2015

ANNUAL REPORT

10 YEARS ANNIVERSARY

2005 - 2015

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ZENITH BANK (GHANA) LIMITED

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10 YEARS ANNIVERSARY 2005 - 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mary Chinery-Hesse (Mrs.)	*Chairperson*
	Daniel Asiedu	*Outgoing Managing Director/CEO*
	Henry Benyah (Dr.)	
	Kwame Sarpong	
	Babatunde Adejuwon	
	Henry Oroh	
	Ebenezer Onyeagwu	
	Haruna Usman Sanusi	*(Resigned - 26 March 2015)*
	Olusola Oladipo	*(Appointed - 6 January 2015)*

SECRETARY

Michael O. 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
Tel: (+233) 302 611500-29
Fax: (+233) 302 660760
E-mail: info@zenithbank.com.gh
Website: www.zenithbank.com.gh
Swiftcode: ZEBLGHAC

BANKS

Zenith Bank (UK) Limited
Citibank London
Citibank New York
Ghana International Bank Plc.
HSBC Bank Plc
Bank of Beirut
Standard Chartered Germany
Commerzbank AG
JP Morgan Chase

AT A GLANCE

11% ⬆
Customer deposits increased by 11%

5% ⬆
Operating income increased by 5%

10% ⬇
Loans declined by 10%

43% ⬇
Profit before tax declined by 43%

17% ⬇
Total assets declined by 17%

40% ⬇
Earnings per share declined by 40%

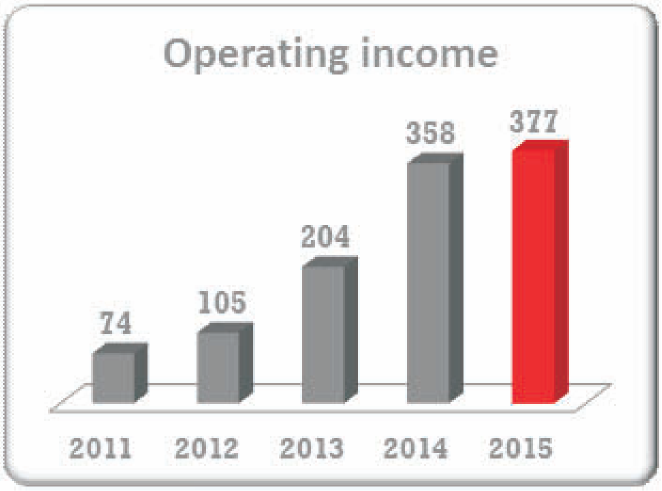
24% ⬆
Shareholders' fund increased by 24%

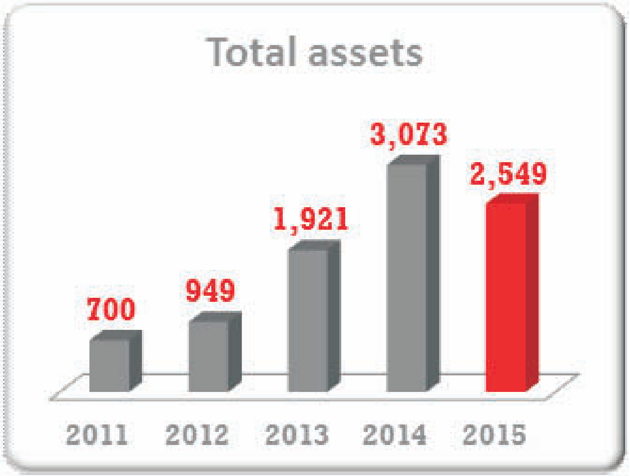
30% ⬆
Capital adequacy ratio increased by 30%

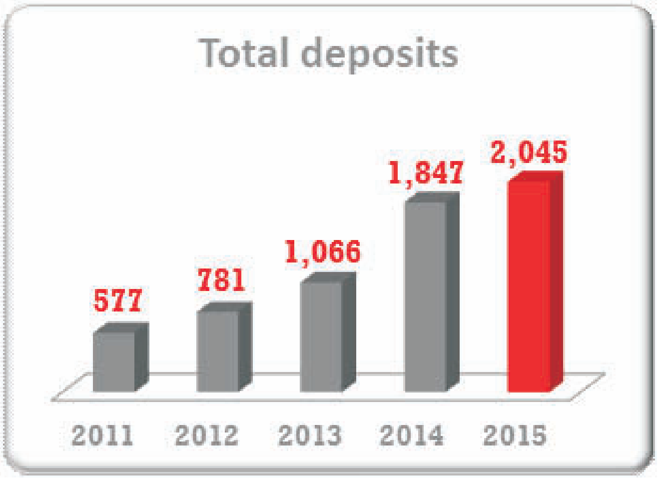
5-year financial summary

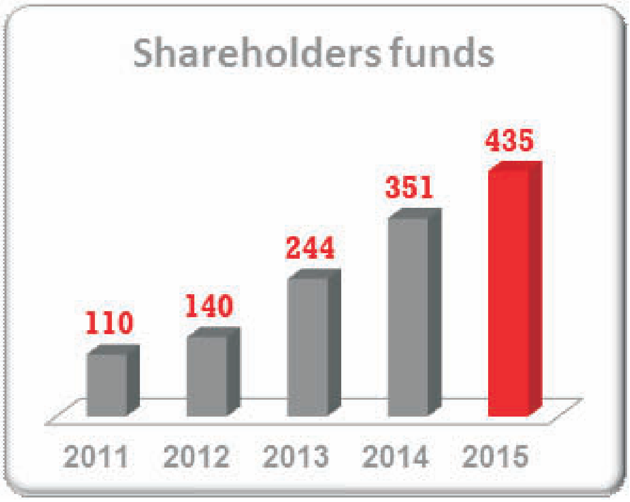
	2011 GH¢'000	2012 GH¢'000	2013 GH¢'000	2014 GH¢'000	2015 GH¢'000
Interest income	58,802	79,966	181,419	393,203	**447,872**
Operating income	**74,262**	**105,486**	**203,800**	**357,882**	**376,748**
Profit before tax	**26,025**	**40,266**	**107,699**	**200,128**	**115,080**
Profit after tax	23,450	30,391	73,611	137,400	**83,077**
Loans to customers	200,555	326,367	676,783	1,097,357	**983,074**
Total assets	**699,796**	**949,478**	**1,920,626**	**3,073,359**	**2,549,130**
Customer deposits	**576,852**	**780,684**	**1,066,493**	**1,846,745**	**2,044,642**
Stated capital	61,221	61,221	61,221	61,221	**61,221**
Shareholders' fund	**110,042**	**140,433**	**243,586**	**351,444**	**434,520**
Capital adequacy ratio	**18.65%**	**17.61%**	**15.74%**	**14.25%**	**18.51%**

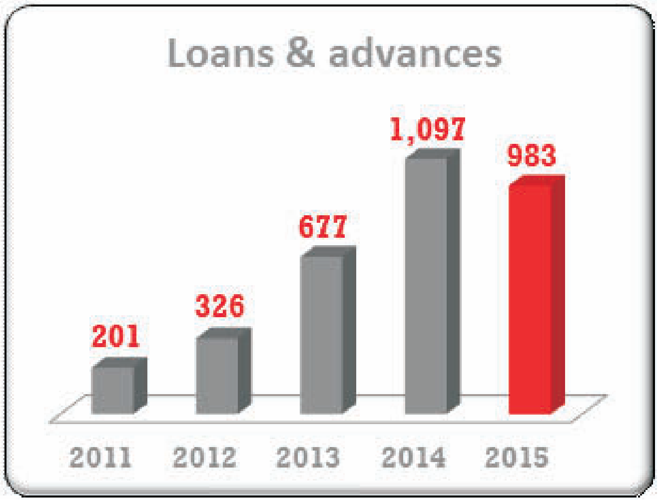
FINANCIAL HIGHLIGHTS











CORPORATE PROFILE & STRATEGY

Historical Background

Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, was incorporated in April 2005 under the Banking Act 2004 (Act 673) as a private limited company and commenced universal banking operation in September 2005. Zenith Bank Plc is also the largest bank in West Africa by Tier 1 Capital according to The Banker magazine's Top 1,000 World Banks ranking for 2015.

Today, Zenith is undoubtedly, one of the strongest banking brands and one of the largest banks by asset size in Ghana. The Bank's branding has been anchored on continuous investment in people, technology, and excellent customer service.

Currently, Zenith has thirty two (32) business offices (branches and agencies) in Ghana. Other service delivery channels include the numerous ATMs and Point of Sale terminals strategically located in various cities and towns countrywide. The bank also offers mobile and internet banking services which enable customers to access banking services on-the-go. Zenith's main objective for deploying these state-of–the-art delivery channels is to bring banking services closer to its customers while ensuring the service is faster, easier and better than anything customers have ever experienced.

Within a decade of its existence, Zenith has improved its capacity, size, market share, and industry rankings in all parameters. The Bank has built financial, structural and technological muscle and has established presence across the country. Today, Zenith Bank (Ghana) Limited is an epitome of a stable and strong organization with a brand and customer service which is the envy of its peers. Winning Bank of The Year after three years of operation in Ghana during the 2008 Ghana Banking Awards is just one of the notable recognition of its successes. In 2014 the Bank attained global recognition when it was adjudged "Bank of the Year for 2014" by The Banker magazine.

Vision and Strategic Objectives

The vision of the Bank is ***"to be a reference point in the provision of prompt, flawless and innovative banking services in the Ghanaian banking industry"***. In pursuance of this vision, the Bank has been set out to distinguish itself in the banking industry through its service quality and drive for the provision of 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 ICT
- Strategic distribution channels
- Good asset quality
- Excellent financial performance

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 to sustain high quality growth in a volatile business environment through:

- Investment and deployment of state of the art technology and ICT platform.
- Recruitment, motivation and retention of the best human resource.
- Investment in training and re-training of personnel.
- Investment in branch network expansion and thus bringing quality banking services to the teaming existing and potential customer base.
- Investment in new product development with the aim of addressing customers' changing lifestyles, the need for convenience and improving customer banking experience.

Customer Service

Over the past decade, Zenith has become a customer focused bank which basks in the delight of its customers. Recognizing that the Bank is in business because of the invaluable support and patronage of customers, Zenith has ensured that customer satisfaction is at the centre of its service provision. In pursuance of this objective, the Bank's effort has been recognized as it won "Best Bank in Customer Care" during the 2013 Ghana Banking Awards.

