry Capital Adequacy Ratio (CAR) which measures the banking system's ability to withstand shocks increased significantly to 18.2 percent in December 2009, from 13.8 percent in 2008 principally as a result of the recapitalization of the banks.

Total assets of the banking industry expanded by 13.1 percent over the year to GH¢14.0 billion as at December 2009, a lower growth when compared with 37.2 percent for the same period in 2008. There was a slight reversal of the portfolio substitution in recent years where the proportion of assets invested in loans and advances kept increasing while investments declined. In 2009, the share of net loans and advances was 43.8 percent, a drop from 52.3 percent in 2008. The share of investments on the other hand increased from 14.5 percent to 20.9 percent between 2008 and 2009. This can be attributed to the combined effect of high rates offered on Treasury bill investments and rising default rates on loans and advances.

Furthermore, credit to the private sector and public institutions in 2009 increased by GH¢961.8 million (16.1 percent), lower when compared with GH¢1,820.2 million (43.9 percent) in 2008. The private sector's share of the credit flow was GH¢769.6 million, a share of 80 percent. The flow of credit to the private sector over the period translates in a 15.8 percent growth and compares unfavourably with 48.1 percent over the corresponding period in 2008.

Although the growth in deposits in 2009 of 17.2 percent fell below its 2008 growth rate of 41.4 percent, deposits remain the single most important source of funds for bank balance sheets.

Industry liquidity and solvency improved due to the combined effect of an asset substitution to more liquid money market investments and the injection of more equity capital in fulfilment of the new capitalization requirements. With respect to profitability, industry profitability declined owing to a combined effect of shrinking margins as well as the deterioration in industry asset quality and the resultant bad debt write-offs. Cost efficiency, nonetheless, improved. As measured by the ratio Net Operating Profit to Operating Income, it increased from 38.2 percent to 41.7 percent between the two years.

After-tax earnings in 2009 grew by 11.5 percent, down from the 28.5 percent realized in 2008. The decline emanated from all major income sources.

Following these trends in income, industry average Return on Equity (ROE) and Return on Assets (ROA) fell from 23.7 percent and 3.2 percent to 17.5 percent and 2.8 percent between 2008 and 2009 respectively..

ZENITH DEVELOPMENTS

The bank aimed in the 2009 financial year, amongst others, to strengthen its earning potential as well as to modify its operating model by reducing its reliance on intermediation income and to pursue a more diversified business portfolio. We also aimed to extend our branch network with an overriding objective of improving long term value delivery to shareholders and customers. We achieved all these objectives in 2009.

Products and Services

At the unset of the year, we, in pursuance of better service delivery, restructured our marketing department into seven Sectors-based units. We set up a sector each for Energy; Manufacturing and Commodities; Telecoms, Aviation and Hospitality; Public Sector, Parastatals and Schools; Financial Institutions and Multilaterals as well as Mining and Construction. We also set up a stronger Retail Banking unit to focus on the consumer and SME banking segments.

This exercise, together with the objective of fostering a deeper customer satisfaction, was intended to enhance sector-specific knowledge base and business risk assessment as well as to further diversify our revenue streams to strengthen efficiency and profitability.


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Financial Performance

In spite of the volatile economic environment within which the bank operated, we improved our Gross Earnings by 105 percent (from GH¢50.4 million to GH¢102.6 million in 2009). The strongest growth element was Fee Income which rose by 152 percent in 2009 relative to a 112

percent growth in 2008. Furthermore, the proportion of fees attributed to Loans and Advances declined from 38 percent in 2008 to 11 percent in 2009 reflecting our strategy to reduce the bank's exposure to interest risk and to protect the bank's margins from interest shrinkage.

Reflective of shrinking margins, mainly emanating from the rise in deposit rates, the bank's net interest margin declined from 46.2 percent to 33.5 percent between 2008 and 2009. We, nonetheless, made up for this drop with a stronger performance in Fee Income to close the year with a 29 percent growth in net income from GH¢9.6 million to GH¢15.7 million. This is a significant achievement, given that the industry net margins increased only by 11.5 percent.
With regards to our balance sheet performance, our total assets plus contingents increased by 59 percent from GH¢388.0 million to GH¢556.7 million. This growth in assets mainly emanated from contingents liabilities and Treasury bill investments, and was funded principally from customer deposits which rose by 40 percent from GH¢337 million to GH¢469 million between 2008 and 2009. In addition, our loan portfolio expanded by 33.7 percent in 2009, higher than the industry average growth rate of 16.1 percent.

Our shareholders funds also increased from GH¢39 million to GH¢72.7 million over the period, 22 percent higher than the required capitalization of GH¢60 million. This capital base strengthened our Capital Adequacy Ratio (CAR), raising it from 22 percent in 2008 to 26.12 percent in 2009, above the statutory requirement of 10 percent and the industry average of 18.2 percent.

Overall, the bank's performance in 2009 reflects its superior achievement maintained since we commenced operations over four years ago and sets a formidable platform for an even more excellent performance in coming years.

LOOKING FORWARD

In our future outlook, our observations about the business cycle and developments in the banking industry points to the need for us to continue the pursuit of a more diversified business model as we did in 2009. Worsening industry asset quality combined with a decline in expected money market interest rates implies that whilst it will be imperative for us to channel more of our funds into loans to remain profitable, we remain conscious of the fact that credit conditions are currently not very favourable, judging by the level of non-performing assets in the industry.

Our proposition for last year was to increase the proportion of our income from Fees and Commissions, a proposition which we saw through and which yielded satisfactory results. With the anticipated resurgence of global trade and commerce and the expected revival of buoyancy in the Ghanaian economy, we will increase our focus on transactional income and pursue highly prudent treasury and risk management systems to safeguard our Shareholders' Funds and Customer Deposits.

Within government's economic policy framework, we have identified a number of key sectors to invest in, to yield value to our stakeholders and simultaneously contribute to the growth of the Ghanaian economy. We also await the commencement of oil and gas production in Ghana in 2010. We have built on our parent company's expertise in the petroleum industry and have established ourselves as one of the most formidable banks for the industry over the past year.

Apart from these, we will continue our branch expansion program and to innovate with new products and services to meet the needs of our ever-expanding customer base. Structured products will be produced to support the investment, funding and other needs of the business and retail market.

The bank we built during my tenure as CEO is positioned for great success. Although the current operating environment may be difficult, the potential, the plans, the resources and the leadership are all here in abundance, and the combination of these assets gives me great confidence. The new leadership, I trust, will surpass my modest achievements and strive to maintain the enviable position Zenith Bank has assumed in Ghana.

