Annual Report 2013

PEOPLE • TECHNOLOGY • SERVICE

ZENITH BANK (GHANA) LIMITED

"Our commitment to delivering the right strategy and business mix to drive continued growth and take advantage of changes in the marketplace will be unwavering."

ZENITH

CONTENTS

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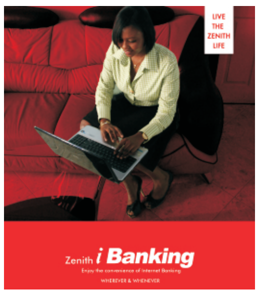

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mary Chinery-Hesse (Mrs.)	*Chairperson*
	Daniel Asiedu	*Managing Director/CEO*
	Henry Benyah	
	Godwin Emefiele	
	Kwame Sarpong	
	Babatunde Adejuwon	
	Lawal Sani	*(Resigned - 5 Sept. 2013)*
	Henry Oroh	
	Abiola Bawuah	*(Resigned - 26 Feb. 2013)*

SECRETARY

Michael O. Otu
Daniel Agamah

AUDITORS

KPMG
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP242
Accra

SOLICITORS

Corporate Legal Concepts
Rehoboth Place
No.1 North Labone Estates
Accra

REGISTERED OFFICE

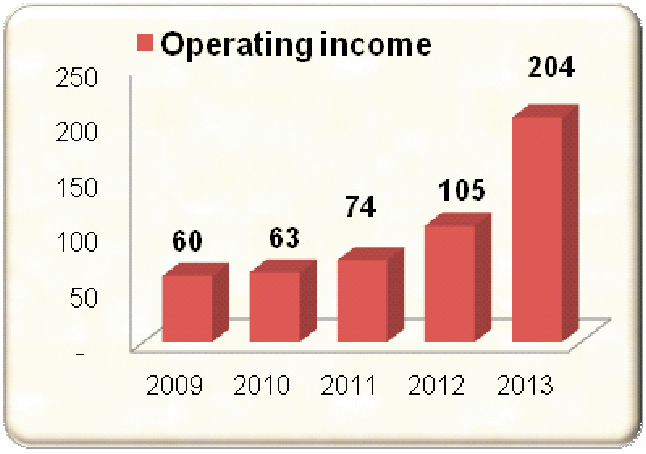
Premier Towers
Liberia Road
PMB CT 393
Accra
Tel: (+233) 302 611500-29
Fax: (+233) 302 660760
E-mail: info@zenithbank.com.gh
Website: www.zenithbank.com.gh
Swiftcode: ZEBLGHAC

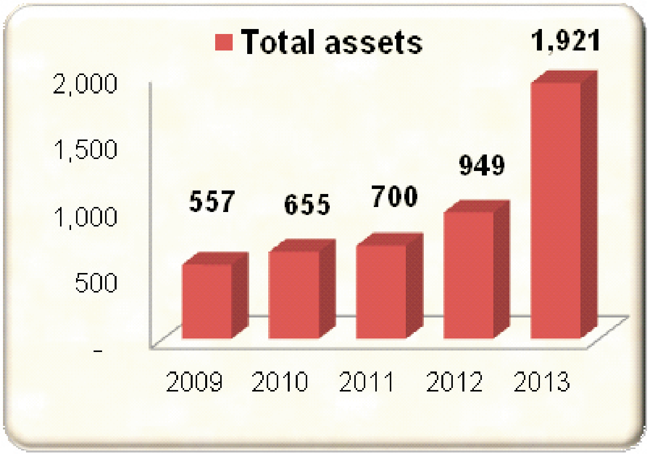
BANKS

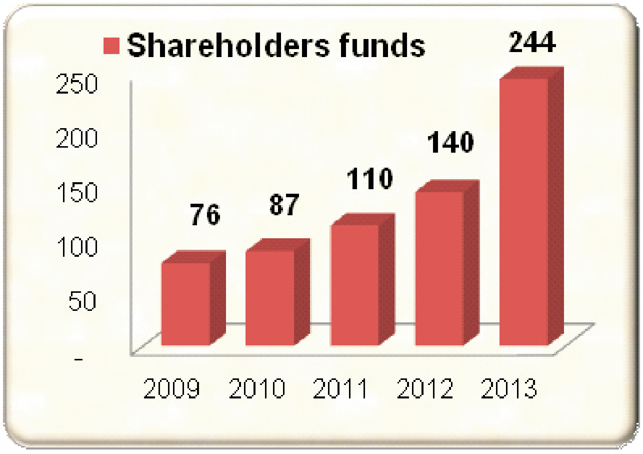
Zenith Bank (UK) Limited
Citibank New York
Ghana International Bank Plc.
HSBC Bank Plc
Citibank London
Bank of Beirut
Standard Chartered Germany
Commerzbank AG
JP Morgan Chase

