Annual Report 2012

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ZENITH BANK (GHANA) LIMITED

...in your best interest

"I am convinced that proactively continuing our business model as we actively explore new business opportunities will enable us achieve our objective."

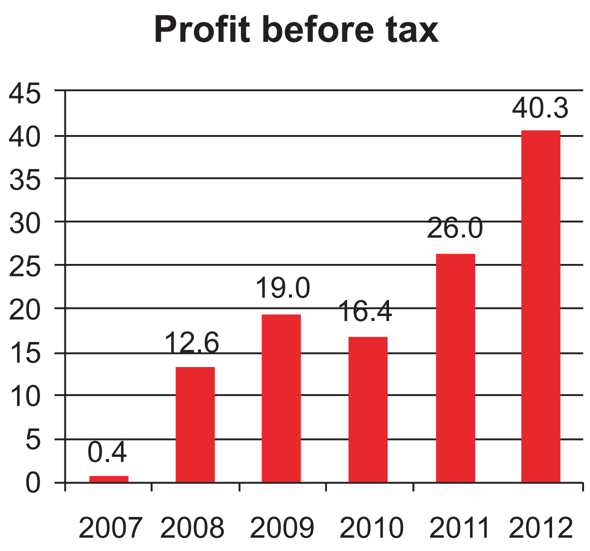
CONTENTS

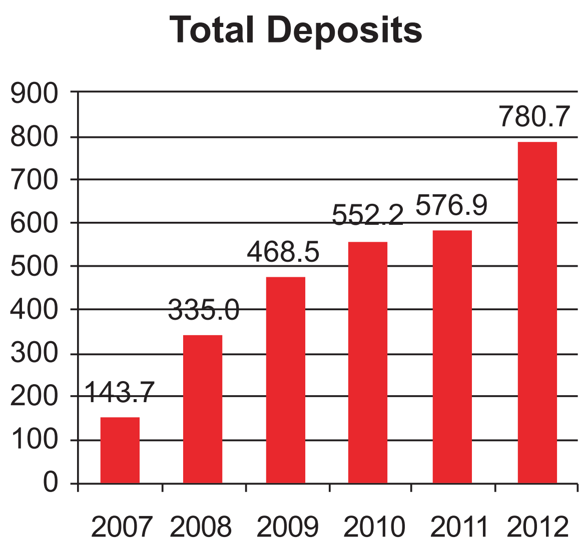
Corporate Information

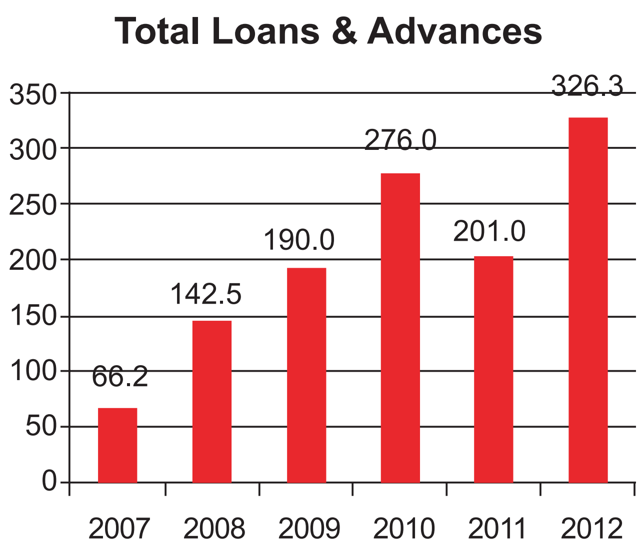
BOARD OF DIRECTORS	Mary Chinery-Hesse (Mrs.)	*Chairperson*
	Daniel Asiedu	*Managing Director*
	Andy Ojei	*(Resigned - 7 March 2012)*
	Henry Benyah	
	Godwin Emefiele	
	Kwame Sarpong	
	Babatunde Adejuwon	
	Lawal Sani	
	Henry Oroh	
SECRETARY	Mike Otu Daniel Agamah	
AUDITORS	KPMG 13 Yiyiwa Drive Abelenkpe P.O. Box GP242 Accra	
SOLICITORS	Corporate Legal Concepts Rehoboth Place No.1 North Labone Estates Accra	
REGISTERED OFFICE	Premier Towers Liberia Road PMB CT 393 Accra	
BANKS	Citibank London Citibank New York Ghana International Bank Plc. HSBC Bank Plc Zenith Bank (UK) Limited Bank of Beirut Standard Chartered Germany Commerzbank AG JP Morgan Chase	

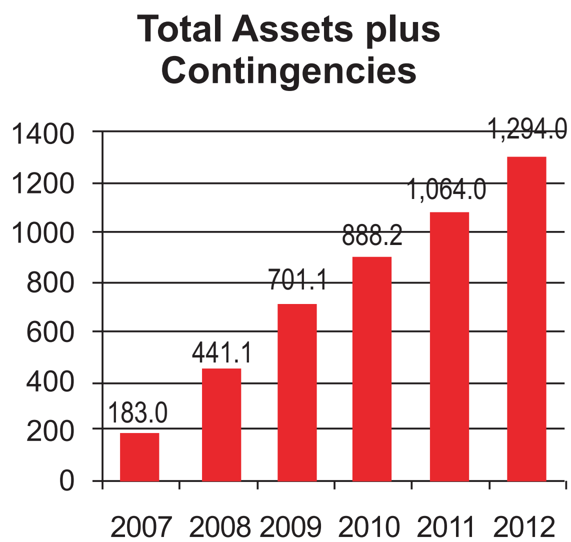
Financial Highlights

All amounts are in GH¢M









Corporate Profile

Historical Background

Zenith Bank (Ghana) Limited ("Zenith") was incorporated in April 2005 under the Banking Act, 2004 (Act 673) as a private limited company and commenced operation in September 2005. It is a subsidiary of Zenith Bank Plc, one of the largest banks in Nigeria by all measures, with an S&P credit rating of +B/B (stable) in 2011 revised to a positive outlook in early 2012.

Over the years, the Zenith brand has become synonymous with the use of Information and Communication Technology (ICT) and general innovation in the Ghanaian banking industry. The bank's main service delivery channels remain its business offices (branches and agencies), which currently stand at twenty-five (25) while offering electronic banking services, such as Internet banking, bills payment and telephone banking amongst others. These business offices are strategically located in various cities within the country.

Within seven (7) years of operation, Zenith has brought dynamism and panache to the Ghanaian banking industry. The Bank has improved its capacity, size, market share and industry rankings in all parameters. Today, Zenith Bank is an epitome of a stable and strong organization with a brand and customer service which is the envy of its peers.

Vision and Strategic Objectives

From inception, Zenith Bank clearly set out to distinguish itself in the banking industry through its service quality and drive for a unique customer experience. As a result, the Bank is easily associated with the following attributes:

- Innovation
- Stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of Information and Communication Technology
- Strategic distribution channels
- Good asset quality
- Good financial performance

The vision of the Bank has been **"to be a reference point in the provision of prompt, flawless and innovative banking services in the Ghanaian banking industry".** The strategic objective of the Bank includes the continuous improvement of its capacity to meet the customers' increasing and dynamic banking needs as well as sustain high quality growth in a volatile business environment through:

- Continuous investment in branch network expansion and thus bringing quality banking services to our teaming existing and potential customer base
- Continuous investment and deployment of up to date state of the art technology and ICT platform
- Continuous employment of the best hands available
- Continuous investment in training and re-training of our personnel

Products and Services

Zenith Bank's product offerings cover most aspects of banking and cater for the needs of its customers that cut across the entire public and private market spectra with emphasis on the following major market segments and lines of business:

- Corporate and Investment Banking
- Commercial and Consumer Banking
- Personal and Private banking
- Trade services and foreign exchange
- Treasury and Cash Management services

Customer Base

The Bank's customer base cuts across the following sectors:

- Energy
- Financial Institutions
- Multilaterals
- Mining & Construction
- Public Sector & Parastatals
- Corporate Banking
- Commercial Banking
- Telecom, Aviation & Hospitality

It's clientele comprises largely corporate entities many of which are subsidiaries of multinational corporations operating within and outside Ghana.

Large Ghanaian companies and conglomerates also form a core of the Bank's corporate clientele. On the retail aspect of its business, the bank's main service focus is on the use of deposit products for liability generation and transaction services.

Branch & Business Network

To date, the Bank has a total of nineteen (19) branches and six (6) agencies strategically located in various commercial centers of the country. All the branches are linked by our technologically advanced system, thereby aiding banking transactions across the country. The key driving factors in branch location decision are:

- Extend dynamism in the provision of banking services to that part of the country and bring our banking products and services to potential customers in and around the environs
- Enhance liaison and improve financial transaction between the various businesses and their contacts in other parts of Ghana and beyond
- Take banking closer to both existing and potential customers
- Volume of commercial activities

Growth Areas and New Product lines

We believe that strategic development and deployment of e-Business products and platforms is a key competitive factor in the banking industry. Therefore, our target is to dominate the market by continuously introducing new e-bankinq products for specific industry and customers.

We will continue to focus on the following market and products:

- Corporate Customers
- Retail Customers / Small & Medium Enterprises (SMEs) and the Un-banked population
- New Business and Client Capture
- Z-Web Acquiring Verified by Visa
- Z.com
- Card Services
- Deployment of ATMs and Point of Sale (POS) terminals.

Our growth and marketing plans will seek to optimize our strengths to maximize available opportunities, minimize identified threats while taking steps to mitigate the effects of observed weaknesses.

Given our commitment to service excellence, robust Information Technology platform, and the resourcefulness of our work force as well as our huge balance sheet size and sound financial ratios, Zenith Bank is in a good position to sustain and consolidate its growth trajectory and market share as well as take advantage of the emerging opportunities in the economy.

We are confident that our overall strategic objectives and envisaged financial growth would be achieved and that Zenith Bank would remain in the forefront amongst banks in the country in terms of profitability, size, asset quality and all other performance parameters. The Bank would also continue to motivate its staff to achieve greater performances and results.

Branch/Agency Network

Head Office Branch
Premier Towers, Opposite Pension House,
Liberia Road, Ministries, Accra, Ghana.
Tel: (+233) 302 611500-29
Fax: (+233) 302 660760
E-mail: info@zenithbank.com.gh

Achimota Branch
C26/30 Adjacent Neoplan
Accra - Nsawam Rd, Achimota
Tel: (+233) 307 020178
Fax: (+233) 577 900001

Adum Branch
Plot 176, Old Town, Section B
Bogyawe Road (Opposite Nakani and Hagan)
Adum, Kumasi
Tel: (+233) 322 049512 - 5
Fax: (+233) 322 049511

Akosombo Branch
Church Ridge
Akosombo
Tel: (+233) 343 021742
Fax: (+233) 343 021741

Cape Coast Branch
Casford Street
UCC New Site, near Casford Hall,
P. O. Box UC 182, Cape Coast
Tel: (+233) 332 135644
Fax: (+233) 332 135645

East Legon Branch
Lagos Street
East Legon
Tel: (+233) 302 522170 - 5
Fax: (+233) 302 522172

Graphic Road Branch
Tamakloe House
45 Ring Road Industrial Estates,
South Extension, Accra
Tel: (+233) 302 253376 - 81
Fax: (+233) 302 253385

Kojo Thompson Road Branch
Darmak House,
Accra
Tel: (+233) 302 679812
Fax: (+233) 302 679813

Kumasi Main Branch
Plot No. 22, Block T
Ahojo Road
Adiebeba, Kumasi
Tel: (+233) 322 083281
Fax: (+233) 322 083282

Labone Branch
House No. F166-6, Adjacent Jet Link
North Labone, Accra
Tel: (+233) 302 784179
Fax: (+233) 302 782663

North Industrial Area Branch
32 Kakatsofa street,
North Industrial Area
Kaneshie, Accra
Tel: (+233) 302 255158 – 60
Fax: (+233) 302 255156

Patrice Lumumba Branch
Plot No. A.229
Patrice Lumumba Road,
Airport Residential Area
Tel: (+233) 302 774090
Fax: (+233) 302 774345