CORPORATE GOVERNANCE

Corporate governance, the system by which organisations 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, two 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

The Bank has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The corporate internal assurance function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency 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

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Zenith Bank (Ghana) Limited set out on pages 24 to 59. These financial statements comprise the balance sheet as at 31 December 2009, income statement, statement of other comprehensive income, statement of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 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.

Auditor's responsibility

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009 and of the financial performance and cash flows of the Bank for the year then ended in accordance with International Financial Reporting Standards, and comply with the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738).

PRICEWATERHOUSECOOPERS

Chartered Accountants
11 March 2010
Accra, Ghana
Michael Asiedu-Antwi (101032)


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Zenith person?
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BALANCE SHEET

(All amounts are expressed in Ghana cedis)

		At 31 December	
	Note	2009	2008
Assets			
Cash and balances with Bank of Ghana	15	110,416,168	46,541,148
Due from other banks	16	158,008,929	155,147,149
Loans and advances to customers	17	187,856,728	137,642,614
Advances under finance lease	18	2,149,158	4,828,562
Investment securities - available-for-sale	19	78,847,955	28,965,316
Property and equipment	20	13,102,839	9,811,602
Intangible assets	21	18,378	-
Leasehold property	22	814,012	831,812
Current income tax assets	23	830,785	-
Deferred income tax assets	24	-	311,322
Other assets	25	2,617,195	3,875,545
Total assets		554,662,147	387,955,070
Liabilities			
Customer deposits	26	468,513,097	339,992,666
Other liabilities	27	10,593,155	6,627,405
Current income tax liabilities	23	-	2,290,386
Deferred income tax liabilities	24	2,832,517	-
Total liabilities		481,938,769	348,910,457
Shareholders' equity			
Stated capital	28	61,221,496	34,778,496
Revaluation reserve	29	(1,311,420)	(1,237,302)
Income surplus account	30	1,581,647	426,705
Statutory reserve account	31	11,231,655	5,076,714
Total shareholders' equity		72,723,378	39,044,613
Total liabilities and shareholders' equity		554,662,147	387,955,070

The financial statements on pages 24 to 56 were approved by the Board of Directors on 5 March 2010 and were signed on its behalf by:

Signed
Mary Chinery-Hesse

Signed
Daniel Asiedu

INCOME STATEMENT

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

	Note	2009	2008
		Year ended 31 December	
Interest and similar income	8	66,198,004	35,622,501
Interest and similar expense	9	(44,049,521)	(19,162,932)
Net interest income		22,148,483	16,459,569
Fee and commission income	10	23,063,801	9,164,083
Other operating income	11	14,166,206	5,586,288
Operating income		59,378,490	31,209,940
Loan impairment charges	12	(10,490,628)	(1,235,408)
Operating expenses	13	(30,515,785)	(17,348,816)
Profit before tax		18,372,077	12,625,716
National Stabilisation Levy	27	(461,573)	-
Income tax expense	14	(5,600,621)	(3,074,465)
Profit after tax		12,309,883	9,551,251

STATEMENT OF OTHER COMPREHENSIVE INCOME

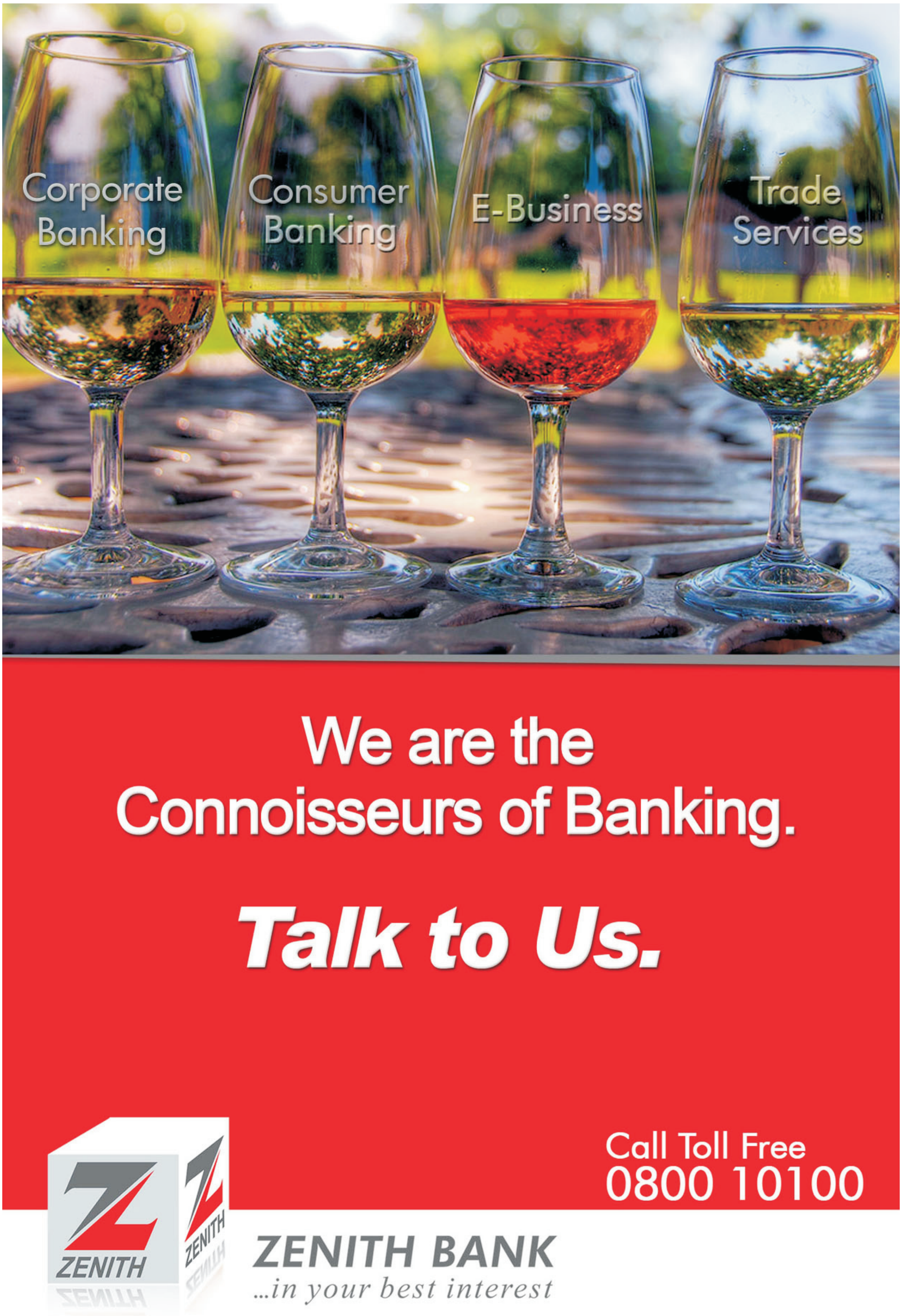
(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	2009	2008
		Year ended 31 December	
Profit for the year		12,309,883	9,551,251
Unrealised (loss)/ gain on available for sale investment securities	29	(452,530)	298,571
Reclassification adjustment for realised net losses on available for sale investment securities	29	265,279	-
Deferred income tax relating to available for sale investment securities	29	113,133	(74,643)
Total comprehensive income		12,235,765	9,775,179

