2014
Annual Report

PEOPLE • TECHNOLOGY • SERVICE

ZENITH BANK (GHANA) LIMITED

Zenith, Now Bank of The Year Ghana, 2014.

(The Banker)

We dedicate this award to you, our cherished customers,
as a true sign of our commitment to the spirit
of excellence inspired by you.

Without you this would not have been possible.

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CONTENTS

"to be a reference point in the provision of prompt, flawless and innovative banking services in the Ghanaian banking industry".

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mary Chinery-Hesse (Mrs.)	*Chairperson*
	Daniel Asiedu	*Managing Director*
	Godwin Emefiele	*(Resigned 5 September 2014)*
	Ebenezer Onyeagwu	*(Appointed 15 January 2014)*
	Henry Benyah	
	Kwame Sarpong	
	Babatunde Adejuwon	
	Olusola Oladipo	*(Appointed 3 November 2014)*
	Haruna Usman Sanusi	*(Appointed 5 February 2014)*
	Henry Oroh	

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

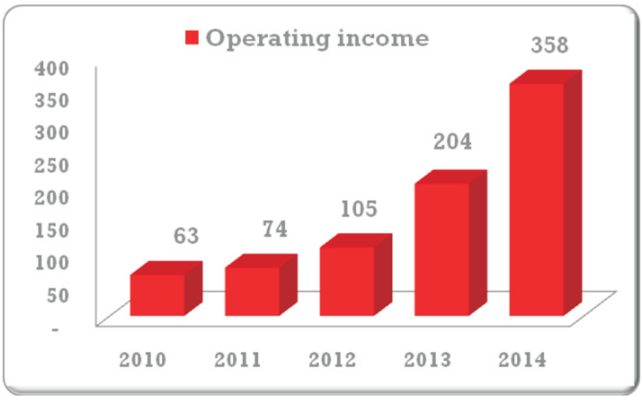
4th Floor
Premier Towers
Liberia Road
PMB CT 393
Accra
Tel: (+233) 302 611500-29
Fax: (+233) 302 660760
E-mail: info@zenithbank.com.gh
Website: www.zenithbank.com.gh
Swiftcode: ZEBLGHAC

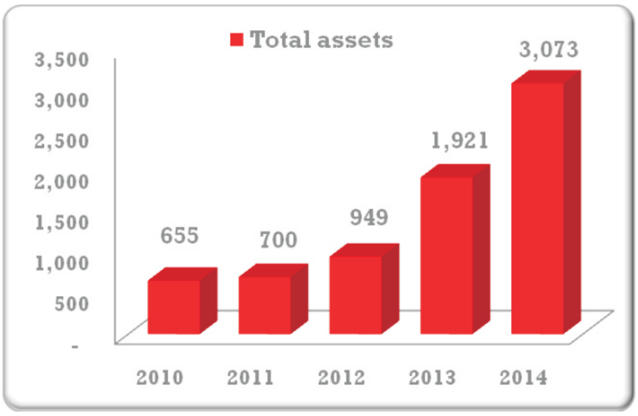
BANKS

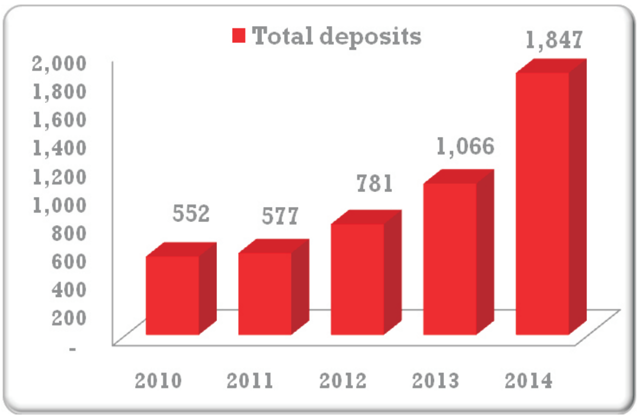
Zenith Bank (UK) Limited
Citibank London
Citibank New York
Ghana International Bank Plc.
HSBC Bank Plc
Bank of Beirut
Standard Chartered Germany
Commerzbank AG
JP Morgan Chase

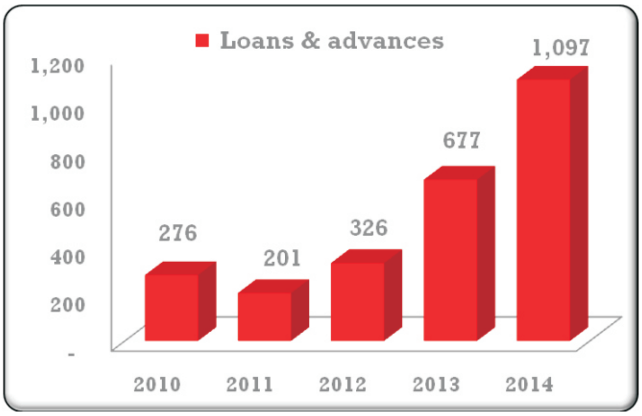
FINANCIAL HIGHLIGHTS

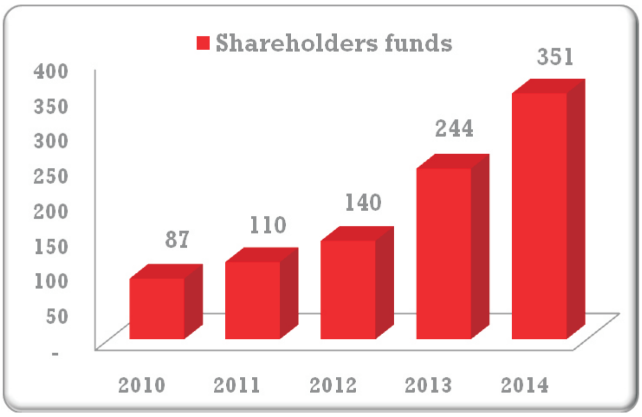
All amounts in GH¢ Million











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- Zenith Visa Classic Credit Card
- Zenith Visa Classic Prepaid Card
- EazyPay
- Cruz-Card
- GlobalTravelWallet™ Card
- Kudi Card

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RESULTS AT A GLANCE

73% ⬆
Increase in customer deposits

94% ⬆
Increase in gross income

62% ⬆
Increase in loans

86% ⬆
Increase in profit before tax

60% ⬆
Increase in total assets

44% ⬆
Increase in shareholders' fund

5-year summary

	2010 GH¢'000	2011 GH¢'000	2012 GH¢'000	2013 GH¢'000	**2014 GH¢'000**
Interest income	59,790	58,802	79,966	181,419	**393,203**
Operating income	63,105	74,262	105,486	203,800	**357,882**
Profit before tax	16,420	26,025	40,266	107,699	**200,128**
Profit after tax	10,904	23,450	30,391	73,611	**137,400**
Loans to customers	275,978	200,555	326,367	676,783	**1,097,357**
Total assets	655,182	699,796	949,478	1,920,626	**3,073,359**
Customer deposits	552,196	576,852	780,684	1,066,493	**1,846,745**
Stated capital	61,221	61,221	61,221	61,221	**61,221**
Shareholders' fund	86,592	110,042	140,433	243,586	**351,444**

CORPORATE PROFILE

Historical Background

Zenith Bank (Ghana) Limited ("Zenith"), a financial services provider, was incorporated in April 2005 under the Banking Act 2004 (Act 673) as a private limited company and commenced universal banking operation in September 2005. It is a subsidiary of Zenith Bank Plc, one of the largest banks in Nigeria by all measures. 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 2014.

As a bank, Zenith Ghana has differentiated itself from competition by satisfying the changing taste and demands of customers through deploying cutting edge ICT, employing the best human capital in the industry and firm commitment to first class service delivery.

The Bank has twenty nine (29) 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. Zenith also offers real-time mobile and internet banking services which enables customers to access banking services on-the-go. Our main objective for these delivery channels is to make banking easier, faster and better than anything our customers have ever experienced.

Within these nine years of our existence, we have improved our capacity, size, market share and industry rankings in all parameters. We have built financial, structural and technological muscle and have established our 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 was just one of the notable recognition of our successes.

In 2014 Zenith Bank Ghana achieved global recognition when it was adjudged **"Bank of the Year for 2014"** by The Banker magazine. The Bank's focus on excellence in customer service was also recognised as it won "Best Bank in Customer Care" during the 2013 Ghana Banking Awards.

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 sustain high quality growth in a volatile business environment through:

- Investment and deployment of state of the art technology and ICT platform
- Employment of the best human capital
- Investment in training and re-training of our personnel
- Investment in branch network expansion and thus bringing quality banking services to our 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

Diversity and Inclusion

As an organisation with the aim of hiring, training, motivating and retaining the best human capital in the industry, diversity and inclusion are very key to achieving these objectives. Our highly motivated and skilled staff come from diverse religious, ethnic and racial backgrounds and we believe this will enable us meet the requirements of our valued customers.

Customer Base

Zenith Bank has re-defined banking on many other fronts. Through investments, we have acquired the ability to stay in the forefront of innovations in the banking industry such as internet banking, mobile banking, electronic payments, Visa payment systems, China Union Payments. 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 are tailored to the banking needs of our 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 our believe that development and deployment of e-business products and platforms are key competitive factors in the banking industry. Our target, therefore, is to dominate the market by continuously developing innovative banking products for specific industries/customers. We will continue to focus on the following market and products:

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

We will seek to optimize our strengths to maximize available opportunities, minimize identified threats while taking steps to mitigate the effects of observed weaknesses.