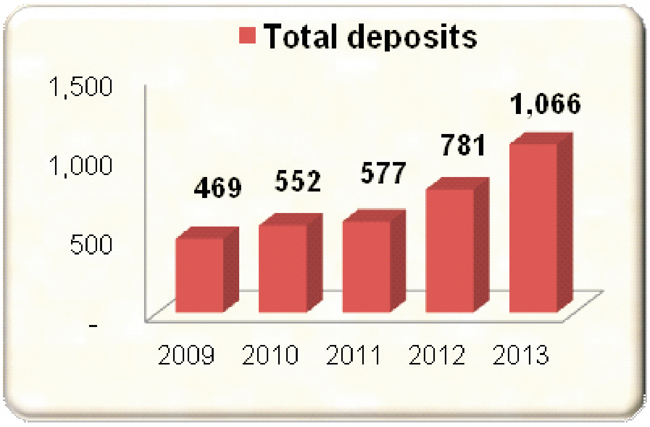
FINANCIAL HIGHLIGHTS

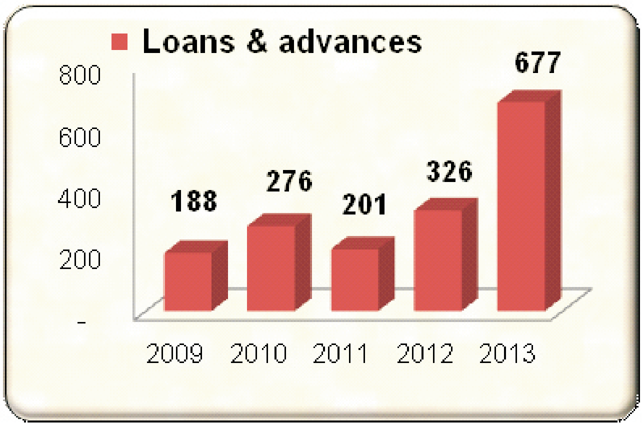
All amounts in GH¢ Million











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, with Fitch credit rating of +B in 2013.

Over the years, the Zenith brand has been synonymous with its cutting edge ICT platform which sets it apart from competitors, passionately innovative staff and devotion to the development of systems and products to meet customer requirements.

The Bank's main service delivery channels include twenty eight (28) business offices (branches and agencies) as well as numerous ATMs and Point of Sales" terminals strategically located in various cities and towns countrywide. Zenith also offers real-time internet and mobile banking 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 eight years of our existence, we have brought dynamism and panache to the Ghanaian banking industry. We have over the years 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.

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
- Good financial performance

The strategic objective of the Bank includes the continuous improvement of its capacity to meet customers' increasing and dynamic banking needs as well as sustain high quality growth in a volatile business environment through:

- Investment in branch network expansion and thus bringing quality banking services to our teaming existing and potential customer base
- 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

Customer Base

Zenith Bank has re-defined banking on many other fronts. Through immense investments, we have acquired the ability to stay in the forefront of such fast-growing technology such as internet banking, mobile banking, electronic payments, Visa payment systems, China Union Payments as well as many other key programs that provide customers with greater speed, accuracy and options. The result has been a well-connected bank developed to the specifications of its customers and other stakeholders and thus giving them great value. The bank's service offerings cover most aspects of banking and tailored to the banking needs of 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

We believe that strategic development and deployment of e-Business products and platforms are key competitive factors in the banking industry. Therefore, our target is to dominate the market by continuously introducing innovative e-banking products for specific industries/customers. We will also continue to focus on the following markets and products:

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

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

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

We are confident that our overall strategic objectives and envisaged financial growth would be achieved and that Zenith Bank would remain in the forefront amongst banks in the country in terms of profitability, size, assets quality and all other performance parameters.

BRANCH/AGENCY NETWORK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BRANCH/AGENCY NETWORK

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

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

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

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

Tema 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
Tel: (+233) 303 207044
Fax: (+233) 303 208425

Abora Agency
Main Building, Ghana Rubber Estate Ltd.
Abora

Bui Agency
Bui Dam Bui Dam Site
Bui

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

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

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

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

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.

Zenith Children's Account Plus (ZECA Plus)
ZECA Plus is a tailor-made banking product for children between 0-12 years. Holders of this account enjoy competitive interest rates and other benefits.

Zenith Investment Plan Account (Z-IPA)
ZIPA is an investment instrument designed to build up adequate financial resources for future uses. It offers very competitive interest rate and targeted to customers such as corporate bodies, associations, fund managers and investment clubs.

Zenith Investment Savings Account (Z-ISA)
ZIPA is also an investment instrument designed to create financial resources for individual retail customers. Holders of this account enjoy competitive interest rates and other benefits such as investment advisory, finance lease, etc.

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

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

Church Premium Account
This is a customized financial package for orthodox and unorthodox churches with a minimum turnover of GH¢60,000 a year. It provides beneficiaries with active cash management, cash handling, funds management, personalized financial services.

OTHER BANKING SERVICES

Domestic Account
- Current Account
- Savings Account
- Cheque and Save Account
- Partnership Account
- Sole Proprietorship Account

Foreign Account
- Foreign Currency Account (FCA)
- Foreign Exchange Account (FEA)

Treasury
- Treasury Bills Investment
- Zenith Investment Retirement Account (ZIRA)
- Commercial Paper (CP)
- Bankers Acceptance (BA)

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

E-business Products
- Automatic Direct Payment System (ADPS)
- Automated Cheque Writing Solution (ACWS)
- Sal-Pay
- Z-Prompt (Transaction Notification)
- Internet Banking (i-banking)
- Z-mobile (Mobile Banking)
- EazyPay (EazyCash)
- Collection Solution (Schools, Airlines etc)
- Reconciliation Tool
- E-ticketing
- Draft Issuance Service (DIS)
- Point of Sale (POS) Terminal Services
- ATM Services
- Global Travel Wallet Card
- Cruze Card