STATEMENT OF CHANGES IN EQUITY

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

Year ended	Note	Stated capital	Income surplus account	Revaluation reserve	Statutory reserve	Total
31 December 2008						
At start of year		10,838,500	(4,348,921)	(1,461,230)	301,089	5,329,438
Total comprehensive income		-	9,551,251	223,928	-	9,775,179
Transfer to statutory reserve	31	-	(4,775,625)	-	4,775,625	-
Proceeds from shares issued	28	23,939,996	-	-	-	23,939,996
Balance at 31 December		**34,778,496**	**426,705**	**(1,237,302)**	**5,076,714**	**39,044,613**
Year ended 31 December 2009						
At start of year		34,778,496	426,705	(1,237,302)	5,076,714	39,044,613
Total comprehensive income		-	12,309,883	(74,118)	-	12,235,765
Transfer to stated capital	28	5,000,000	(5,000,000)	-	-	-
Transfer to statutory reserve	31	-	(6,154,941)	-	6,154,941	-
Proceeds from shares issued	28	21,443,000	-	-	-	21,443,000
Balance at 31 December		**61,221,496**	**1,581,647**	**(1,311,420)**	**11,231,655**	**72,723,378**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STATEMENT OF CASH FLOW

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

	Note	Year ended 31 December 2009	2008
Cash flow from operating activities			
Profit before tax		18,372,077	12,625,716
Depreciation	20	3,910,925	2,375,205
Amortisation	21 & 22	21,475	17,800
Charge for impairment on loans and advances	17 & 18	10,490,628	1,235,408
Profit on sale of property and equipment	20	-	(447)
Assets written off	20	16,651	5,215
Net change in available for sale securities		-	298,571
National Stabilisation levy paid	27	(127,500)	-
Tax paid	23	(5,464,821)	(584,056)
Cash generated from operating activities before changes in operating assets and liabilities		27,219,435	15,973,412
Changes in operating assets and liabilities			
Increase in loans and advances	17	(60,731,807)	(75,700,973)
Decrease/(Increase) in advances under finance lease	18	2,706,469	(1,789,016)
Decrease in other assets	25	1,258,350	149,525
Increase in customer deposits	26	128,520,431	191,372,466
Increase in other liabilities	27	3,631,677	5,818,274
Increase in mandatory reserve deposit with Bank of Ghana	15	(11,063,274)	(28,497,328)
Net cash generated from operating activities		91,541,281	107,326,360
Cash flow from investing activities			
Purchase of property and equipment	20	(7,218,815)	(6,003,878)
Purchase of intangible assets	21	(22,053)	-
Proceeds from redemption/(purchase) of securities		(20,954,336)	3,785,751
Proceeds from disposal of property and equipment	20	-	8,000
Net cash used in investing activities		(28,195,204)	(2,210,127)
Cash flow from financing activities			
Proceeds from issue of ordinary shares	28	21,443,000	23,939,996
Net cash from financing activities		21,443,000	23,939,996
Net increase in cash and cash equivalents		84,789,080	129,056,229
Cash and cash equivalents at beginning of year		172,570,598	43,514,369
Cash and cash equivalents at end of year	32	257,359,678	172,570,598

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

1. General Information

Reporting entity

Zenith Bank (Ghana) Limited (the "Bank") is a private company domiciled and incorporated in the Republic of Ghana. The address of the Bank's registered office is Premier Towers, Liberia Road, PMB CT 393, Accra. The Bank is primarily involved in corporate and retail banking. The Bank is 90% owned by Zenith Bank Plc, a company incorporated in the Federal Republic of Nigeria.

2. Basis of presentation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

The financial statements are presented in Ghana cedis, which is the Bank's functional currency.
The financial statements were approved by the Board of Directors on 5 March 2010.

(i) Standards, amendments and interpretations effective on or after 1st January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Bank

IFRS 7: Improving disclosures about financial instruments	1 January 2009
IAS 1 : Presentation of Financial statements	1 January 2009

(ii) Interpretations effective in 2009 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2009 but is not relevant to the bank's operations:

IFRIC 13 : Customer loyalty programmes

IFRS 2: Share based payment - Vesting conditions and cancellations

IFRS 8: Operating segments

IAS 23 Borrowing costs

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for accounting periods beginning on or after 1st July 2009 or later periods and are expected to be relevant to the Bank:

IFRS 1 and IAS 27: Cost of an investment in a subsidiary, jointly-owned entity or associate	1 July 2009
IFRS 3: Business combinations	1 July 2009
IAS 27: Consolidated and separate financial statements	1 July 2009
IAS 39: Financial4 instruments: Recognition and measurement - eligible hedged items	1 July 2009
IFRIC 17 Distribution of non-cash assets to owners	1 July 2009
IFRIC 18: Transfers of assets from customers	1 July 2009
IFRS 9: Financial Instruments part 1: Classification and measurement	1 January 2013

(iv) Early adoption of standards

The Bank did not early adopt any new or amended standards in 2009.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments to the extent required or permitted under IFRS and as set out in the relevant accounting polices.

(c) Use of accounting estimates and judgements

The bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and provisions for impairment, if any. Subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

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:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Significant accounting policies (continued)

(a) Property and equipment (continued)

Leasehold land and building	2%	(or the period of the lease if shorter)
Leasehold improvement	20%	(or period of primary lease where shorter)
Furniture, fittings and equipment	20% - 25%	
Computers	33.33%	
Motor vehicles	25%	

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.

(b) Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if any.

The identifiable and directly associated costs of acquiring software are capitalized. Where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Capitalised computer software is amortised over three years.

(c) Foreign currency transactions

The financial statements are presented in Ghana Cedis, which is the Bank's functional and presentation currency.

Transactions denominated in foreign currencies are translated 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.

(d) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

(I) Current income tax

Current income tax is the amount ofincome tax payable on the taxable profit for the year determined in accordance with the Internal Revenue Act 2000 (Act 592).

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(3) Significant accounting policies (continued)

(d) Income tax (continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment and revaluation of certain financial assets and liabilities.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(e) Cash and cash equivalents

Cash and cash equivalents include investments with less than 91 days maturity from the date of acquisition, cash in hand, balances with Bank of Ghana, available-for-sale financial investments and amounts due from and to other banks.