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

BRANCH/AGENCY NETWORK

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

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Fax: (+233) 322 049511

Akosombo Branch
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Graphic Road Branch
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Fax: (+233) 302 782663

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North Industrial Area
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Fax: (+233) 302 255156

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Fax: (+233) 302 774345

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Fax: (+233) 302 815593 – 4

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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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Fax: (+233) 31 2021744

Tamale Branch
Central Market
Tamale
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Fax: (+233) 372 07127422

Tarkwa Branch
St. Matthew's Roman Catholic Park
Tarkwa – Abosso Road
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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 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
Tel: (+233) 303 208429
Fax: (+233) 030 3207073

Abora Agency
Main Building, Ghana Rubber Estate Ltd.
Abora

Bui Agency
Bui Dam Project Site
Bui

Ho Agency
Ho Polytechnic Campus
Ho
Tel: (+233) 362025582

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
Tel: (+233) 337 010056-7

WE OFFER THESE SERVICES

E-Ticketing

KLM | Alitalia | Kenya Airways – The Pride of Africa

AWA – Africa World Airlines | TAP Portugal | gambia bird

AntrakAir

Fuel Purchasing

Shell Card

Mobile Payments

MTN | eTranzact – ...we make it happen! | expressPay | airtel

International Inward Remittances

Western Union WU | MoneyGram | EzRemit Money Transfer | Ria Money Transfer

Prize Redemption Services

NLA – National Lottery Authority | National Lotteries Authority Lottery-Payments | NLA Bingo Africa – colour your dreams

Financial & Investment Collection

Databank Leadership | FirstBanC Financial Services | icsecurities fulfilling aspirations | DICL

Forms Payment

PASSPORT FORMS

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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. Holders of our visa cards can shop online across the globe. We offer the following visa cards:

- 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

In collaboration with Makyoung, Zenith Bank has deployed this multipurpose card 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.

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 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 notification of all transactions
- Eliminate errors associated with generating manual cheques

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 authenticating 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

PRODUCTS & SERVICES (CONT'D)

Custodian Services
Our Custodian Service is run in line with global best practice with the aim of being the benchmark for excellence in the 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)
E-ticketing
Draft Issuance Service (DIS)

CORRESPONDENT BANKS

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

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

Citibank N.Y.
111 Wall Street
New York, N.Y. 10005

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

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

JP Morgan Chase Bank NA
Global Implementation Project Management
1 Chaseside
Bournemouth
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
69 Cheapside
P.O. Box 77
London EC2P

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BOARD OF DIRECTORS


Mary Chinery-Hesse
Chairman


Daniel Asiedu
Managing Director/CEO


Ebenezer Onyeagwu
Director


Babatunde Adejuwon
Director


Henry Benyah
Director


Kwame Sarpong
Director


Olusola Oladipo
Director


Haruna Usman Sanusi
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 2014 report as follows:

Directors Responsibility Statement

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

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

Financial Report and Dividend

31 December	2014 GH¢	2013 GH¢
Profit before taxation is	200,128,038	107,699,210
from which is deducted taxation of	(62,727,973)	(34,088,394)
giving a profit after taxation for the year of	137,400,065	73,610,816
less net transfer to statutory reserve fund and other reserves of	(37,047,101)	(21,328,764)
leaving a balance	100,352,964	52,282,052
when added to a balance brought forward on retained earnings of	82,772,086	30,490,034
gives a balance of	**183,125,050**	**82,772,086**

In accordance with Section 29(c) of the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act of Ghana, 2007 (Act 738), an amount of GH¢ 17,175,008 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 79,726,308 at the year end.

The Directors do not recommend the payment of dividend.

Nature of Business

The Bank is authorised by Bank of Ghana to carry on the business of Universal Banking.

Holding Company

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

Auditor

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

Review of Exposure Limits

Section 42 (1 and 2) of the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act of Ghana, 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 were approved by the board of directors on **30 January 2015** and were signed on their behalf by:

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

Zenith, Now Bank of The Year Ghana, 2014.

(The Banker)

The team dedicates this award to you, our cherished customers,
as a true sign of our commitment to the spirit
of excellence inspired by you.

Without you this would not have been possible.

The Banker
Bank of the Year 2014
GHANA

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CHAIRMAN'S STATEMENT

"I am personally committed to ensuring that ethical leadership continues to be embedded in the culture across our bank."

Mary Chinery-Hesse - Chairman

The old adage says, "A journey of a thousand miles begins with a step". Over the past year, we took many steps forward – and our destination is clear: **to be a reference point.** The awards won by the bank during the year under review are a recognition of our commitment to support customers and to act in their interest.

In spite of the difficult economic climate during the year, we added value to our shareholders investments by ensuring that the Bank remains strong, prudently managed and profitable. Our profitability measures of Return on Equity and Return on Assets were very encouraging. Return on Equity was 45.6 percent whilst Return on Assets was 5.4 percent for the year under review.

Over the past decade, we have taken steps to grow our market share through high-quality and unparalled products and services, strong customer relationships, and a prudent risk appetite that underpins all of our activities. With these elements in place, we are confident that we have the big picture and that we can deliver the consistent results that are expected by our shareholders.

The banking industry continues to face increasing and persistent threats to data and customer information. We at Zenith will continue our focus on protecting our customers' accounts from fraud and cyber attacks by utilizing a wide range of sophisticated fraud detection and prevention tools to keep the Bank and our customers safe.

Our continuous success as a bank requires more than just a sound business strategy. I am personally committed to ensuring that ethical leadership continues to be embedded in the culture across our bank. At Zenith, culture is a key ingredient to our success. It has roots in the fundamental values we've held since our founding. It also encompasses our traditional strengths, including a strong balance sheet, prudent risk management and a continuing focus on cost control.

Conclusion

As we look forward to the coming year, we are mindful of the strength of our brand and how we, as a Bank, remain an integral part of the growth of the nation's economy and the customers we serve and support. We are focused on the future and confident in our ability to deliver outstanding products, service and results for the benefit of our customers, employees and, ultimately our shareholders.

I am convinced that the Managing Director/CEO and his team, who bring commitment and enthusiasm to work each day – and carry it forward to enrich customer interactions, will

EXECUTIVE MANAGEMENT

Daniel Asiedu
Managing Director/CEO

Henry Oroh
Executive Director

Maebelle Nortey
Divisional Head

Daniel Agamah
Group Head
(Business Support Services)

Eva Richter-Addo
Group Head
(Corporate Services)

George Blavo
Group Head (Marketing)

CHIEF EXECUTIVE OFFICER'S REVIEW

"Our results are a direct reflection of the continuous hard work and dedication of our employees, and I want to take this opportunity to thank them for their contribution to our success."

Daniel Asiedu
Managing Director/CEO

During the 2014 financial year, we continued to build on the successes of the previous years, thanks to our ever expanding loyal customer base, the leadership of the board and the dedication of our staff working together toward our common vision: To be a reference point in the provision of prompt, flawless and innovative banking services in the Ghanaian Banking industry.

Economic and market environment

Global growth forecasts were revised downwards from 3.4 percent to 3.3 percent in 2014. The local economy had its fair share of difficult times during the year under review resulting in the currency depreciating cumulatively by over 48 percent against the US dollar in the interbank market compared to 14.7 percent in 2013. Inflation increased from 13.8 percent in January 2014 to 17 percent in December 2014 whilst the monetary policy rate was increased from 16 percent in January 2014 to 21 percent in December 2014.

How our businesses performed

Before getting into the details of how the Bank has fared, I would like to share a few observations about the past year. In the course of the year under review, we interacted with customers of the Bank, as well as other stakeholders and the feedback we received was that the Bank is widely viewed as a strong brand in the industry with excellent opportunities for growth. Customers appreciate the knowledge, expertise and commitment of our people. Furthermore, winning The Banker magazine's "Bank of the Year, Ghana, 2014" award is an attestation that we are on the right path.

Zenith Bank Ghana's diverse mix of revenue streams enabled us to withstand the challenging operating environment in 2014. In addition, our prudent management culture, disciplined attention to measuring every aspect of our business, well diversified transactions and commitment to cost control have resulted in a strong and growing balance sheet.

Against a backdrop of increasing cost of funding, rising inflation and a depreciating Ghana Cedis, the bank produced a suitably well-balanced financial performance in the year ended 2014. Total assets increased by 60 percent mainly funded by deposits which also grew by 73 percent. The growth further demonstrates the loyalty of our customers to the Zenith brand. The bank recorded a 98 percent increase in net interest income. Though the cost of funding was very challenging, growth in the loan book as well as increases in rates and volume of treasury bills mitigated its effects. Total operating income went up by 76 percent on the back of a 35 percent increase in fees and commission arising from growth in the volume of trade transactions, forex deals, as well as e-business products and services sales. The effects of the above resulted in a growth of 86 percent in the profit before tax for the bank when compared with the financial year ended 2013.

While we're pleased with the year-on-year improvement, we believe there is so much more that can be achieved. Across all lines of business, we want to bring new products and service offerings to our customers. We will continue to build depth in our existing markets by extending our superior products and services to all potential customers. Our customers want the same unparallel products and services irrespective of the channel used. To that end, we have made significant investments in technology to create an unrivaled customer experience by enabling our customers' access our products and services on-the-go.

We know that it's not just the technology; it's what we do with it to make banking more dependable, portable and seamless across channels.

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 therefore very refreshing for Zenith Bank Ghana to be named among the only three (3) banks (out of the 26 banks in Ghana) 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

Due to our relentless effort in pursuing our vision, we won two (2) awards at the 2013 Ghana Banking awards and The Banker magazine's "**Bank of the Year, Ghana, 2014**".

Ghana Banking Awards

	Award	Position
1	Best Bank Customer Care	Winner
2	Best Growing Bank	1st Runner Up

Future Aspirations

As we celebrate our ten years of doing business in Ghana in 2015, we look into the future with confidence and a deep sense of appreciation of the tremendous opportunities ahead of us. We are proud of our successful track record of balancing the interests of our stakeholders i.e. shareholders, customers, employees and the communities in which we operate in. We have built a strong foundation of integrity, trust, and ethical behavior in all of our businesses. This foundation will serve as a springboard into the next decade where in all aspects of our operations as well as our commitment to stakeholders should extend far beyond our current sphere of operation.