CORRESPONDENT BANKS

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

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

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

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

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

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

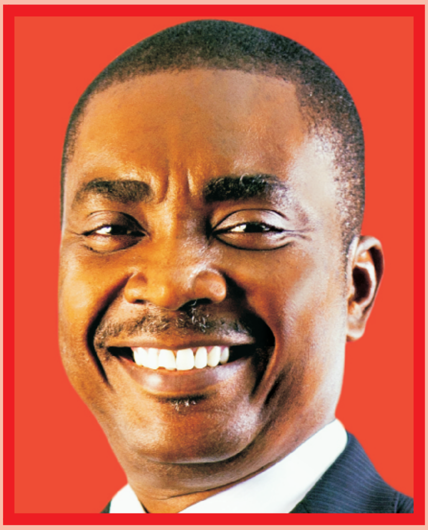
JP Morgan Chase Bank NA
Global Implementation Project Management
1 Chaseside
Bournemouth
Dorset
Bh7 7DA
UK

Commerz Bank
Aktiengesellschaft,
60261
Frankfurt am Main
Germany

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

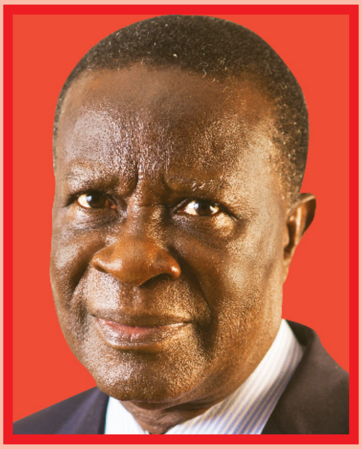
BOARD OF DIRECTORS

Mary Chinery-Hesse
Chairman



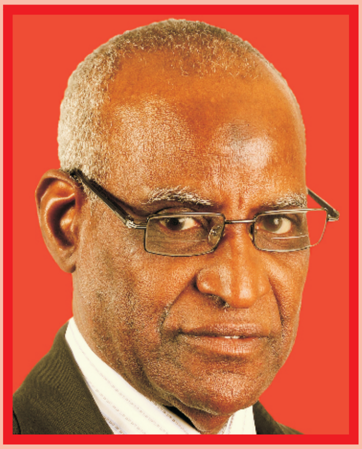
Daniel Asiedu
Managing Director/CEO

Godwin Emefiele
Director

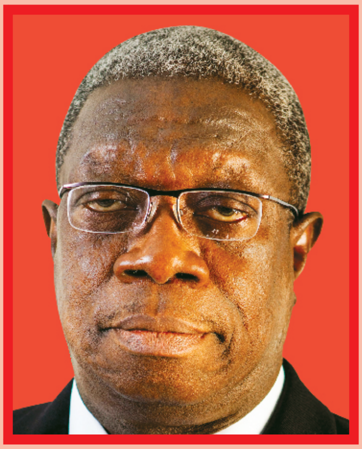


Kwame Sarpong
Director

Henry Benyah
Director



Lawal Sani
Director



Babatunde Adejuwon
Director

Henry Oroh
Executive 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 2013 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	2013 GH¢	2012 GH¢
Profit before taxation is	107,699,210	40,266,158
from which is deducted taxation of	(34,088,394)	(9,875,530)
giving a profit after taxation for the year of	73,610,816	30,390,628
less net transfer to statutory reserve fund and other reserves of	(21,328,764)	(19,767,841)
leaving a balance	52,282,052	10,622,787
when added to a balance brought forward on retained earnings of	30,490,034	19,867,247
gives a balance of	82,772,086	30,490,034

In accordance with Section 29(a) 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¢ 18,402,704 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 62,551,300 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).

Approval of the Financial Statements

The financial statements of the Bank were approved by the board of directors on **7 February 2014** and were signed on their behalf by:

....
Mary Chinery-Hesse
(Chairman)

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

CHAIRMAN'S STATEMENT

Mary Chinery-Hesse - Chairman

To our faithful and loyal customers, we dedicate this performance to you and pledge to continue to make you feel proud of the Zenith brand.

Through the years, Zenith Bank has progressed steadily in the banking industry and has played its role as a banking partner to customers, an employer of choice, a supporter of communities through our corporate social responsibility programs, a contributor to economic growth, and a reliable source of returns for investors.

Our success over the past 8 years has been built on a solid foundation of integrity and accountability, a commitment to prudent risk management as well as improvement in corporate governance. This commitment begins at the top with the Board of Directors, and extends to everyone at the bank.

Zenith Bank continues to deliver on its mandate to create value for our shareholders by generating consistent and sustainable earnings. The bank, in 2013, delivered an unprecedented 168 percent increase in profit before tax and a 102 percent growth in total assets when compared to the previous year. This underscores the strength of the strategy executed by the Managing Director/CEO and his team. We recognize that corporate strategy and its successful execution are key determinants in creating shareholder value. The Board will continuously support management to focus on delivering consistent and sustainable profitability and shareholder value, year after year.

Corporate Governance-a continuing priority

Good corporate governance is the basis for creating sustainable shareholder value. In addition to mitigating risk, it fosters a performance culture and provides the solid platform on which to deliver consistent financial returns.