(f) Financial assets and liabilities

Financial assets

The Bank classifies its financial assets into loans and receivables and available-for-sale investments. Management determines the classification of financial assets and liabilities at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for-sale. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently carried at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership.

Available-for-sale

Available-for-sale assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component in other comprehensive income until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest method, impairment losses and translation differences on monetary items are recognised in the income statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial liabilities

Financial liabilities are measured at amortised cost and are derecognised when they are extinguished.

Determination of fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, such as loans and advances, the Bank uses a valuation technique to arrive at the fair value, such as the use of discounted cash flow analysis for loans and advances to customers.

Such objective evidence includes:

- Significant financial difficulty of the borrower or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    i. adverse changes in the payment status of borrowers in the portfolio; or

    ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank currently assesses the existence of objective evidence of impairment for financial assets that are individually significant and collectively for financial assets that are not individually significant.

Where objective evidence of impairment does not exist, for individually assessed financial assts, whether significant or not, the asset is included in a group of financial assets with similar credit risk.

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the profit and loss account.

(g) Impairment of financial assets

At each balance sheet date an assessment is done to determine whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and that loss event (or events) has had an impact on the estimated cash flows of the financial asset or the portfolio that can be reliably estimated.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(h) Interest income and expense recognition

Interest income and expenses are recognised in the income statement for all interest-bearing financial instruments classified as available-for-sale or other loans and receivables using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the instrument.

In calculating effective interest, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Interest income and expenses are recognised in the income statement for all interest-bearing financial instruments classified as available-for-sale or other loans and receivables using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the instrument.

In calculating effective interest, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

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

(i) Fee and commission income

Fees and commissions are recognised on an accruals basis when the service is provided. They are deferred and amortised to income statement over the expected life of the facility or service.

Commitment fees, together with related direct costs, for loan facilities where draw-down is probable are deferred and recognised as an adjustment to the effective interest on the loan.

(j) Contingent liabilities and commitments

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

Financial guarantees
Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

(k) Leases

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within property and equipment on the balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

(l) Dividends

(4) Financial risk management

The banks business involves taking risks in accordance with its risk appetite. Through its risk management structure the Bank seeks to identity and manage efficiently its risk positions and determine capital allocations. The Bank reviews risk management policies and systems regularly to reflect changes in markets, products and emerging best practice. The Risk management unit monitors risk exposures regularly.

The bank aims to achieve the right balance between risk and reward and minimise potential adverse effects on the banks financial performance. The bank defines risk as the possibility of loss arising from both internal and external factors. The board provides direction for overall risk management, as well as written policies covering specific areas credit risk, interest rate risk, foreign exchange risk etc. The Board Sub Committee on risk, reviews specific risk areas and monitors the activities of the Banks Asset and Liability Committee (ALCO). In addition, internal audit is responsible for the independent review of risk management and the control environment.

The financial risks which the bank is exposed to include credit risk, market risk, liquidity risk and operational risk.

4.1 Credit risk

Credit risk is the risk of financial loss from customer or counterparty default. Credit risk mainly arises from credit facilities such as loans and advances, credit cards and loan commitments arising from such lending activities, but can also arise from financial guarantees and letters of credit.

Credit risk management and control is centralised in the credit risk management team, which reports regularly to the Board of Directors through the risk management function.

4.1.1 Credit risk management

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on an ongoing basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Collateral

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The bank reviews the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

(a) Mortgages over residential properties.
(b) Charges over business assets such as premises, inventory and accounts receivable.
(c) Charges over financial instruments such as debt securities and equities.

(ii) Financial governants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorising a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipment of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.1.2 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment.

Maximum exposure to credit risk before collateral held

Credit risk relating to on balance sheet assets are as follows:

	2009	2008
Balances with Bank of Ghana	110,416,168	46,541,148
Other assets	1,326,908	2,322,511
Available-for-sale investments	78,847,955	28,965,316
Due from other banks	158,008,929	155,147,149
Loans and advances to customers	187,856,728	137,642,614
Advances under finance lease	2,149,158	4,828,562
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	80,586,840	17,445,187
Letters of credit outstanding	63,932,840	35,674,015
	683,125,526	428,566,502

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Financial risk management (continued)

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on - balance sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

As shown above, 82% of the total maximum exposure is derived from loans and advances to banks and customers (2008: 78%). 13.6% represents investments in debt securities (2008: 8%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

the exercise of stringent controls over the granting of new loans
98% of the loans and advances portfolio are neither past due nor impaired
100% of the investments in debt securities are held in government securities

Loans and advances are summarised as follows:

	2009	2008
Neither past due nor impaired	183,888,054	137,760,173
Past due but not impaired	379,164	14,951
Impaired	16,287,280	2,047,567
Gross loans and advances	200,554,498	139,822,691
Less: allowance for impairment	(12,697,770)	(2,180,077)
Net loans and advances	187,856,728	137,642,614

No other financial assets are either past due or impaired.

4.1.3 Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2009	2008
Past due 31 – 60 days	43,525	5,274
Past due 61 – 90 days	335,639	9,677
	379,164	14,951

The loans and advances past due but not impaired are not secured by any collateral.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Financial risk management (continued)

4.1.4 Loans and advances individually impaired

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

	Loans 2009	Loans 2008	Overdrafts 2009	Overdrafts 2008
Individually assessed impaired loans and advances				
- corporate	7,096,600	500,201	6,048,811	1,547,366
- retail	117,463	-	3,024,406	693,915
	7,214,063	500,201	9,073,217	2,241,281
Fair value of collateral	7,690,461	976,153	915,023	-

4.1.5 Concentration of risk

The following table breaks down the Bank's credit exposure as categorised by the industry sectors of the Bank's counterparties:

	2009	2008
	GH¢	GH¢
Financial Institutions	7,254,462	7,517,103
Manufacturing	23,918,600	30,465,612
Public sector	7,890,304	6,812,637
Retail and consumer goods	11,913,340	15,223,128
Energy	68,586,801	18,073,764
Staff	2,124,379	1,501,308
Telecoms	10,122,131	-
Mining and construction	5,568,251	-
Others	63,176,230	60,229,139
Gross loans and advances	200,554,498	139,822,691
Provision for bad and doubtful debts	(12,697,770)	(2,180,077)
	187,856,728	137,642,614

4.2 Market risk

Market risk is the risk of loss arising from adverse changes in market prices (interest rates, foreign exchange rates, equity prices). Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Banks exposure to market risk principally arises from the non-trading book.