We are aware that we are not there yet and there is still a lot of work to be done but I am proud of what we have achieved so far. Our results are a direct reflection of the continuous hard work and dedication of our employees, and I want to take this opportunity to thank them for their contribution to our success.

Our customers demonstrated their trust in the Zenith brand culminating in the bank winning the Best Bank Customer Care at the Ghana Banking Awards, 2013 held in 2014. We could not have achieved this feat without them and we pledge to continue to work in their best interest.


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CORPORATE GOVERNANCE

Corporate governance refers 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' interest. The stakeholders comprise both internal and external parties. Increase in stakeholder activism has led to increased demand for accountability from organizations the world over.

At Zenith Bank (Ghana) Limited, conscious of our enviable place in the market, we have in place a robust system of corporate governance bearing in mind our core values of 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 seven (7) Non Executive Directors and two (2) Executive Directors with the Chair being one of the Non 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 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.

Responsibilities of the Board

The Board is responsible for:

- Review and provision of strategic direction for the bank
- Review and approval of annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performances;
- Overseeing major capital expenditure, acquisition 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. These committees have been set up in accordance with statutory requirements and global best practices. Each committee has well defined terms of reference. The committees consider only matters that fall within their purview to avoid decision overlaps and meet at least once each quarter but may hold extraordinary meetings to address urgent issues that may arise.

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises a Chairman and four (4) other members i.e. two (2) Non-Executive Directors and two (2) Executive Director. Their role includes:

- Lending Activities - Reviewing credit proposals and making recommendation to the board for approval, where limits exceeds that of the Management Credit Committee
- Management of Exposures – They devise strategy for the management of the Bank's Credit exposures on an enterprise-wide basis and recommendation for improving asset quality; and
- Oversight – Oversight of the banks' Credit administration and implementation of the bank's investment policies.

The composition of the Committee is as follows:

Name of Director	Position
Mr. Ebenezer Onyeagwu	Chairman
Mr. Kwame Sarpong	Member
Mr. Daniel Asiedu	Member
Mr. Henry Oroh	Member
Dr. Haruna Usman Sanusi	Member

Board Risk Management Committee

The Committee is made up of a Non-Executive Director as Chairman, two (2) other Non-Executive Directors and two (2) Executive Directors. The Risk Management Committee has the under-listed broad responsibilities:

- Risk Appetite – Review of the Bank's risk profile, risk strategy, risk control framework and the risk appetite including limits
- Risk Management – Assess the integrity and adequacy of the Risk Management Function as well as the appointment, evaluation and oversight of the Chief Risk Officer
- Capital Adequacy – Oversight on the level and quality of the Bank Capital and Liquidity, as well as stress testing process and findings
- Business Continuity – Oversight of Disaster Recovery and the Business Continuity Plan
- Compliance – Oversight of the Bank's compliance risk

The Chief Risk Officer reports to this Committee and makes presentations to the Committee during their meetings.

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

Board Audit Committee

The Committee is made up of a Non-Executive Director as the Chairman and three (3) other Non-Executive Directors as members.

The Audit Committee has "front line" governance responsibilities that go beyond the oversight of financial reporting to also include the following:

- External Audit - Appoint and oversee External Auditors, assess effectiveness of processes and ensure audit is applied as per the reporting standards
- Internal Control - Oversee the Bank's internal control framework including financial risk management and the Internal Control function

As a committee of the board, the Audit Committee carries out its duties within the framework of governance principles and practices established by the Board of Directors. The Audit Committee's role, and its commensurate accountability to the board, is directly related to the way the board chooses to discharge its oversight function. Members of the Committee are as follows:

Name of Director	Position
Dr. Henry Benyah	Chairman
Mr. Ebenezer Onyeagwu	Member
Mr. Babatunde Adejuwon	Member
Dr. Haruna Usman Sanusi	Member

Board Nominations Committee

The purpose of this committee is to seek and nominate qualified candidates for appointment into the Board of Zenith Bank(Ghana) Limited. The Committee is made up of a Chairman and two members who are all Non – Executive Directors . The Committee is scheduled to meet at least once every quarter and at such times as the need arises. Members of the Committee are as follows:

Name of Director	Position
Mr. Ebenezer Onyeagwu	Chairman
Mr. Babatunde Adejuwon	Member
Mr. Kwame Sarpong	Member
Mr. Daniel Asiedu	Member

Schedule of attendance at Board Meetings

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

Directors	BC	CC	RMC	NC	AC
Mrs. Mary Chinery-Hesse	4	N/A	N/A	N/A	N/A
Mr. Daniel Asiedu	4	4	4	1	1
Mr. Godwin Emefiele	1	1	N/A	N/A	2
Mr. Kwame Sarpong	4	4	4	1	4
Dr. Henry Benyah	4	N/A	4	N/A	4
Mr. Babatunde Adejuwon	4	N/A	4	1	4
Dr. Haruna Usman Sanusi	3	2	N/A	N/A	2
Mr. Henry Oroh	4	4	4	N/A	N/A
Mr. Ebenezer Onyeagwu	4	3	N/A	1	3
Mr. Olusola Oladipo	0	N/A	N/A	N/A	N/A

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

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

Other Committees

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

Executive Committee (EXCO)

The Executive Committee has oversight responsibility for the implementation of strategies approved by the Board. It is chaired by the Managing Director/CEO and made up of other senior managers of the bank. It meets once every week to discuss and adopt policy decisions and also provide directions for the staff of the bank in addition to ensuring the 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

Asset and Liability Committee (ALCO)

The purposes of ALCO, inter alia, are:

- ensure an optimal structure of the Bank's balance sheet to provide the maximum profitability, limiting the possible risk level;
- control over capital adequacy and risk diversification;
- execution of the uniform interest policy;
- determination of the Bank's liquidity management policy;

The committee is chaired by the Managing Director/CEO and consists of all members of EXCO in addition to other senior staff members. This committee meets every week.

Management Committee

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

Systems of Internal Control

The Bank has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Internal Control and Audit function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of Business Ethics

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

INDEPENDENT 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 as at 31 December, 2014, 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 as set out on pages 32 to 92.

Directors' Responsibility for the Financial Statements

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

Auditors' 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zenith Bank (Ghana) Limited as at 31 December, 2014 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 of Ghana, 1963 (Act 179) and the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act of Ghana, 2007 (Act 738).

Report on Other Legal and Regulatory Requirements

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

The Bank's transactions were within its powers and except as indicated in Note 42, the Bank generally complied with the relevant provisions of the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act of Ghana, 2007 (Act 738).

....

Signed by: Nathaniel D. Harlley (ICAG/P/1056)
For and on behalf of:
KPMG: (ICAG/F/2014/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2014 GH¢	2013 GH¢
Assets			
Cash and cash equivalents	18	614,271,326	398,505,863
Government securities	19	1,282,388,881	773,534,307
Derivative assets held for risk management	20	8,548,883	39,390,193
Loans and advances to customers	21	1,097,357,356	676,782,866
Property and equipment	22	13,076,471	13,332,982
Leasehold property	23	4,745,422	4,842,207
Intangible assets	24	2,279,246	170,603
Deferred tax assets	25	2,162,447	-
Other assets	26	48,529,183	14,067,125
Total assets		3,073,359,215	1,920,626,146
Liabilities			
Due to other banks	28	820,073,650	571,400,154
Deposits from customers	27	1,846,745,159	1,066,493,105
Other liabilities	29	28,264,175	22,996,434
Tax payable	15 (a)	26,832,697	7,450,190
Deferred tax liabilities	25	-	8,700,149
Total liabilities		2,721,915,681	1,677,040,032
Equity			
Stated capital	30 (a)	61,221,496	61,221,496
Statutory reserve	30 (b)	79,726,308	62,551,300
Credit risk reserve	30 (b)	27,370,680	7,498,587
Hedging reserve	20	-	29,542,645
Retained earnings	30 (b)	183,125,050	82,772,086
Total Equity		351,443,534	243,586,114
Total equity and liabilities		3,073,359,215	1,920,626,146

Mary Chinery-Hesse

....

Mary Chinery-Hesse
(Chairman)

....