Furthermore, it is responsive to the present and future needs of the organization, exercises prudence in policy-setting and decision-making, taking into account the best interests of all stakeholders. We are committed to ensure we have an appropriate breadth, depth and diversity of director skill sets. We will keep adding to the strength and diversity of our Board.

Conclusion

We will continue to enhance our risk management oversight and supervise the bank's strategy and risk profile to ensure we maintain an appropriate risk posture. We have clear priorities to gain profitable market share and drive efficiencies in line with our goals and risk appetite.

To our faithful and loyal customers, we dedicate this performance to you and pledge to continue to make you feel proud of the Zenith brand.

Finally, the entire staff of Zenith Bank Ghana deserves our commendation for their many contributions to the Bank's success. Their strong commitment to the bank and its values and, in particular, their continued focus and dedication to serving our customers, all give me great optimism that a bright future lies ahead. I would also like to thank my fellow board members for their support and work in creating value for our esteemed shareholders.

EXECUTIVE MANAGEMENT

Daniel Asiedu
Managing Director/CEO

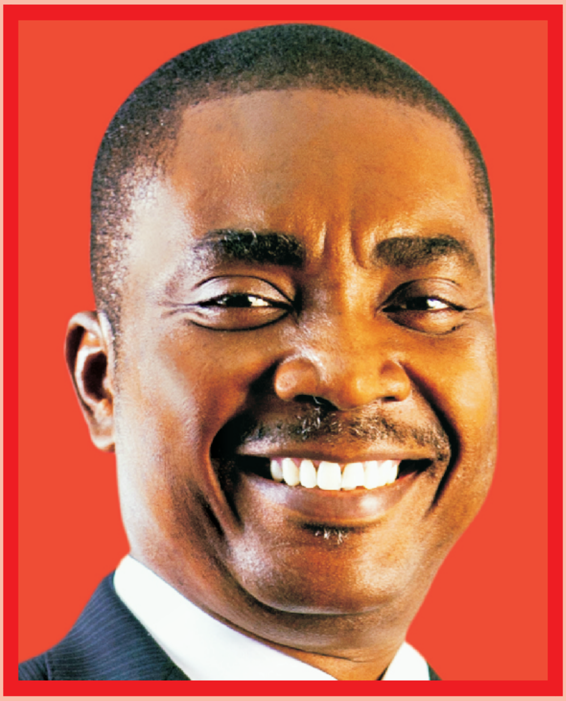
Henry Oroh
Executive Director

Maebelle Nortey
Divisional Head

Daniel Agamah
Group Head
(Business Support Services)

Eva Richter-Addo
Group Head
(Corporate Services)

George Blavo
Group Head (Marketing)



Daniel Asiedu - Managing Director/CEO

"Our commitment to delivering the right strategy and business mix to drive continued growth and take advantage of changes in the marketplace will be unwavering."

Economic and market environment

The IMF in 2013 revised its world growth forecasts downwards from 3.2 percent to 2.9 percent due to a more sluggish expansion in the developing world, despite signs of recovery in the euro zone. After a slower start however, the global economic growth picked up in the second half of 2013, though at a subdued pace.

Zenith Bank Ghana operated in an environment of modest economic growth in 2013. The developments in the external environment continue to feed into the domestic economy through trade, finance and exchange rate channels.

How our businesses performed

Belief in God is a core value we live and this has helped us over the years. In addition, guidance of the board and the support of all staff helped the bank achieved its theme for 2013, i.e. "**Inspired for superior performance**". We are proud of our 168 percent increase in profit before tax when compared to the financial year ended 2012, the highest since 2008 and a record 102 percent growth in total assets. The increase resulted from growth in the loan book as well as increases in volume of treasury bills and government bonds purchased. Although the cost of funds increased by 92 percent, that was offset by the increase in interest income. The growth in total assets was funded mainly by customer deposits and other borrowings.

We achieved these results through well-balanced and diversified contributions from each of our eight sectors and twenty one branches. In addition to a sound business strategy, the success of any organization also requires a pledge to ensuring that ethical leadership is embedded in its culture across the organization. A strong culture begins with a foundation of good values. It was important that we behaved with integrity and kept our service promise at all times, and also balanced our risks to produce sustainable profitability. It was incumbent upon every staff in our organization to model the right values and to lead by example.

We believe that a rigorous focus on the fundamentals of risk management and compliance is critical to the success of any financial institution. Therefore, we strived to maintain a strong risk and compliance culture, built on fostering awareness, a clear understanding of the risks that one can take and developed a strong sense of responsibility for risk and compliance. These measures have reflected in the results we recorded as a bank during the year under review and will continue to reinforce the culture.

Zenith Bank Ghana is committed to being a bank that meets local market expectations, with a strong compliance and risk management framework; to serving Ghanaian consumers and corporations, and to making our contribution as part of Ghana's economy.

Other developments

As a result of our consistent pursuit for excellence, we won five (5) awards at the 2012 Ghana Banking awards. These awards were in the categories of corporate banking, short term financing, long term financing, trade finance and trade finance deal of the year.

Banking Awards

	Awards	Position
1.	Corporate Banking	Winner
2.	Trade finance deal of the year	Joint Winners
3.	Best bank in trade finance	1st runner - up
4.	Short term loan financing	2nd runner - up
5.	Long - term loan financing	2nd runner - up

New Products Launched

- **Global Travel Wallet Card** another first in Ghana, was launched in October 2013. It is an instant pre-paid card issued by participating forex bureaux and selected Zenith Bank Branches to travelers who exchange Cedis for Dollar denominated currency and use abroad.