Spintex Road Branch
18 Ayiku Lane
Accra
Tel: (+233) 302 815595-7
Fax: (+233) 302 815593 - 4

Suame Branch
Plot 53 A
Tarkwa Makro,
Suame
Tel: (+233) 322 046122
Fax: (+233) 322 046123

Sunyani Branch
Sunyani Central
J. A. Adom Building (Old GNTC)
Sunyani.
Tel: (+233) 352 025888
Fax: (+233) 352 023016

Takoradi Branch
Market Circle
Takoradi
Tel: (+233) 312 02124 - 36
Fax: (+233) 312 021142

Tamale Branch
Central Market
Tamale
Tel: (+233) 372 027420 – 1
Fax: (+233) 372 07127422

Tema Community 1 Branch
Kasapa Building,
Meridian Drive
Community One, Tema
Tel: (+233) 303 201252 - 66
Fax: (+233) 303 201248

Tema Industrial Area Branch
Opp. Maxmart
Tema Oil Refinery (TOR) Rd
Tema Industrial Area
Tel: (+233) 307 010513
Fax: (+233) 303 308755

Abora Agency
Main Building, Ghana Rubber Estate Ltd.
Abora

Bui Agency
Bui Dam Project Site
Bui

Ho Agency
Ho Polytechnic Campus
Ho
Tel: (+233) 362 025671
Fax: (+233) 3362 025676

Kantamanto Agency
Tarzan House
Kantamanto, Accra
Tel: (+233) 289 516792
Fax: (+233) 320 671874

Kotoka International Airport Agency
Arrival Hall
Kotoka International Airport
Tel: (+233) 307 020193, 020195

Kumasi Polytechnic Agency
Kumasi Polytechnic Campus
Kumasi
Tel: (+233) 322 048249 - 50
Fax: (+233) 322 048251-52

Takoradi Harbour Branch
No. 49A Nzema Road
Takoradi
Tel: (+233) 31 2023363
Fax: (+233) 31 2021744

PRODUCTS AND SERVICES

Z-Web Acquiring Verified by Visa
Z-Web Acquiring Verified by Visa, the first of its kind in West Africa, is a platform that connects merchants, cardholders, and financial institutions with Visa's advanced network. It allows merchants to accept card payments from customers who desire to do online purchases using their Visa cards.

Z.Com in Partnership with Google
Z.com, a unique revolutionary business and banking solution, developed in partnership with Google, for Small and Medium Enterprises (SMEs).It represents a bundle of free interactive website and a subsidized bouquet of electronic banking solutions.

Zenith Children's Account Plus (ZECA Plus)
ZECA Plus is a specialized top of the range savings product for children between 0-12 years. With ZECA Plus, you earn high interest and enjoy fantastic benefits.

Zenith Investment Plan Account (Z-IPA)
ZIPA is an investment instrument designed to build up adequate financial resources for future uses. It has been packaged for corporate bodies, associations, fund managers and investment clubs. ZIPA is ideal for managed funds and welfare funds.

Visa Cards
The Bank has four (4) VISA cards to make business transactions easier, timely and safer:
- Zenith Platinum Debit Visa Card
- Zenith Classic Credit Visa Card
- Zenith Classic Debit Visa Card
- Zenith Classic Prepaid Visa Card

Zenith Society Account (Z-Society)
An investment account designed for clubs, societies, associations and social organizations to offer funds management services at very attractive interest rates.

OTHER BANKING SERVICES

Domestic Account
- Current Account
- Savings Account
- Clubs/ Public/Partnership Current Account
- Sole proprietor-ship Current Account

Foreign Account
- Foreign Currency Account
- Foreign Exchange Account

Treasury
- Treasury Bills Investment
- Zenith Investment Savings Account (ZISA)
- Zenith Investment Plan Account (Z-IPA)
- Zenith Investment Retirement Account (ZIRA)
- Commercial Paper (CP)
- Bankers Acceptance (BA)

Trade
- Letters Of Credit
- Bills for Collection
- Export Finance
- Structured Short Term Loans
- Guarantees & Bonds

E-business Products
- Automatic Direct Payment System (ADPS)
- Automated Cheque Writing Solution (ACWS)
- Sal-Pay
- Z-Prompt (Transaction Notification)
- Internet Banking (i-banking)
- Z-mobile
- EazyPay & ATM Services (EazyCash)
- Collection Solution (Schools, Airlines etc)
- Reconciliation Tool
- E-ticketing
- Visa Cards
- Draft Issuance Service (DIS)
- E-zwich

CORRESPONDENT BANKS:

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

Citibank N.A, London
Citigroup Center
25 Canada Square
Canary Wharf
London E14 5LB

Citibank N.Y.
111 Wall Street
New York, N.Y. 10005
Swift: CITIUS33

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

Zenith Bank (UK) Ltd
39 Cornhill Road
London, EC3V 3NU
Email: info@zenith-bank.co.uk

Bank of Beirut (UK) Ltd
17A Curzon Street
London (West End) W1J 5HS
England, UK

JP Morgan Chase Bank NA
Global Implementation Project Management
1 Chaseside
Bournemouth
Dorset
Bh7 7DA
UK

Commerz Bank
Aktiengesellschaft,
60261
Frankfurt am Main
Germany

BNP Paribas
CIB-Structured Finance
37, place du Marché Saint-Honoré
75001 Paris

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KLM · Kenya Airways · Air Namibia

virgin atlantic · Alitalia · AntrakAir

AFRICA WORLD AIRLINES

Mobile Payments

MTN · airtel · eTranzact

International Inward Remittances

WESTERN UNION · MoneyGram · EzRemit Money Transfer

Bill Payments

Electricity Company of Ghana Ltd · Ghana Water Company Limited · DStv · MTN

Prize Redemption Services

NLA

National Lotteries Authority
Lottery-Payments

Financial & Invest. Collection

Databank · FirstBanC Financial Services · icsecurities · DICL

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Report Of The Directors To The Members Of Zenith Bank (Ghana) Limited

Report of the Directors

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2012 report as follows:

Directors Responsibility Statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act, 1963 (Act 179), the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and for such controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

Financial Report and Dividend

31 December	2012	2011
	GH¢	GH¢
Profit before taxation is	40,266,158	26,024,680
from which is deducted taxation of	(9,875,530)	(2,574,604)
giving a profit after taxation for the year of	30,390,628	23,450,076
less net transfer to statutory reserve fund and other reserves of	(19,767,841)	(7,156,048)
leaving a balance	10,622,787	16,294,028
when added to a balance brought forward on retained earnings of	19,867,247	3,573,21 9
gives a balance of	30,490,034	19,867,247

In accordance with Section 29(a) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738), an amount of GH¢ 15,195,314 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 44,148,596 at the year end.

The Directors do not recommend the payment of dividend.

Nature of Business

The Bank is authorised by Bank of Ghana to carry on the business of universal banking.

Holding Company

The Bank is a subsidiary of Zenith Bank Plc, a company incorporated in the Federal Republic of Nigeria and licensed to undertake all banking and related services.

Auditor

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

Approval of the Financial Statements

The financial statements of the Bank were approved by the board of directors on February 14, 2013 and were signed on their behalf by:

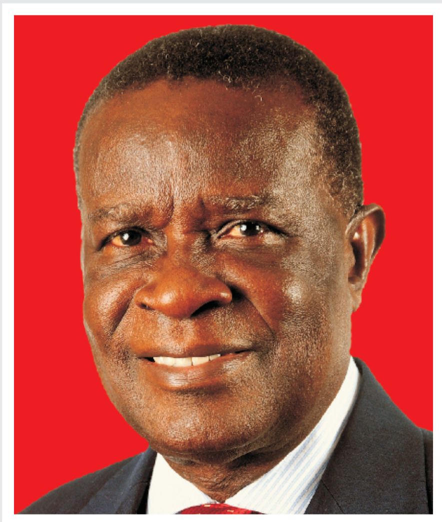
Mary Chinery-Hesse	**Daniel Asiedu**	
(Chairman)	(Managing Director/CEO)	**Date: February 14, 2013**

Board of Directors

Mary Chinery-Hesse –Chairman

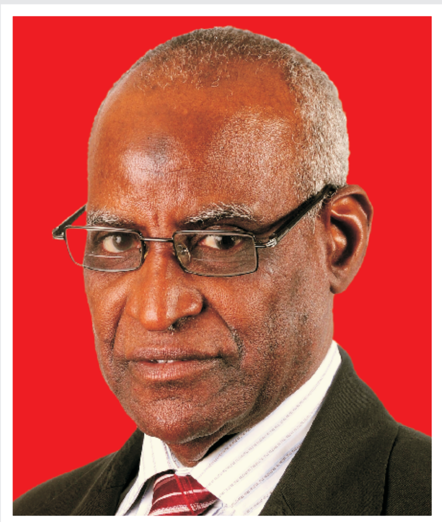
Daniel Asiedu –Managing Director/CEO

Godwin Emefiele – Director



Kwame Sarpong – Director

Henry Benyah – Director



Lawal Sani – Director

Babatunde Adejuwon – Director

Henry Oroh –Director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THE
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Chairman's Message

"Strategic thinking, creativity and courage will be required to outsmart competition and turn opportunities into value for our shareholders."

Mary Chinery-Hesse,
Board Chairman

It gives me great pleasure to present the Annual Report of the Bank for the financial year ended December 31, 2012.

The year 2012 started with great optimism about the continuation of the global economic recovery which was being spearheaded by the emerging and developing economies of the world, four years into the global financial crisis. However, the global economy experienced some financial crisis i.e. euro zone sovereign debt crisis and frailties in the US, Japan, Latin America and the Caribbean economies which combined to threaten this recovery process. By close of the year, the global output had grown by just 3.2%, down from the 3.9% achieved in 2011.

The growth rate for the domestic economy for the year under review is estimated between 7.1% and 8.5%. Whereas the Ghana Statistical Service estimates it to be 7.1% (as at September 2012), the Center for Policy Analysis (CEPA) and Ernst & Young has projected a growth rate of 8.5%.

Consistent Growth

I am delighted to report that in spite of all the challenges, Zenith Bank has delivered yet another year of consistent growth in balance sheet, revenues and profits during a period of electoral uncertainty, rapidly changing commercial and regulatory background. The Bank continues to balance growth with profitability and this is evidenced in the healthy return on assets of 5 percent and return on equity of 23 percent reported for the year under review.

The balance sheet grew by 35 percent to close at Gh¢ 950m (up from Gh¢ 699m in 2011) whilst profit before tax increased by about 54 percent to close at Gh¢40m. The capital adequacy ratio stood at 18.73 percent against a minimum regulatory requirement of 10 percent.

Corporate Governance

Strong corporate governance is essential to any organization's ability to achieve sustainable growth and deliver shareholder value. The board continues to provide strategic counsel to the senior executive team, evolving our practices to meet the needs of our business environment and continuing to ensure decisions align with our risk appetite. In recent years compliance has become a very important topic for businesses as cost implications for non compliance has resulted in heavy financial penalties putting many organizations under severe pressure. I am pleased to report that we have completed the setting up of a fully functional Compliance Department which will make significant improvements in our corporate governance practices.

Looking ahead

The years ahead look promising as Ghana's economy continues to grow, with foreign direct investment into the country increasing, the Government seeking to improve the business climate and expansion of the nation's infrastructure.

Strategic thinking, creativity and courage will be required to outsmart competition and turn opportunities into value for our shareholders. I am confident that we can build on our successes in 2012 in spite of regulatory uncertainty, and a challenging global economic environment. This confidence is premised on the strength and resilience of our business model and the people behind it.

I thank my colleagues on the Board for their support throughout the year. I would also like to congratulate management of the bank for their excellent leadership in 2012 and extend my and the board's sincere appreciations to all staff for their continued commitment and dedication.

Executive Management

Daniel Asiedu - Managing Director/CEO

Henry Oroh - Executive Director

Daniel Agamah - Chief Risk /Compliance Officer

Eva Richter-Addo - Head, Corporate Services

Chief Executive Officer's Review

"It remains the desire of Zenith Bank to offer a full suite of high quality products and services to our customers to meet their evolving financial needs."