Daniel Asiedu
(Managing Director/CEO)

The notes on pages 38 - 92 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2014 GH¢	2013 GH¢
Interest income	8	393,202,759	181,418,945
Interest expense	8	(131,298,063)	(48,913,519)
Net interest income		261,904,696	132,505,426
Fees and commission	9	63,675,595	38,474,004
Net trading income	10	29,772,106	30,895,305
Other operating income	11	2,529,218	1,925,547
Net trading and other income		95,976,919	71,294,856
Total operating income		357,881,615	203,800,282
Impairment loss on financial assets	12	(11,983,954)	(13,436,036)
Personnel expenses	13	(47,573,092)	(29,509,518)
Depreciation and amortization	22(a)	(6,104,842)	(5,293,501)
Other expenses	14	(92,091,689)	(47,862,017)
Profit before income tax		**200,128,038**	**107,699,210**
Taxation	15	(62,727,973)	(34,088,394)
Profit after tax attributable to equity holders of the Bank		137,400,065	73,610,816
Other comprehensive income			
Exchange Gains on currency swap derivative valuation	20	-	39,390,193
Related tax	20	-	(9,847,548)
Other comprehensive income, net of tax		-	29,542,645
Total comprehensive income attributable to equity holders of the Bank		**137,400,065**	**103,153,461**
Earnings per share - Basic & Diluted	17	**0.22**	**0.12**

The notes on pages 38 - 92 are an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

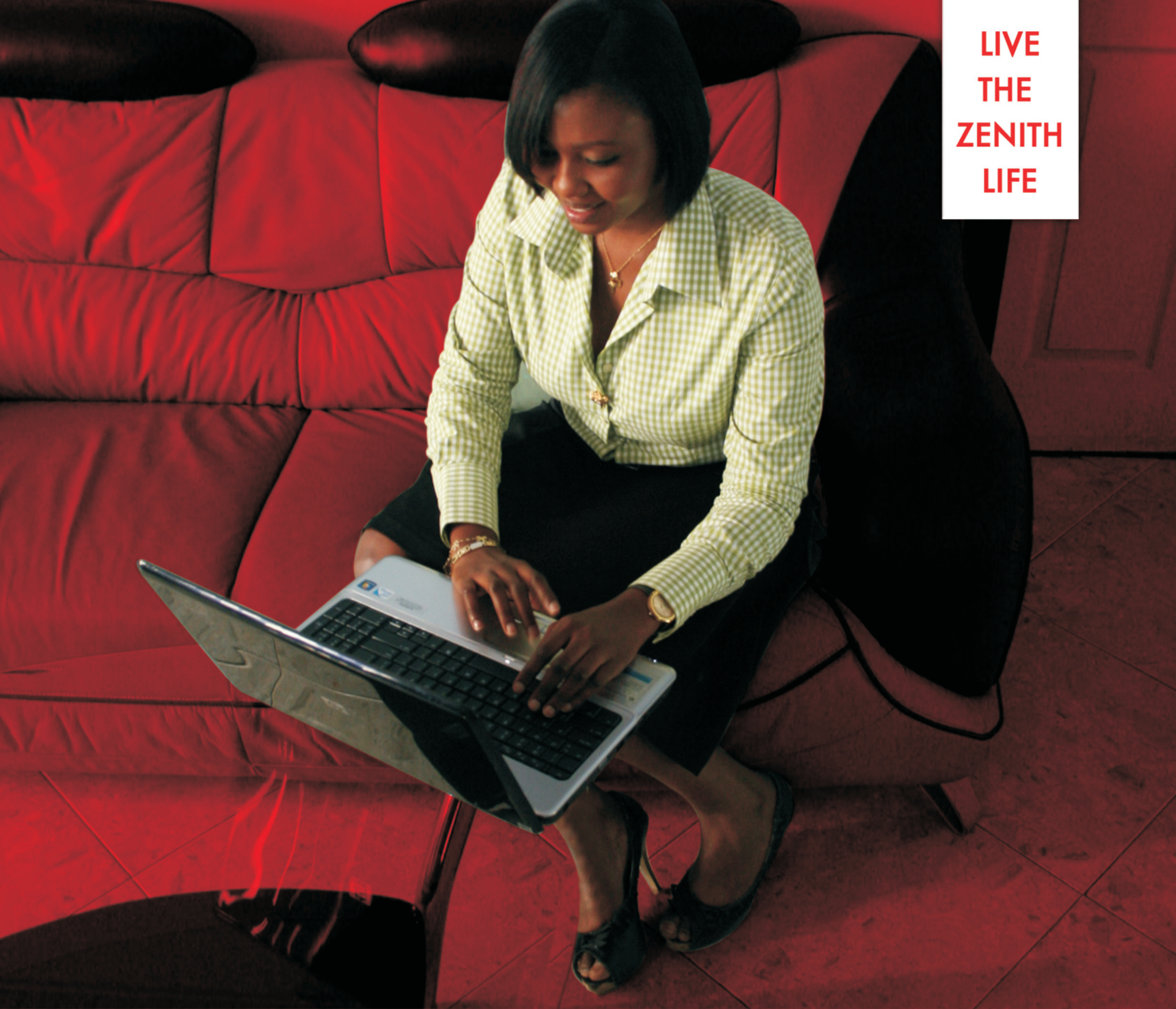
	Stated Capital GH¢	Statutory Reserve GH¢	Credit risk Reserve GH¢	Hedging Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as at 1 January 2013	61,221,496	44,148,596	4,572,527	-	30,490,034	140,432,653
Profit for the year	-	-	-	-	73,610,816	73,610,816
Other comprehensive income, net of tax						
Gains on currency swap derivative valuation	-	-	-	39,390,193	-	39,390,193
Tax on other comprehensive income	-	-	-	(9,847,548)	-	(9,847,548)
Total other comprehensive income	-	-	-	29,542,645	-	29,542,645
Regulatory and other reserves transfers						
Transfer from credit risk reserve	-	-	2,926,060	-	(2,926,060)	-
Transfer to statutory reserve	-	18,402,704	-	-	(18,402,704)	-
Net transfers to/(from) reserves	-	18,402,704	2,926,060	-	(21,328,764)	-
Balance at 31 December, 2013	61,221,496	62,551,300	7,498,587	29,542,645	82,772,086	243,586,114
Balance 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 fllow hedge reclassified to profit or loss	-	-	-	(29,542,645)	-	(29,542,645)
Total other comprehensive income	-	-	-	(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**

The notes on pages 38 - 92 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Note	2014 GH¢	2013 GH¢
Profit after tax		137,400,065	73,610,816
Adjustments for:			
Depreciation and amortization	22(a)	6,104,842	5,293,501
Net impairment loss on financial assets	12	11,983,954	13,436,036
Net interest income	8	(261,904,696)	(132,505,426)
Profit on disposal of property equipment	22(b)	(71,657)	(281,259)
Associated company balance written off		-	26,351
Asset write-off	22	16,444	232,709
Tax expense	15	62,727,973	34,088,394
		(43,743,075)	(6,098,878)
Changes in:			
Government securities		(275,891,749)	(543,365,892)
Loans and advances to customers		(432,132,313)	(357,669,565)
Other assets		(34,462,058)	(7,206,668)
Due to other bank		248,673,496	560,557,660
Customer deposits		780,252,054	285,808,863
Other liabilities		5,267,741	10,682,825
		247,964,096	(57,291,655)
Interest received	8	393,202,759	181,418,945
Interest paid	8	(131,298,063)	(48,913,519)
Taxes paid	15(a)	(44,360,514)	(28,293,600)
Net cash flow from operating activities		**465,508,278**	**46,920,171**
Cash flow from investing activities			
Acquisition of property and equipment	22	(5,260,809)	(7,555,973)
Proceeds from disposal of property and equipment	22(b)	146,190	659,417
Acquisition of leasehold property	23	-	(2,029,300)
Acquisition of intangible assets	24	(2,690,357)	(53,754)
Net cash flow used in investing activities		**(7,804,976)**	**(8,979,610)**
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		**457,703,302**	**37,940,561**
Balance at beginning		528,694,121	496,962,054
Cash and cash equivalents at 31 December		986,397,423	534,902,615
Effect of exchange rate fluctuations on cash and cash equivalents held		(8,975,014)	(6,208,494)
Cash and bank balances		**977,422,409**	**528,694,121**
Cash balances	18	614,271,326	398,505,863
Short-term investments	5(c)	363,151,083	130,188,258
Cash and cash equivalents at 31 December		**977,422,409**	**528,694,121**

The notes on pages 38 - 92 are an integral part of these financial statements.



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NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Page 38 – 92)

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 financial statements of the Bank as at, and for the year ended 31 December 2014 are as stated in this report. The Bank is a subsidiary of Zenith Bank Plc of Nigeria. The Bank operates with a universal banking license that allows it to undertake all banking and related services.

2. 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 **30 January 2015**.

Details of the Bank's accounting policies are included in Notes 39 and 40.

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 2014 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 25 (a) – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used; and
- Note 33 – 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 40 (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, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. 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 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 37.

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 37 (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	2014 GH¢	2013 GH¢
Carrying amount	21	1,097,357,356	676,782,866
Amount committed/guaranteed		794,849,448	436,680,677
At amortised cost			
Grade 1–5: Low–fair risk		1,068,231,880	680,363,100
Grade 6: Substandard		5,559,128	29,488
Grade 7: Doubtful		32,469,139	49,092
Grade 8: Loss		41,317,526	35,003,681
Total gross amount		1,147,577,673	715,445,361
Allowance for impairment (individual and collective)		(50,220,317)	(38,662,495)
Net carrying amount		1,097,357,356	676,782,866
Off balance sheet - Maximum exposure			
Lending commitments - Grade 1–3: Low–fair risk		415,490,129	251,910,463
Financial guarantees - Grade 1–3: Low–fair risk		379,359,319	184,770,214
Total exposure		794,849,448	436,680,677
Loans with renegotiated terms			
Gross carrying amount		92,935,265	1,604,070
Neither past due nor impaired			
Grade 1–5: Low–fair risk		1,068,028,474	678,759,030
Past due but not impaired			
Grade 1-3: Low fair risk		203,406	37,740
Grade 4–5: Watch list		92,506	1,485,078
		295,912	1,522,818
Past due			
30–90 days		203,406	37,740
90–180 days		5,559,128	29,488
180 days+		73,786,665	35,052,773
		79,549,199	35,120,001

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

	2014	2013
Individually impaired	**GH¢**	**GH¢**
Grade 6: Substandard	5,559,128	29,488
Grade 7: Doubtful	32,469,139	49,092
Grade 8: Loss	41,317,526	35,003,681
	79,345,793	35,082,261
Allowance for impairment		
Individual	(35,200,577)	(27,732,870)
Collective	(15,019,740)	(10,929,625)
Total allowance for impairment	**(50,220,317)**	**(38,662,495)**

Impaired loans

See accounting policy in Notes 40 (i) (vii).

The Bank regards a loan and advance 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 a 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 37 (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. The amounts disclosed exclude assets measured at fair value through profit or loss.

Loans with renegotiated terms and the Bank's forbearance policy

See accounting policy in Notes 40 (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 40 (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.