CORPORATE PROFILE & STRATEGY (cont'd)

Diversity and Inclusion

As an organization with the aim of hiring, training, motivating and retaining the best human capital in the industry, diversity and inclusion are key to achieving these objectives. Zenith's highly motivated and skilled staff come from diverse religious, ethnic and racial backgrounds and it is believed that this will enable Zenith Bank to meet the requirement of valued customers.

Customer Base

Zenith Bank has re-defined banking on many other fronts. Through immense investments, it has acquired the ability to stay at the forefront of such fast-growing such as internet banking, mobile banking, electronic payments, Visa payment systems, MasterCard, China Union Payments as well as many other key programs that provide customers with greater speed, accuracy and options. The result has been a nationwide, well-connected bank developed to the specifications of its customers and other stakeholders and thus giving them great value.

The bank's service offerings cover most aspects of banking and tailored to the banking needs of customers with emphasis on the following major market segments and lines of business:

- Energy Sector
- Corporate Banking
- Commercial and Consumer Banking
- Platinum Banking
- Telecoms & Aviation Sector
- Financial Institutions
- Public Sector
- Mining & Construction Sector
- Multilaterals & Other Institutions
- Custodian Services
- Third Party Collaboration Services

Growth Areas and New Product lines

It is believed that strategic development and deployment of e-Business products and platforms are key competitive factors in the banking industry. Therefore, it is the bank's target to dominate the market by continuously introducing innovative banking products for specific industries/customers. Zenith will continue to focus on the following market and products:

- Corporate Customers
- Retail Customers/SMEs and the Un-banked population
- Z-Web Acquiring Verified by Visa
- Card Services
- Online, mobile and in-shop payment solutions
- Third party collaborations

The bank's 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 the commitment to service excellence, robust IT platform and the resourcefulness of the work force as well as the 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, assets quality and all other performance parameters.

BRANCH/AGENCY NETWORK

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

Achimota Branch
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Fax: (+233) 577 900001

Adum Branch
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Bogyawe Road (Opposite Nakani and Hagan)
Adum, Kumasi
Tel: (+233) 322 049512 - 5
Fax: (+233) 322 049511

Akosombo Branch
Church Ridge
Akosombo
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Cape Coast Branch
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UCC New Site, near Casford Hall,
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East Legon
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Graphic Road Branch
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Kojo Thompson Road Branch
Darmak House,
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Labone Branch
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Fax: (+233) 302 782663

North Industrial Area Branch
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North Industrial Area
Kaneshie, Accra
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Fax: (+233) 302 255156

Patrice Lumumba Branch
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Fax: (+233) 302 774345

Sakaman Branch
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Sakaman
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Fax: (+233) 322 048251-52

Spintex Road Branch
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Accra
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Fax: (+233) 302 815593 – 4

Suame Branch
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Fax: (+233) 322 046123

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Sunyani.
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Fax: (+233) 352 023016

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Fax: (+233) 312 021142

Takoradi Harbour Branch
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Takoradi
Tel: (+233) 31 2023363
Fax: (+233) 31 2021744

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

Tarkwa Branch
St. Matthew's Roman Catholic Park
Tarkwa – Abosso Road
Tel: (+233) 312 321299
Fax: (+233) 312 332193

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

Tema Free Zone Branch
Plot A
Tema Export Processing Zone
Kpone
Tema
Tel: (+233) 307 079368
Fax: (+233) 307 079373

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

Tema Metropolitan Assembly Branch
Tema Metropolitan Assembly Work Yard
Opposite Our Lady of Mercy Church
Tema Community 1
Tel: (+233) 303 207044/303 208429
Fax: (+233) 303 207073

Trade Fair Branch
Adjacent Trade Fair Shell Filling Station
Burma Camp Road
La, Accra
Tel: (+233) 302 781421
Fax: (+233) 302 781445

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

Winneba Agency
Cooperative Credit Union Complex
North Campus
University Of Education Winneba
Winneba
Tel: (+233) 337 010056
Tel: (+233) 337 010057

PRODUCTS & 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. It offers secured transactions and online real-time payment processing.

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.

Cruz-Card

This is a multipurpose card issued to staff and students of academic institutions. While it serves as a photo ID and access control card, it is also a Visa-enabled stored value card. It is globally accepted on any Visa channel, which adds to its convenience and ease of use.

GlobalPAY

GlobalPAY is an online market place/ platform where merchants can display or advertise their products or merchandise and customers can make purchases directly.

It is secured by world class security software and enables customers to pay directly into merchants account.

Some of its key benefits include, online real-time access to all transactions, increase in sales and cashless transactions, no queues at customers' shops/offices and the opportunity to conduct an audit trail of all transactions.

GlobalPAY essentially enables merchants to accept card payments for goods or services online (on the internet).It allows merchants who sign up and have Visa or Master cards , to use their cards to make payments for goods and services displayed on the merchants website or the bank's storefront. The cardholders may either be a Zenith Bank customer (on-us cardholder) or from a domestic or foreign bank (not-on-us cardholder).

GlobalPAY is made up of two modules:

- Where a merchant has a website already developed, the bank will facilitate the acceptance of card payments on the merchant's website by providing a payment platform.

Where the merchant has no website, the bank provides the merchant with an online storefront where the merchant's products will be displayed and payments made online.

Global Travel Wallet™

This is an instant Visa prepaid foreign currency denominated card, issued to travellers by Zenith Bank in partnership with participating foreign exchange bureaux. Among other benefits, the card eliminates the risk of exchange rate fluctuations.

Automatic Direct Payment System (ADPS)

This is an online real-time banking service for corporate customers. ADPS allows customers to process transactions via the internet through a

PRODUCTS & SERVICES (cont'd)

secured banking portal. The service allows various signatories of an account to approve transactions no matter their location. Our aim for this service is to facilitate transactions of our customers in a more conducive and secured way without interrupting their busy schedules. Benefits of this product include:

- View real-time online account balances
- View, download and consolidate account statements
- Receive email & mobile phone notifications of all transactions
- Eliminates errors associated with generating manual cheques
- Limitless transfers
- 24-hour access

Point of Sale Terminal (POS)

Our Point of Sale terminal (POS) allows our corporate customers to process card transactions electronically on real-time basis. It allows for verifying transactions either by biometric or PIN/signature-verified. Some of the benefits of this product include:

- Real-time settlement
- VISA, MasterCard & Zenith Proprietary card enabled
- Euro Master Visa (EMV) Card compliant
- Reduction in cost of handling cash
- 24/7 availability with uninterrupted back-up power source

Platinum Banking

This service is a one-stop shop, personalised financial solution to the complex banking demands of high net-worth individuals.

Custodian Services

Our Custodian Service is run in line with global best practice with the aim of being the benchmark for excellence in the Custodial Services industry in Ghana. Services provided include:

- Safekeeping
- Settlement
- Cash Management
- Pensions
- Mutual Funds

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

Other e-business Products

Automated Cheque Writing Solution (ACWS)
Sal-Pay
Z-Prompt (Transaction Notification)
Z-mobile
EazyPay & ATM Services (EazyCash)
Collection Solution (Schools, Airlines etc)
Reconciliation Tool
E-ticketing
Draft Issuance Service (DIS)


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CORRESPONDENT BANKS

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

Citibank N.A, London
Citigroup Center
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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

Bank of Beirut (UK) Limited
17A Curzon Street
London (West End) W1J 5HS
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JP Morgan Chase Bank NA
Global Implementation Project Management
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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

Ghana International Bank
67 Cheapside
1st Floor
City of London
EC2V 6AZ
Swift: GHIBGB2L

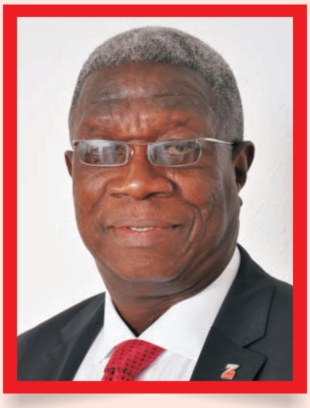
BOARD OF DIRECTORS

Mary Chinery-Hesse (Mrs.)
Chairman

Daniel Asiedu
Outgoing Managing Director/CEO

Ebenezer Onyeagwu
Director

Henry Benyah (Dr.)
Director



Babatunde Adejuwon
Director

Kwame Sarpong
Director

Olusola Oladipo
Director

Henry Oroh
Director

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 2015 report as follows:

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation that give a true and fair view of Zenith Bank (Ghana) Limited, comprising statement of financial position at 31 December, 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, 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). In addition, the directors are responsible for the preparation of directors' report.

The directors are also responsible for such internal control 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, and for maintaining adequate accounting records and an effective system of risk management.

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.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Financial Report and Dividend

The financial results of the Bank for the year ended 31 December, 2015 are set out in the attached financial statements, highlights of which are as follows:

31 December	2015 GH¢	2014 GH¢
Profit before taxation is	115,080,140	200,128,038
from which is deducted taxation of	(32,003,197)	(62,727,973)
giving a profit after taxation for the year of	83,076,943	137,400,065
less net transfer to statutory reserve fund and other reserves of	(10,384,618)	(37,047,101)
leaving a balance	62,307,707	100,352,964
when added to a balance brought forward on retained earnings of	183,125,050	82,772,086
gives a balance of	245,432,757	183,125,050

In accordance with Section 29(c) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738), an amount of GH¢ 10,384,618 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 90,110,926 at the year end.

The Directors do not recommend the payment of dividend (2014: Nil).

REPORT OF THE DIRECTORS TO THE MEMBERS OF ZENITH BANK (GHANA) LIMITED (cont'd)

Nature of Business

The Bank is authorised by Bank of Ghana to carry out 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).

Review of Exposure Limits

Section 42 (1 and 2) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non secured facilities should not exceed 25% and 10% of the company's net worth respectively. Our audit of the financial statements identified two (2) facilities granted by the Bank that had balances exceeding the prescribed exposure limits.

Approval of the Financial Statements

The financial statements of the Bank, as identified in the first paragraph, were approved by the board of directors on **11 February 2016** and were signed on their behalf by:

....	....
Mary Chinery-Hesse (Mrs.)	**Daniel Asiedu**
(Chairman)	(Managing Director/CEO)

CHAIRMAN'S STATEMENT

MARY CHINERY-HESSE

CHAIRMAN

Zenith Bank is committed to creating value for our shareholders by generating consistent and sustainable earnings over the long term. Though we faced a more uncertain and volatile economic and market environment for greater part of 2015, we have built robust systems and structures in recent years to proactively transform Zenith in response to this evolving operating environment. In spite of this challenging backdrop, our clients' continued trust and support as well as our employees' dedication and professionalism helped us mitigate the impact of these on our business and our results.