Daniel Asiedu
Managing Director/CEO

Operating Environment

Global Markets were affected by ongoing concerns surrounding euro-zone sovereign debt, the European banking system, the US federal budget deficit and economic growth issues, all of which affected consumer confidence. The combined effect of these threats to the global economic outlook led to further downward revisions of growth forecasts. For advanced economies, the growth projection was reduced from 2 percent to 1.5 percent, while for emerging and developing countries it went down from 6 percent to 5.6 percent.

The Banking Industry

The banking industry continued to show steady growth in assets and profitability in 2012, although at a relatively slower pace. Total assets of the industry grew by 23 percent i.e. from GH¢ 22.1 billion as at December 31, 2011 to GH¢27.2 billion as at December 31, 2012. The growth in assets was funded mainly by deposits which grew by 25 per cent to close at GH¢20 billion as at December 31, 2012 (i.e. from GH¢16 billion as at December 31, 2011). The financial soundness indicators (i.e. earnings, liquidity and capital adequacy remained strong).

The industry's Capital Adequacy Ratio (CAR) grew marginally by 1.5 percent i.e. from 17.1 percent in the previous year to 18.6 percent, well above the 10 percent benchmark. Non-performing loans at the industry level remained high, although declining. The Non-Performing Loans (NPL) ratio improved to 13.2 percent from 15.3 percent at the close of prior year.

Zenith Developments

Amidst a rapidly evolving global and domestic economic environment, the bank has continued to focus on the strategic path we set in the year 2010. The objective was to change funding mix, significantly improve asset quality; and enhance our profitability.

Below are some highlights of the progress we have made over the two years:

- We have improved the percentage of demand deposit to total deposit from 28.6 percent as at December 31, 2010 to 80 percent as at December 31, 2012. The retail deposit base continues to be the cornerstone of the growth strategy of the Bank and it has performed well in a challenging environment, reflecting the improvement in our customer service.

- Interest expense increased by 37 percent between 2010 and 2011,however, there was a decline of 32 percent between 2011 and 2012 amidst rising interest rates. The benchmark 91 day Treasury bill rate increased by 88 percent i.e. from 12.26 percent in December 2010 to 23.12 percent in December 2012

- Return on earning assets has also improved from 4.4 percent in 2010 to 10.59 percent in 2012

  Stemming from the above progress in our funding mix, the bank was able to achieve 54 percent growth in its operating profit i.e. from Gh¢ 26m for the year ended 2011 to Ghc 40m in 2012.

Other Developments

The Bank has built its business upon the trust of our cherished customers who avail themselves to our products and services through a network of 25 branches and agencies, in addition to 215 ATMs and POS spread across the country. It remains the desire of Zenith Bank to offer a full suite of high quality products and services to our customers to meet their evolving financial needs. In furtherance of the above, the bank achieved the following during the year under review:

- opened a new branch at Akosombo in the Eastern Region. This means the bank has presence in eight out of the ten regions in Ghana
- obtained MasterCard license to accept MasterCard on both our ATMs and POS in addition to our Visa license. This is a further statement of the strength of and confidence in the Zenith brand
- American Express Card can now be accepted on our numerous ATMs
- Our Visa cards issued are now VBV i.e Verified by Visa

The year 2013

2013 offers a lot of prospects for the emerging and developing countries amidst the slow global economic recovery. Local oil production, gold and cocoa prices are projected to increase during the year. Private capital flows into the country is expected to grow as government makes significant investments in infrastructure.

Our priorities in 2013 will include:

- to continue to focus on IT development for efficient service to our customers
- to manage credit risk through effective assessment and continuous monitoring of facilities
- to improve on client relationship and serve customers with the right spirit

I am convinced that proactively continuing our business model as we actively explore new business opportunities will enable us achieve our objective. I am equally convinced that a truly inspired staff would be a critical factor; hence our theme for the year, **"Inspired for superior performance"**. In 2012, their unfailing commitment meant that we were once again able to provide our customers with the best possible service.

On behalf of all of us i.e. management and staff, I want to use this medium to express our appreciation to the board for their invaluable contributions, advice and support over the years and hope it will continue to enable us deliver superior performance in 2013.

I would also like to thank our customers for the trust they have placed in Zenith and our employees for their commitment and their contribution to the success of the bank.

We are all committed to do even better in 2013.

Corporate Governance

Corporate governance relates to the systems, rules, processes and laws by which businesses are operated, regulated, directed and controlled with the view of achieving the long term goals of the organization while maintaining the right balance with stakeholders' interests. The stakeholders comprise both internal and external parties.

Increase in stakeholder activism has led to increased demand for accountability from organizations the world over.

At Zenith Bank (Ghana) Limited, conscious of our enviable place in the market, we have in place a robust system of corporate governance bearing in mind our core values of **Believe in God, Integrity** and **Keeping the Service Promise.** We also pay key attention to elements of honesty, trust, openness and accountability.

The Board and Board Committees

The Board of Directors is made up of a Non Executive Chairman, five (5) Non Executive Directors and three (3) Executive Directors.

The Board comprises of persons of mixed skills with experience in different fields of human endeavor. The Directors are conscious of their statutory responsibilities as well as their responsibilities to shareholders and other stakeholders. The Board is responsible for the strategic direction of the Bank.

The Managing Director/Chief Executive Officer is responsible for the day to day running of the Bank assisted by the Executive Committee. The roles of Chairman and Managing Director are separate with a clear division of responsibilities between them.

Responsibilities of the Board

The Board is responsible for:

- Review and provision of strategic direction for the bank including major plans of action and risk policy;
- Review and approval of annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance;
- Overseeing major capital expenditures, acquisitions and divestiture;
- Monitoring the effectiveness of the corporate governance practices under which the Bank operates and making appropriate changes as necessary;
- Ensuring the integrity of the Bank's accounting and financial reporting systems;
- Ensuring that appropriate systems of control and risk monitoring are in place; and
- Establishment of the various Committees of the Bank including the terms of reference and review of reports of such Committees to address key areas of the Bank's business.

The Board meets at least every quarter but may hold extraordinary sessions as the business of the Bank demands.

Committees

The Board executes it functions through various committees of the Board. These committees have been set up in accordance with statutory requirements and global best practices. Each Committee has well defined terms of reference to guide their functions. The Committees consider only matters that fall within their purview to avoid decision overlaps. The Committees of the Board meet each quarter but may hold extraordinary meetings to address urgent issues that may arise.

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, three (3) other Non-Executive Directors and two (2) Executive Director as members. The Board Credit Committee is chaired by a Non-Executive Director who is well versed in credit matters. All loan applications above the level of Management Credit Committee are sent to the Committee for consideration and approval. The composition of the Committee is as follows:

Name of Director	Position
Godwin Emefiele	Chairman
Babatunde Adejuwon	Member
Kwame Sarpong	Member
Lawal Sani	Member
Daniel Asiedu	Member
Henry Oroh	Member

Board Risk Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and two (2) Executive Directors. The Risk Management Committee has oversight responsibility for the overall risk assessment of various areas of the Bank's operations and compliance. The Chief Risk Officer has access to this Committee and makes quarterly presentations for the consideration of the Committee.

Members of the Committee include:

Name of Director	Position
Kwame Sarpong	Chairman
Babatunde Adejuwon	Member
Henry Benyah	Member
Daniel Asiedu	Member
Henry Oroh	Member

Board Audit Committee

The Committee is made up of a Non-Executive Chairman and two (2) other Non-Executive Directors. The Committee meets once every quarter. We recognize the Committee as the “guardian of public interest”, and reflect this both in the composition and caliber of its membership.

Name of Director	Position
Henry Benyah	Chairman
Lawal Sani	Member
Babatunde Adejuwon	Member

Board Nomination Committee

The purpose is to seek and nominate qualified candidates for appointment to Zenith's Board of Directors. The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and one Executive Director as members. The Committee is scheduled to meet every quarter and at such times that the need arises. Members of the Committee are as follows:

Name of Director	Position
Kwame Sarpong	Chairman
Babatunde Adejuwon	Member
Godwin Emefiele	Member
Daniel Asiedu	Member

Schedule of attendance at Board Meetings

Below is the schedule of attendance at Board Committee meetings during the year.

Directors	BC	CC	RC	NC	AC
Mary Chinery-Hesse	4	N/A	N/A	N/A	N/A
Daniel Asiedu	4	4	4	-	N/A
Godwin Emefiele	2	2	N/A	-	N/A
Kwame Sarpong	4	4	4	-	N/A
Henry Benyah	4	N/A	4	-	4
Babatunde Adejuwon	4	N/A	4	-	4
Lawal Sani	4	4	N/A	-	4
Henry Oroh	3	2	2	-	N/A

*Risk Committee (RC), Nomination Committee (NC), Audit Committee (AC), Credit Committee (CC), Board Committee (BC).

N/A as used above implies 'Not applicable' that is, the Director in question was not a member of the stated committee and hence could not have been expected to attend the Committee meeting.

Other Committees

The Bank has in place, other standing management committees in addition to the afore-mentioned Committees. These include among others:

Asset and Liability Committee (ALCO)

The purposes of ALCO are formation of an optimal structure of the Bank's balance sheet to provide the maximum profitability, limiting the possible risk level; control over the capital adequacy and risk diversification; execution of the uniform interest policy; determination of the Bank's liquidity management policy; control over the state of the current liquidity ratio and resources of the Bank; The committee is chaired by the MD/CEO and consists of all the members of EXCO in addition to other senior staff members. This committee meets every week.

Executive Committee (EXCO)

The Bank has in place an Executive Committee which has oversight responsibility for the implementation of strategies approved by the Board. It is chaired by the Managing Director/Chief Executive Officer. It meets once every week to discuss and adopt policy decisions. It also provides direction for the staff of the bank and ensures effective and efficient use of the Bank's resources.

It is made up of the following members:

Name	Position
Daniel Asiedu	Chairman
Henry Oroh	Member
Daniel Agamah	Member
Eva Richter-Addo	Member

Management Committee

This committee is chaired by the Managing Director/Chief Executive Officer. It meets weekly to deliberate on issues affecting the Bank. Membership includes EXCO members, Heads of Departments and Branch Heads, at and above the grade of Assistant Manager.

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 Internal Control and Audit 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 Staff Handbook to its employees in the discharge of their duties. This handbook sets the professionalism and integrity required for business operations which covers compliance with the law, conflict of interest, bribery and strict adherence to these principles so as to eliminate the potential for illegal practices.

Independent Auditor's Report

To The Members Of ZENITH BANK (GHANA) LIMITED

Report on the Financial Statements

We have audited the financial statements of Zenith Bank (Ghana) Limited which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, which include a summary of significant accounting policies as set out on pages 35 to 82.

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 in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Zenith Bank (Ghana) Limited as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and and Section 78 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and and Section 78 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

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

In our opinion, proper books of account have been kept and the statements of financial position and comprehensive income are in agreement with the books of account.