The market risks arising from non-trading activities are monitored regularly and regular reports are submitted to the Board of Directors.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange risks.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Financial risk management (continued)

4.2.1 Foreign exchange risk

Foreign exchange risk is the risk to earnings and capital arising from sudden changes in the relative prices of different currencies. It can arise directly through making loans in a currency other than the local currency of the obligor or buying foreign issued securities. It can also arise when assets and liabilities are denominated in foreign (as well as domestic) currencies. The Bank is also exposed to foreign exchange risk arising from adverse changes in currency exchange rates used to translate carrying values and income streams in foreign currencies to the Ghana Cedi, the Bank's reporting currency.

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 following summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2009. 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 Ghana Cedi equivalent of the foreign currencies.

At 31 December 2009	USD	GBP	EURO	Ghana cedis	Total
Assets					
Cash and balances with Bank of Ghana	64,688,366	2,142,034	3,648,122	39,937,646	110,416,168
Investment securities- Available-for-sale	-	-	-	78,847,955	78,847,955
Due from other banks	110,607,750	5,808,318	21,994,287	19,598,574	158,008,929
Loans and advances to customers	68,727,093	4,063	171	119,125,401	187,856,728
Advances under finance lease	124,973	-	-	2,024,185	2,149,158
Other assets	-	-	-	1,326,908	1,326,908
Total assets	**244,148,182**	**7,954,415**	**25,642,580**	**260,860,669**	**538,605,846**
Liabilities					
Customer deposits	136,490,937	1,981,196	15,937,007	314,103,957	468,513,097
Other liabilities	-	-	-	10,593,155	10,593,155
Total	136,490,937	1,981,196	15,937,007	324,697,112	479,106,252
Net on balance sheet position	**107,657,245**	**5,973,219**	**9,705,573**	**(63,836,443)**	**59,499,594**
At 31 December 2008					
Total assets	125,963,221	2,238,491	3,536,027	256,217,331	387,955,070
Total liabilities	109,572,742	2,062,911	2,373,784	234,901,020	348,910,457
Net on balance sheet position	16,390,479	175,580	1,162,243	21,316,311	39,044,613
Net off balance sheet position	31,003,429	33,489	1,163,060	20,919,224	53,119,202

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Financial risk management (continued)

Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including differences between the timing of market interest rate changes and the timing of cash flows; changes in the shape of market interest rate curves producing different effects on yields on similar instruments with different maturity dates; changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics; interest-related options embedded in contracts with customers, such as the right for borrowers to prepay their loans or for depositors to withdraw funds at any time.

The Bank's interest rate exposures comprise mainly non-trading interest rate exposures. Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities.

The table below summarises the company's exposure to interest rate risks. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The company does not bear an interest rate risk on off balance sheet items.

At 31 December 2009	Up to 3 months	3-6 months	6-12 months	Over 1 year	Non interest bearing	Total
Assets						
Cash and balances with Bank of Ghana	-	-	-		110,416,168	110,416,168
Investment securities-Available-for-sale	30,115,269	35,620,000	2,200	13,110,486	-	78,847,955
Due from other banks	131,810,827	-	-	-	26,198,102	158,008,929
Loans and advances to customers	67,683,861	48,006,284	34,266,131	37,900,452	-	187,856,728
Advances under finance lease	-	-	-	2,149,158	-	2,149,158
Other assets	-	61,981	-	-	1,264,927	1,326,908
Total financial assets (expected maturity dates)	**229,609,957**	**83,688,265**	**34,268,331**	**53,160,096**	**137,879,197**	**538,605,846**
Liabilities						
Customer deposits	128,767,141	47,890,442	111,263,070	-	180,592,445	468,513,098
Other liabilities	-	-	-	-	10,593,155	10,593,155
Total liabilities (contractual maturity dates)	**128,767,141**	**47,890,442**	**111,263,070**	**-**	**191,185,600**	**479,106,253**
Total interest repricing gap	**100,842,816**	**35,797,823**	**(76,994,739)**	**53,160,096**	**(53,306,403)**	**59,499,593**
At 31 December 2008						
Total assets	186,448,677	42,557,528	29,274,040	72,178,941	46,541,148	377,000,334
Total financial liabilities	95,136,954	28,713,691	25,827,060	31,193,727	165,748,639	346,620,071
Total interest repricing gap	91,311,723	13,843,837	3,446,980	40,985,214	(119,207,491)	30,380,263

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4.4 Financial risk management (continued)

4.4.1 Liquidity risk

Liquidity risk is the risk that the bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. It is the policy of the Bank to maintain adequate liquidity at all times for all currencies. Hence the Bank aims to be in a position to meet all obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments made.

Liquidity risk management process

Liquidity risk management is governed by the Asset and Liability Committee (ALCO) and is responsible for both statutory and prudential liquidity. These responsibilities are managed through various policies and procedures.

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable this to happen;

Maintaining a p ortfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

Monitoring the liquidity ratios of the consolidated statement of financial position against internal and regulatory requirements; and

Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The table below presents the cash inflows receivable by the bank under financial assets by remaining contractual maturities at the balance sheet date. All figures are in Ghana Cedis.

At 31 December 2009	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Assets					
Cash and balances with Bank of Ghana	110,416,168	-	-	-	110,416,168
Investment securities- Available-for-sale	30,115,269	35,620,000	2,200	13,110,486	78,847,955
Due from other banks	158,008,929	-	-	-	158,008,929
Loans and advances to customers	67,683,861	48,006,284	34,266,131	37,900,452	187,856,728
Advances under finance lease	-	-	-	2,149,158	2,149,158
Other assets	1,109,487	217,421	-	-	1,326,908
Total financial assets (expected maturity dates)	**367,333,714**	**83,843,704**	**34,268,331**	**53,160,096**	**538,605,846**
Liabilities					
Customer deposits	315,564,776	43,166,205	109,782,116	-	468,513,097
Other liabilities	1,555,408	4,724,237	4,313,470	-	10,593,15
Total financial liabilities (contractual maturity dates)	**317,120,184**	**47,890,442**	**114,095,586**	**-**	**479,106,222**
Total interest repricing gap	**50,213,530**	**35,953,262**	**(79,827,255)**	**53,160,096**	**59,499,624**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Financial risk management (continued)

4.4.1 Liquidity risk (continued)

At 31 December 2008	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Assets					
Cash and balances with Bank of Ghana	46,541,148	-	-	-	46,541,148
Investment securities- Available-for-sale	999,715	1,999,537	3,012,300	22,953,764	28,965,316
Due from other banks	155,147,149	-	-	-	155,147,149
Loans and advances to customers	29,799,259	39,732,346	24,347,923	43,763,086	137,642,614
Advances under finance lease	-	-	988,177	3,840,385	4,828,562
Other assets	502,475	793,820	925,640	1,653,610	3,875,545
Total assets	**232,989,746**	**42,525,703**	**29,274,040**	**72,210,845**	**377,000,334**
Liabilities					
Customer deposits	175,325,412	29,094,586	66,516,658	69,056,010	339,992,666
Other liabilities	2,029,011	948,074	1,732,296	1,918,024	6,627,405
Total financial liabilities (contractual maturity dates)	**177,354,423**	**30,042,660**	**68,248,954**	**70,974,034**	**346,620,071**

4.4.2 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk set out in the table above include cash and readily realisable government securities.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

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

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with the Bank of Ghana on a monthly basis. The Bank of Ghana requires the bank to:

(a) hold the minimum level of regulatory capital of GH¢60 million by 31 December 2009; and
(b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets at or above the required minimum of 10%.