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)

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.

Cash and cash equivalents

The Bank held cash and cash equivalents of GH¢ 614,271,326 at 31 December, 2014 (2013: GH¢398,505,863). The cash and cash equivalents are held with central banks and financial institution counterparties.

(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	2014 GH¢	2013 GH¢	Principal type of collateral held
Loans and advances to customers	346,664,892	294,906,985	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 37 (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, 2014, the net carrying amount of impaired loans and advances to customers amounted to GH¢ 16,221,704 (2013: GH¢ 13,173,692) and the value of identifiable collateral held against those loans and advances amounted to GH¢ 38,885,161 (2013: GH¢ 19,716,906).

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.

5. Financial risk review (cont'd)
(a) Credit risk (cont'd)
(ii)Collateral held and other credit enhancements and their financial effect (cont'd)

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¢ 242,260,529 was held in customer deposits as lien over loans and advances granted to a number of customers.

(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	
	2014	2013
	GH¢	GH¢
Carrying amount	1,097,357,356	676,782,866
Concentration by product:		
Overdrafts	644,035,643	404,327,310
Term loans	491,310,006	299,485,585
Staff loans	10,027,436	7,913,840
Finance leases	2,204,587	3,718,626
Gross loans and advances	1,147,577,672	715,445,361
Less: Impairment	(50,220,317)	(38,662,494)
	1,097,357,355	**676,782,867**
Concentration by industry:		
Finance institutions	19,440,587	17,608,206
Agriculture	781,621	-
Manufacturing	234,465,092	245,589,201
Public sector	50,122,990	57,665,701
Retail and consumer	312,174,302	114,727,612
Energy	471,543,850	180,200,718
Telecom	26,115,289	26,819,586
Mining and construction	32,933,942	70,756,555
Others	-	2,077,781
Gross loans and advances	1,147,577,673	715,445,360
Less: allowance for impairment	(50,220,317)	(38,662,494)
Net loans and advances	**1,097,357,356**	**676,782,866**

5. Financial risk review (cont'd)

(a) Credit risk (cont'd)

(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 Note 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.

	Gross	Net
Loans and advances to customers	**GH¢**	**GH¢**
31 December 2014		
Grade 6: Individually Impaired	5,559,128	-
Grade 7: Individually Impaired	32,469,139	5,977,054
Grade 8: Individually Impaired	41,317,526	10,244,651
Gross amount	79,345,793	16,221,705
31 December 2013		
Grade 6: Individually Impaired	29,488	-
Grade 7: Individually Impaired	49,092	-
Grade 8: Individually Impaired	35,003,681	13,173,692
Gross amount	35,082,261	13,173,692

Key ratios on loans and advances

Loan loss provision ratio is 4.38% (2013: 5.40%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 6.91% (2013: 4.90%).

Ratio of fifty (50) largest exposure (gross funded) to total exposure is 81% (2013: 86%).

(b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, See Notes: 37 (c).

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' 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.

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5. Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis for financial assets and financial liabilities

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

	Note	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢	1- 5 years GH¢
31 December 2014							
Financial liability by type							
Non-derivative liabilities							
Due to other banks	28	(820,073,650)	(820,073,650)	(123,492,793)	(40,840,647)	(655,740,210)	-
Deposits from customers	27	(1,846,745,159)	(1,846,745,159)	(1,692,563,201)	(87,051,146)	(66,554,435)	(576,377)
Other liabilities		(15,263,645)	(15,263,645)	(15,263,645)	-	-	-
Due to parent company	29	(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)
Financial asset by type							
Non-derivative assets							
Cash and cash equivalents	18	614,271,326	614,271,326	614,271,326	-	-	-
Government securities	19	1,282,388,881	1,304,186,295	334,067,102	29,083,981	935,740,833	5,294,379
Derivative assets held for risk management	20	8,548,883	8,548,883	-	-	8,548,883	-
Loans and advances to customers	21	1,097,357,356	1,186,100,941	635,610,122	241,758,011	155,055,595	153,677,213
		3,002,566,446	3,113,107,445	1,583,948,550	270,841,992	1,099,345,311	158,971,592

5 Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis for financial assets and financial liabilities (cont'd)

31 December 2013	Note	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢	1- 5 years GH¢
Financial liability by type							
Non-derivative liabilities							
Due to other banks	28	(571,400,154)	(571,400,154)	(24,673,807)	(49,774,507)	(486,360,000)	(10,591,840)
Deposits from customers	27	(1,066,493,105)	(1,066,493,105)	(849,743,519)	(74,357,586)	(142,392,000)	-
Other liabilities		(12,319,294)	(12,319,294)	(12,319,294)	-	-	-
Due to parent company	29	(5,025,685)	(5,025,685)	(5,025,685)	-	-	-
		(1,655,238,238)	(1,655,238,238)	(891,762,305)	(124,132,093)	(628,752,000)	(10,591,840)
Financial asset by type							
Non-derivative assets							
Cash and cash equivalents	18	398,505,863	398,505,863	302,521,484	-	95,984,379	-
Government securities	19	773,534,307	779,740,152	26,635,960	109,758,143	619,632,865	23,713,184
Derivative assets held for risk management	20	39,390,193	39,390,193	-	-	39,390,193	-
Loans and advances to customers	21	676,782,866	735,319,294	419,827,208	112,029,015	56,962,312	146,500,759
		1,888,213,229	1,952,955,502	748,984,652	221,787,158	811,969,749	170,213,943

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 central banks (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 2014 GH¢	Fair value 2014 GH¢	Carrying amount 2013 GH¢	Fair value 2013 GH¢
Balances with central bank	84,542,650	84,542,650	24,637,655	24,637,655
Cash and balances with other banks	164,274,147	164,274,147	191,199,378	191,199,378
Other cash and cash equivalents	180,780,013	180,780,013	86,684,451	86,684,451
Total liquidity reserves	**429,596,810**	**429,596,810**	**302,521,484**	**302,521,484**

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

	Note	Encumbered		Unencumbered		
31 December, 2014		Pledged as collateral GH¢	Other* GH¢	Available as collateral GH¢	Other GH¢	Total GH¢
Cash and cash equivalents	18	6,452,690	184,674,516	423,144,120	-	614,271,326
Government securities	19	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
31 December 2013						
Cash and cash equivalents	18	3,940,663	95,984,379	298,580,821	-	398,505,863
Government securities	19	23,095,076	-	750,439,231	-	773,534,307
		27,035,739	95,984,379	1,049,020,052	-	1,172,040,170

* Mandatory reserve deposits with the Central Bank See Note 18.

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, 2014 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 37 (d).

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

	Note	Carrying amount	Non-trading portfolios
31 December, 2014			
Assets subject to market risk		GH¢	GH¢
Cash and cash equivalents	18	614,271,326	423,144,120
Government securities	19	1,282,388,881	1,282,388,881
Derivatives held for risk management	20	8,548,883	8,548,883
Loans and advances to customers	21	1,097,357,356	1,186,100,941
Liabilities subject to market risk			
Due to other banks	28	820,073,650	820,073,650
Deposits from customers	27	1,846,745,159	509,555,488
31 December 2013			
Assets subject to market risk			
Cash and cash equivalents	18	398,505,863	298,580,821
Government securities	19	773,534,307	773,534,307
Loans and advances to customers	21	676,782,866	676,782,866
Liabilities subject to market risk			
Due to other banks	28	571,400,154	571,400,154
Deposits from customers	27	1,066,493,105	293,859,880

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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 2014	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	18	614,271,326	614,271,326	-	-	-
Government securities	19	1,282,388,881	363,151,083	209,993,475	703,949,944	5,294,379
Loans and advances to customers	21	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	28	(820,073,650)	(164,333,440)	(486,360,000)	(169,380,210)	-
Deposits from customers	27	(1,846,745,159)	(1,779,614,347)	(51,583,633)	(14,970,802)	(576,377)
		(2,666,818,809)	(1,943,947,787)	(537,943,633)	(184,351,012)	(576,377)
Effect of derivatives held for risk management	20	8,548,883	-	8,548,883	-	-
Total interest repricing gap		335,747,637	(89,157,245)	(293,101,726)	559,611,393	158,395,215
31 December 2013						
Cash and cash equivalent	18	398,505,863	398,505,863	-	-	-
Government securities	19	773,534,307	130,188,258	3,855,715	615,777,150	23,713,184
Loans and advances to customers	21	676,782,866	471,992,296	35,040,339	23,249,472	146,500,759
		1,848,823,036	1,000,686,417	38,896,054	639,026,622	170,213,943
Due to other banks	28	(571,400,154)	(74,448,314)	(486,360,000)	-	(10,591,840)
Deposits from customers	27	(1,066,493,105)	(924,101,105)	(19,219,803)	(123,172,197)	-
Total liabilities		(1,637,893,259)	(998,549,419)	(505,579,803)	(123,172,197)	(10,591,840)
Effect of derivatives held for risk management		39,390,193	-	39,390,193	-	-
Total interest repricing gap		250,319,970	2,136,998	(427,293,556)	515,854,425	159,622,103

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	2014 GH¢	2013 GH¢
At 31 December	1,678,738	1,251,600
Sensitivity of reported equity to interest rate movements		
At 31 December	1,259,054	938,700

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 20.

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.