- **Cruz-Card** was launched in November 2013 and is already in use by students and staff of the University of Ghana. It is a state-of-the-art multi-purpose card powered by VISA which serves as an ID card, a library card as well as an access-control card.

Looking Ahead

Energized by our success in 2013 which has birthed our theme for 2014, **"Stand Out, Stand Tall",** our commitment to delivering the right strategy and business mix to drive continued growth and take advantage of changes in the marketplace will be unwavering. Our key strategic priorities for 2014 include:

- Align our technological capabilities to support our business activities and meet our customers rapidly evolving needs through innovative products

- Maintain our highly disciplined approach to risk management in support of all customer activities

- Focus on improving our service delivery to earn the trust of our customers

- Win new businesses and gain market share in key sectors of the economy

In conclusion, I express my gratitude to the Board of Directors for your insight and guidance. To our shareholders, we appreciate your confidence and look forward to building value for you in 2014 and beyond.

To our great customers, we appreciate your continuous belief in Zenith Bank evidenced by your unflinching patronage of our products and services. We will continue to seek your interest and respond with enthusiasm to your needs.

Lastly, the tireless commitment of our employees in delivering this performance is very much appreciated.

CORPORATE GOVERNANCE

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

At Zenith Bank (Ghana) Limited, conscious of our 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, integrity, trust, openness and accountability.

The Board and Board Committees

The Board of Directors is made up of a Non Executive Chairman, five (5) Non Executive Directors and two (2) Executive Directors.

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

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

Responsibilities of the Board

The Board is responsible for:

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

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

Committees

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

The following are the Standing Committees of the Board:

Board Credit Committee

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

Name of Director	Position
Godwin Emefiele	Chairman
Kwame Sarpong	Member
Babatunde Adejuwon	Member (co-opted)
Daniel Asiedu	Member
Henry Oroh	Member
Lawal Sani	Member

Board Risk Management Committee

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

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

Board Audit Committee

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

Name of Director	Position
Henry Benyah	Chairman
Lawal Sani	Member
Babatunde Adejuwon	Member
Kwame Sarpong	Member (co opted)

Board Nominations Committee

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

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

Schedule of attendance at Board Meetings

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

Directors	BC	CC	RMC	NC	AC
Mary Chinery Hesse	4	N/A	N/A	N/A	N/A
Daniel Asiedu	4	4	4	2	N/A
Godwin Emefiele	2	2	N/A	1	N/A
Kwame Sarpong	4	4	4	2	2
Henry Benyah	4	N/A	4	N/A	4
Babatunde Adejuwon	4	1	4	2	4
Lawal Sani	2	2	N/A	N/A	2
Henry Oroh	4	4	4	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 Bank has in place an Executive Committee which has oversight responsibility for the implementation of strategies approved by the Board. It is chaired by the Managing Director/Chief Executive Officer. It meets once every week to discuss and adopt policy decisions. It also provides direction for the staff of the bank and ensures effective and efficient use of the Bank's resources.

It is made up of the following members:

Name of Member	Position
Daniel Asiedu	Chairman
Henry Oroh	Member
Maebelle Nortey	Member
Daniel Agamah	Member
Eva Richter Addo	Member
George Blavo	Member

Assets and Liability Committee (ALCO)

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

Management Committee

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

Systems of Internal Control

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

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

Code of Business Ethics

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

INDEPENDENT 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 2013, 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 24 to 79.

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 2013 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.

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/0036)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

February 7, 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2013 GH¢	2012 GH¢
Assets			
Cash and cash equivalents	18	398,505,863	387,739,076
Government securities	19	773,534,307	209,203,135
Derivative assets held for risk management	20	39,390,193	-
Loans and advances to customers	21	676,782,866	326,367,194
Property and equipment	22	13,332,982	13,470,903
Leasehold property	23	4,842,207	956,582
Intangible assets	24	170,603	183,648
Deferred tax assets	25	-	4,706,313
Other assets	26	14,067,125	6,860,457
Total assets		1,920,626,146	949,487,308
Liabilities			
Due to other banks	28	571,400,154	10,842,494
Deposits from customers	27	1,066,493,105	780,684,242
Other liabilities	29	22,996,434	12,313,609
Tax payable	15 (a)	7,450,190	5,214,310
Deferred tax liabilities	25	8,700,149	-
Total liabilites		1,677,040,032	809,054,655
Equity			
Stated capital	30 (a)	61,221,496	61,221,496
Statutory reserve	30 (b)	62,551,300	44,148,596
Credit risk reserve	30 (b)	7,498,587	4,572,527
Hedging reserve	20	29,542,645	-
Retained earnings	30 (b)	82,772,086	30,490,034
Total Equity		243,586,114	140,432,653
Total equity and liabilites		1,920,626,146	949,487,308