The bank's total regulatory capital is divided into two tiers:

Tier 1 capital (core capita l): stated capital plus general bank reserve, statutory reserve, income surplus and reserves created by appropriations of income surplus. The book value of goodwill is deducted in arriving at Tier 1 capital; and

Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of-and reflecting an estimate of the credit risk associated with-each asset and counterparty

The table below summarises the composition of regulatory capital and the ratios of the bank at 31 December:

	2009	2008
Tier 1 capital		
Stated capital	61,221,496	34,778,496
Statutory reserve	11,231,655	5,076,714
Income surplus account	1,581,647	426,705
Other reserves	(1,311,420)	(1,237,302)
Total qualifying tier 1 capital	72,723,378	39,044,613

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital management (continued)

The total regulatory capital is **GH¢72,723,378** (2008: GH¢39,044,613) because the bank did not hold any Tier 2 capital.

	2009	2008
Risk weighted assets		
- on balance sheet	232,903,194	168,821,734
- off balance sheet	48,083,787	7,583,491
Total risk weighted assets	280,986,981	1 76,405,225
Capital adequacy ratio	26%	22%

6. Fair value estimation

Effective 1 January 2009, the Bank adopted the amendments to IFRS for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly, that is, derived from prices (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December, the financial instruments classified as available for sale amounting to **GH¢78,847,955** 2008: **(**GH¢28,965,316**)** were re-measured using inputs, other than quoted prices.

7. Critical accounting estimates and judgements in applying accounting policies

The bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

a) Impairment losses on loans and advances

The company reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES

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

7. Critical accounting estimates and judgements in applying accounting policies (continued)

b) Income taxes

The Bank is subject to income taxes based on the tax laws of the country. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2009 have been based on future profitability assumptions over a one year period. In the event of changes to these profitability assumptions, the tax liability recognised may be adjusted.

c) Fair value of financial instruments

The fair value of financial instruments where no active market exist are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

8. Interest income	2009	2008
Loans and advances	50,367,101	28,599,466
Investment securities	13,496,528	5,864,007
Cash and short term funds	2,334,375	1,159,028
	66,198,004	35,622,501
9. Interest expense		
Demand deposits	31,038	11,790
Time and other deposits	40,044,239	14,096,391
Overnight and call accounts	1,911,406	5,054,751
Deposits from banks	2,062,838	-
	44,049,521	19,162,932
10. Fee and commission income		
Credit related fees	2,463,807	3,496,663
Trade related fees	5,046,180	1,307,532
Other fees	15,553,814	4,359,888
	23,063,801	9,164,083
11. Other operating income		
Other income	252,302	3,999
Foreign exchange gain	13,913,904	5,582,289
	14,166,206	5,586,288

NOTES (continued)

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

12. Loan impairment charges

	2009	2008
Loans and advances to customers (Note 17)	10,517,693	1,217,518
Advances under finance lease (Note 18)	(27,065)	17,890
	10,490,628	1,235,408

13. Operating expenses

	2009	2008
Staff costs	9,635,192	6,389,823
Depreciation	3,910,925	2,375,205
Amortisation	21,475	17,800
Directors' emoluments	100,199	68,481
Auditor's remuneration	96,276	78,695
Advertising and marketing	945,409	643,933
Training	598,338	293,664
Impairment of equipment	16,651	-
Administrative expenses	15,191,320	7,481,215
	30,515,785	17,348,816
Staff cost comprise:		
Wages and salaries	8,144,121	5,651,331
Social security and other pension related cost	561,912	385,536
Other allowances	929,159	352,956
	9,635,192	6,389,823

The number of persons employed by the Bank at the end of the year was **466** (2008: 355).

14. Income tax expense

	2009	2008
Current income tax (Note 23)	2,343,650	2,880,442
Deferred income tax (Note 24)	3,256,971	194,023
	5,600,621	3,074,465

The tax on the bank's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2009	2008
Profit before income tax	18,372,077	12,625,716
Tax calculated at the statutory income tax rate of 25% (2008:25%)	4,593,019	3,156,429
Tax effect of :		
Income not subject to tax	(14,057,593)	(4,298,393)
Expenses not deductible for tax purposes	15,065,195	3,939,373
Prior year adjustment	-	277,056
	5,600,621	3,074,465

NOTES (continued)

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

15. Cash and balances with Bank of Ghana

Cash in hand	**22,105,618**	14,140,939
Balances with Bank of Ghana other than mandatory reserves	**47,129,862**	2,282,795
Cash and cash equivalents (Note 32)	**69,235,480**	16,423,734
Mandatory reserve deposit with Bank of Ghana	**41,180,688**	30,117,414
	110,416,168	46,541,148

Mandatory reserve deposits are not available for use in the bank's day to day operations. Cash and balances with Bank of Ghana are non interest bearing.