> "We are currently well positioned to even exceed expectations in the coming years"

As a board, we are focused on our role as management's key strategic advisor in its pursuit of long-term shareholder value. We dedicated a portion of every board meeting to discussing aspects of strategy, informed by management's assessment of the health of the business portfolio. Throughout the year we continued to monitor the implementation of strategic initiatives and our risk profile relative to risk appetite.

With the recent announcement by the Bank of Ghana to implement Basel II/III from mid-2017, Zenith will continue with our preparation in earnest to ensure compliance before 2017. Energized by our theme for 2016 "Dream. Believe. Achieve", we believe we have strong capabilities to grow through liability generation and maintain a significant position in the Ghanaian banking industry. These strategic strengths are supported by a disciplined and rigorous approach to managing costs, risk and capital resources. We are currently well positioned to even exceed expectations in the coming years.

On behalf of the board, I would like to thank our outgoing Managing Director/CEO Daniel Asiedu for his leadership for the past seven years that has entrenched the Zenith brand within the banking industry and the country at large.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Banking is an ART
well mastered by us.
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0800 10100(Toll Free)
0302 611500
www.zenithbank.com.gh

EXECUTIVE MANAGEMENT

Daniel Asiedu
Outgoing Managing Director/CEO

Henry Oroh
Executive Director

Maebelle Nortey
Divisional Head

Daniel Agamah
Company Secretary/Group Head
(Business Support Services)

Eva Richter-Addo
Group Head
(Corporate Services)

George Blavo
Group Head (Marketing)

CHIEF EXECUTIVE OFFICER'S REVIEW

DANIEL ASIEDU
OUTGOING MANAGING DIRECTOR/CEO

The year 2015 marked a decade of Zenith Bank Ghana Limited's existence in the Ghanaian banking industry. Zenith is today a strong, well-capitalised bank with a solid platform and the capacity to meet the challenges and seize the opportunities that lie ahead.

Economic and market environment

Risks from the global environment have heightened, driven mainly by slower growth prospects in China and other emerging market economies. Global commodities prices, especially oil, continue to decline amidst tightening financial conditions. On the domestic front, the cedi depreciated by about 18 percent although there was a bit of stability during the third quarter of the year, supported by the Government's tight monetary and fiscal policy stance, inflows from donors, the pre-export finance facility for cocoa as well as proceeds from the Eurobond issue. Inflation in December 2015 was 17.7 percent, up from 16.4 percent in December 2014. The government also entered into a three year Extended Credit Facility with the International Monetary Fund (IMF) to support the economy of Ghana.

How our businesses performed

Over the past ten years, total assets have grown steadily by an average of 59 percent funded mainly by deposits. Deposits mobilized over the period grew from GH¢56m as at December 2006 to GH¢2bn as at December 2015 whilst profitability grew at an average of 443 percent over the period. The bank won numerous envious awards including the prestigious CIG Bank of Year 2008 and the Banker Magazine's Bank of the Year Ghana, 2014.

Despite the volatile and uncertain macroeconomic environment in 2015, we managed to increase the top line by 6 percent. Although there was a decline in profitability, the strength of our balance sheet attests to the quality of our risk management to adapt to changes in the market. We will continue to create a more diversified and client-centric business model. This will provide a more stable income stream and also optimise capital consumption and improve cost efficiency. In a fast-changing and ever technology inclining world, customer behaviour and needs are continuously changing and we have a clear sense of purpose and direction guiding how to serve our customers best. To ensure that the customer i.e. individuals, SMEs and mid-corporations is at the heart of our retail business, we have launched our carefully crafted retail banking strategy. The ultimate goal of the strategy is to make the bank relevant to clients in a very competitive market.

> "...my staff members were a great team which made all the achievements over the years possible."

Compliance

Compliance has become a top priority for the banking industry because it is a foundation for trust — and banking is a business of trust. It was

CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

therefore very refreshing for Zenith Bank Ghana to be named among the only three (3) banks as having Largely Complied (LC) with the requirements of the Anti-Money Laundering / Combating of Financing Terrorism Legislation. This was contained in the Financial Intelligence Centre, Ghana's 2013 Annual Report under the Banks Compliance Rating for 2013 section, published in January 2015.

Other developments

Awards

Due to our relentless effort in pursuing our vision, the following awards were won during 2015:

- Bank of the Year Ghana, 2015 - The Banker;
- Best Banking Group, Ghana - World Finance Awards 2015;
- Best Corporate Bank, Ghana - Global Banking and Finance Review Awards (2015);
- Best E-Commerce Bank, Ghana - Global Banking and Finance Review Awards (2015);
- Best Customer Service Bank, Ghana - Global Banking and Finance Review Awards (2015);
- Straight Through Processing Excellence Award, 2014 (US Dollar Payments) - Citibank;
- Best Bank in Trade Finance - Ghana Banking Awards;
- Most Cashless Bank - Ghana Banking Awards;
- No. 6th and leader in the Commercial Banks Sector Ranking - Ghana Club 100.

The Future

Looking into the future, we will continue to leverage our unique combination of deep expertise and creative innovation to realise our ambition of being recognised as the most trusted financial partner. We are making a rigorous assessment of our progress so far – achievements and challenges. We are also analyzing the operating environment to determine how the economy (both local and global), market conditions, regulation and customer needs have evolved.

Recognizing the critical role of employees in helping to preserve financial integrity, we will continue to demand the highest standards of personal accountability and ethical conduct from each member of our workforce.

Finally after eleven years of diligent service to Zenith Bank Ghana Limited, it is time for me to retire when the applause is loudest with Zenith Bank winning, for two years in a row, The Banker Magazine's Bank of the Year, Ghana Award (2015 being the most recent). It has been eleven wonderful years of service to Zenith Bank Ghana in various capacities and there is no better way of expressing my deepest appreciation to the Board for the confidence reposed in me in my appointment as the Managing Director/CEO of Zenith Bank Ghana. I have learnt a lot from the leadership of the Board in addition to their ever present support and for this am truly thankful.

Bringing commitment and enthusiasm to work each day, my staff members were a great team which made all the achievements over the years possible. I am of the firm belief that even greater commitment and enthusiasm will be accorded the in-coming Managing Director/CEO of Zenith Bank Ghana.

Even though I am retiring from Zenith Bank Ghana Limited, the memory will still linger on. Once again my gratitude to the Board, colleague EXCO members, staff and not forgetting our cherished customers.

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.

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 Belief 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 two (2) Executive Directors.

The Board comprises of persons of mixed skills with experience in different fields of human endeavour. 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 once every quarter but may hold extraordinary sessions as the business of the Bank demands.

Committees

The Board executes its 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 committee considers 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:

CORPORATE GOVERNANCE (cont'd)

Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, two (2) 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
Mr. Ebenezer Onyeagwu	Chairman
Mr. Kwame Sarpong	Member
Mr. Olusola Oladipo	Member
Mr. Daniel Asiedu	Member
Mr. Henry Oroh	Member

Board Audit and Risk Management Committee

The Committee is made up of a Non-Executive Chairman, three (3) other Non-Executive Directors and two (2) Executive Directors. The Audit and Risk Management Committee has oversight responsibility for the overall risk assessment of various areas of the Bank's operations and compliance. The Bank recognizes the Committee as the "guardian of public interest", and reflect this both in the composition and calibre of its membership. The Chief Risk Officer, Chief Compliance Officer and Chief Inspector (Head, Internal Control and Audit) have access to this Committee and make quarterly presentations for the consideration of the Committee. Members of the Committee include:

Name of Director	Position
Dr. Henry Benyah	Chairman
Mr. Kwame Sarpong	Member
Mr. Babatunde Adejuwon	Member
Mr. Daniel Asiedu	Member
Mr. Olusola Oladipo	Member
Mr. Henry Oroh	Member

Board Governance, Nominations and Remuneration 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 and four (4) other Non-Executive Directors. 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
Mr. Babatunde Adejuwon	Chairman
Mr. Ebenezer Onyeagwu	Member
Dr. Henry Benyah	Member
Mr. Kwame Sarpong	Member
Mr. Olusola Oladipo	Member

CORPORATE GOVERNANCE (cont'd)

Board Finance and General Purpose Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and two (2) Executive Directors. 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
Mr. Kwame Sarpong	Chairman
Mr. Ebenezer Onyeagwu	Member
Mr. Babatunde Adejuwon	Member
Mr. Daniel Asiedu	Member
Mr. Henry Oroh	Member

Schedule of attendance at Board Meetings

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

Directors	BC	ARC	FGPC	CC	GNRC
Mrs. Mary Chinery-Hesse	4	N/A	N/A	N/A	N/A
Mr. Daniel Asiedu	4	3	3	4	N/A
Mr. Ebenezer Onyeagwu	4	1	3	4	3
Mr. Kwame Sarpong	4	4	3	4	3
Dr. Henry Benyah	4	4	N/A	N/A	3
Mr. Babatunde Adejuwon	3	3	2	N/A	2
Mr. Henry Oroh	4	3	3	4	N/A
Mr. Olusola Oladipo	4	3	N/A	3	3

*Audit and Risk Management Committee (ARC), Governance, Nominations and Remuneration Committee (GNRC), Finance and General Purpose Committee (FGPC), 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:

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 of Member	Position
Mr. Daniel Asiedu	Chairman
Mr. Henry Oroh	Member
Mrs. Maebelle Nortey	Member
Mr. Daniel Agamah	Member
Mrs. Eva Richter-Addo	Member
Mr. George Blavo	Member

CORPORATE GOVERNANCE (cont'd)

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.

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/Sector Heads, at and above the grade of Assistant Manager.

Systems of Internal Control

The Bank has a well established internal control system 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. Additionally, the Bank has a Code of Conduct approved by the Board of Directors.

INDEPENDENT AUDITORS' 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 at 31 December, 2015, and 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 and other explanatory notes, as set out on pages **30 to 90.**

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view 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 about 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 judgement, 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 of financial statements that give a true and fair view 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, these financial statements give a true and fair view of the financial position of Zenith Bank (Ghana) Limited at 31 December, 2015, and of 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 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.