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

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

The notes on pages 28 - 79 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	2013 GH¢	2012 GH¢
Interest income	8	181,418,945	79,965,861
Interest expense	8	(48,913,519)	(25,327,324)
Net interest income		132,505,426	54,638,537
Fees and commission	9	38,474,004	31,549,038
Net trading income	10	30,895,305	14,371,068
Other operating income	11	1,925,547	4,927,212
Net trading and other income		71,294,856	50,847,318
Total operating income		203,800,282	105,485,855
Impairment loss on financial assets	12	(13,436,036)	(10,749,360)
Personnel expenses	13	(29,509,518)	(20,402,281)
Depreciation and amortization	22(a)	(5,293,501)	(5,157,357)
Other expenses	14	(47,862,017)	(28,910,699)
Profit before income tax		107,699,210	40,266,158
Taxation	15	(34,088,394)	(9,875,530)
Profit after tax attributable to equity holders of the Bank		73,610,816	30,390,628
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		103,153,461	30,390,628
Earnings per share - Basic & Diluted	17	0.12	0.05

The notes on pages 28 - 79 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

	Stated Capital GH¢	Statutory Reserve GH¢	Credit risk Reserve GH¢	Hedging Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as at 1 January 2012	61,221,496	28,953,282	-	-	19,867,247	110,042,025
Profit for the year	-	-	-	-	30,390,628	30,390,628
Regulatory and other reserves transfers						
Transfer from credit risk reserve	-	-	4,572,527	-	(4,572,527)	-
Transfer to statutory reserve	-	15,195,314	-	-	(15,195,314)	-
Net transfers to/(from) reserves	-	15,195,314	4,572,527	-	(19,767,841)	-
Balance at 31 December 2012	61,221,496	44,148,596	4,572,527	-	30,490,034	140,432,653
Balance 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 to 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

The notes on pages 28 - 79 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2013 GH¢	2012 GH¢
Profit before tax		107,699,210	40,266,158
Adjustments for:			
Depreciation and amortization	22(a)	5,293,501	5,157,357
Net impairment loss on financial assets	12	13,436,036	10,749,360
Net interest income	8	(132,505,426)	(54,638,537)
Profit on disposal of property equipment	22(b)	(281,259)	(12,800)
Associated company balance written off		26,351	-
Asset write-off	22	232,709	9,851
		(6,098,878)	1,531,389
Changes in:			
Government securities		(564,331,172)	(36,449,220)
Loans and advances to customers		(357,669,565)	(136,561,687)
Other assets		(7,206,668)	(2,070,331)
Due to other bank		560,557,660	10,842,494
Customer deposits		285,808,863	203,832,018
Other liabilities		10,682,825	2,712,374
		(78,256,935)	43,837,037
Interest received	8	181,418,945	79,965,861
Interest paid	8	(48,913,519)	(25,327,324)
Taxes paid	15(a)	(28,293,600)	(11,885,214)
Net cash flow from operating activities		25,954,891	86,590,360
Cash flow from investing activities			
Acquisition of property and equipment	22	(7,555,973)	(6,890,515)
Proceeds from disposal of property and equipment	22(b)	659,417	57,236
Acquisition of leasehold property	23	(2,029,300)	-
Acquisition of intangible assets	24	(53,754)	(118,354)
Net cash flow used in investing activities		(8,979,610)	(6,951,633)
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		16,975,281	79,638,727
Balance at beginning		387,739,076	308,100,349
Cash and cash equivalents at 31 December		404,714,357	387,739,076
Effect of exchange rate fluctuations on cash and cash equivalents held		(6,208,494)	-
Cash and bank balances		398,505,863	387,739,076
Cash and cash equivalents at 31 December	18	398,505,863	387,739,076

The notes on pages 28 - 79 are an integral part of these financial statements.

1.0 Reporting entity

Zenith Bank (Ghana) Limited (the Bank) is a bank incorporated in Ghana. The address of the Bank's registered office is Premier Towers, Liberia Road, PMB CT 393, Accra. The financial statements of the Bank as at, and for the year ended 31 December 2013 are as stated in this report. The Bank is a subsidiary of Zenith Bank Plc of Nigeria. The Bank operates with a universal banking license that allows it to undertake all banking and related services.

2.0 Basis of 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 **7 February 2014**.

Details of the Bank's accounting policies are included in Note 40.

3.0 Functional and presentation currency

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

4.0 Use of judgments 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.

4.1 Assumptions and estimation uncertainties

Information about assumptions and uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2013 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.

5.0 Financial risk review

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

5.1 Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, See Note 37 (b).

5.1.1 *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**	**2013** **GH¢**	**2012** **GH¢**
Carrying amount	21	676,782,866	326,367,194
Amount committed/guaranteed		436,680,677	344,568,556
At amortised cost			
Grade 1–5: Low–fair risk		680,363,100	328,535,272
Grade 6: Substandard		29,488	3,672,757
Grade 7: Doubtful		49,092	827,980
Grade 8: Loss		35,003,681	25,316,037
Total gross amount		715,445,361	358,352,046
Allowance for impairment (individual and collective)		(38,662,495)	(31,984,852)
Net carrying amount		676,782,866	326,367,194

5.1 Credit risk (Cont'd)

5.1.1 Analysis of credit quality (Cont'd)

Off balance sheet - Maximum exposure	2013 GH¢	2012 GH¢
Lending commitments - Grade 1–3: Low–fair risk	251,910,463	157,971,817
Financial guarantees - Grade 1–3: Low–fair risk	184,770,214	186,596,739
Total exposure	436,680,677	344,568,556
Loans with renegotiated terms		
Gross carrying amount	1,604,070	2,443,564
Neither past due nor impaired		
Grade 1–5: Low–fair risk	678,759,030	326,091,708
Past due but not impaired		
Grade 1-3: Low fair risk	37,740	4,181,317
Grade 4–5: Watch list	1,485,078	2,401,916
	1,522,818	6,583,233
Past due		
30–60 days	37,740	4,338,689
60–180 days	29,488	3,672,757
180 days+	33,529,955	25,316,037
	33,597,183	33,327,483