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

....
Signed by: Nathaniel D. Harlley (ICAG/P/1056)
For and on behalf of:
KPMG: (ICAG/0036)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

February 14, 2013

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2012 GH¢	2011 GH¢
Assets			
Cash and cash equivalents	17	387,739,076	308,100,349
Government securities	18	209,203,135	172,753,915
Loans and advances to customers	19	326,367,194	200,554,868
Property and equipment	20	13,470,903	11,724,496
Leasehold property	21	956,582	978,382
Intangible assets	22	183,648	111,030
Deferred tax assets	23	4,706,313	782,432
Other assets	24	6,860,457	4,790,127
Total assets		949,487,308	699,795,599
Liabilities			
Due to other banks	26	10,842,494	–
Deposits from customers	25	780,684,242	576,852,223
Other liabilities	27	12,313,609	9,601,234
Tax payable	15.a	5,214,310	3,300,117
Total liabilities		809,054,655	589,753,574
Equity			
Stated capital	28.1	61,221,496	61,221,496
Statutory reserve	28.3	44,148,596	28,953,282
Credit risk reserve	28.4	4,572,527	–
Retained earnings	28.2	30,490,034	19,867,247
Total Equity		140,432,653	110,042,025
Total equity and liabilities		949,487,308	699,795,599

Mary Chinery-Hesse
(Chairman)

Daniel Asiedu
(Managing Director/CEO)

The notes on pages 34 - 84 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2012 GH¢	2011 GH¢
Interest income	8	79,965,861	64,237,357
Interest expense	8	(25,327,324)	(37,307,657)
Net interest income		54,638,537	26,929,700
Fees and commission income	9	31,549,038	25,938,734
Net trading income	10	14,371,068	14,800,578
Other operating income	11	4,927,212	6,593,186
Net trading and other income		50,847,318	47,332,498
Total operating income		105,485,855	74,262,198
Impairment loss on financial assets	12, 19.b	(10,749,360)	(4,282,900)
Personnel expenses	13	(20,402,281)	(16,034,040)
Depreciation and amortization	20.a	(5,157,357)	(5,247,734)
Other expenses	14	(28,910,699)	(22,672,844)
Profit before income tax		40,266,158	26,024,680
Taxation	15	(9,875,530)	(2,574,604)
Profit after tax		30,390,628	23,450,076
Other comprehensive income		–	–
Total comprehensive income for the year attributable to equity holders of the Bank		30,390,628	23,450,076
Earnings per share - Basic & Diluted	16	0.05	0.04

The notes on pages 34 - 84 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Stated Capital GH¢	Statutory Reserve GH¢	Credit risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as at 1 January 2011	61,221,496	17,228,244	4,568,990	3,573,219	86,591,949
Profit for the year	-	-	-	23,450,076	23,450,076
Regulatory and other reserves					
Transfer from credit risk reserve	-	-	(4,568,990)	4,568,990	-
Transfer to statutory reserve	-	11,725,038	-	(11,725,038)	-
Net transfers to/(from) reserves	-	11,725,038	(4,568,990)	(7,156,048)	-
Balance at 31 December 2011	61,221,496	28,953,282	-	19,867,247	110,042,025
Balance at 1 January 2012	61,221,496	28,953,282	-	19,867,247	110,042,025
Profit for the year	-	-	-	30,390,628	30,390,628
Regulatory and other reserves					
Transfer to credit risk reserve	-	-	4,572,527	(4,572,527)	-
Transfer to statutory reserve	-	15,195,314	-	(15,195,314)	-
Net transfers to/(from) reserves	-	15,195,314	4,572,527	(19,767,841)	-
Balance at 31 December 2012	61,221,496	44,148,596	4,572,527	30,490,034	140,432,653

The notes on pages 34 - 84 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Note	2012 GH¢	2011 GH¢
Profit before tax		**40,266,158**	26,024,680
Adjustments for:			
Depreciation and amortization	20.a	**5,157,357**	5,247,734
Net impairment loss on financial assets	12	**10,749,360**	4,282,900
Net interest income	8	**(54,638,537)**	(26,929,700)
(Profit)/loss on disposal of property equipment	20.b	**(12,800)**	(23,298)
Asset write-off	20	**9,851**	83,585
		1,531,389	8,685,901
Changes in:			
Government securities	18	**(36,449,220)**	(67,009,706)
Loans and advances to customers	19	**(136,561,686)**	71,140,308
Other assets	24	**(2,070,330)**	251,637
Due to other bank	26	**10,842,494**	-
Customer deposits	25	**203,832,019**	24,656,424
Other liabilities	27	**2,712,375**	(1,104,927)
		43,837,041	36,619,637
Interest received	8	**79,965,861**	64,237,357
Interest paid	8	**(25,327,324)**	(37,307,657)
Taxes paid	15.a	**(11,885,218)**	(4,605,516)
Net cash flow from operating activities		**86,590,360**	58,943,821
Cash flow from investing activities			
Acquisition of property and equipment	20	**(6,890,515)**	(4,760,074)
Proceeds from disposal of property and equipment	20.b	**57,236**	90,000
Acquisition of leasehold property	21	**-**	(200,000)
Acquisition of intangible assets	22	**(118,354)**	(125,646)
Net cash flow used in investing activities		**(6,951,633)**	(4,995,720)
Net cash flows from financing activities		**-**	-
Net increase in cash and cash equivalents		**79,638,727**	53,948,101
Balance at beginning		**308,100,349**	254,152,248
Cash and cash equivalents at 31 December		**387,739,076**	308,100,349
Cash and cash equivalents at 31 December	17	**387,739,076**	308,100,349

The notes on pages 34 - 84 are an integral part of these financial statements.

ZENITH SOCIETY ACCOUNT (Z-SOCIETY)

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Page 34-84)

1.0 Reporting entity

Zenith Bank (Ghana) Limited (the Bank) is a bank incorporated in Ghana. The address of the Bank's registered office is Premier Towers, Liberia Road, PMB CT 393, Accra. The financial statements of the Bank as at, and for the year ended 31 December 2012 are as stated in this report. The Bank is a subsidiary of Zenith Bank Plc of Nigeria. The Bank operates with a universal banking license that allows it to undertake all banking and related services.

2.0 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on **February 14, 2013**.

b) Functional and presentation currency

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

c) Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Additional information required under the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) have been included, where appropriate. The financial statements have been prepared under the historical cost convention, except for:

financial assets and liabilities held for trading measured at fair value;

financial instruments designated at fair value through profit and loss measured at fair value;

available-for-sale financial assets measured at fair value.

The financial statements comprise the statements of financial position, comprehensive income, changes in equity and cash flows and notes to the financial statements.

d) Use of accounting estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

3.0 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-valued at closing inter-bank mid rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition.

3.0 Summary significant accounting policies (cont'd)

3.1 Foreign currency transaction (cont'd)

Non-monetary items denominated in a foreign currency that are measured at fair value are translated at exchange rates ruling at the date when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-valued at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognized in profit or loss, except for differences on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value and differences arising on translation of available-for-sale equity investments in other comprehensive income.

All foreign exchange gains and losses recognized in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

3.2 Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

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 recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

3.3 Fee and commission income

Fees and commissions are recognized on an accrual basis when the related services are performed. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognized on a straight line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

3.4 Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realized and unrealized fair value changes, interest and foreign exchange differences.

3.5 Dividend income

Dividend income is recognized when the right to receive income is established.

3.6 Leases

Minimum lease payments under finance leases are apportioned between finance expense and the outstanding lease liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases under which the Bank assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are classified as operating leases.

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. Minimum lease payments under finance leases are apportioned between finance expense and the outstanding lease liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.0 Summary significant accounting policies (cont'd)

3.7 Financial assets and liabilities

All financial assets and liabilities are recognized in the statement of financial position and measured in accordance with their assigned category.

3.7.1 Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held to maturity, available-for-sale or at fair value through profit or loss within the category of held for trading or designated at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition.

a) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- i Those that the Bank intends to sell immediately or in the short term, which are classified as held for trading and those that upon initial recognition are designated at fair value through profit or loss;
- ii Those that upon initial recognition are designated as available-for-sale; or
- iii Those for which the holder may not recover substantially all of the initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortized cost using the effective interest method. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in profit and loss as 'loan impairment charges'.

b) Held to maturity

Held to maturity assets are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive interest and ability to hold to maturity and which are not designated at fair value through profit or loss or available-for-sale.

Held to maturity assets are carried at amortized cost using the effective interest method less any impairment losses. Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale with the difference between amortized cost and fair value being accounted for in other comprehensive income.

c) Available-for-sale financial assets

Available-for-sale financial assets are 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 that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit and loss. Dividends on available-for-sale equity instruments are recognized in profit and loss in 'Dividend income' when the Bank's right to receive payment is established.

3.7.2 Financial liabilities

Financial liabilities are held either at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), or at amortized cost.

3.0 Summary significant accounting policies (cont'd)

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual patterns of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effectively held as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognized as 'financial liabilities held for trading'.

Gains and losses arising from changes in the fair value of financial liabilities classified as held for trading are included in profit and loss.

b) Other liabilities measured at amortized cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from related entities, customers or debt securities in issue, convertible bonds and subordinated debts for which the fair value option is not applied.

3.7.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities quoted on Stock Exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, foreign exchange rates, and counterparty spreads) existing at the reporting dates.

3.7.4 Recognition

The Bank recognizes financial assets and liabilities on the trade date on which they are originated, when the Bank becomes party to the contractual provisions of the instrument.

3.7.5 De-recognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire or the Group transfers substantially all the risks and rewards of ownership. Any interest in the transferred financial asset that is created or retrieved is recognized as a separate asset or liability. Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expire.

3.7.6 Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category, if the financial asset is no longer held for the purpose of selling in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term.

In addition, the Bank may choose to reclassify financial assets that meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories, if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

3.0 Summary significant accounting policies (cont'd)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

3.8 Impairment of financial assets

a) Assets carried at amortized cost

The Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at each reporting date. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- i Significant financial difficulty faced by the issuer or obligor;
- ii A breach in the form of default or delinquency in interest or principal payments;
- iii Granting the borrower, as a result of financial difficulty, a concession that the lender would not otherwise consider;
- iv A likely probability that the borrower will enter bankruptcy or other financial reorganization; and
- v The disappearance of an active market for that financial asset because of financial difficulties.

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

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

3.0 Summary significant accounting policies (cont'd)

3.8 Impairment of financial assets (cont'd)

a) Assets carried at amortized cost (cont'd)

Future cash flows in groups of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period including property prices, payment status and other factors indicative of changes in the probability of losses and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of loss has been determined. Impairment charges relating to loans and advances are recognized in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are recognized in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

b) Assets classified as available-for-sale

The Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can objectively be related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through other comprehensive income.

c) Renegotiated loans

Loans that are either subject to collective or individually significant impairment assessment and whose terms have been renegotiated are considered to be past due unless renegotiated terms are adhered to and current repayments suggest otherwise.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.0 Summary significant accounting policies (cont'd)

3.10 Cash and cash equivalents

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

3.11 Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as held to maturity, fair value through profit and loss or available-for-sale.

3.12 Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of selfconstructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and corresponding periods are as follows:

Leasehold land and buildings	50 years
Leasehold improvements	5 years
Furniture, fittings and equipment	4 -5 years
Computers	3 years
Motor vehicles	4 years

3.0 Summary significant accounting policies (cont'd)

3.13 Computer software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets with indefinite useful lives are not amortized.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.14 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. The Bank holds no investment properties.

3.15 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

3.16 Deposits and debt securities issued

Deposits and debt securities issued are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

3.17 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3.0 Summary significant accounting policies (cont'd)

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.18 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.19 Stated capital and reserves

i) Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii) Dividend on ordinary shares

Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

iii) Statutory reserves

Statutory reserves are based on the requirements of section 29(a) of the Banking Act. 2004 (Act 673) Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and its paid up capital, which determines the proportion of profits for the period that should be transferred.

iv) Credit risk reserves

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRSs and the Central Bank's prudential guidelines.

3.0 Summary significant accounting policies (cont'd)

3.20 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

3.21 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

3.22 Fiduciary activities

The Bank acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

3.23 Employee benefits

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) Provident fund

The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 12.5%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

3.24 Post balance sheet events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

At the date of authorisation of the financial statements of the Bank for the year ended 31 December 2012, the following Standards and Interpretations were in issue but not yet effective and may have an impact on future financial statements:

Standard	**Interpretation**
IAS 1 amendment	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* The Bank will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.
IFRS 7 amendment	*Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities* The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements. Based on the new disclosure requirements, the Bank will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods and will not have any significant impact on the Banks's financial statements

Standard	**Interpretation**
IFRS 10	*Consolidated Financial Statements* IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists: Identify how decisions about the relevant activities are made, Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights, Assess whether the entity is exposed to variability in returns, and Assess whether the entity is able to use its power over the investee to affect returns for its own benefit. Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. The above standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

IFRS 11 *Joint Arrangements*

IFRS 11 establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities.

According to IFRS 11, joint arrangements are divided into two types, each having its own accounting model.

Joint operations whereby the jointly controlling parties, known as joint operators, have rights to assets and obligations for the liabilities, relating to the arrangement.