16. Due from other banks

	2009	2008
Items in the course of collection from other banks	**6,076,481**	16,965,125
Placements with other banks	**131,810,827**	63,212,055
Balances with other local and foreign banks	**20,121,621**	74,969,969
	158,008,929	155,147,149

17. Loans and advances to customers

Corporate loans	**156,346,821**	109,774,556
Retail loans	**42,083,298**	28,546,827
Staff loans	**2,124,379**	1,501,308
Gross loans and advances to customers	**200,554,498**	139,822,691
Less: allowance for impairment	**(12,697,770)**	(2,180,077)
Net loans and advances to customers	**187,856,728**	137,642,614
Overdrafts	**129,047,591**	99,192,275
Loans	**71,506,907**	40,630,416
	200,554,498	139,822,691
Less: allowance for impairment	**(12,697,770)**	(2,180,077)
	187,856,728	137,642,614

Movement in allowance for impairment of loans and advances

At 1 January	**2,180,077**	962,559
Increase in impairment allowance	**10,517,693**	1,217,518
At 31 December	**12,697,770**	2,180,077

NOTES (continued)

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

18. Advances under finance lease

Not later than one year	**1,577,528**	4,610,665
Over one year but not later than five years	**1,397,817**	1,078,024
Gross investment in finance lease	**2,975,345**	5,688,689
Less: Unearned future income on finance lease	**(804,479)**	(811,354)
Present value of minimum lease payments, receivable	**2,170,866**	4,877,335
Less: Allowance for impairment	**(21,708)**	(48,773)
	2,149,158	4,828,562

The present value of minimum lease payments may be analysed as follows:

	2009	2008
Not later than one year	**1,096,071**	3,750,596
Over one year but not later than five years	**1,053,087**	1,077,966
	2,149,158	4,828,562
Movement in allowance for impairment of leases is as follows		
At 1 January	**48,773**	30,883
Amounts (released)/charged to profit	**(27,065)**	17,890
At 31 December	**21,708**	48,773

The total impairment charge to the income statement during the year represents **5%** of gross loans (2008: 0.8%).
The fifty (50) largest exposure by customer constitutes **17%** (2008: 28%) of the gross loans.

The total amount of allowance for impairment represents **6%** (2008: 1%) of the gross loans.

19. Investment securities- Available-for-sale

	2009	2008
Treasury bills	**65,735,269**	2,999,252
Other eligible bills	**13,112,686**	25,966,064
	78,847,955	28,965,316
Current	**63,737,469**	6,011,552
Non-current	**15,110,486**	22,953,764

NOTES (continued)

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

19. Investment securities-Available-for-sale (Continued)

Movement in available-for-sale securities is as follows:		
At 1 January	**28,965,316**	32,741,464
Additions	**66,400,221**	9,762,459
Redeemed on maturity	**(14,415,316)**	(11,888,871)
Fair value changes	**(2,102,266)**	(1,649,736)
At 31 December	**78,847,955**	28,965,316
Analysis by maturity		
Maturing within 90 days of the date of acquisition	**30,115,269**	999,715
Maturing after 90 days but within 182 days of the date of acquisition	**35,620,000**	1,999,537
Maturing after 182 days of the date of acquisition	**2,200**	3,012,300
Maturing after 1 year of the date of acquisition	**13,110,486**	22,953,764
	78,847,955	28,965,316

Treasury bills are debt securities issued by the Bank of Ghana for a term of three months, six months or a year.

20. Property and equipment

	Leasehold improvement	Furniture, fittings and equipment	Computers	Motor vehicles	Capital work in progress	Total
Cost						
At 1 January 2009	3,912,137	3,470,213	2,461,106	2,302,382	2,650,474	**14,796,312**
Additions	1,459,836	2,072,542	882,993	1,381,479	1,421,965	**7,218,815**
Transfers	310,206	366,603	1,643,012	146,860	(2,466,681)	**-**
Impairment	-	(16,651)	-	-	-	**(16,651)**
31 December 2009	**5,682,179**	**5,892,707**	**4,987,111**	**3,830,721**	**1,605,758**	**21,998,476**
Accumulated depreciation						
At 1 January 2009	1,308,067	1,257,488	1,360,745	1,058,412	-	**4,984,712**
Charge for the year	916,797	1,082,234	1,179,797	732,097	-	**3,910,925**
31 December 2009	**2,224,864**	**2,339,722**	**2,540,542**	**1,790,509**	**-**	**8,895,637**
Net book value at 31 December 2009	**3,457,315**	**3,552,985**	**2,446,569**	**2,040,212**	**1,605,758**	**13,102,839**

NOTES (continued)

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

20. Property and equipment (Continued)

Cost						
At 1 January 2008	2,732,000	2,313,548	1,909,139	1,606,620	260,514	**8,821,821**
Additions	1,173,612	1,123,274	471,856	719,932	2,515,204	**6,003,878**
Transfers	6,525	33,391	80,112	-	(120,028)	**-**
Disposals	-	-	-	(24,170)	-	**(24,170)**
Impairment	-	-	-	-	(5,215)	**(5,215)**
31 December 2008	**3,912,137**	**3,470,213**	**2,461,107**	**2,302,382**	**2,650,475**	**14,796,314**
Accumulated depreciation						
At 1 January 2008	675,594	634,880	701,524	614,126	-	**2,626,124**
Charge for the year	632,473	622,608	659,221	460,903	-	**2,375,205**
Released on disposals	-	-	-	(16,617)	-	**(16,617)**
31 December 2008	**1,308,067**	**1,257,488**	**1,360,745**	**1,058,412**	**-**	**4,984,712**
Net book value						
31 December 2008	**2,604,070**	**2,212,725**	**1,100,362**	**1,243,970**	**2,650,475**	**9,811,602**

Profit on disposal of property and equipment is as follows:	**2009**	2008
Cost of assets	-	24,170
Accumulated depreciation	-	(16,617)
Net book value	-	7,553
Sale proceeds	-	(8,000)
Profit on disposal of property and equipment	-	(447)

21. Intangible asset

	2009	2008
Cost		
At 1 January	-	-
Additions	22,053	-
31 December	22,053	-
Amortisation		
At 1 January	-	-
Amortisation charge	3,675	-
31 December	3,675	-
Net book amount		
At 31 December 2009	18,378	-

Intangible assets represent licensed computer software.

NOTES (continued)

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

22. Leasehold property

Cost		
At 1 January and 31 December	890,000	890,000
Amortisation		
At 1 January	58,188	40,388
Charge for the year	17,800	17,800
31 December	75,988	58,188
Net book value at 31 December	814,012	831,812

23. Current income tax

	At 1 January 2009	Charge for the year	Payments in the year	At 31 December 2009
2008	2,290,386	174,435	(2,464,821)	-
2009	-	2,169,215	(3,000,000)	(830,785)
	2,290,386	2,343,650	(5,464,821)	(830,785)

24. Deferred income tax

The movement in deferred tax account is as follows:

	2009	2008
At 1 January	(311,322)	(579,988)
Income statement charge	3,256,972	194,023
Investment securities	(113,133)	74,643
	2,832,517	(311,322)

The deferred income tax (asset)/liability is attributable to the following items:

Deferred tax liabilities

	2009	2008
Property and equipment	37,302	1,963
Investment securities - available-for-sale	-	74,643
Unrealised exchange difference	3,478,477	169,285
	3,515,779	245,891

NOTES (continued)

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

24. Deferred income tax (Continued)

Deferred tax assets

Allowances for impairment on loans	(570,129)	(557,213)
Investment securities - available-for-sale	(113,133)	-
	(683,262)	(557,213)