	2013	2012
Individually impaired	GH¢	GH¢
Grade 6: Substandard	29,488	3,672,757
Grade 7: Doubtful	49,092	827,980
Grade 8: Loss	35,003,681	25,316,037
	35,082,261	29,816,774
Allowance for impairment		
Individual	(27,732,870)	(25,043,746)
Collective	(10,929,625)	(6,941,106)
Total allowance for impairment	(38,662,495)	(31,984,852)

(a) 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 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).

5.0 Financial risk review (Cont'd)

5.1 Credit risk (Cont'd)

5.1.1 *Analysis of credit quality* (Cont'd)

(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.

(c) 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.

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.

(d) Cash and cash equivalents

The Bank held cash and cash equivalents of GH¢ 398,505,863 at 31 December 2013 (2012: GH¢ 387,739,076). The cash and cash equivalents are held with central banks and financial institution counterparties.

5.0 Financial risk review (Cont'd)

5.1 Credit risk (Cont'd)

5.1.2 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	Note	2013 GH¢	2012 GH¢	Principal type of collateral held
Loans and advances to customers		294,906,985	267,127,659	Residential property and other forms of security

(a) 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 2013, the net carrying amount of impaired loans and advances to customers amounted to GH¢ 13,173,692 (2012: GH¢ 4,773,029) and the value of identifiable collateral held against those loans and advances amounted to GH¢19,716,906 (2012: GH¢ 13,927,419).

(b) 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.

(c) 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.

5.1.3 Offsetting financial assets and financial liabilities

The Bank did not hold any financial assets and financial liabilities that are off-sett in the statement of financial position at the reporting date.

5.0 Financial risk review (Cont'd)

5.1 Credit risk (Cont'd)

5.1.4 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	
	2013 GH¢	**2012 GH¢**
Carrying amount	676,782,866	326,367,194
Concentration by product:		
Overdrafts	404,327,309	196,023,272
Term loans	299,485,585	154,144,020
Staff loans	7,913,840	4,149,228
Finance leases	3,718,626	4,035,525
Gross loans and advances	**715,445,360**	**358,352,045**
Less: Impairment	(38,662,494)	(31,984,851)
	676,782,866	326,367,194
Concentration by industry:		
Finance institutions	17,608,206	11,139,938
Manufacturing	263,197,407	94,644,339
Public sector	57,665,701	29,834,000
Retail and consumer	114,727,612	73,569,542
Energy	180,200,718	86,056,966
Telecom	26,819,586	12,414,459
Mining and construction	70,756,555	41,838,333
Others	2,077,781	8,854,468
Gross loans and advances	**715,445,360**	**358,352,045**
Less: allowance for impairment	(38,662,494)	(31,984,851)
Net loans and advances	676,782,866	326,367,194

5.1.5 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(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.

5.0 Financial risk review (Cont'd)

5.1 Credit risk (Cont'd)

5.1.5 Impaired loans and advances (Cont'd)

(a) Loans and advances to customers	Gross GH¢	Net GH¢
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
31 December 2012		
Grade 6: Individually Impaired	3,672,757	1,985,496
Grade 7: Individually Impaired	827,980	519,999
Grade 8: Individually Impaired	25,316,037	2,267,534
Gross amount	29,816,774	4,773,029

(b) Key ratios on loans and advances

Loan loss provision ratio is 5.40% (2012: 8.93%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 4.90% (2012: 8.32%).

Ratio of fifty (50) largest exposure (gross funded) to total exposure is 86% (2012: 83%).

5.2 Liquidity risk

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

5.2.1 Exposure to liquidity risk

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

	2013 %	2012 %
At period end		
Average for the year	159	117
Maximum for the year	197	143
Minimum for the year	124	133

5.0 Financial risk review (Cont'd)

5.2 Liquidity risk (Cont'd)

5.2.1 Maturity analysis for financial assets and financial liabilities

	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 2013							
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)	(881,710,935)	(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

5.0 Financial risk review (Cont'd)

5.2 Liquidity risk (Cont'd)

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

31 December 2012	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	(10,842,494)	(10,842,494)	(10,842,494)	-	-	-
Deposits from customers	27	(780,684,242)	(780,684,242)	(578,814,445)	(59,477,797)	(142,392,000)	-
Other liabilities		(8,888,872)	(8,888,872)	(8,888,872)	-	-	-
Due to parent company	29	(1,249,182)	(1,249,182)	(1,249,182)	-	-	-
		(801,664,790)	(801,664,790)	(599,794,993)	(59,477,797)	(142,392,000)	-
Financial asset by type							
Non-derivative assets							
Cash and cash equivalents	18	387,739,076	387,739,076	317,477,494	-	70,261,582	-
Government securities	19	209,203,135	213,301,510	67,935,262	41,287,716	75,299,670	28,778,862
Loans and advances to customers	21	326,367,194	365,029,688	162,264,622	26,874,239	135,947,000	1,281,333
		923,309,405	966,070,274	547,677,378	68,161,955	281,508,252	30,060,195