Non-compliance with a section of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738)

The Bank's transactions were within its powers and except as indicated in Note 38, 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/F/2016/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA


ZENITH
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2015 GH¢	2014 GH¢
Assets			
Cash and cash equivalents	16	691,726,903	614,271,326
Government securities	17	721,261,329	1,282,388,881
Derivative assets held for risk management	18	-	8,548,883
Loans and advances to customers	19	983,074,431	1,097,357,356
Current tax assets	14 (a)	6,174,204	-
Property and equipment	20	87,276,262	13,076,471
Leasehold property	21	4,648,637	4,745,422
Intangible assets	22	2,079,247	2,279,246
Deferred tax assets	23	8,049,180	2,162,447
Other assets	24	44,839,864	48,529,183
Total assets		**2,549,130,057**	**3,073,359,215**
Liabilities			
Due to other banks	26	25,125,634	820,073,650
Deposits from customers	25	2,044,642,010	1,846,745,159
Other liabilities	27	44,841,936	28,264,175
Current tax payable	14 (a)	-	26,832,697
Total liabilities		**2,114,609,580**	**2,721,915,681**
Equity			
Stated capital	28 (a)	61,221,496	61,221,496
Statutory reserve	28 (b)	90,110,926	79,726,308
Credit risk reserve	28 (b)	22,835,434	27,370,680
Retained earnings	28 (b)	260,352,621	183,125,050
Total Equity		**434,520,477**	**351,443,534**
Total equity and liabilities		**2,549,130,057**	**3,073,359,215**

....
Mary Chinery-Hesse (Mrs.)
(Chairman)

....
Daniel Asiedu
(Managing Director/CEO)

The financial statements of the Bank were approved by the board of directors on **11 February 2016**.
The notes on pages **35 - 90** are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2015 GH¢	2014 GH¢
Interest income	7	447,872,621	393,202,759
Interest expense	7	(171,685,023)	(131,298,063)
Net interest income		**276,187,598**	**261,904,696**
Fees and commission	8	64,859,675	63,675,595
Net trading income	9	33,015,394	29,772,106
Other operating income	10	2,685,823	2,529,218
Net trading and other income		**100,560,892**	**95,976,919**
Revenue		376,748,490	357,881,615
Impairment loss on financial assets	11	(54,517,824)	(11,983,954)
Personnel expenses	12	(58,233,265)	(47,573,092)
Depreciation and amortization	20(a)	(6,771,294)	(6,104,842)
Other expenses	13	(142,145,967)	(92,091,689)
Profit before income tax		**115,080,140**	**200,128,038**
Income tax expense	14	(32,003,197)	(62,727,973)
Profit after tax attributable to equity holders of the Bank		**83,076,943**	**137,400,065**
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to equity holders of the Bank		**83,076,943**	**137,400,065**

The notes on pages **35 - 90** 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¢	Hedging Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as at 1 January 2014	**61,221,496**	**62,551,300**	**7,498,587**	**29,542,645**	**82,772,086**	**243,586,114**
Profit for the year	-	-	-	-	137,400,065	137,400,065
Other comprehensive income, net of tax	-	-	-	-	-	-
Net amount of cash flow hedge reclassified to profit or loss	-	-	-	(29,542,645)	-	(29,542,645)
Regulatory and other reserves transfers						
Transfer to credit risk reserve	-	-	19,872,093	-	(19,872,093)	-
Transfer to statutory reserve	-	17,175,008	-	-	(17,175,008)	-
Net transfers to/(from) reserves	-	17,175,008	19,872,093	-	(37,047,101)	-
Balance at 31 December, 2014	**61,221,496**	**79,726,308**	**27,370,680**	**-**	**183,125,050**	**351,443,534**
Balance at 1 January 2015	**61,221,496**	**79,726,308**	**27,370,680**	**-**	**183,125,050**	**351,443,534**
Profit for the year	-	-	-	-	83,076,943	83,076,943
Other comprehensive income, net of tax	-	-	-	-	-	-
Regulatory and other reserves transfers						
Transfer from credit risk reserve	-	-	(4,535,246)	-	4,535,246	-
Transfer to statutory reserve	-	10,384,618	-	-	(10,384,618)	-
Net transfers to/(from) reserves	-	10,384,618	(4,535,246)	-	(5,849,372)	-
Balance at 31 December 2015	**61,221,496**	**90,110,926**	**22,835,434**	**-**	**260,352,621**	**434,520,477**

The notes on pages 35 - 90 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2015 GH¢	2014 GH¢
Profit after tax		83,076,943	137,400,065
Adjustments for:			
Depreciation and amortization	20(a)	6,771,294	6,104,842
Net impairment loss on financial assets	11	54,517,824	11,983,954
Net interest income	7	(276,187,598)	(261,904,696)
Profit on disposal of property equipment	20(b)	(188,498)	(71,657)
Asset write-off	20	-	16,444
Tax expense	14	32,003,197	62,727,973
		(100,006,838)	(43,743,075)
Changes in:			
Government securities		799,910,748	(275,891,749)
Loans and advances to customers		59,765,101	(432,132,313)
Other assets		3,689,319	(34,462,058)
Due to other bank		(794,948,016)	248,673,496
Customer deposits		197,896,851	780,252,054
Other liabilities		16,577,761	5,267,741
		182,884,926	247,964,096
Interest received	7	447,872,621	393,202,759
Interest paid	7	(171,685,023)	(131,298,063)
Taxes paid	14(a)	(70,896,831)	(44,360,514)
Net cash flow from operating activities		**388,175,693**	**465,508,278**
Cash flow from investing activities			
Acquisition of property and equipment	20	(79,555,633)	(5,260,809)
Proceeds from disposal of property and equipment	20(b)	245,480	146,190
Acquisition of intangible assets	22	(1,175,650)	(2,690,357)
Net cash flow used in investing activities		**(80,485,803)**	**(7,804,976)**
Net increase in cash and cash equivalents		307,689,890	457,703,302
Balance at beginning		977,422,409	528,694,121
Cash and cash equivalents at 31 December		**1,285,112,299**	**986,397,423**
Effect of exchange rate fluctuations on cash and cash equivalents held		8,548,883	(8,975,014)
Cash and bank balances		**1,293,661,182**	**977,422,409**
Cash balances	16	691,726,903	614,271,326
Short -term investments	5(c)	601,934,279	363,151,083
Cash and cash equivalents at 31 December		**1,293,661,182**	**977,422,409**

The notes on pages **35 - 90** are an integral part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. 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 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. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They were authorised for issue by the board of directors on **11 February 2016**.

Details of the Bank's accounting policies are included in Note: 36.

3. Functional and presentation currency

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

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's 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 estimates are recognised prospectively.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 6 – determination of fair value of financial instruments with significant unobservable inputs;
- Notes 23 (a) – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used; and
- Note 31 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in Notes 36 (i) (vii).

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on 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 debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits. A collective component of the total allowance is established for groups of homogeneous loans that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as a formula approach based on historical loss rate experience. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and the industry at the reporting date.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

4. Use of judgements and estimates (cont'd)

(a) Assumptions and estimation uncertainties (cont'd)

Impairment of financial instruments **(cont'd)**

how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

5. Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

For information on the Bank's financial risk management framework, See Note 34.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, See Note 34 (b).

(i) *Analysis of credit quality*

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

Maximum exposure to credit risk	Note	2015	2014
		GH¢	GH¢
Carrying amount	19	983,074,431	1,097,357,356
Amount committed/guaranteed		690,917,970	794,849,448
Grade 1–5: Low–fair risk		973,768,464	1,096,434,620
Grade 6: Substandard		6,133,169	3,461,338
Grade 7: Doubtful		297,180	7,254,917
Grade 8: Loss		107,613,759	40,426,798
Total gross amount		1,087,812,572	1,147,577,673
Allowance for impairment (individual and collective)		(104,738,141)	(50,220,317)
Net carrying amount		983,074,431	1,097,357,356
Off balance sheet - Maximum exposure			
Lending commitments - Grade 1–3: Low–fair risk		140,309,823	415,490,129
Financial guarantees - Grade 1–3: Low–fair risk		550,608,147	379,359,319
Total exposure		690,917,970	794,849,448
Loans with renegotiated terms			
Gross carrying amount		90,509,948	92,935,265
Neither past due nor impaired			
Grade 1–5: Low–fair risk		973,768,464	1,096,434,620
Past due but not impaired			
Grade 4–5: Watch list		16,078,092	7,854,193
		16,078,092	7,854,193
Past due			
30–90 days		173,665	279,229
90–180 days		6,133,169	3,461,338
180 days+		107,910,939	47,681,715
		114,217,773	51,422,282

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(a) Credit risk (cont'd)
(i) *Analysis of credit quality* (cont'd)

	2015	2014
Individually impaired	**GH¢**	**GH¢**
Grade 6: Substandard	6,133,169	3,461,338
Grade 7: Doubtful	297,180	7,254,917
Grade 8: Loss	107,613,759	40,426,798
	114,044,108	51,143,053
Allowance for impairment		
Individual	(87,605,552)	(35,200,577)
Collective	(17,132,589)	(15,019,740)
Total allowance for impairment	**(104,738,141)**	**(50,220,317)**

Impaired loans

See accounting policy in Notes 36 (i) (vii).

The Bank regards loans and advances as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loans that are subject to a collective IBNR provision are not considered impaired.

Impaired loans and advances are graded 6 to 8 in the Bank's internal credit risk grading system See Notes 4 (a) and 34 (b).

Loans that are past due but not impaired

Loans that are 'past due but not impaired' 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 or collateral available and/or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms and the Bank's forbearance policy

See accounting policy in Notes 36 (i) (vii).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Notes 36 (i) (vii).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default. Loan forbearance may also be granted if there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(a) Credit risk (cont'd)
(i) *Analysis of credit quality* (cont'd)
Loans with renegotiated terms and the Bank's forbearance policy (cont'd)

conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Cash and cash equivalents

The Bank held cash and cash equivalents of GH¢ 691,726,903 at 31 December, 2015 (2014: GH¢ 614,271,326). The cash and cash equivalents are held with central banks and financial institution counterparties. See accounting policy in Notes 36 (i) (vii).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Notes 36 (i) (vii).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

The Bank held cash and cash equivalents of GH¢ 691,726,903 at 31 December, 2015 (2014: GH¢ 614,271,326). The cash and cash equivalents are held with central banks and financial institution counterparties.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5 Financial risk review (cont'd)

(a) Credit risk (cont'd)

(ii) Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	2015 GH¢	2014 GH¢	Principal type of collateral held
Loans and advances to customers	570,237,893	346,664,892	Residential property and other forms of security

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 34 (b)). However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all assets and other liens and guarantees.

Because of the Bank's focus on customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Bank obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement. At 31 December, 2015, the net carrying amount of impaired loans and advances to customers amounted to GH¢ 27,615,396 (2014: GH¢ 16,221,705) and the value of identifiable collateral held against those loans and advances amounted to GH¢ 47,408,679 (2014: GH¢ 38,885,161).