The deferred income tax charged to the income statement comprises the following temporary differences:

Accelerated tax depreciation	35,339	(74,977)
Allowance for impairment on loans	(12,916)	(308,852)
Unrealised exchange gains	3,234,548	577,852
	3,256,971	194,023

25. Other assets

Prepayments	1,290,287	1,553,034
Interest receivable	61,976	996,324
Receivable from related party	202,140	280,228
Others	1,062,792	1,045,959
	2,617,195	3,875,545
Current	2,617,195	2,221,935
Non current	-	1,653,610

26. Customer deposits

	2009	2008
Demand deposits	180,592,445	165,748,639
Term deposits	280,178,640	169,662,541
Savings deposits	7,742,012	4,581,486
	468,513,097	339,992,666
Analysis by type of depositors		
Financial institutions	25,251,563	5,370,086
Individual and other private enterprises	346,578,708	282,903,355
Public enterprises	96,682,826	51,719,225
	468,513,097	339,992,666
Current	468,513,097	270,936,656
Non current	-	69,056,010

The twenty largest depositors constitutes 58% (2008:52%) of the total customer deposits.

NOTES (continued)

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

27. Other liabilities

	2009	2008
Other payables	**8,044,416**	3,778,651
Due to parent company	**730,939**	2,207,169
National Stabilisation levy	**334,073**	-
Deferred income	**1,483,727**	641,585
	10,593,155	6,627,405
The movement in National Stabilisation Levy is as follows:		
At 1 January	**-**	-
Charge for the year	**(461,573)**	-
Payment during the year	**127,500**	-
At 31 December	**334,073**	-

The National Stabilisation Levy is assessed under the National Fiscal Stabilisation Levy Act 2009, (Act 78) at 5% on accounting profit before tax effective 1 July 2009. The levy is not tax deductible.

28. Stated capital

	2009 Number of shares	2009 Proceeds	2008 Number of shares	2008 Proceeds
Authorised				
Ordinary shares of no par value	1,000,000,000		1,000,000,000	
Issued				
For cash consideration	562,214,960	56,221,496	347,784,960	34,778,496
Issued for consideration other than Cash: Capitalisation issue in accordance with Section 74(i) Act 179	50,000,000	5,000,000	-	-
	612,214,960	61,221,496	347,784,960	34,778,496

The movement in stated capital is as follows:	**2009**	2008
At 1 January	**34,778,496**	10,838,500
Issue of shares for cash consideration	**21,443,000**	23,939,996
Transfer from income surplus	**5,000,000**	-
At 31 December	**61,221,496**	34,778,496

By a special resolution of the shareholders the Bank issued 214,430,000 additional shares and transferred GH¢5,000,000 from income surplus to stated capital on 29 December 2009.
There are no treasury shares.

NOTES (continued)

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

29. Revaluation reserve

	2009	2008
At 1 January	(1,237,302)	(1,461,230)
Realised loss available for sale securities	265,279	-
Fair value (loss)/gain on available-for-sale investment securities (Note 19)	(452,530)	298,571
Deferred tax (Note 24)	113,133	(74,643)
At 31 December	(1,311,420)	(1,237,302)

The revaluation reserve represents the effects from the fair value measurement of available-for-sale securities after deduction of deferred taxes. Any gains or losses are then recognised in the income statement when the asset has been redeemed or sold.

30. Income surplus account

	2009	2008
At January	426,705	(4,348,921)
Profit for the year	12,309,883	9,551,251
Transfer to statutory reserve fund	(6,154,941)	(4,775,625)
Transfer to stated capital	(5,000,000)	-
At 31 December	1,581,647	426,705

31. Statutory reserve account

	2009	2008
At 1 January	5,076,714	301,089
Transfer from income surplus account	6,154,941	4,775,625
At 31 December	11,231,655	5,076,714

The statutory reserve account 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.

32. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash in hand , deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

	2009	2008
Cash and balances with Bank of Ghana (Note 15)	69,235,480	16,423,734
Treasury bills (Note 19)	30,115,269	999,715
Due from other banks (Note 16)	158,008,929	155,147,149
	257,359,678	172,570,598

NOTES (continued)

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

33. Contingent liabilities and commitments

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.

Guarantees and bid bonds include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's credit worthiness.

	2009	2008
Contingent liabilities		
Commercial letters of credit	80,586,840	17,445,187
Guarantees and bid bonds	63,932,840	35,674,015
	144,519,680	53,119,202

Commitments

The Bank did not have any undrawn formal stand-by facilities, credit lines and other commitments to lend at 31 December 2009.

34. Country analysis

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

	2009		2008	
Assets	In Ghana	Outside Ghana	In Ghana	Outside Ghana
Cash and Balances with Bank of Ghana	110,416,168	-	46,541,148	-
Investment securities- Available-for-sale	78,847,955	-	28,965,316	-
Due from other banks	115,742	157,893,187	81,253,015	73,894,134
Loans and advances to customers	187,856,728	-	137,642,614	-
Advances under finance lease	2,149,158	-	4,828,562	-
Other assets	2,617,195	-	3,875,545	-
Property and equipment	13,102,839	-	9,811,602	-
Leasehold property	814,012	-	831,812	-
Deferred income tax asset	-	-	311,322	-
Current income tax	830,785	-	-	-
Total assets	396,750,582	157,893,187	314,060,936	73,894,134
Liabilities				
Customer deposits	379,519,191	88,993,896	231,694,394	103,353,828
Other liabilities	10,593,155	-	10,930,264	-
Deferred income tax	2,832,517	-	641,585	-
Current income tax	-	-	2,290,386	-
Total liabilities	392,944,863	88,993,896	245,556,629	103,353,828

NOTES (continued)

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

35. Related party transactions

The Bank is controlled by Zenith Bank PLC which owns 98% of the issued ordinary shares. A number of banking transactions are entered into with the parent company in the normal course of business as follows:

	2009	2008
Amounts due from Zenith Sierra Leone		
Payment of transactions	26,351	-
Amounts due to Zenith Bank PLC		
Provision of management services	528,804	2,207,169

36. Transactions with directors and other key management personnel

Details of transactions between directors and other key management personnel and the Bank are as follows:

	2009	2008
Deposits from directors		
Deposits at 1 January	119,692	112,095
Deposits received during the year	487,464	7,597
Deposits at 31 December	607,156	119,692
Interest expense on deposits	12,850	12,469
Key management compensation		
Salaries and other benefits	326,809	283,578
Provident fund contribution	57,191	35,477
Employer social security contribution	57,191	35,447

37. Social responsibilities

The amount spent on fulfilling social responsibility for the year under review was **GH¢88,209** (2008: GH¢27,885).


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