5. Financial risk review (cont'd)

(c) Market risk (cont'd)

Exposure to currency risk – non-trading portfolios

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 2014					
Net foreign currency exposure:					
Assets	129,798,972	9,879,718	28,774,478	152,062	168,605,230
Liabilities	(1,207,722,055)	(13,327,250)	(29,049,864)	-	(1,250,099,169)
Net on balance sheet position	(1,077,923,083)	(3,447,532)	(275,386)	152,062	(1,081,493,939)
Line facilities for LCs and Bonds and Guarantees	(550,852,533)	(18,170,020)	(2,451,819)	(359,834)	(571,834,206)
31 December 2013					
Net foreign currency exposure:					
Assets	463,180,562	9,099,169	16,153,995	45,437	488,479,163
Liabilities	(953,739,357)	(10,151,989)	(22,391,028)	-	(986,282,374)
Net on balance sheet position	(490,558,795)	(1,052,820)	(6,237,033)	45,437	(497,803,211)
Line facilities for LCS and Bonds and Guarantees	(248,128,211)	(1,641,468)	(7,101,215)	-	(256,870,894)

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

	Average rate		Reporting rate	
GH¢ to	2014	2013	2014	2013
USD 1	2.9294	1.9804	3.2001	2.1616
GBP 1	4.8237	3.1198	4.9892	3.5726
EURO 1	3.8680	2.6549	3.8813	2.9862

A 5% weakening of the cedi against foreign currencies at 31 December, 2014 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 2013.

	Assets	Liabilities	2014 Total	Assets	Liabilities	2013 Total
Profit/(Loss)	8,430,262	(91,096,669)	(82,666,407)	24,423,958	(62,157,663)	(37,733,705)

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.

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 revaluation 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.

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

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	2014 GH¢	2013 GH¢
Tier 1 capital			
Ordinary share capital	30(a)	61,221,496	61,221,496
Disclosed reserve		262,851,358	145,323,386
Total qualifying tier 1 capital		324,072,854	206,544,882
Less:			
Goodwill/intangibles	26	3,937,236	2,201,006
Net tier 1 capital		320,135,618	204,343,876
Tier 2 capital		-	-
Total adjusted regulatory capital base		320,135,618	204,343,876
Total assets (less contra items)		3,073,359,215	1,920,626,146
Less:			
Cash on hand (cedis)		33,735,899	27,932,050
Cash on hand (forex)		68,807,271	89,054,675
Claims on Bank of Ghana:			
i. Cedi clearing account balance		226,113,943	111,873,214
ii. Forex account balance		43,103,223	8,748,820
Total claims on Bank of Ghana	18, 26	269,217,166	120,622,034

5. Financial risk review (cont'd)

(d) Capital management

Capital adequacy ratio **(cont'd)**

		2014 GH¢	2013 GH¢
Claims on Government:			
i. Treasury securities (bills and bonds)		1,282,388,881	773,534,307
80% of cheques drawn on other banks		34,064,010	26,616,097
Goodwill / Intangibles	26	3,937,236	2,201,006
80% of claims on Other Banks in cedis/forex		159,944,782	102,101,586
80% of loans guaranteed by government		-	55,466,544
50% of residential mortgage loans		908,153	878,277
Adjusted total assets		1,220,355,817	722,219,570
Add: Contingent liabilities			
Commercial letters of credit outstanding		415,490,129	251,910,463
Guarantees/indemnities		379,359,319	184,770,214
Total contingent liabilities		794,849,448	436,680,677
Net contingent liabilities		794,849,448	436,680,677
Add:			
50% of net open position (NOP)		7,137,960	11,612,195
100% of 3yrs average annual gross income		222,307,855	127,849,447
Total risk weighted assets base		2,244,651,080	1,298,361,889
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)		14.26%	15.74%
Capital surplus		95,670,510	74,507,687

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

6. Fair values of financial instruments

See accounting policy in Notes 40 (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.

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

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

(a) Valuation models (cont'd)

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.

(c) Level 3 fair value measurements

(i) Unobservable inputs used in measuring fair value

Below sets out information about significant unobservable inputs used at 31 December 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

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

(d) 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 2014	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Cash and cash equivalents	18	-	614,271,326	-	614,271,326
Government securities	19	-	1,282,388,881	-	1,282,388,881
Loans and advances to customers	21	-	1,097,357,356	-	1,097,357,356
		-	2,994,017,563	-	2,994,017,563
Liabilities					
Due to other banks	28	-	820,073,650	-	820,073,650
Deposits from customers	27	-	1,846,745,159	-	1,846,745,159
		-	2,666,818,809	-	2,666,818,809

7. Segment reporting

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

8. Net interest income

See accounting policy in Notes 40 (b).

	2014 GH¢	2013 GH¢
Interest income		
Loans and advances to customers	136,216,930	69,373,051
Placement with other banks	2,109,195	1,907,805
Investments securities	254,876,634	110,138,089
Total interest income	393,202,759	181,418,945
Interest expense		
Current accounts	645,274	470,215
Time and other deposits	120,527,978	42,695,489
Overnight and call accounts	10,124,811	5,747,815
Total interest expense	131,298,063	48,913,519
Net interest income	261,904,696	132,505,426

Included within various line items under interest income for the year ended 31 December 2014 is a total of GH¢ 697,206 (2013: GH¢ 511,934) relating to impaired financial assets.

9. Fees and commission income

See accounting policy in Notes 40 (c).

	2014 GH¢	2013 GH¢
Fees on loans and advances	16,239,624	8,501,125
Customer account servicing fees	18,896,041	13,801,068
Letters of credit issued	14,808,252	6,833,349
Other fees	13,731,678	9,338,462
	63,675,595	38,474,004

10. Net trading income

See accounting policy in Notes 40 (d).

	2014	2013
Foreign exchange	29,772,106	30,895,305

11. Other operating income

See accounting policy in Notes 40 (a), (i) (iii).

	2014 GH¢	2013 GH¢
Foreign exchange gains	-	-
Profit on disposal of property and equipment (Note (b))	71,827	281,259
Sundry income	2,457,391	1,644,288
	2,529,218	1,925,547

12. Net impairment losses on financial assets

See accounting policy in Notes 40 (l).

	2014 GH¢	2013 GH¢
Specific impairment loss	7,893,838	9,447,518
Collective impairment loss	4,090,116	3,988,518
Net impairment loss on financial assets	11,983,954	13,436,036

13. Personnel expenses

See accounting policy in Notes 40 (v).

	2014 GH¢	2013 GH¢
Wages and salaries	40,978,959	24,191,534
Compulsory social security obligations	1,579,383	1,393,409
Contribution to defined contribution plan	1,516,928	1,320,082
Other staff cost	3,497,822	2,604,493
	47,573,092	29,509,518

The number of persons employed by the Bank at the end of the year was 634 (2013: 634).

14. Other expenses

See accounting policy in Notes 40 (s).

	2014 GH¢	2013 GH¢
Advertising and marketing expenses	1,684,230	1,302,560
Administrative expenses	45,622,368	29,110,485
Director's emoluments	430,000	483,086
Foreign exchange losses	36,952,705	11,093,907
Auditor's remuneration	335,497	200,000
Operating lease rentals on office premises	7,028,889	5,654,178
Donations and sponsorship	38,000	17,801
	92,091,689	47,862,017

An amount of GH¢38,000 (2013: GH¢17,801) was spent as part of social responsibility of the Bank.

15. Income tax expense

See accounting policy in Notes 40 (h).

Amounts recognised in statement of comprehensive income	**2014 GH¢**	**2013 GH¢**
Current year income tax - See Note (a) below	63,743,021	30,529,480
Deferred tax - See Notes 25 (a)	(1,015,048)	3,558,914
	62,727,973	34,088,394
Amount recognised in other comprehensive income		
Deferred tax on exchange gains on currency swap derivative valuation	-	9,847,548

(a) Income tax

See accounting policy in Notes 40 (h).

	Balance at 1/1/2014 GH¢	Payments during the year GH¢	Charge for the year GH¢	Balance at 31/12/2014 GH¢
Income tax				
2012	2,016,741	-	-	2,016,741
2013	3,858,019	(5,985,084)	2,673,003	545,938
2014	-	(35,000,000)	51,063,616	16,063,616
	5,874,760	(40,985,084)	53,736,619	18,626,295
National stabilisation levy				
2012	1,575,430	(1,575,430)	-	-
2014	-	(1,800,000)	10,006,402	8,206,402
	1,575,430	(3,375,430)	10,006,402	8,206,402
Total	7,450,190	(44,360,514)	63,743,021	26,832,697

(b) Reconciliation of effective tax rate

	2014 %	2014 GH¢	2013 %	2013 GH¢
Profit before tax		200,128,038		107,699,210
Income tax using domestic tax rate	25.00	50,032,010	25.00	26,924,803
National stablisation levy	5.00	10,006,402	2.50	2,692,480
Non-deductible expenses	0.51	1,028,776	0.44	469,194
Tax incentives	-	2,828	(0.12)	(126,137)
Origination and reversal of temporary differences	(0.51)	(1,015,046)	3.30	3,558,914
Under/(over) provided in prior years	1.34	2,673,003	0.53	569,140
Tax expenses	31.34	62,727,973	31.65	34,088,394

16. Classification of financial assets and financial liabilities

See accounting policy in Notes 40 (i) (ii), (i) (iii).