Other types of collateral and credit enhancements

In addition to the collateral obtained for loans, the Bank also holds other types of collateral and credit enhancements such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.

(iii) Offsetting financial assets and financial liabilities

The Bank holds financial assets and financial liabilities that are subject to an enforceable netting arrangement irrespective of whether they are offset in the statement of financial position.

At the reporting date, an amount of **GH¢ 149,184,063** (2014: GH¢ 242,260,529) was held in customer deposits as lien over loans and advances granted to a number of customers.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(a) Credit risk (cont'd)

(iv) Concentrations of credit risk
The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities is shown below.

	Loans and advances to customers	
	2015	2014
	GH¢	GH¢
Carrying amount	**983,074,431**	**1,097,357,356**
Concentration by product:		
Overdrafts	584,055,644	644,035,644
Term loans	484,868,552	491,310,006
Staff loans	12,348,621	10,027,436
Finance leases	6,539,755	2,204,587
Gross loans and advances	1,087,812,572	1,147,577,673
Less: Impairment	(104,738,141)	(50,220,317)
	983,074,431	1,097,357,356
Concentration by industry:		
Finance institutions	10,762,547	19,440,587
Agriculture	-	781,621
Manufacturing	287,179,443	234,465,092
Public sector	213,375	50,122,990
Retail and consumer	373,224,673	312,174,302
Energy	304,988,162	471,543,850
Telecom	36,909,016	26,115,289
Mining and construction	39,243,240	32,933,942
Others	15,292,116	-
Gross loans and advances	1,067,812,572	1,147,577,673
Less: allowance for impairment	(104,738,141)	(50,220,317)
Net loans and advances	**983,074,431**	**1,097,357,356**

(v) Impaired loans and advances

For the definition of 'impaired financial asset', See Notes 5 (a).

For details of impairment allowance for loans and advances to customer, See Notes: 5(b).

Set out below is an analysis of the gross and net (of allowance for impairment) amounts of individually impaired loans and advances by risk grade.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(a) Credit risk (cont'd)

(v) Impaired Loans (cont'd)

Loans and advances to customers	Gross GH¢	Net GH¢
31 December 2015		
Grade 6: Individually Impaired	6,133,169	-
Grade 7: Individually Impaired	297,180	101,357
Grade 8: Individually Impaired	107,613,759	27,514,039
Gross amount	114,044,108	27,615,396
31 December 2014		
Grade 6: Individually Impaired	3,461,338	-
Grade 7: Individually Impaired	7,254,917	5,977,054
Grade 8: Individually Impaired	40,426,798	10,244,651
Gross amount	51,143,053	16,221,705

Key ratios on loans and advances

Loan loss provision ratio is 9.63% (2014: 4.38%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 10.48% (2014: 4.46%).

Ratio of fifty (50) largest exposure (gross funded) to total exposure is 87% (2014: 81%).

(b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, See Notes: 34 (c).

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' includes cash and cash equivalents and government securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2015 %	2014 %
At period end	70	103
Average for the year	82	136
Maximum for the year	114	190
Minimum for the year	56	101

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis for financial liabilities

The tables below set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Note	Carrying amount GH¢	Contractual amount GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢	1- 5 years GH¢
31 December 2015							
Financial liability by type							
Due to other banks	26	(25,125,634)	(25,125,634)	(16,125,634)	(9,000,000)	-	-
Deposits from customers	25	(2,044,642,010)	(2,044,642,010)	(1,282,197,042)	(96,834,734)	(665,610,234)	-
Other liabilities	27	(26,566,314)	(26,566,314)	(26,566,314)	-	-	-
Due to parent company	27	(12,613,278)	(12,613,278)	(12,613,278)	-	-	-
		(2,108,947,236)	(2,108,947,236)	(1,337,502,268)	(105,834,734)	(665,610,234)	-
31 December 2014							
Financial liability by type							
Non-derivative liabilities							
Due to other banks	26	(820,073,650)	(820,073,650)	(123,492,793)	(40,840,647)	(655,740,210)	-
Deposits from customers	25	(1,846,745,159)	(1,846,745,159)	(1,692,563,201)	(87,051,146)	(66,554,435)	(576,377)
Other liabilities	27	(15,263,645)	(15,263,645)	(15,263,645)	-	-	-
Due to parent company	27	(6,292,570)	(6,292,570)	(6,292,570)	-	-	-
		(2,688,375,024)	(2,688,375,024)	(1,837,612,209)	(127,891,793)	(722,294,645)	(576,377)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(b) Liquidity risk (cont'd)

The amounts in the table above have been complied as follows.

Type of financial instrument	Basis on which amounts are compiled
Non derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual discounted cash flows using FX spot rates interest rate curves.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with the Central Bank (these amounts are referred to as the 'Bank's liquidity reserves').

The table below sets out the components of the Bank's liquidity reserves.

	Carrying amount 2015 GH¢	Fair value 2015 GH¢	Carrying amount 2014 GH¢	Fair value 2014 GH¢
Balances with Central Bank	126,844,118	126,844,118	84,542,650	84,542,650
Cash and balances with other banks	267,119,200	267,119,200	164,274,147	164,274,147
Other cash and cash equivalents	93,299,384	93,299,384	180,780,013	180,780,013
Total liquidity reserves	487,262,702	487,262,702	429,596,810	429,596,810

The table below sets out the availability of the Bank's financial assets to support future funding.

	Note	Encumbered		Unencumbered		
31 December, 2015		Pledged as collateral GH¢	Other* GH¢	Available as collateral GH¢	Other GH¢	Total GH¢
Cash and cash equivalents	16	7,614,906	204,464,201	479,647,796	-	691,726,903
Government securities	17	13,970,000	-	707,291,329	-	721,261,329
		21,584,906	204,464,201	1,186,939,125	-	1,412,988,232
31 December 2014						
Cash and cash equivalents	16	6,452,690	184,674,516	423,144,120	-	614,271,326
Government securities	17	46,560,000	-	1,235,828,881	-	1,282,388,881
		53,012,690	184,674,516	1,658,973,001	-	1,896,660,207

* Mandatory reserve deposits with the Central Bank See Note 16.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(b) Liquidity risk (cont'd)

Financial assets pledged as collateral

The total financial assets that had been pledged as collateral for liabilities at 31 December, 2015 is shown in the preceding table.

Financial assets are pledged as collateral as part of securitisation transactions under terms that are usual and customary for such activities.

(c) Market risk

For the definition of market risk and information on the metrics (and their limitations) used by the Bank to manage the market risks of non-trading portfolios, See Notes 34 (d).

The table below sets out the allocation of assets and liabilities subject to market risk.

	Note	Carrying amount	Market risk measure Non-trading portfolios
31 December, 2015			
Assets subject to market risk		GH¢	GH¢
Cash and cash equivalents	16	691,726,903	479,647,796
Government securities	17	721,261,329	721,261,329
Derivatives held for risk management	18	-	-
Loans and advances to customers	19	983,074,431	-
Liabilities subject to market risk			
Due to other banks	26	25,125,634	25,125,634
Deposits from customers	25	2,044,642,010	680,942,586
31 December 2014			
Assets subject to market risk			
Cash and cash equivalents	16	614,271,326	423,144,120
Government securities	17	1,282,388,881	1,282,388,881
Loans and advances to customers	19	1,097,357,356	1,186,100,941
Liabilities subject to market risk			
Due to other banks	26	820,073,650	820,073,650
Deposits from customers	25	1,846,745,159	509,555,488

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(c) Market risk (cont'd)

Exposure to interest rate risk – non-trading portfolios

The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

31 December 2015	Note	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢
Cash and cash equivalent	16	691,726,903	691,726,903	-	-	-
Government securities	17	721,261,329	601,934,279	114,026,444	5,300,606	-
Loans and advances to customers	19	983,074,431	539,695,962	109,049,058	205,689,022	128,640,389
		2,396,062,663	1,833,357,144	223,075,502	210,989,628	128,640,389
Due to other banks	26	(25,125,634)	(25,125,634)	-	-	-
Deposits from customers	25	(2,044,642,010)	(1,379,031,776)	(120,899,303)	(544,710,931)	-
		(2,069,767,644)	(1,404,157,410)	(120,899,303)	(544,710,931)	-
Total interest repricing gap		326,295,019	429,199,734	102,176,199	(333,721,303)	128,640,389
31 December 2014						
Cash and cash equivalent	16	614,271,326	614,271,326	-	-	-
Government securities	17	1,282,388,881	363,151,083	209,993,475	703,949,944	5,294,379
Loans and advances to customers	19	1,097,357,356	877,368,133	26,299,549	40,012,461	153,677,213
		2,994,017,563	1,854,790,542	236,293,024	743,962,405	158,971,592
Due to other banks	26	(820,073,650)	(164,333,440)	(655,740,210)	-	-
Deposits from customers	25	(1,846,745,159)	(1,779,614,347)	(51,583,633)	(14,970,802)	(576,377)
Total liabilities		(2,666,818,809)	(1,943,947,787)	(707,323,843)	(14,970,802)	(576,377)
Effect of derivatives held for risk management		8,548,883	-	8,548,883	-	-
Total interest repricing gap		335,747,637	(89,157,245)	(462,481,936)	728,991,603	158,395,215

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(c) Market risk (cont'd)

***Exposure to interest rate risk – non-trading portfolios* (cont'd)**

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 50 basis point (bp) parallel fall or rise in market interest rates.

An increase of a 50 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

Sensitivity of projected net interest income	**2015 GH¢**	**2014 GH¢**
At 31 December	1,631,475	1,678,738
Sensitivity of reported equity to interest rate movements		
At 31 December	1,223,606	1,259,054

Interest rate movements affect reported equity in the following ways:

- retained earnings - increases or decreases in net interest income and in fair values of derivatives reported in profit or loss;

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities. The use of derivatives to manage interest rate risk is described in Note 18.