Joint ventures whereby the joint controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

In terms of IFRS 11, all joint ventures will have to be equity accounted.

The above standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.

Standard **Interpretation**

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

The required disclosures aim to provide information to enable user to evaluate:

The nature of, and risks associated with, an entity's interests in other entities; and

The effects of those interests on the entity's financial position, financial performance and cash flows.

This standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

IFRS 13 *Fair Value Measurement*

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in IFRS 13 are as follows:

Fair value is an exit price;

Measurement considers characteristics of the asset or liability and not entity-specific characteristics;

Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;

Price is not adjusted for transaction costs;

Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and

The three-level fair value hierarchy is extended to all fair value measurements.

This is effective for annual periods beginning on or after 1 January 2013 and the

impact on these financial statements for can not be reasonably estimated as at

the reporting date.

Standard **Interpretation**

IAS 19 amendments *Employee Benefits: Defined benefit plans*

Key changes in terms of the amendments are:

Actuarial gains and losses are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss is no longer permitted.

Past service costs as well as gains and losses on curtailments / settlements are recognised in profit or loss.

Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation.

The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled.

This is effective for annual periods beginning on or after 1 January 2013 and is not expected to have any significant impact on the Bank's financial statements.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

IAS 27 — *Separate Financial Statements (2011)*

IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

The adoption of IAS 27 (2011) will not have a significant impact on the Bank's separate financial statements and is effective for annual periods beginning on or after 1 January 2013.

IAS 28 — *Investments in Associates and Joint Ventures (2011)*

IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include:

IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and

On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest.

This amendment is effective for annual periods beginning on or after 1 January 2013 and its adoption will not have a significant impact on the Bank's financial statements.

Standard	Interpretation
IFRS 2009-2011 Annual improvement to various Standards	(i) IFRS 1 First-time Adoption of International Financial Reporting Standards (Repeated application of IFRS1)

The amendment clarifies the applicability of IFRS 1 to an entity that has IFRS in a previous reporting period, but whose most recent previous annual financial standards do not contain an explicit and unreserved statement of compliance with IFRS. If such an entity presents its financial statements in accordance with IFRS again, then it is now allowed, rather than required, to apply IFRS 1.

A repeated adopter that elects not to apply IFRS 1 in the above situation has to apply IFRS retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, as if it had never stopped applying IFRS. Such entity should also disclose the reason for electing to apply IFRS on a continuous basis.

Irrespective of whether the repeated adopter applies IFRS 1, it is required to disclose the reason why it stopped applying IFRS and is resuming the application of IFRS.

The above option is available regardless of whether it existed at the time the entity previously applied IFRS. For example, the above option is available to a repeated adopter that previously applied SIC 8 First-time Application of IASs as the Primary Basis of Accounting.

This amendment will not have a significant impact on the Bank's financial statements.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

Borrowing cost exemption

IFRS 1 is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before date of transition to IFRS.

After the amendment, if a first-time adopter of IFRS chooses to apply the exemption, then:

It should not restate borrowing costs; and

It should account for borrowing costs incurred on or after the date of transition (for an earlier date, as permitted by IAS 23 Borrowing Costs) in accordance with IAS 23. This includes borrowing costs that have been incurred on qualifying assets already under construction at that date.

transition (for an earlier date, as permitted by IAS 23 Borrowing Costs) in accordance with IAS 23. This includes borrowing costs that have been incurred on qualifying assets already under construction at that date.

This amendment will not have a significant impact on the Bank's financial statements.

Standard	Interpretation
IFRS 2009-2011 Annual improvement to various Standards (cont'd)	(ii) IAS 1 Presentation of Financial Statements (Comparative information beyond minimum requirements) IAS 1 is amended to clarify that only one comparative period – which is the preceding period-, is required for a complete set of financial statements. If an entity presents additional comparative information, the additional information need not be in the form of complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Presentation of the Opening statement of financial position and related notes IAS 1 requires the presentation of an opening balance of financial position (sometimes referred to as the 'third statement of financial position') when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification. IAS 1 is amended to clarify that: The opening statement of financial position is required only if: a change in accounting policy; a retrospective restatement; or a reclassification has an effect on the information in that statement of financial position; Except for disclosures required under IAS 8, notes relating to the opening statement of financial position are no longer required; and

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

The appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment explains the requirement for the presentation of notes relating to additional comparative information and those relating to the opening statement of financial statements are different, because the underlying objectives are different.

Consequential amendments have been made to IFRS 1 and IAS 34 Interim Financial Reporting

This amendment will not have a significant impact on the Bank's financial statements.

Standard	Interpretation
IFRS 2009-2011 Annual improvement to various Standards (cont'd)	(iii) IAS 16 Property, Plant and Equipment (Classification of Servicing Equipment) This amendment to IAS 16 clarifies the accounting for spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS Inventories. This amendment will not have a significant impact on the Bank's financial statements. (iv) IAS 32 Financial Instruments: Presentation (Income tax consequences of distributions) Income taxes on distribution to holders of equity instruments and on transaction costs of equity transactions have been clarified in amendments to IAS 32, these are now to be accounted for in accordance with IAS 12 Income Taxes. The amendment removes a perceived inconsistency between IAS 32 and IAS 12. Before the amendment, IAS 32 indicated that distributions to holders of equity instrument are recognized directly in equity, net of any related income tax. However, IAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has been made to IFRIC 2 Members' Share in Co-operative entities and Similar Instruments. This amendment will not have a significant impact on the Banks's financial statements. (v) IAS 34 Interim Financial Reporting (Segment assets and liabilities) IAS 34 is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

IAS 34 now requires separate disclosure of total assets and liabilities for a particular reportable segment:

only when the amount is regularly provided to the chief operating decision maker; and

where there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

Standard	Interpretation
IFRSs 10, 12 and IAS 27 amendments	*Joint Arrangements (IFRS 12) Disclosure of Interests in Other Entities and (IAS 27) Separate Financial Statements (2011)* Under this amendment, a qualifying investment entity is required to account for investments in controlled entities-as well as investments in associates and joint ventures-at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered extensions of the investment entity's investing activities. The consolidation exception is mandatory – not optional. The parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. The amendment also requires new disclosures including quantitative data about the investment entity's exposure to risks arising from its unconsolidated subsidiaries. The disclosures now apply to the investee as a single investment rather than to the consolidated investee's underlying financial assets and financial liabilities. The amendments apply to annual periods beginning on or after 1 January 2014. However, early adoption is permitted, which means that a qualifying investment entity might be able to adopt the amendments as early as 31 December 2012. This amendment will not have a significant impact on the Bank's financial statements.
IAS 32 amendments	*Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities* The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: ● not contingent on a future event; and ● enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. This amendment will not have any significant impact on the Bank's financial statements.

3.0 Summary significant accounting policies (cont'd)

3.25 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IFRS 9	*Financial Instruments*
(2010)	IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects: Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed. Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The above standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual period annual periods beginning on or after 1 January 2015.
IFRS 9	*Financial Instruments*
(2009)	IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The Bank early adopted this standard in its financial statements year ended 31 December 2010 and the impact has been reflected in these financial statements.

4.0 Financial risk management

The Bank's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The major risks the Bank is exposed to include the following:

- credit risk
- liquidity risk
- market risks
- operational risks

However, the Bank is also exposed to compliance, Legal and reputational risks.

a) Risk management framework

The Bank has a risk management framework which defines its risk management objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

The Board of Directors have overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board is also responsible for setting the risk appetite and ensuring overall exposure is commensurate with the Bank's capital.

The Board Risk Committee is responsible for evaluating and reviewing the risk management policies and processes and making appropriate recommendations to the Board.

The Bank's risk management policies are established to identify and analyze risks faced by the Bank, set appropriate risks limits and controls and monitor risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in Bank's strategy, market conditions, products and services offered. Through training and setting of standards and procedures, the Bank has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations.

The Audit and Risk Committees of the Board are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank.

Various Management Committees which include Assets and Liability Committee (ALCO), Management Credit Committee, Management Risk Committees and Operations Committee have been established to ensure the implementation of risk management policies and strategies established by the Board.

4.1 Credit risk management

Credit risk arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired, resulting in a loss to the Bank. It arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure.

The Bank has established limits in terms of the amount of exposure to a single borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and industry sector 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 regularly.

4.0 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

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 for credit risk mitigation. The principal collateral types for loans and advances are:

Mortgages over residential properties;

Charges over business assets such as premises inventory and accounts receivable; and

Charges over financial instruments such as debt securities and equities

4.1.1 Exposure to credit risk

	Note	2012 GH¢	2011 GH¢
Carrying amount	19	326,367,194	200,554,868
Loans and advances to customers at amortised cost			
Individually impaired:			
Grade 6: Impaired		3,672,757	1,145,874
Grade 7: Impaired		827,980	7,441,502
Grade 8: Impaired		25,316,037	16,652,901
Gross amount		29,816,774	25,240,277
Allowance for impairment		(25,043,745)	(21,210,679)
Carrying amount		4,773,029	4,029,598
		2012 GH¢	2011 GH¢
Collectively impaired:			
Grade 1 -3: Low fair risk		325,316,395	197,458,297
Grade 4-5: Watch list		2,401,916	3,325,682
Gross amount		327,718,311	200,783,979
Allowance for impairment		(6,941,106)	(4,258,709)
Carrying amounts		320,777,205	196,525,270

4.0 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

Past due but not impaired:		
Grade 1-3: Low fair risk	4,181,317	2,937,454
Grade 4-5 Watch list	2,401,916	3,325,682
Gross amount	6,583,233	6,263,136
Past due:		
30-90 days	4,181,317	2,937,454
90-180 days	3,672,757	1,145,874
180 days +	28,545,933	26,139,990
Carrying amount	36,400,007	30,223,318
Carrying amount - amortised cost	325,550,234	200,554,868

4.1.2 Impaired loans

Individually impaired loans are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/security agreement(s). These loans are graded 6 to 8 in the Bank's internal credit risk grading system.

4.1.3 Past due but not impaired loans

Past due but not impaired loans, are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

4.1.4 Allowances for impairment

The Bank establishes an allowance for impairment losses carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

4.1.5 Loans and advances with renegotiated terms

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

	2012 GH¢	2011 GH¢
Continuing to be impaired after restructuring (included in non - performing loans)	38,699	2,050,461
Non-impaired after restructuring-would otherwise have been impaired	2,404,865	-
	2,443,564	2,050,461

4.0 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.6 Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Bank's Credit Committee determines that the loans / securities are uncollectible The approval of the Board is sought before the write off is effected. Bank of Ghana is subsequently informed. This determination that a loan is uncollectible is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

Loans and advances to customers

	Gross GH¢	Net GH¢
31 December 2012		
Grade 6: Individually Impaired	3,672,757	1,985,496
Grade 7: Individually Impaired	827,980	519,999
Grade 8: Individually Impaired	25,316,037	2,267,534
Gross amount	29,816,774	4,773,029
31 December 2011		
Grade 6: Individually Impaired	1,145,874	292,854
Grade 7: Individually Impaired	7,441,502	2,704,225
Grade 8: Individually Impaired	16,652,901	1,032,519
Gross amount	25,240,277	4,029,598

4.1.7 Collateral held and their financial effect

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

4.0 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2012 (2011: no collateral held).

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

Loans and advances to customers	2012 GH¢	2011 GH¢
Against individually impaired:		
Property	8,849,295	3,563,047
Others	-	102,884
Against collectively impaired:		
Property	203,725,618	91,812,346
Others	49,474,622	57,739,390
Against past due but not impaired:		
Property	5,078,124	3,069,320
Others	-	-
	267,127,659	156,286,987

4.1.7 Collateral held and their financial effect (cont'd)

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year ended 31 December are shown below:

	2012 GH¢	2011 GH¢
Property	217,526,037	98,444,713
Others	49,474,622	57,842,274
	267,000,659	156,286,987

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.
The Bank generally does not use the non-cash collateral for its own operations.

4.0 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.8 Concentration of credit risk

The Bank monitors concentrations of credit risk by product, by industry and by customer.