	Note	Trading GH¢	Design'd at fair value GH¢	Held-to-maturity GH¢	Loans and receivables GH¢	Avaliable-for-sale GH¢	Other amort'd cost GH¢	Total carrying amount GH¢	Fair value GH¢
31 December 2014									
Cash and cash equivalents	18	-	-	-	614,271,326	-	-	614,271,326	614,271,326
Government securities	19	-	-	1,282,388,881	-	-	-	1,282,388,881	1,289,543,934
Derivative assets held for risk management	20	-	8,548,883	-	-	-	-	8,548,883	8,548,883
Loans and advances to customers	21	-	-	-	1,097,357,356	-	-	1,097,357,356	1,097,357,356
Total assets		-	8,548,883	1,282,388,881	1,711,628,682	-	-	3,002,566,446	3,009,721,499
Due to other banks	28	-	-	-	-	-	820,073,650	820,073,650	820,073,650
Deposits from customers	27	-	-	-	-	-	1,846,745,159	1,846,745,159	1,846,745,159
Total liabilities		-	-	-	-	-	2,666,818,809	2,666,818,809	2,666,818,809
31 December 2013									
Cash and cash equivalents	18	-	-	-	398,505,863	-	-	398,505,863	398,505,863
Government securities	19	-	-	773,534,307	-	-	-	773,534,307	787,775,520
Derivative assets held for risk management	20	-	39,390,193	-	-	-	-	39,390,193	39,390,193
Loans and adv'ces to customers	21	-	-	-	676,782,866	-	-	676,782,866	676,782,866
Total assets		-	39,390,193	773,534,307	1,075,288,729	-	-	1,888,213,229	1,902,454,442
Due to other banks	28	-	-	-	-	-	571,400,154	571,400,154	571,400,154
Deposits from customers	27	-	-	-	-	-	1,066,493,105	1,066,493,105	1,066,493,105
Total liabilities		-	-	-	-	-	1,637,893,259	1,637,893,259	1,637,893,259

17. Earnings per share

See accounting policy in Notes 40 (x).

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of GH¢ 137,400,065 (2013: GH¢ 73,610,816) and a weighted average number of ordinary shares outstanding of 612,221,960 (2013: 612,221,960) calculated as follows:

	2014	2013
Net profit for the year attributable to equity holders of the Bank (GH¢)	137,400,065	73,610,816
Weighted average number of ordinary shares	612,221,960	612,221,960
Basic and diluted earnings per share	0.22	0.12

18. Cash and cash equivalents

See accounting policy in Notes 40 (j).

	2014 GH¢	2013 GH¢
Cash on hand	102,543,170	116,986,725
Balances with Bank of Ghana	269,217,166	120,622,034
Balances with other local Banks	985,348	45,867
Balances with other foreign Banks	60,745,629	74,166,786
Items in course of collection	42,580,013	33,270,122
Money market placements	138,200,000	53,414,329
	614,271,326	398,505,863

Included in balances with Bank of Ghana above is an amount of GH¢ 184,674,516 (2013:GH¢ 95,984,379) mandatory reserve deposits representing 10% (2013: 9%) of the Bank's total deposits and is not available for use in the Bank's day to day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non interest bearing.

19. Government securities

See accounting policy in Notes 40 (m).

	Pledged 2014 GH¢	Non-pledged 2014 GH¢	Total 2014 GH¢	Pledged 2013 GH¢	Non-pledged 2013 GH¢	Total 2013 GH¢
Government bonds	37,950,000	690,038,537	727,988,537	23,095,076	580,316,012	603,411,088
Treasury bills	8,610,000	545,790,344	554,400,344	-	170,123,219	170,123,219
Total trading assets	46,560,000	1,235,828,881	1,282,388,881	23,095,076	750,439,231	773,534,307

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 December 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¢ 139,718,900(2013: GH¢ 48,610,921).

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

20. Derivative assets held for risk management

See accounting policy in Notes 40 (k).

The Bank used cross currency swaps to hedge its foreign currency risks arising from its indebtedness to Zenith Bank (UK). The hedged cash flows are expected to occur and affect the statement of comprehensive income in 2015.

During 2014, net gains of GH¢ 6,326,173 relating to the ineffective portion of the hedge was recognised in profit or loss. In 2013, a net amount of GH¢ 29,542,645 relating to the fair value of the effective portion of the swap was recognised in other comprehensive income and has been reclassified to profit or loss in 2014.

21. Loans and advances to customers

See accounting policy in Notes 40 (l).

	2014 GH¢	2013 GH¢
Loans and advances to customers at amortised cost	1,145,373,086	711,726,734
Finance leases	2,204,587	3,718,626
	1,147,577,673	715,445,360
Less allowance for impairment	(50,220,317)	(38,662,494)
Loans and advances to customers at amortised cost	1,097,357,356	676,782,866

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

(a) Loans and advances to customers at amortised cost

	Gross amount 2014 GH¢	Impairment allowance 2014 GH¢	Carrying amount 2014 GH¢	Gross amount 2013 GH¢	Impairment allowance 2013 GH¢	Carrying amount 2013 GH¢
Individual customers	14,565,783	(112,179)	14,453,604	11,367,712	(112,179)	11,255,533
Corporate customers	1,133,011,890	(50,108,138)	1,082,903,752	704,077,648	(38,550,315)	665,527,333
Total loans and advances to customers	1,147,577,673	(50,220,317)	1,097,357,356	715,445,360	(38,662,494)	676,782,866

(b) Allowances for impairment

	2014 GH¢	2013 GH¢
Specific allowances for impairment		
Balance at the beginning of the reporting year	27,732,870	25,043,745
Write offs	(426,131)	(6,182,143)
	27,306,739	18,861,602
Charge for the year	7,893,838	9,447,518
Recoveries	-	(576,250)
Balance at 31 December	35,200,577	27,732,870
Collective allowances for impairment		
Balance at the beginning of the reporting year	10,929,624	6,941,106
Charge for the year	4,090,116	3,988,518
Balance at 31 December	15,019,740	10,929,624
Total allowances for impairment	50,220,317	38,662,494

21. 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:

	2014 GH¢	2013 GH¢
Gross investment in finance leases, receivable:		
Less than one year	1,817,905	2,290,635
Between one and five years	734,364	2,409,657
More than five years	-	-
	2,552,269	4,700,292
Unearned finance income	(347,682)	(981,666)
Net investment in finance lease	2,204,587	3,718,626

	2014 GH¢	2013 GH¢
Net investment in finance leases, receivable:		
Less than one year	1,517,791	1,695,430
Between one and five years	68,796	2,409,657
More than five years	-	-
	2,204,587	3,718,626

22. Property and equipment

See accounting policy in Notes 40 (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 2013	8,353,579	8,847,731	8,566,961	6,817,421	4,138,628	36,724,320
Acquisitions	1,779,450	1,241,187	1,459,795	2,365,402	710,139	7,555,973
Transfers	149,617	17,502	615,757	-	(2,702,876)	(1,920,000)
Write-offs	-	-	-	-	(232,709)	(232,709)
Disposals	-	(2,080)	(8,916)	(1,244,469)	-	(1,255,465)
Balance at 31 December 2013	10,282,646	10,104,340	10,633,597	7,938,354	1,913,182	40,872,119
Balance 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)	-
Disposals	-	-	-	(275,318)	-	(275,318)
Write offs	-	-	-	-	(16,444)	(16,444)
Balance at 31 December 2014	10,569,333	11,070,120	11,280,565	10,020,883	2,791,708	45,841,166
Depreciation						
Balances at 1 January 2013	5,894,618	6,512,777	6,667,299	4,178,723	-	23,253,417
Depreciation for the year	1,191,533	1,219,597	1,392,996	1,358,901	-	5,163,027
Disposals	-	(1,590)	(8,916)	(866,801)	-	(877,307)
Balance at 31 December 2013	7,086,151	7,730,784	8,051,379	4,670,823	-	27,539,137
Balance 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
Disposal	-			(200,785)	-	(200,785)
Balance at 31 December 2014	8,253,968	8,829,531	9,511,865	6,169,331	-	32,764,695
Carrying amounts						
Balances at 1 January 2013	2,458,961	2,334,954	1,899,662	2,638,698	4,138,628	13,470,903
Balance at 31 December 2013	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	2,791,708	13,076,471

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2013: Nil).

(a) Depreciation and amortisation expense

		2014	2013
		GH¢	GH¢
Property and equipment	(Note 22)	5,426,343	5,163,027
Leasehold property	(Note 23)	96,785	63,675
Intangible asset	(Note 24)	581,714	66,799
		6,104,842	5,293,501

(b) Profit on disposal

Cost	275,318	1,255,465
Accumulated depreciation	(200,785)	(877,307)
Carrying amount	74,533	378,158
Proceeds from disposal	(146,190)	(659,417)
Profit/(loss) on disposal	(71,657)	(281,259)

23. Leasehold property

See accounting policy in Notes 40 (n).

Cost

Balance at 1 January	5,039,270	1,089,970
Acquisitions	-	2,029,300
Transfer from WIP	-	1,920,000
Balance at 31 December	5,039,270	5,039,270

Amortisation

Balance at 1 January	197,063	133,388
Amortisation for the year	96,785	63,675
Balance at 31 December	293,848	197,063

Carrying amount

Balance at 1 January	4,842,207	956,582
Balance at 31 December	4,745,422	4,842,207

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2013: Nil).

24. Intangible asset

See accounting policy in Notes 40 (p).

	2014 GH¢	2013 GH¢
Cost		
Balance at 1 January	319,807	266,053
Acquisitions	2,690,357	53,754
Balance at 31 December	3,010,164	319,807
Amortisation		
Balance at 1 January	149,204	82,405
Amortisation for the year	581,714	66,799
Balance at 31 December	730,918	149,204
Carrying amount		
Balance at 1 January	170,603	183,648
Balance at 31 December	2,279,246	170,603

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2013: Nil).

25. Deferred tax assets and liabilities

See accounting policy in Notes 40 (h).

Deferred tax assets and liabilities are attributable to the following:

	Assets GH¢	Liabilities GH¢	2014 Net GH¢	Assets GH¢	Liabilities GH¢	2013 Net GH¢
Property, equipment and software	-	(433,840)	(433,840)		(222,507)	(222,507)
Allowances for loan losses	3,754,935	-	3,754,935	715,665	-	715,665
Valuation gains on currency swap	-	(2,137,220)	(2,137,220)	-	(9,847,548)	(9,847,548)
Contingency	978,572	-	978,572	654,241	-	654,241
Net tax assets/(liabilities)	4,733,507	(2,571,060)	2,162,447	1,369,906	(10,070,055)	(8,700,149)

(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 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
	(8,700,149)	1,015,048	9,847,548	2,162,447
For the year ended 31 December 2013				
Property, equi pment and software	284,568	(507,075)	-	(222,507)
Allowances for loan losses	3,750,802	(3,035,137)	-	715,665
Valuation gains on currency swap	-	-	(9,847,548)	(9,847,548)
Contingency	670,943	(16,702)	-	654,241
	4,706,313	(3,558,914)	(9,847,548)	(8,700,149)

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of GH¢ 4,733,507 (2013: GH¢ 1,369,906) 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.