A decrease of a 50 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(c) Market risk (cont'd)

Exposure to interest rate risk – non-trading portfolios **(cont'd)**

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

	USD GH¢	GBP GH¢	EURO GH¢	Others GH¢	Total GH¢
31 December 2015					
Net foreign currency exposure:					
Assets	251,612,153	13,813,323	68,879,464	799,750	335,104,690
Liabilities	(537,331,146)	(17,622,372)	(52,114,884)	-	(607,068,402)
Net on balance sheet position	(285,718,993)	(3,809,049)	16,764,580	799,750	(271,963,712)
Line facilities for LCs and Bonds and Guarantees	(352,127,076)	(2,172,831)	(13,640,323)	(3,885,130)	(371,825,360)
31 December 2014					
Net foreign currency exposure:					
Assets	132,945,416	10,117,214	29,249,294	672,358	172,984,282
Liabilities	(1,207,722,055)	(13,327,250)	(29,049,864)	-	(1,250,099,169)
Net on balance sheet position	(1,074,776,639)	(3,210,036)	199,430	672,358	(1,077,114,887)
Line facilities for LCS and Bonds and Guarantees	(550,852,533)	(18,170,020)	(2,451,819)	(359,834)	(571,834,206)

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

	Average rate		Reporting rate	
GH¢ to	2015	2014	2015	2014
USD 1	3.7021	2.9240	3.7944	3.2001
GBP 1	5.7025	4.8237	5.6265	4.9892
EURO 1	4.1383	3.8680	4.1514	3.8813

A 5% weakening of the cedi against foreign currencies at 31 December, 2015 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 2014.

	Assets	Liabilities	2015 Total	Assets	Liabilities	2014 Total
Profit/(Loss)	16,755,235	(48,944,688)	(32,189,453)	8,649,214	(91,096,669)	(82,447,455)

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(d) Capital management

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 non-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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(d) Capital management (cont'd)

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	2015 GH¢	2012 GH¢
Tier 1 capital			
Ordinary share capital	28(a)	61,221,496	61,221,496
Disclosed reserve			
Statutory reserve	28 (b)	90,110,926	79,726,308
Retained earnings	28 (b)	260,352,621	183,125,050
Total disclosed reserve		350,463,547	262,851,358
Total qualifying tier 1 capital		411,685,043	324,072,854
Less:			
Intangibles (prepayments)	24	6,462,093	3,937,236
Net tier 1 capital		405,222,950	320,135,618
Tier 2 capital		-	-
Total adjusted regulatory capital base		405,222,950	320,135,618
Total assets (less contra items)		2,549,130,057	3,073,359,215
Less:			
Cash on hand (cedis)		31,093,019	33,735,899
Cash on hand (forex)		90,006,907	68,807,271
Claims on Bank of Ghana:			
i Cedi clearing account balance		230,958,122	226,113,943
ii Forex account balance		100,350,197	43,103,223
Total claims on Bank of Ghana	16	331,308,319	269,217,166

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(d) Capital management (cont'd)
Capital adequacy ratio (cont'd)

	Note	2015 GH¢	2014 GH¢
Claims on Government:			
i Treasury securities (bills and bonds)		721,261,329	1,282,388,881
80% of cheques drawn on other banks		42,639,476	34,064,010
Goodwill / Intangibles	24	6,462,093	3,937,236
80% of claims on Other Banks in cedis/forex		148,815,451	159,944,782
80% of loans guaranteed by government		-	-
50% of residential mortgage loans		1,480,476	908,153
Adjusted total assets		1,176,062,987	1,220,355,817
Add: Contingent liabilities			
Commercial letters of credit outstanding		140,309,823	415,490,129
Guarantees/indemnities		550,608,147	379,359,319
Total contingent liabilities	31(b)	690,917,970	794,849,448
Net contingent liabilities		690,917,970	794,849,448
Add:			
50% of net open position (NOP)		9,194,075	7,137,960
100% of 3yrs average annual gross income		312,810,129	224,594,268
Total risk weighted assets base		**2,188,985,161**	**2,246,937,493**
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)		18.51%	14.25%
Capital surplus (adjusted regulatory capital base less total risk weighted assets base * 10%)		186,324,434	95,441,869

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(d) Capital management (cont'd)

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.

6. Fair values of financial instruments

See accounting policy in Notes 36 (i) (vi).

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

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.

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

6. Fair values of financial instruments (cont'd)

(a) Valuation models (cont'd)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Financial instruments measured at fair value – fair value hierarchy

At the reporting date, the Bank did not carry financial instruments that are measured at fair value.

Derivative assets held for risk management - Discounted cash flow using forex spot rates curves.

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2015	**Note**	**Level 2**
Assets		
Cash and cash equivalents	16	691,726,903
Government securities	17	721,261,329
Loans and advances to customers	19	983,074,431
		2,396,062,663
Liabilities		
Due to other banks	26	25,125,634
Deposits from customers	25	2,044,642,010
		2,069,767,644

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

7. Net interest income

See accounting policy in Notes 36 (b).

	2015 GH¢	2014 GH¢
Interest income		
Loans and advances to customers	178,803,910	136,216,930
Placement with other banks	4,007,918	2,109,195
Investments securities	265,060,793	254,876,634
Total interest income	447,872,621	393,202,759
Interest expense		
Current accounts	1,405,960	645,274
Time and other deposits	147,554,732	120,527,978
Overnight and call accounts	22,724,331	10,124,811
Total interest expense	171,685,023	131,298,063
Net interest income	276,187,598	261,904,696

Included within various line items under interest income for the year ended 31 December 2015 is a total of GH¢ Nil (2014: GH¢ 697,206) relating to impaired financial assets.

8. Fees and commission income

See accounting policy in Notes 36 (c).

	2015 GH¢	2014 GH¢
Fees on loans and advances	16,156,049	16,239,624
Customer account servicing fees	21,646,590	18,896,041
Letters of credit issued	9,233,074	14,808,252
Other fees	17,823,962	13,731,678
	64,859,675	63,675,595

9. Net trading income

See accounting policy in Notes 36 (d).

	2015	2014
Foreign exchange	**33,015,394**	**29,772,106**

10. Other operating income

See accounting policy in Notes 36 (a), (i) (iii).

	2015 GH¢	2014 GH¢
Profit on disposal of property and equipment Notes 20 (b)	188,498	71,827
Sundry income	2,497,325	2,457,391
	2,685,823	2,529,218

Sundry income comprises mainly of brokerage commission on treasury bills.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

11. Net impairment losses on financial assets

See accounting policy in Notes 36 (l).

	2015 GH¢	2014 GH¢
Specific impairment loss	52,404,975	7,893,838
Collective impairment loss	2,112,849	4,090,116
Net impairment loss on financial assets	**54,517,824**	**11,983,954**

12. Personnel expenses

See accounting policy in Notes 36 (u).

	2015 GH¢	2014 GH¢
Wages and salaries	48,683,420	40,978,959
Compulsory social security obligations	2,131,056	1,579,383
Contribution to defined contribution plan	2,048,882	1,516,928
Other staff cost	5,369,907	3,497,822
	58,233,265	47,573,092

The number of persons employed by the Bank at the end of the year was 670 (2014: 634).

13. Other expenses

See accounting policy in Note: 36.

	2015 GH¢	2014 GH¢
Advertising and marketing expenses	1,528,276	1,684,230
Administrative expenses	57,203,400	45,622,368
Director's emoluments	827,985	430,000
Forei gn exchange losses	73,857,401	36,952,705
Auditor's remuneration	501,543	335,497
Operating lease rentals on office premises	8,171,012	7,028,889
Donations and sponsorship	56,350	38,000
	142,145,967	92,091,689

An amount of GH¢56,350 (2014: GH¢38,000) was spent as part of social responsibility of the Bank.

14. Income tax expense

See accounting policy in Notes 36 (h).

Amounts recognised in profit or loss

	2015 GH¢	2014 GH¢
Current year income tax - See Note (a) below	37,889,930	63,743,021
Deferred tax - See Notes 23 (a)	(5,886,733)	(1,015,048)
	32,003,197	62,727,973

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

14. Income tax expense (cont'd)

(a) Income tax

See accounting policy in Notes 36 (h).

	Balance at 1/1/2015	Payments during the year	Charge for the year	Balance at 31/12/2015
	GH¢	GH¢	GH¢	GH¢
Income tax				
2012	2,016,741	-	(2,016,741)	-
2013	545,938	(545,938)	-	-
2014	16,063,616	(16,063,616)	-	-
2015	-	(39,118,665)	34,152,664	(4,966,001)
	18,626,295	(55,728,219)	32,135,923	(4,966,001)
National stabilisation levy				
2014	8,206,402	(8,206,402)	-	-
2015	-	(6,962,210)	5,754,007	(1,208,203)
	8,206,402	(15,168,612)	5,754,007	(1,208,203)
Total	26,832,697	(70,896,831)	37,889,930	(6,174,204)

(b) Reconciliation of effective tax rate

	2015 %	2015 GH¢	2014 %	2014 GH¢
Profit before tax		115,080,140		200,128,038
Income tax using domestic tax rate	25.00	28,770,035	25.00	50,032,010
National stablisation levy	5.00	5,754,007	5.00	10,006,402
Non-deductible expenses	4.65	5,348,186	0.51	1,028,776
Tax incentives	0.03	34,443	-	2,828
Origination and reversal of temporary differences	(5.12)	(5,886,733)	(0.51)	(1,015,046)
Under/(over) provided in prior years	(1.75)	(2,016,741)	1.34	2,673,003
Tax expenses	27.81	32,003,197	31.34	62,727,973

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

15. Classification of financial assets and financial liabilities

See accounting policy in Notes 36 (i) (ii), (i) (iii).

	Note	Trading	Design'd at fair value	Held-to-maturity	Loans and receivables	Other amort'd cost	Total carrying amount	Fair value
		GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
31 December 2015								
Cash and cash equivalents	16	-	-	-	691,726,903	-	691,726,903	691,726,903
Government securities	17	-	-	721,261,329	-	-	721,261,329	1,289,543,934
Accrued interest receivable	24	-	-	-	33,160,292	-	33,160,292	33,160,292
Loans and advances to customers	19	-	-	-	983,074,431	-	983,074,431	983,074,431
Total assets		-	-	721,261,329	1,707,961,626	-	2,429,222,955	2,997,505,560
Due to other banks	26	-	-	-	-	25,125,634	25,125,634	25,125,634
Deposits from customers	25	-	-	-	-	2,044,642,010	2,044,642,010	2,044,642,010
Other payables		-	-	-	-	13,313,121	13,313,121	13,313,121
Total liabilities		-	-	-	-	2,083,080,765	2,083,080,765	2,083,080,765
31 December 2014								
Cash and cash equivalents	16	-	-	-	614,271,326	-	614,271,326	614,271,326
Government securities	17	-	-	1,282,388,881	-	-	1,282,388,881	1,289,543,934
Derivative assets held for risk management	18	-	8,548,883	-	-	-	8,548,883	8,548,883
Accrued interest receivable	24	-	-	-	1,097,357,356	-	1,097,357,356	1,097,357,356
Loans and adv'ces to customers	19	-	-	-	1,097,357,356	-	1,097,357,356	1,097,357,356
Total assets		-	8,548,883	1,282,388,881	2,808,986,038	-	4,099,923,802	4,107,078,855
Due to other banks	26	-	-	-	-	820,073,650	820,073,650	820,073,650
Deposits from customers	25	-	-	-	-	1,846,745,159	1,846,745,159	1,846,745,159
Other payables		-	-	-	-	8,339,183	8,339,183	8,339,183
Total liabilities		-	-	-	-	2,675,157,992	2,675,157,992	2,675,157,992

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

16. Cash and cash equivalents

See accounting policy in Notes 36 (j).