An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances to customers	
	2012 GH¢	2011 GH¢
Carrying amount	326,367,194	200,554,868
Concentration by product:		
Overdrafts	196,023,272	124,428,293
Term loans	154,144,020	89,022,194
Staff loans	4,149,228	3,329,525
Finance leases	4,035,525	9,244,244
Gross loans and advances	358,352,045	226,024,256
Less: Impairment	(31,984,851)	(25,469,388)
	326,367,194	200,554,868
Concentration by industry:		
Finance institutions	11,139,938	14,534,831
Agriculture	-	5,814,000
Manufacturing	94,644,339	23,526,774
Public sector	29,834,000	2,900,070
Retail and consumer	73,569,542	27,041,414
Energy	86,056,966	79,884,769
Staff	4,149,228	3,329,525
Telecom	12,414,459	34,738,714
Mining and construction	41,838,333	6,334,289
Others	4,705,240	27,919,870
Gross loans and advances	358,352,045	226,024,256
Less: allowance for impairment	(31,984,851)	(25,469,388)
Net loans and advances	326,367,194	200,554,868

4.0 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.8 Concentration of credit risk (cont'd)

	Loans and advances to customers	
	2012 GH¢	2011 GH¢
Concentration by customer:		
Individuals	**4,149,228**	4,077,581
Private enterprise	**354,202,817**	221,946,675
	358,352,045	226,024,256
Less: Allowance for impairment	**(31,984,851)**	(25,469,388)
	326,367,194	200,554,868

Concentration by industry for loans and advances is measured based on the industry in which the customer operates. Where the nature of business operation of a client cannot be clearly identified, it is classified as others.

4.1.9 Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

4.1.10 Key ratios on loans and advances

Loan loss provision ratio is 8.93% (2011: 9.38%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 8.32% (2011: 11.17%).

Ratio of fifty (50) largest exposure (gross funded and non-funded) to total exposure is 83% (2011: 67%).

4.2 Liquidity risk

This is the potential for loss to the bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. It is the risk that we cannot fund a loan, cover a deposit withdrawal or any other obligations as they fall due or the bank has to sell an asset it will not sell under normal circumstances or has to borrow money at higher-than-usual interest rates from the market.

The Bank maintains liquidity limit imposed by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets. The Bank aims to be in a position to meet all obligations, repay depositors, fulfill commitments to lend and meet any other commitments.

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports on the liquidity position of the bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO on monthly basis.

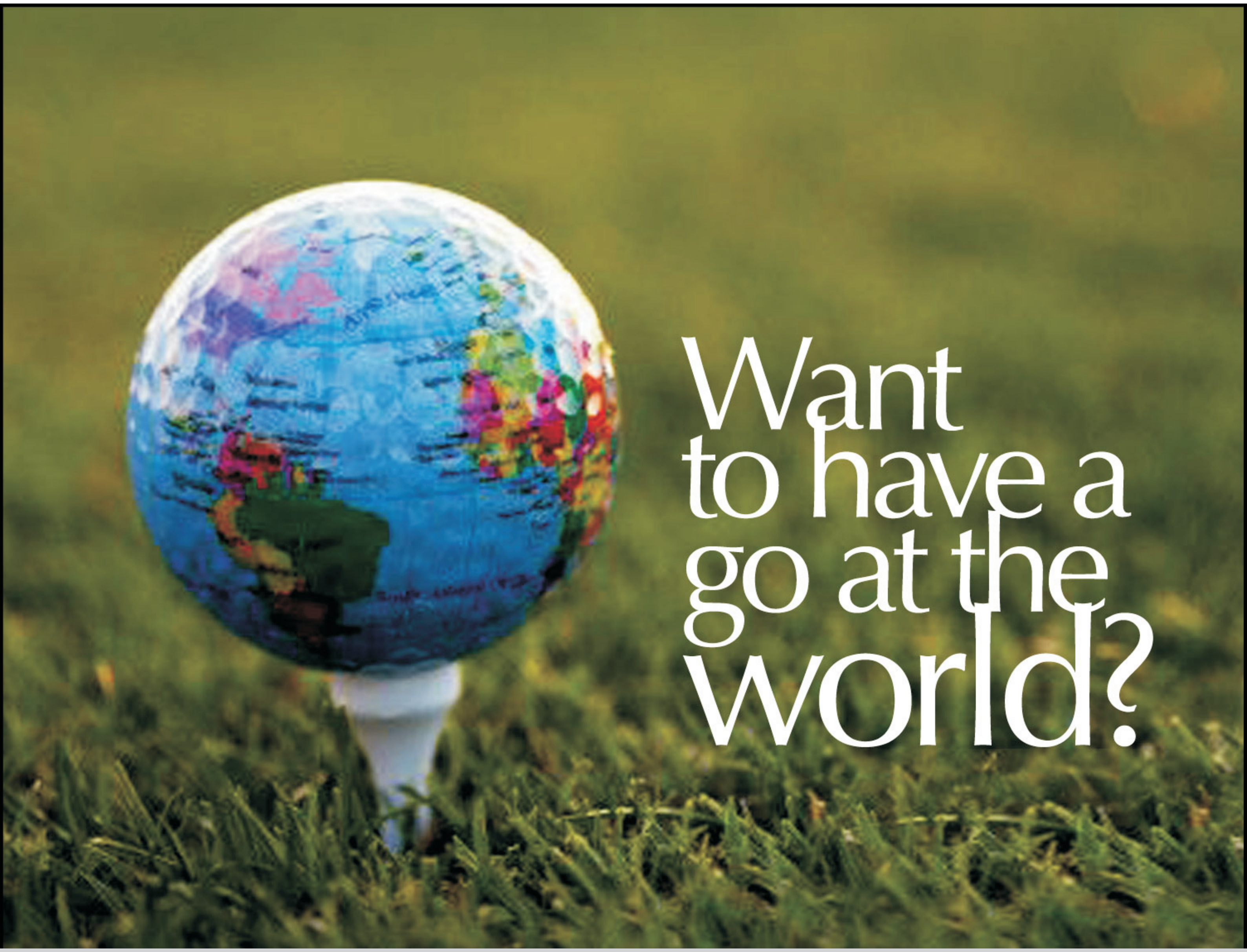
4.2.1 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market less any deposits from banks.

The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

Details of the reported bank ratio of net liquid assets to deposits and customers at the reporting date and during the reporting year were as follows:

	2012 %	2011 %
At period end		
Average for the year	110.64	105.99
Maximum for the year	126.47	119.71
Minimum for the year	100.79	142.99



4.0 Financial risk management (cont'd)

4.2 Liquidity risk (cont'd)

4.2.2 Maturity analysis for financial assets and liabilities

The table below presents cashflows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date adjusted to reflect behavioral character of deposits. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages liquidity risk taking into account the behavioural characteristics of deposits.

	Note	Carrying amount GH¢	Nominal inflow/ (outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢	1- 5 years GH¢
At 31 December 2012							
Non-derivative liabilities							
Due to other banks	26	10,842,494	10,842,494	10,842,494	-	-	-
Deposits from customers	25	780,684,242	780,684,242	578,814,445	59,477,797	123,088,000	19,304,000
Due to parent company	27	1,249,182	1,249,182	1,249,182	-	-	-
		792,775,918	**792,775,918**	**590,906,121**	**59,477,797**	**123,088,000**	**19,304,000**
At 31 December 2011							
Non-derivative liabilities							
Deposits from customers	25	576,852,223	576,852,223	393,422,803	46,712,738	136,716,682	-
Due to parent company	27	617,141	617,141	617,141	-	-	-
		577,469,364	577,469,364	394,039,944	46,712,738	136,716,682	-

4.0 Financial risk management (cont'd)

4.3 Market risks

4.3.1 Management of market risks

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank's exposure to market risk arises principally from customer driven transactions.

Overall authority for market risk is vested in the ALCO. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

4.3.2 Exposure to market risks – Trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is the open position limits using the Value at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Bank is to be exposed to.

4.3.3 Exposure to interest rate risk – Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Note	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢
At 31 December 2012						
Cash and cash equivalent	17	387,739,076	387,739,076	-	-	-
Pledged assets	18	51,216,138	20,600,000	3,855,715	16,760,423	-
Non-pledged assets	18	157,986,997	88,622,978	16,279,157	34,306,000	28,779,000
Loans and advances to customers	19	326,367,194	189,138,861	57,156,000	78,791,000	1,281,333
Total assets		**923,309,405**	**686,100,915**	**77,290,872**	**129,857,423**	**30,060,333**
Due to other banks	26	10,842,494	10,842,494	-	-	-
Deposits from customers	25	780,684,242	638,292,242	80,947,000	42,141,000	19,304,000
Due to parent company	27	1,249,182	1,249,182	-	-	-
Total liabilities		**792,775,918**	**650,383,918**	**80,947,000**	**42,141,000**	**19,304,000**
Total interest repricing gap		**130,533,487**	**35,716,997**	**(3,656,128)**	**87,716,423**	**10,756,333**

4.0 Financial risk management (cont'd)

4.3 Market risks (cont'd)

At 31 December 2011

Cash and cash equivalent	17	308,100,349	308,100,349	-	-	-
Pledged assets	3.7.1	28,896,003	28,896,003	-	-	-
Non pledged assets	3.7.1	143,857,912	36,477,740	82,476,520	11,577,615	13,326,037
Loans and advances to customers	19	200,554,868	78,018,920	14,104,670	75,967,835	32,463,443
		681,409,132	451,493,012	96,581,190	87,545,450	45,789,480
Deposits from customers	25	576,852,223	440,135,541	89,046,020	47,670,662	-
Due to parent company	27	617,141	617,141	-	-	-
Total liabilities		577,469,364	440,752,682	89,046,020	47,670,662	-
Total interest repricing gap		103,939,768	10,740,330	7,535,170	39,874,788	45,789,480

4.3.3 Exposure to interest rate risk – Non-trading portfolios

i) Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 500 basis point (bp) parallel fall or rise in market interest rates.

An increase of a 500 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

	2012 GH¢	2011 GH¢
Interest income impact	4,616,547	3,407,046
Interest expense impact	(3,963,880)	(2,887,347)
Net impact	652,667	519,699

4.0 Financial risk management (cont'd)

4.3 Market risks (cont'd)

A decrease of a 500 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

4.3.4 Exposure to other market risks – Non-trading portfolios

The Bank's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from customer driven transactions.

i) Foreign exchange exposure

As at the reporting date net currency exposures for major currencies of the Bank are as follows:

At 31 December 2012	USD	GBP	EURO	Others	Total
Net foreign currency exposure:	GH¢	GH¢	GH¢	GH¢	GH¢
Assets	290,911,723	7,515,471	34,393,298	38,566	332,859,058
Liabilites	(302,013,215)	(11,845,212)	(31,587,538)	-	(345,445,965)
Net on balance sheet position	(11,101,492)	(4,329,741)	2,805,760	38,566	(12,586,907)
Line facilities for LCS and Bonds and Guarantees	(233,687,379)	(2,948,987)	(9,576,264)	(99,118)	(246,311,748)
At 31 December 2011					
Net foreign currency exposure:					
Assets	200,436,781	5,287,988	22,627,300	18,809	228,370,878
Liabilites	(232,853,012)	(6,421,126)	(17,532,637)	-	(256,806,775)
Net on balance sheet position	(32,416,231)	(1,133,138)	5,094,663	18,809	(28,435,897)
Line facilities for LCS and Bonds and Guarantees	(246,782,144)	(717,977)	(17,564,641)	-	(265,064,762)

The following mid inter-bank exchange rates were applied during the year:

	Average rate		Reporting rate	
GH¢ to	2012	2011	2012	2011
USD 1	1.8354	1.5249	1.8841	1.5841
GBP 1	2.9172	2.4437	3.0377	2.4501
EURO 1	2.3626	2.1324	2.4970	2.0500

4.0 Financial risk management (cont'd)

4.3 Market risks (cont'd)

4.3.4 Exposure to other market risks – Non-trading portfolios

ii) Sensitivity analysis

A 5% weakening of the cedi against foreign currencies at 31 December 2012 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

			2012			2011
	Assets	Liabilities	Total	Assets	Liabilities	Total
Profit/(Loss)	16,642,953	(29,587,886)	(12,944,933)	11,418,544	(26,093,577)	(14,675,033)

A best case scenario 5% strengthening of the Ghana cedi against foreign currencies at 31 December would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

4.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

The Bank's Risk Management Department is responsible for establishing and maintaining an appropriate framework for the management of operation risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

4.0 Financial risk management (cont'd)

4.5 Capital management

4.5.1 Regulatory capital

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.

Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank complied with the statutory capital requirements throughout the period. There have been no material changes in the Bank's management of capital during this period.

4.5.2 Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

The table below summarizes the composition of regulatory capital and ratios of the Bank.

	Note	2012 GH¢	2011 GH¢
Tier 1 capital			
Ordinary share capital	28.1	61,221,496	61,221,496
Disclosed reserve		74,637,849	48,820,088
Total qualifying tier 1 capital		135,859,345	110,041,584

4.0 Financial risk management (cont'd)

4.5. Capital management (cont'd)

4.5.2 Capital adequacy ratio (cont'd)

	Note	2012 GH¢	2011 GH¢
Less:			
Goodwill/intangibles	24	2,029,530	2,142,578
Net tier 1 capital		133,829,815	107,899,006
Tier 2 capital		-	-
Total adjusted regulatory capital base		133,829,815	107,899,006
Total assets (less contra items)		949,487,308	699,795,599
Less:			
Cash on hand (cedis)		22,244,619	15,177,694
Cash on hand (forex)		60,865,483	27,875,247
Claims on Bank of Ghana:			
i) Cedi clearing account balance		111,286,720	55,972,563
ii) Forex account balance		53,151,398	29,425,158
Total claims on Bank of Ghana	17, 24	164,438,118	85,397,721

	Note	2012 GH¢	2011 GH¢
Claims on Government:			
I) Treasury securities (bills and bonds)		209,203,135	172,753,915
Total claims on Government			
80% of cheques drawn on other banks		11,932,739	7,422,304
Goodwill / Intangibles	24	2,029,530	2,142,578
80% of claims on Other Banks in cedis/forex		125,274,933	170,371,806
80% of loans guaranteed by government		48,345,909	31,385,722
50% of residential mortgage loans		762,248	714,547
Adjusted total assets		304,390,594	186,554,065
Add: Contingent liabilities			
Commercial letters of credit outstanding		157,971,817	196,380,537
Guarantees/indemnities		186,596,739	168,421,089
Total contingent liabilities	31.2	344,568,556	364,801,626
Net contingent liabilities		344,568,556	364,801,626

4.0 Financial risk management (cont'd)

4.5 Capital management (cont'd)

Add:		
50% of net open position (NOP)	5,178,645	5,203
100% of 3yrs average annual gross income	80,950,974	54,950,209
Total risk weighted assets base	735,088,769	606,311,103
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)	18.21	17.80

4.5.3 Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Bank's Risk Management and Credit Administration Units, and is subject to review by the Bank's Credit Committee or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. Use of estimates and judgements

The preparation of the financial statements in comformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

These disclosures supplement the commentary on financial risk management in Note 4.

5.1 Impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 3.8a.

The specific component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cashflows considered recoverable are independently approved by the ALCO.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific allowances and the model assumptions and parameters used in determining collective allowances.

5.0 Use of estimates and judgements (cont'd)

5.2 Fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3.7.3.

A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled as described in accounting policy Note 3.7.3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank's accounting policy on fair value measurements is discussed in Note 3.7.3.

The Bank measures fair values using the following fair value hierarcjhy that reflects the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and unobservable inputs have a significant effect on the instrument's valuation. This level includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumpitions are required to reflect differences between the instruments.

The table below analyses the financial instruments measures at fair value at the of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1	Level 2	Level 3	Total
31 December 2012					
Government securities	18	-	209,203,135	-	535,570,329
Loans and advances to customers	19	-	326,367,194	-	326,367,194
		-	535,570,329	-	861,937,523
31 December 2011					
Government securities	18	-	172,753,915	-	172,753,915
Loans and advances to customers	19	-	200,554,868	-	200,554,868
		-	373,308,783	-	373,308,783

5.0 Use of estimates and judgements (cont'd)

5.3 Financial assets and liabilities classification

The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into the accounting categories respectively described in Notes 3.7.1 and 3.7.2.

Details of the Bank's classification of financial assets and liabilites are given in Note 7.

6.0 Segment reporting

The Bank's current operation is not segregated to show divisional performance and as such does not lend itself to segmental reporting; hence management has not provided information on segmental reporting.

7. Financial assets and liabilities

	Note	Trading	Design'd at fair value	Held-to-maturity	Loans and receivables	Avaliable -for-sale	Other amort'd cost	Total carrying amount	Fair value
		GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
31 December 2012									
Trading assets									
Cash and cash equivalents	17	-	-	-	387,739,076	-	-	387,739,076	387,739,076
Government securities	18	209,203,135	-	-	-	-	-	209,203,135	209,203,135
Loans and advances to customers	19	-	-	-	326,367,194	-	-	326,367,194	326,367,194
		209,203,135	**-**	**-**	**714,106,270**	**-**	**-**	**923,309,405**	**923,309,405**
Trading liabilities									
Due to other banks		-	-	-	10,842,494	-	-	10,842,494	10,842,494
Deposits from customers		-	-	-	780,684,242	-	-	780,684,242	780,684,242
		-	**-**	**-**	**791,526,736**	**-**	**-**	**791,526,736**	**791,526,736**
31 December 2011									
Trading assets									
Cash and cash equivalents	17	-	-	-	308,100,349	-	-	**308,100,349**	308,100,349
Government sec urities	18	**172,753,915**	-	-	-	-	-	**172,753,915**	172,753,915
Loans and advances to customers	19	-	-	-	200,554,868	-	-	**200,554,868**	-
		172,753,915	-	-	508,655,217	-	-	**681,409,132**	480,854,264
Trading liabilities									
Deposits from customers	25	-	-	-	576,852,223	-	-	**576,852,223**	576,852,223
		-	-	-	576,852,223	-	-	**576,852,223**	576,852,223

7.1 Loans and advances to customers

Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

7.2 Loans and advances to Banks

Loans and advances to banks include inter-bank placements. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of their fair values. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity profiles.

7.3 Government securities

The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is rated using quoted market prices for securities with similar credit, maturity and yield characteristics. All available for sale assets are measured and carried at fair value.

7.4 Deposits from Banks and customers

The estimated fair value of deposits with no stated maturity dates, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar maturity profiles.

7.5 Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on market prices for similar facilities. Where this information is not available, fair value is estimated using discounted cash flow analysis.

8.0 Net interest income	2012 GH¢	2011 GH¢
Interest income		
Loans and advances to customers	44,533,857	37,376,799
Placement with other banks	2,285,743	658,589
Investments securities	33,146,261	26,201,969
Total interest income	79,965,861	64,237,357
Interest expense		
Current accounts	969,877	363,361
Time and other deposits	21,186,276	35,157,725
Overnight and call accounts	3,171,171	1,786,571
Total interest expense	25,327,324	37,307,657
Net interest income	54,638,537	26,929,700
9.0 Fees and commission income		
Fees on loans and advances	5,328,073	3,778,527
Customer account servicing fees	13,597,664	10,113,488
Letters of credit issued	5,622,735	6,018,784
Other fees	7,000,566	6,027,935
	31,549,038	25,938,734

10.0 Net trading income

	2012 GH¢	2011 GH¢
Foreign Exchange	14,371,068	14,800,578

11.0 Other operating income

	2012 GH¢	2011 GH¢
Foreign exchange	4,234,668	6,044,245
Profit on disposal of property and equipment (Note 20.b)	12,800	23,298
Sundry income	679,744	525,643
	4,927,212	6,593,186

12.0 Net impairment losses on financial assets

	2012 GH¢	2011 GH¢
Specific impairment loss	8,066,963	3,724,447
Collective impairment loss	2,682,397	558,453
Net impairment loss on financial assets	10,749,360	4,282,900

13.0 Personnel expenses

	2012 GH¢	2011 GH¢
Wages and salaries	17,442,005	14,138,742
Compulsory social security obligations	702,348	479,984
Contribution to defined contribution plan	679,861	464,764
Other staff cost	1,578,067	950,550
	20,402,281	16,034,040

The number of persons employed by the Bank at the end of the year was **601** (2011: 598)

14.0 Other expenses

	2012 GH¢	2011 GH¢
Advertising and marketing expenses	1,174,567	1,463,895
Administrative expenses	22,322,402	16,165,974
Director's emoluments	213,287	172,941
Auditor's remuneration	145,000	133,181
Operating lease rentals on office premises	5,021,165	4,725,953
Donations and sponsorship	34,278	10,900
	28,910,699	22,672,844

An amount of **GH¢34,278** (2011: GH¢10,900) was spent as part of social responsibility of the Bank.

15.0 Income tax expense

	2012 GH¢	2011 GH¢
Current year income tax	13,799,411	7,035,036
Defferred tax	(3,923,881)	(4,460,432)
	9,875,530	2,574,604

15.a Income tax

	Balance at 1/1/2012	Payments during the year	Charge for the year	Balance at 31/12/2012
	GH¢	GH¢	GH¢	GH¢
Income tax				
2009	(830,785)	-	-	(830,785)
2010	912,114	-	-	912,114
2011	1,983,802	(2,065,131)	-	(81,329)
2012	-	(9,820,087)	13,799,411	3,979,324
	2,065,131	**(11,885,218)**	**13,799,411**	**3,979,324**
National stabilisation levy				
2010	683,752	-	-	683,752
2011	551,234	-	-	551,234
	1,234,986	-	-	1,234,986
Total	**3,300,117**	**(11,885,218)**	**13,799,411**	**5,214,310**

15.b Reconciliation of effective tax rate

	2012	2012	2011	2011
	%	GH¢	%	GH¢
Profit before tax		**40,266,158**		26,024,680
Income tax using domestic tax rate	25.00	**10,066,540**	25.00	6,506,170
National stablisation levy	-	-	5.00	1,301,234
Non-deductible expenses	9.35	**3,766,168**	(1.99)	(518,510)
Tax incentives	(0.08)	**(33,210)**	(0.98)	(253,859)
Effect of movement in deferred tax	(9.74)	**(3,923,449)**	(17.14)	(4,460,432)
Tax expenses	24.53	**9,876,049**	9.89	2,574,603

16.0 Earnings per share

16.a Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of **GH¢30,390,628** (2011: GH¢23,450,076) and a weighted average number of ordinary shares outstanding of **GH¢612,221,960** (2011: 612,221,960) calculated as follows:

	2012 GH¢	2011 GH¢
Net profit for the year attributable to equity holders of the Bank	30,390,628	23,450,076
Weighted average number of ordinary shares	612,221,960	612,221,960
Basic and diluted earnings per share	0.05	0.04

17.0 Cash and balances with Bank of Ghana

	2012 GH¢	2011 GH¢
Cash on hand	83,110,102	43,052,941
Balances with Bank of Ghana	164,438,118	85,397,721
Balances with other local Banks	269,591	219,929
Balances with other foreign Banks	82,397,665	59,998,114
Items in course of collection	14,915,923	9,277,880
Money market placements	42,607,677	110,153,764
	387,739,076	308,100,349

Included in balances with Bank of Ghana above is an amount of **GH¢ 63,322,139** (2011:GH¢ 46,148,178) mandatory reserve deposits representing 9% of the Bank's total deposits and is not available for use in the Bank's day to day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

18.0 Government securities

	Pledged 2012 GH¢	Non-pledged 2012 GH¢	Total 2012 GH¢	Pledged 2011 GH¢	Non-pledged 2011 GH¢	Total 2011 GH¢
Government bonds	51,216,138	52,534,781	103,750,919	28,896,003	75,548,628	104,444,631
Treasury bills	-	105,452,216	105,452,216	-	68,309,284	68,309,284
Total trading assets	51,216,138	157,986,997	209,203,135	28,896,003	143,857,912	172,753,915

Government securities are treasury bills and bonds issued by the Government of Ghana. These are classified as held to maturity and carried at amortised cost.