26. Other assets

	2014 GH¢	2013 GH¢
Prepayments	3,937,236	2,201,006
Accrued interest receivable	37,816,928	10,259,971
Others	6,775,019	1,606,148
	48,529,183	14,067,125

27. Customer deposits

See accounting policy in Notes 40 (r).

	2014 GH¢	2013 GH¢
Demand deposits	1,264,682,426	713,982,061
Term deposits	504,446,920	293,859,880
Savings deposits	77,615,813	58,651,164
	1,846,745,159	1,066,493,105

Analysis by type of depositors

	2014 GH¢	2013 GH¢
Financial institutions	50,967,385	10,679,302
Individual and other private enterprises	1,703,952,242	739,655,698
Public enterprises	91,825,532	316,158,105
	1,846,745,159	1,066,493,105
Ratio of 20 largest depositors to total deposits	38%	38%

28. Due to other banks

	2014 GH¢	2013 GH¢
Balances with other banks	820,073,650	571,400,154

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 20 amounting to US$200M. This is due to expire in July 2015 and the corresponding funds have been invested in government securities.

29. Other liabilities

See accounting policy in Notes 40 (s) and (v).

	2014 GH¢	2013 GH¢
Due to parent company	6,292,570	5,025,685
Creditors and accruals	15,263,645	12,319,294
Deferred income	6,707,960	5,651,455
	28,264,175	22,996,434

30. Capital and reserves

See accounting policy in Notes 40 (w)

(a) Share capital

	2014 No. of Shares	2014 Proceeds GH¢	2013 No. of Shares	2013 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

(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 of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act of Ghana, 2007 (Act 738) and guidelines from the Central Bank.

Credit risk reserve

This is a reserve created to set aside the excess between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with

IFRS and the Central Bank's prudential guidelines. The balance include 1% provision on contingent liabilities amounting to GH¢ 7,948,494.

31. Dividends

The Bank did not declare dividend for the financial year ended 31 December 2014 (2013: Nil).

32. Leasing

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

Non cancellable operating lease rentals are payable as follows:

	2014 GH¢	2013 GH¢
Less than one year	2,428,286	804,957
Between one and five years	1,174,155	798,428
More than five years	334,795	597,621
	3,937,236	2,201,006

33. Contingencies

(a) Claims and litigation

There were no litigation and claims involving the Bank as at 31 December 2014 (2013:Nil).

(b) Contingent liabilities and commitments

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

Nature of instruments

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer.

The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

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

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

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

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

	2014 GH¢	2013 GH¢
Contingent liabilities: Bonds and guarantees	379,359,319	184,770,214
Commitments: Clean line facilities for letters of credit	415,490,129	251,910,463
	794,849,448	436,680,677

(c) Commitments for capital expenditure

At 31 December 2014, the Bank's commitment for capital expenditure was GH¢ 500,000 (2013: GH¢ 1,296,960).

34. 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.

(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, 2014, the bank transacted the following business with the parent bank:

		2014 GH¢	2013 GH¢
Transaction during the year		2,573,276	2,852,241
Due to Parent company at year end	29	6,292,570	5,025,685

(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:

	2014 GH¢	2013 GH¢
Executive Director	590,494	682,420
Officers and other employees	9,436,942	7,231,420
	10,027,436	7,913,840

34. Related parties (cont'd)

(b) Transactions with key management personnel (cont'd)

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 impair as part of the portfolio impairment assessment for unidentified loans and advances.

(c) Associated companies

	2014 GH¢	2013 GH¢
Balances with associated companies as at reporting period were:		
Nostros	4,955,300	1,263,136
Balance due to Zenith Bank (UK)	666,080,522	530,171,992

35. Comparative information

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

36. Post balance sheet events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events at the reporting date and at 31 December 2013.

37. 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.

37. Financial risk management (cont'd)

(a) Introduction and overview (cont'd)

Risk management framework (cont'd)

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. 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 defines liquidity risks as the risk that the Bank will encounter difficulty meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. 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, fulfil 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.

37. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

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.

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;

37. Financial risk management (cont'd)

(e) Operational risk (cont'd)

- development of contingency plans;
- training and professional development;
- ethical and business standards; and
  risk mitigation, including insurance

38. Basis of measurement

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

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships	Amortised cost adjusted for changes in fair value attributable to the risk being hedged

39. Changes in accounting policies

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 40 to all periods presented in these financial statements.

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January, 2014.

a. IFRIC 21 Levies
b. Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).

The nature and the effects of the changes are explained below.

(a) IFRIC 21 Levies

As a result of IFRIC 21 Levies, the Bank has changed its accounting policy on accounting for a liability to pay a levy that is a liability in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The change did not have a material impact on the Bank's financial statements.

(b) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

As a result of the amendments to IAS 32, the Bank has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The change did not have a material impact on the Bank's financial statements.

40. Summary significant accounting policies

Except for the changes explained in Note 39, the Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the statement of profit or loss and OCI have been re-presented as a result of a change in the accounting policy regarding the presentation of items of OCI (See Note: 39).

40. Summary significant accounting policies (cont'd)

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

(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.

40. Summary significant accounting policies (cont'd)

(b) Interest income and expense (cont'd)

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 unrealized 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 nontrading 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.

(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.

40. Summary significant accounting policies (cont'd)

(h) Income tax (cont'd)

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.

(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 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 amortised cost or fair value through profit or loss See Notes (l), (m), (r) and (t).

(iii) De-recognition

Financial assets

The Bank derecognises 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 derecognised) 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 recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

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

40. Summary significant accounting policies (cont'd)

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

(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 realise 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) Amortised cost measurement

The 'amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Policy applicable from 1 January 2013.

'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. 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 ongoing 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

40. Summary significant accounting policies (cont'd)

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

(vi) Fair value measurement (cont'd)

reporting period during which the change has occurred.

Policy applicable before 1 January 2013.

Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

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.

(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.

40. 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 modelling 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 amortised 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 derecognised. 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 derecognised and the new financial asset is recognised 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 recognised 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 recognised through the unwinding of the discount. If an event occurring after the impairment was recognised 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 recognised 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 amortisation, 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.

40. 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 recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised 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 16 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 amortised 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.

These hedging relationships are discussed below.

(i) Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss,

40. Summary significant accounting policies (cont'd)

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

(i) Cash flow hedges (cont'd)

the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

(ii) Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through 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.

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 amortised 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 recognised 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 recognised 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 and 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 amortised 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.

40. Summary significant accounting policies (cont'd)

(m) Government securities (cont'd)

(i) Held to maturity (cont'd)

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 recognised 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 available-for-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 recognised in profit or loss using the effective interest method. Dividend income is recognised 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 recognised in profit or loss (See Note: (a)). Impairment losses are recognised in profit or loss (See Notes (i) (vii)).

Other fair value changes, other than impairment losses (See Notes (i)(vii)), are recognised 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 maturity.

(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 capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied

40. Summary significant accounting policies (cont'd)

(n) Property and equipment (cont'd)

(ii) Subsequent costs (cont'd)

within the part will flow to the Bank and its cost an be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred

(iii) Depreciation

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

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

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

(o) Investment property

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

(p) Intangible assets

Computer software

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

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

Intangible assets with indefinite useful lives are not amortized. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years.

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

(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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

40. Summary significant accounting policies (cont'd)

(q) Impairment of non financial assets (cont'd)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

The Bank did not hold such assets at the reporting date.

(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 amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(s) Provisions

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

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(t) 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 amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised 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.

(u) Fiduciary activities

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

40. Summary significant accounting policies (cont'd)

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

(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.

(w) Stated capital and reserves

(i) Share capital

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

(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.

(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.

(iv) Statutory reserves

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

(v) Credit risk reserves

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

(x) 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.

41. New standards and interpretations not yet adopted

At the date of authorisation of the financial statements of the Bank for the year ended 31 December 2014, 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.
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are: • set out in the formal terms of the plan; • linked to service; and • independent of the number of years of service. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Bank's defined benefit plan meets these requirements and consequently the Bank intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted. The amendment is not expected to have any impact on the Bank's financial statements.

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

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The Bank currently has several intangible assets and plants that are amortised or depreciated using a revenue based method. The Bank cannot overcome the rebuttable presumption above for its intangible assets, and consequently will have to change the amortisation and depreciation method for these items. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The amendment is not expected to have any impact on the Bank's financial statements.
Disclosure Initiative (Amendments to IAS 1)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendment applies 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.

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

Section 42 (1 and 2) of the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act of Ghana, 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.

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Zenith Bank Reaches Out To The Underprivileged

Zenith Bank donates to Father's Home Takoradi

Zenith Bank donates to Tema SOS Children's Village

Zenith Bank donates to Lighthouse Children's Home in Aburi

Zenith Bank donates to Human Service Trust in Aburi

Zenith Bank donates to Abdullam Orphanage in Obuasi

Zenith Bank donates to Nectar Home in Nuaso

Zenith Bank donates to Remar Association Ghana in HO

Zenith Bank donates to Mercy Children's Home Temale

Zenith Bank donates to Compassion is Love in Action Children's Home in Sunyani

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THE ZENITH HEALTH WALK

"A Healthy Body Is A Healthy You."

Daniel Asiedu - MD/CEO Zenith Bank

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