	2015 GH¢	2014 GH¢
Cash on hand	121,099,926	102,543,170
Balances with Bank of Ghana	331,308,319	269,217,166
Balances with other local Banks	1,641,183	985,348
Balances with other foreign Banks	144,378,091	60,745,629
Items in course of collection	53,299,345	42,580,013
Money market placements	40,000,039	138,200,000
	691,726,903	614,271,326

Included in balances with Bank of Ghana above is an amount of GH¢ 204,464,201 (2014:GH¢ 184,674,516) mandatory reserve deposits representing 10% (2014: 10%) 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.

17. Government securities

See accounting policy in Notes 36 (m).

	Pledged 2015 GH¢	Non-pledged 2015 GH¢	Total 2015 GH¢	Pledged 2014 GH¢	Non-pledged 2014 GH¢	Total 2014 GH¢
Government bonds	2,300,000	3,053,664	5,353,664	37,950,000	690,038,537	727,988,537
Treasury bills	11,670,000	704,237,665	715,907,665	8,610,000	545,790,344	554,400,344
Total trading assets	13,970,000	707,291,329	721,261,329	46,560,000	1,235,828,881	1,282,388,881

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.

(a) Collateral accepted as security for assets

At 31 Decem ber 2014, the value of government securities accepted as collateral that the Bank is permitted to sell or repledge in the absence of default was GH¢ 40,112,000(2014: GH¢ 139,718,900).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

18. Derivative assets held for risk management

See accounting policy in Notes 36 (k).

In 2014, the Bank used cross-currency swaps to hedge its foreign currency risks arising from its indebtedness to Zenith Bank (UK). The swaps matured in July 2015 and the effect of the cash flows has been reflected in the statement of comprehensive income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

19. Loans and advances to customers

See accounting policy in Notes 36 (l).

	2015 GH¢	2014 GH¢
Loans and advances to customers at amortised cost	1,081,272,817	1,145,373,086
Finance leases	6,539,755	2,204,587
	1,087,812,572	1,147,577,673
Less allowance for impairment	(104,738,141)	(50,220,317)
Loans and advances to customers at amortised cost	983,074,431	1,097,357,356

	Gross amount 2015 GH¢	Impairment allowance 2015 GH¢	Carrying amount 2015 GH¢	Gross amount 2014 GH¢	Impairment allowance 2014 GH¢	Carrying amount 2014 GH¢
Individual customers	15,859,755	(327,231)	15,532,524	14,565,783	(112,179)	14,453,604
Corporate customers	1,071,952,817	(104,410,910)	967,541,907	1,133,011,890	(50,108,138)	1,082,903,752
Total loans and advances to customers	1,087,812,572	(104,738,141)	983,074,431	1,147,577,673	(50,220,317)	1,097,357,356

(b) Allowances for impairment

	2015 GH¢	2014 GH¢
Specific allowances for impairment		
Balance at the beginning of the reporting year	35,200,577	27,732,870
Write offs	-	(426,131)
	35,200,577	27,306,739
Charge for the year	52,404,975	7,893,838
Balance at 31 December	87,605,552	35,200,577
Collective allowances for impairment		
Balance at the beginning of the reporting year	15,019,740	10,929,624
Charge for the year	2,112,849	4,090,116
Balance at 31 December	17,132,589	15,019,740
Total allowances for impairment	104,738,141	50,220,317

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

19. Loans and advances to customers (cont'd)

(c) Finance lease receivables

The table below provides an analysis of finance lease receivables for leases of certain property and equipment in which the Bank is the lessor:

	2015 GH¢	2014 GH¢
Gross investment in finance leases, receivable:		
Less than one year	5,501,230	1,817,905
Between one and five years	2,502,981	734,364
More than five years	-	-
	8,004,211	2,552,269
Unearned finance income	(1,464,456)	(347,682)
Net investment in finance lease	6,539,755	2,204,587

	2015 GH¢	2014 GH¢
Net investment in finance leases, receivable:		
Less than one year	4,245,841	1,517,791
Between one and five years	2,293,914	68,796
More than five years	-	-
	6,539,755	2,204,587

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

20. Property and equipment

See accounting policy in Notes 36 (n).

	Leasehold improv'ts GH¢	Furniture & equipment GH¢	Computers GH¢	Motor vehicles GH¢	Capital work in progress GH¢	Total GH¢
Cost						
Balances at 1 January 2014	10,282,646	10,104,340	10,633,597	7,938,354	1,913,182	40,872,119
Acquisitions	252,132	959,581	613,009	2,311,823	1,124,264	5,260,809
Transfers	34,555	6,199	33,959	46,024	(120,737)	-
Write-offs	-	-	-	-	(16,444)	(16,444)
Disposals	-	-	-	(275,318)	-	(275,318)
Balance at 31 December 2014	10,569,333	11,070,120	11,280,565	10,020,883	2,900,265	45,841,166
Balance at 1 January 2015	10,569,333	11,070,120	11,280,565	10,020,883	2,900,265	45,841,166
Acquisitions	710,309	2,701,388	1,741,961	2,833,945	71,568,030	79,555,633
Transfers	61,819	750	1,226,679	-	(1,289,248)	-
Write offs	-	-	-	-	-	-
Disposals	-	(210,358)	-	(638,078)	-	(848,436)
Balance at 31 December 2015	11,341,461	13,561,900	14,249,205	12,216,750	74,468,295	124,548,363
Depreciation						
Balances at 1 January 2014	7,086,151	7,730,784	8,051,379	4,670,823	-	27,539,137
Depreciation for the year	1,167,817	1,098,747	1,460,486	1,699,293	-	5,426,343
Disposals	-	-	-	(200,785)	-	(200,785)
Balance at 31 December 2014	8,253,968	8,829,531	9,511,865	6,169,331	-	32,764,695
Balance at 1 January 2015	8,253,968	8,829,531	9,511,865	6,169,331	-	32,764,695
Depreciation for the year	890,076	1,152,043	1,335,826	1,920,915	-	5,298,860
Disposal	-	(209,871)		(581,583)	-	(791,454)
Balance at 31 December 2015	9,144,044	9,771,703	10,847,691	7,508,663	-	37,272,101
Carrying amounts						
Balances at 1 January 2014	3,196,495	2,373,556	2,582,218	3,267,531	1,913,182	13,332,982
Balance at 31 December 2014	2,315,365	2,240,589	1,768,700	3,851,552	2,900,265	13,076,471
Balance at 31 December 2015	2,197,417	3,790,197	3,401,514	4,708,087	74,468,295	87,276,262

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2014: Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

20. Property and equipment (cont'd)

(a) Depreciation and amortisation expense

		2015	2014
		GH¢	GH¢
Property and equipment	(Note 20)	5,298,860	5,426,343
Leasehold property	(Note 21)	96,785	96,785
Intangible asset	(Note 22)	1,375,649	581,714
		6,771,294	6,104,842

(b) Profit on disposal

Cost	848,436	275,318
Accumulated depreciation	(791,454)	(200,785)
Carrying amount	56,982	74,533
Proceeds from disposal	(245,480)	(146,190)
Profit on disposal	(188,498)	(71,657)

21. Leasehold property

See accounting policy in Notes 36 (o).

Cost		
Balance at 1 January	5,039,270	5,039,270
Balance at 31 December	5,039,270	5,039,270
Amortisation		
Balance at 1 January	293,848	197,063
Amortisation for the year	96,785	96,785
Balance at 31 December	390,633	293,848
Carrying amount		
Balance at 1 January	4,745,422	4,842,207
Balance at 31 December	4,648,637	4,745,422

(2014: Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

22. Intangible assets

See accounting policy in Notes 36 (p).

	2015 GH¢	2014 GH¢
Cost		
Balance at 1 January	3,010,164	319,807
Acquisitions	1,175,650	2,690,357
Balance at 31 December	4,185,814	3,010,164
Amortization		
Balance at 1 January	730,918	149,204
Amortization for the year	1,375,649	581,714
Balance at 31 December	2,106,567	730,918
Carrying amount		
Balance at 1 January	2,279,246	170,603
Balance at 31 December	2,079,247	2,279,246

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2014: Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

23. Deferred tax assets and liabilities

See accounting policy in Notes 36 (h).
Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	2015 Net	Assets	Liabilities	2014 Net
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Property, equipment and software	-	959,301	959,301		(433,840)	(433,840)
Allowances for loan losses	4,283,147	-	4,283,147	3,754,935	-	3,754,935
Valuation gains on currency swap	-	-	-	-	(2,137,220)	(2,137,220)
Contingency	2,806,732	-	2,806,732	978,572	-	978,572
Net tax assets/(liabilities)	7,089,879	959,301	8,049,180	4,733,507	(2,571,060)	2,162,447

(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 2015				
Property, equipment and software	(433,840)	1,393,141	-	959,301
Allowances for loan losses	3,754,935	528,212	-	4,283,147
Valuation gains on currency swap	(2,137,220)	2,137,220	-	-
Contingency	978,572	1,828,160	-	2,806,732
	2,162,447	5,886,733	-	8,049,180
For the year ended 31 December 2014				
Property, equipment and software	(222,507)	(211,333)	-	(433,840)
Allowances for loan losses	715,665	3,039,270	-	3,754,935
Valuation gains on currency swap	9,847,548	(2,137,220)	(9,847,548)	(2,137,220)
Contingency	654,241	324,331	-	978,572
	10,994,947	1,015,048	(9,847,548)	2,162,447

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of GH¢ 7,089,879 (2014: GH¢ 4,733,507) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

24. Other assets

	2015 GH¢	2014 GH¢
Prepayments	6,462,093	3,937,236
Accrued interest receivable	33,160,292	37,816,928
Others	5,217,479	6,775,019
	44,839,864	48,529,183

25. Customer deposits

See accounting policy in Notes 36 (r).