19.0 Loans and advances to customers

	2012 GH¢	2011 GH¢
Loans and advances to customers at amortised cost	326,367,194	200,554,868

19.a Loans and advances to customers at amortised cost

	Gross amount 2012 GH¢	Impairment allowance 2012 GH¢	Carrying amount 2012 GH¢	Gross amount 2011 GH¢	Impairment allowance 2011 GH¢	Carrying amount 2011 GH¢
Overdrafts	196,023,272	(20,723,133)	175,300,139	124,428,293	(18,002,429)	106,425,864
Term loans	154,144,020	(8,496,666)	145,647,354	89,022,194	(6,542,508)	82,479,686
Staff loans	4,149,228	-	4,149,228	3,329,525	-	3,329,525
Finance leases	4,035,525	(2,765,052)	1,270,473	9,244,244	(924,451)	8,319,793
Total loans and advances to cusomers	358,352,045	(31,984,851)	326,367,194	226,024,256	(25,469,388)	200,554,868

19.b Allowances for impairment

	2012 GH¢	2011 GH¢
Specific allowances for impairment		
Balance at the beginning of the reporting year	21,210,679	17,486,232
Charge for the year	8,066,963	3,724,447
Recoveries	(4,233,897)	-
Balance at 31 December	25,043,745	21,210,679
Collective allowances for impairment		
Balance at the beginning of the reporting year	4,258,709	3,700,256
Charge for the year	2,682,397	558,453
Balance at 31 December	6,941,106	4,258,709
Total allowances for impairment	31,984,851	25,469,388

19.0 Loans and advances to customers (cont'd)

Loans and advances to customers at amortised cost include the following finance lease receivables for financing certain equipments and leased out to certain customers where the Bank is the lessor:

	2012 GH¢	2011 GH¢
Finance lease receivables		
Gross investment in finance leases, reeivable:		
Less than one year	4,175,259	7,328,998
Between one and five years	849,720	3,187,803
More than five years	-	-
	5,024,979	10,516,801
Unearned finance income	(989,454)	(1,272,557)
Net investment in finance lease	4,035,525	9,244,244
Net investment in finance leases, receivable:		
Less than one year	3,747,871	6,367,095
Between one and five years	287,654	2,877,149
More than five years	-	-
	4,035,525	9,244,244

20.0 Property and equipment

	Leasehold improv'ts GH¢	Furniture & equipment GH¢	Computers GH¢	Motor vehicles GH¢	Capital work in progress GH¢	Total GH¢
Cost						
Balances at 1 January 2011	6,573,263	6,850,636	5,658,152	4,527,234	1,999,106	25,608,391
Acquisitions	744,977	464,338	338,329	616,899	2,595,531	4,760,074
Transfers	371,182	778,760	1,431,924	433,375	(3,015,241)	-
Write-offs	-	-	-	-	(83,585)	(83,585)
Disposals	-	-	-	(118,581)	-	(118,581)
Balance at 31 December 2011	7,689,422	8,093,734	7,428,405	5,458,927	1,495,811	30,166,299
Balance at 1 January 2012	7,689,422	8,093,734	7,428,405	5,458,927	1,495,811	30,166,299
Acquisitions	441,286	654,344	465,648	1,601,439	3,727,798	6,890,515
Transfers	222,871	132,533	672,908	46,818	(1,075,130)	-
Disposals	-	(32,880)	-	(289,763)	-	(322,643)
Write offs	-	-	-	-	(9,851)	(9,851)
Balance at 31 December 2012	**8,353,579**	**8,847,731**	**8,566,961**	**6,817,421**	**4,138,628**	**36,724,320**
Depreciation						
Balances at 1 January 2011	3,473,704	3,694,917	3,809,655	2,311,116	-	13,289,392
Depreciation for the year	1,288,486	1,402,684	1,524,915	988,205	-	5,204,290
Disposals	-	-	-	(51,879)	-	(51,879)
Balance at 31 December 2011	4,762,190	5,097,601	5,334,570	3,247,442	-	18,441,803
Balance at 1 January 2012	4,762,190	5,097,601	5,334,570	3,247,442	-	18,441,803
Depreciation for the year	1,132,428	1,435,712	1,332,729	1,188,952	-	5,089,821
Disposal	-	(20,536)	-	(257,671)	-	(278,207)
Balance at 31 December 2012	**5,894,618**	**6,512,777**	**6,667,299**	**4,178,723**	**-**	**23,253,417**
Carrying amounts						
Balances at 1 January 2011	3,099,559	3,155,719	1,848,497	2,216,118	1,999,106	12,318,999
Balance at 31 December 2011	2,927,232	2,996,133	2,093,835	2,211,485	1,495,811	11,724,496
Balance at 31 December 2012	**2,458,961**	**2,334,954**	**1,899,662**	**2,638,698**	**4,138,628**	**13,470,903**

20.a Depreciation and amortisation expense

		2012 GH¢	2011 GH¢
Property and equipment	(Note 20)	5,089,821	5,204,290
Leasehold property	(Note 21)	21,800	17,800
Intangible asset	(Note 22)	45,736	25,644
		5,157,357	5,247,734

20.b Profit on disposal

	2012 GH¢	2011 GH¢
Cost	322,643	118,581
Accumulated depreciation	(278,207)	(51,879)
Carrying amount	44,436	66,702
Proceeds from disposal	(57,236)	(90,000)
Profit/(loss) on disposal	(12,800)	(23,298)

21.0 Leasehold property

	2012 GH¢	2011 GH¢
Cost		
Balance at 1 January	1,089,970	889,970
Acquisitions	-	200,000
Balance at 31 December	1,089,970	1,089,970
Amortisation		
Balance at 1 January	111,588	93,788
Amortisation for the year	21,800	17,800
Balance at 31 December	133,388	111,588
Carrying amount		
Balance at 1 January	978,382	796,182
Balance at 31 December	956,582	978,382

22.0 Intangible asset

	2012 GH¢	2011 GH¢
Cost		
Balance at 1 January	147,699	22,053
Acquisitions	118,354	125,646
Balance at 31 December	266,053	147,699

Amortisation		
Balance at 1 January	36,669	11,025
Amortisation for the year	45,736	25,644
Balance at 31 December	82,405	36,669
Carrying amount		
Balance at 1 January	111,030	11,028
Balance at 31 December	183,648	111,030

23.0 Deferred assets and liabilities

Deferred tax assets and liabilities are atributable to the following:

	2012 Assets GH¢	2012 Liabilities GH¢	2012 Net GH¢	2011 Assets GH¢	2011 Liabilities GH¢	2011 Net GH¢
Property, equipment and software	284,568	-	284,568	182,976	-	182,976
Allowances for loan losses	3,750,802	-	3,750,802	139,613	-	139,613
Contingency	670,943	-	670,943	459,843	-	459,843
Net tax assets/(liabilities)	4,706,313	-	4,706,313	782,432	-	782,432

23.a Movements in temporary differences during the year

	Balance at 1 January GH¢	Recognised in profit and loss GH¢	Recognised in other comprehensive income GH¢	Balance at 31 December GH¢
For the year ended 31 December 2012				
Property, equipment and software	182,976	101,592	-	284,568
Allowances for loan losses	139,180	3,611,622	-	3,750,802
Exchange differences	-	-	-	-
Contingency	460,276	210,667	-	670,943
	782,432	3,923,881	-	4,706,313

For the year ended 31 December 2011

Property, equipment and software	199,650	(16,674)	-	182,976
Allowances for loan losses	939,995	(800,815)	-	139,180
Exchange differences	(4,817,645)	4,817,645	-	-
Contingency	-	460,276	-	460,276
	(3,678,000)	4,460,432	-	782,432

24.0 Other assets	**2012**	2011
	GH¢	GH¢
Prepayments	**2,029,530**	2,142,578
Accrued interest receivable	**3,584,121**	1,248,531
Receivable from related party	**26,351**	26,351
Others	**1,220,455**	1,372,667
	6,860,457	4,790,127
25.0 Customer deposits		
Demand deposits	**578,814,445**	362,797,972
Term deposits	**158,098,422**	191,838,936
Savings deposits	**43,771,375**	22,215,315
	780,684,242	576,852,223
Analysis by type of depositors		
Financial institutions	**10,679,302**	13,093,008
Individual and other private enterprises	**739,655,698**	503,889,166
Public enterprises	**30,349,242**	59,870,049
	780,684,242	576,852,223
Ratio of 20 largest depositors to total deposits	**31%**	58%
26.0 Due to other Banks		
Balances with other banks	**10,842,494**	-
27.0 Other liabilities		
Due to parent company	**1,249,182**	617,141
Creditors and accruals	**8,888,872**	7,500,366
Deferred income	**2,175,555**	1,483,727
	12,313,609	9,601,234

28.0 Capital and reserves

28.1 Share capital	2012 No. of Shares	2012 GH¢ Proceeds	2011 No. of Shares	2011 GH¢ Proceeds
Authorised				
Ordinary Shares of no par value	1,000,000,000	-	1,000,000,000	-
Issued and fully paid				
Issued for cash consideration	**612,221,496**	**61,221,496**	612,221,496	61,221,496

28.2 Retained earnings

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

28.3 Statutory reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 29 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and guidelines from the Central Bank.

28.4 Credit risk reserve

This represents the excess of Bank of Ghana's total provision over impairment loss of financial assets recognised in the income statement arising out of provisions made for impairment under Bank of Ghana guidelines .

29.0 Dividends

The Bank did not declare dividend for the financial year ended 31 December 2012 (2011: Nil).

30.0 Leasing

The Bank leases various offices, branches and other premises under non cancellable operating lease arrangements. The lease rentals are paid in advance and amortised on a straight line basis over the lease period. The outstanding balance is accounted for as a prepayment in other assets. There were no contingent rents payable.

Non cancellable operating lease rentals are payable as follows:

	2012 GH¢	2011 GH¢
Less than one year	**1,337,335**	305,341
Between one and five years	**669,833**	646,607
More than five years	**22,361**	339,610
	2,029,529	1,291,558

31.0 Contingencies

31.1 Claims and litigation

There were no litigation and claims involving the Bank as at 31 December 2012 (2011: Nil).

31.2 Contingent liabilities and commitments

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

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related to performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off balance sheet risk:

	2012 GH¢	2011 GH¢
Contingent liabilities:		
Bonds and guarantees	186,596,739	168,421,089
Commitments:		
Clean line facilities for letters of credit	157,971,817	196,380,537
	344,568,556	364,801,626

31.3 Commitments for capital expenditure

The bank had commitment for capital expenditure amounting to approximately **GH¢ 2,370,844** as at 31 December 2012 (2011: GH¢ Nil).

32.0 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes members of the Zenith Bank Group.

32.1 Parent

The parent company, which is also the ultimate parent company, is Zenith Bank Plc. Transactions between Zenith Bank Plc. and the subsidiaries also meet the definition of related party transactions. The parent company incurred expenditures in the normal course of business, mainly in the form of salary payments to seconded staff from Nigeria and licence fees, which were recharged to the Bank at cost. During the year ended 31 December 2012, the bank transacted the following business with the parent bank:

		2012 GH¢	2011 GH¢
Transaction during the year		632,041	6,525
Due to Parent company at year end	27	1,249,182	617,141

32.0 Related parties (cont'd)

32.2 Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Zenith Bank Plc.

Key management personnel and their immediate relatives have the following outstanding loan balances with the bank at the reporting period:

	2012 GH¢	2011 GH¢
Executive Directors	780,942	701,791
Officers and other employees	3,368,286	2,627,734
	4,149,228	3,329,525

Interest rates charged on balances outstanding are at concessionary rates and lower than the rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end. These balances have, however, been collectively impaired as part of the portfolio impairment assessment for unidentified loans and advances.

32.3 Associated companies

Balances with associated companies as at reporting period were:

	2012 GH¢	2011 GH¢
Nostros	1,309,855	5,673,260
Inter Bank advances	26,351	26,351
	1,336,206	5,699,611

33.0 Comparative information

The comparative information have been reclassified, where applicable, to conform to the current year's presentation.