	2015 GH¢	2014 GH¢
Demand deposits	1,269,924,246	1,264,682,426
Term deposits	677,883,030	504,446,920
Savings deposits	96,834,734	77,615,813
	2,044,642,010	1,846,745,159
Analysis by type of depositors		
Financial institutions	76,271,593	50,967,385
Individual and other private enterprises	1,887,210,025	1,703,952,242
Public enterprises	81,160,392	91,825,532
	2,044,642,010	1,846,745,159
Ratio of 20 largest depositors to total deposits	28%	38%

26. Due to other banks

	2015 GH¢	2014 GH¢
Balances with other banks	25,125,634	820,073,650

In 2014, the Bank obtained funds from Zenith Bank (UK) for the purposes of entering into a swap transaction with the Central Bank of Ghana as described in Note 18 amounting to US$200M. The facility expired in July 2015 and has since been paid off as at the reporting period.

27. Other liabilities

See accounting policy in Note: 36 and (t).

	2015 GH¢	2014 GH¢
Due to parent company	12,613,278	6,292,570
Payables	26,566,314	15,263,645
Deferred income	5,662,344	6,707,960
	44,841,936	28,264,175

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

28. Capital and reserves

See accounting policy in Notes 36 (v)

(a) Share capital

	2015 No. of Shares	2015 Proceeds GH¢	2014 No. of Shares	2014 Proceeds GH¢
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

There were no calls or installments unpaid at the balance sheet date. There were no shares held in treasury at year-end.

(b) Nature and purpose of reserves

Retained earnings

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

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.

Credit risk reserve

This reserve represents the cumulative balance of amounts transferred from/to retained earnings to meet gaps in impairment allowances based on Bank of Ghana's provisioning guidelines and IFRS. The balance include 1% provision on contingent liabilities amounting to GH¢ 6,909,180 (2014: 7,948,494) at the reporting period.

29. Dividends

The Bank did not declare dividend for the financial year ended 31 December 2015 (2014: Nil).

30. Leasing

The Bank leases various offices, branches and other premises under non cancelable 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 cancelable operating lease rentals are as follows:

	2015 GH¢	2014 GH¢
Less than one year	4,239,427	804,957
Between one and five years	2,072,663	798,428
More than five years	150,003	2,333,851
	6,462,093	3,937,236

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

31. Contingencies

(a) Claims and litigation

There were no litigation and claims involving the Bank as at 31 December 2015 (2014: Nil).

(b) Contingent liabilities and commitments

As 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:

	2015 GH¢	2014 GH¢
Contingent liabilities: Bonds and guarantees	550,608,147	379,359,319
Commitments: Clean line facilities for letters of credit	140,309,823	415,490,129
	690,917,970	794,849,448

(c) Commitments for capital expenditure

At 31 December 2015, the Bank's commitment for capital expenditure was GH¢ 1,657,812 (2014: GH¢ 500,000). This is in respect of the Bank's head office construction whose costs are included in capital work-in-progress in property and equipment.

32. 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, key management personnel and the close members of their family.

(a) 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, 2015, the bank transacted the following business with the parent bank:

	Note	2015 GH¢	2014 GH¢
Transaction during the year		5,783,767	2,573,276
Due to Parent company at year end	27	12,613,278	6,292,570

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

32. Related parties (cont'd)

(b) 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:

	2015 GH¢	2014 GH¢
Executive Directors	1,931,452	590,494
Officers and other employees	10,417,169	9,436,942
	12,348,621	10,027,436

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.

(c) Associated companies

Balances with associated companies as at reporting period were:	2015 GH¢	2014 GH¢
Bank balance with Zenith Bank (UK) (Nostros)	51,391,993	4,955,300
Balance due to Zenith Bank (UK)	-	666,080,522

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

33. Subsequent 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. There were no subsequent events at the reporting date and at 31 December 2014.

34. Financial risk management

(a) Introduction and overview

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 Bank has exposure to the following types of risks from its use of financial instruments:

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

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Risk Management Committee of the Board is responsible for developing and monitoring the Bank's risk management policies over specified areas.

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 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 Bank's Risk Management Committee of the Board is 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.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and 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.

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.

Management of credit risk

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

34 Financial risk management (cont'd)

(b) Credit risk (cont'd)

Management of credit risk (cont'd)

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

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.

(c) Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

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 unit 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 unit 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.

(d) Market risks

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

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 unit 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

34. Financial risk management (cont'd)

(d) Market risks (cont'd)

Exposure to other market risks – 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. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities.

(e) 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 Compliance Unit is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. 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.


LIVE THE ZENITH LIFE
16 "Then he who had received the five talents went and traded with them, and made another five talents.
Matthew 25:16

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

35. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items.

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(a) 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-translated 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. 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-translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognized in profit or loss.

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.

(b) 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.

(c) 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.

(d) Net trading income

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

(e) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(f) Dividend income

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36 Summary significant accounting policies (cont'd)

(g) 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.

(h) Income tax

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 or OCI.

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.

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(i) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments including regular-way purchases and sales of financial assets are recognised on

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(i) Recognition (cont'd)

the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

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 See Notes (i), (j), (l) and (m).

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or fair value through profit or loss See Notes (l), (m), (r) and (s).

(iii) De-recognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

Financial liabilities

Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Amortized cost measurement

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(vi) Fair value measurement (cont'd)

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on going basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(vii) Identification and measurement of impairment (cont'd)

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modeling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value.

The impairment loss before an expected restructuring is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(vii) Identification and measurement of impairment (cont'd)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognized in OCI.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Bank Credit determines that there is no realistic prospect of recovery and approval for write-off granted by the Central Bank.

(viii) Designation at fair value through profit or loss

The Bank has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 15 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(j) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(k) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within acceptable profitable range. The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

(l) Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances to banks are classified as loans and receivables.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(l) Loans and advances (cont'd)

Loans and advances to customers include:

- those classified as loans and receivables; and
- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss as described in (i) (vii). they are measured at fair value with face value changes recognized immediately in profit or loss.

Loans and advances also include finance lease receivables in which the Bank is the lessor (See Note: (g)).

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

(m) Government 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 or loss or available-for-sale.

(i) Held to maturity

'Held to maturity' investments 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 investments are carried at amortized cost using the effective interest method, less any impairment losses (See Notes (i)(vii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Bank designates some investment securities at fair value, with fair value changes recognized immediately in profit or loss as described in ((i)(viii))

(iii) Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as availablefor-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(m) Government securities (cont'd)

(iii) Available-for-sale

Dividend income is recognized in profit or loss when the Bank becomes entitled to the dividend (See Note: (f)). Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss (See Note: (a)). Impairment losses are recognized in profit or loss (See Notes (i)(vii)).

Other fair value changes, other than impairment losses (See Notes (i)(vii)), are recognized in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until

(n) 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 self-constructed 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 capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized 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 recognized 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 recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(n) Property and equipment (cont'd)

(iii) Depreciation

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

(o) Leasehold property

Leasehold property is initially recognized at cost. Subsequent to initial recognition, leasehold property is amortized over the lease term of the property. The amortization is recognized in profit or loss.

(p) Intangible assets

Computer software

Software acquired by the Bank is measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software assets is capitalized 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. Amortization is recognized 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.

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

(q) 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 recognized 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 recognized in profit or loss. Impairment losses recognized 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 recognized 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(q) Impairment of non-financial assets

amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(r) Deposits and due to other banks

Deposits and borrowings from other banks 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 borrowings from other banks are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(s) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

(t) *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

(u) Employee benefits

(i) 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 recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) 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.

(v) Stated capital and reserves

(i) Share capital

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.

(ii) Share issue costs

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. Summary significant accounting policies (cont'd)

(v) Stated capital and reserves (cont'd)

(iii) 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.

(w) 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

37. New standards and interpretations not yet adopted

At the date of authorization of the financial statements of the Bank for the year ended 31 December 2015, the following Standards and Interpretations were in issue but not yet effective and may have an impact on future financial statements:

Standard	Interpretation
IFRS 9 Financial Instruments	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: *Recognition and Measurement.* This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Bank. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.
IFRS 16 - Leases	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.
Revenue from contracts with customers (IFRS 15)	This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

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

Standard	Interpretation
Revenue from contracts with customers (IFRS 15) (Cont'd)	The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This new standard will not likely have a significant impact on the Bank.
Disclosure Initiative (Amendments to IAS 1)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The Bank will not early adopt this amendment and it is not expected to have any impact on the Bank's financial statements.

38. Non-compliance with a section of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738)

Section 42 (1 and 2) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non secured facilities should not exceed 25% and 10% of the company's net worth respectively. Our audit of the financial statements identified two (2) facilities granted by the Bank that had balances exceeding the prescribed exposure limits. Both were secured facilities that exceeded the 25% single obligor exposure limit.

ZENITH BANK WIDENS CORPORATE SOCIAL RESPONSIBILITY TO SPEECH AND HEARING IMPAIRED CHILDREN

Zenith Bank (Ghana) Limited on Thursday May 7, 2015 extended its educational scholarship to three special needs children residing in Nsawam in the Greater Accra Metropolis.

At a media introduction of the children, the MD/CEO of the Bank reiterated that the Zenith Bank Group has invested in education and ICT since inception. This is in line with the Bank's mission, "To continue to invest in the best people, technology and environment to underscore our commitment to achieving customer enthusiasm".

In line with the Group's focus areas, Zenith Bank Ghana's "Educate a Street Child" Project aims at alleviating the plight of the less privileged children in our society through the provision of educational scholarships for bright but needy children.

The three special needs beneficiaries; Gloria Wedi, Mawusi Nutsugah and Nicholas Ameti are speech and hearing impaired.

The children commenced school as boarding students at the Kibi School for the Deaf on Friday May 15, 2015.

The school has an enabling environment and teachers with the necessary knowledge and expertise to build the lifelong foundations of success for these children and it is our belief that this new chapter will yield positive outcomes of hardwork, dignity and self-realisation for the children.

Currently, Zenith Bank is aslo sponsoring the education of other children in various schools in Ghana.

LIVE
THE
ZENITH
LIFE

WE Keep Winning

- Best Banking Group, Ghana {World Finance Banking Awards 2015}
- Best E-Commerce Bank Ghana 2015 {Global Banking & Finance Review Awards}
- Best Customer Service Bank Ghana 2015 {Global Banking & Finance Review Awards}
- Best Corporate Bank Ghana 2015 {Global Banking & Finance Review Awards}
- Most Cashless Bank {14th Ghana Banking Awards}
- Best Bank in Trade Finance {14th Ghana Banking Awards}
- Bank of the Year Ghana {The Banker Awards 2015}

ZENITH BANK
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