5.0 Financial risk review (Cont'd)

5.2 Liquidity risk (Cont'd)

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

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 2013 GH¢	Fair value 2013 GH¢	Carrying amount 2012 GH¢	Fair value 2012 GH¢
Balances with central bank	24,637,655	24,637,655	94,176,536	94,176,536
Cash and balances with other banks	191,199,378	191,199,378	165,777,358	165,777,358
Other cash and cash equivalents	86,684,451	86,684,451	57,523,600	57,523,600
Total liquidity reserves	302,521,484	302,521,484	317,477,494	317,477,494

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

	Note	Encumbered		Unencumbered		
31 December 2013		Pledged as collateral GH¢	Other* GH¢	Available as collateral GH¢	Other GH¢	Total GH¢
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
31 December 2012						
Cash and cash equivalents	18	1,681,376	70,261,582	315,796,118	-	387,739,076
Government securities	19	51,216,138	-	157,986,997	-	209,203,135
		52,897,514	70,261,582	473,783,115	-	596,942,211

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

5.0 Financial risk review (Cont'd)

5.2 Liquidity risk (Cont'd)

5.2.1 Financial assets pledged as collateral

The total financial assets that had been pledged as collateral for liabilities at 31 December 2013 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.

5.3 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	Market risk measure Non-trading portfolios
31 December 2013			
Assets subject to market risk		**GH¢**	**GH¢**
Cash and cash equivalents	18	398,505,863	298,580,821
Government securities	19	773,534,307	773,534,307
Derivatives held for risk management	20	39,390,193	39,390,193
Loans and advances to customers	21	676,782,866	735,319,294
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
31 December 2012			
Assets subject to market risk			
Cash and cash equivalents	18	387,739,076	315,796,118
Government securities	19	209,203,135	209,203,135
Loans and advances to customers	21	326,367,194	326,367,194
Liabilities subject to market risk			
Due to other banks	28	10,842,494	10,842,494
Deposits from customers	27	780,684,242	158,098,422

5.0 Financial risk review (Cont'd)

5.3 Market risk (Cont'd)

5.3.1 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.

	Note	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢
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)	-
		(1,637,893,259)	(998,549,419)	(505,579,803)	(123,172,197)	(10,591,840)
Effect of derivatives held for risk management	20	39,390,193	-	39,390,193	-	-
Total interest repricing gap		887,712,643	474,129,294	(431,643,410)	539,103,897	306,122,862
31 December 2012						
Cash and cash equivalent	18	387,739,076	387,739,076	-	-	-
Government securities	19	209,203,135	109,222,978	20,134,872	51,066,423	28,778,862
Loans and advances to customers	21	326,367,194	189,138,861	57,156,000	78,791,000	1,281,333
		923,309,405	686,100,915	77,290,872	129,857,423	30,060,195
Due to other banks	28	(10,842,494)	(10,842,494)	-	-	-
Deposits from customers	27	(780,684,242)	(638,292,242)	(80,947,000)	(61,445,000)	-
Total liabilities		(791,526,736)	(649,134,736)	(80,947,000)	(61,445,000)	-
Total interest repricing gap		131,782,669	36,966,179	(3,656,128)	68,412,423	30,060,195

5.0 Financial risk review (Cont'd)

5.3 Market risk (Cont'd)

5.3.1 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:

	2013 GH¢	2012 GH¢
(a) Sensitivity of projected net interest income		
At 31 December	4,438,563	658,913
(b) Sensitivity of reported equity to interest rate movements		
At 31 December	3,328,922	494,185

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.

5.0 Financial risk review (Cont'd)

5.3 Market risk (Cont'd)

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

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.

5.3.2 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 2013					
Net foreign currency exposure:					
Assets	463,180,562	9,099,169	16,153,995	45,437	488,479,163
Liabilities	(390,110,369)	(10,151,989)	(22,391,028)	-	(422,653,386)
Net on balance sheet position	73,070,193	(1,052,820)	(6,237,033)	45,437	65,825,777
Line facilities for LCs, Bonds and Guarantees	(248,128,211)	(1,641,468)	(7,101,215)	-	(256,870,894)
31 December 2012					
Net foreign currency exposure:					
Assets	290,911,723	7,515,471	34,393,298	38,566	332,859,058
Liabilities	(302,013,215)	(11,845,212)	(31,587,538)	-	(345,445,965)
Net on balance sheet position	(11,101,492)	(4,329,741)	2,805,760	38,566	(12,586,907)
Line facilities for LCs, Bonds and Guarantees	(233,687,379)	(2,948,987)	(9,576,264)	(99,118)	(246,311,748)

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

	Average rate		Reporting rate	
GH¢ to	**2013**	**2012**	**2013**	**2012**
USD 1	1.9804	1.8354	2.1616	1.8841
GBP 1	3.1198	2.9172	3.5726	3.0377
EURO 1	2.6549	2.3626	2.9862	2.4970

A 5% weakening of the cedi against foreign currencies at 31 December 2013 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 2012.

	Assets	Liabilities	2013 Total	Assets	Liabilities	2012 Total
Profit/(Loss)	24,423,958	(33,976,214)	(9,552,256)	16,642,953	(29,587,886)	(12,944,933)

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.

5.0 Financial risk review (Cont'd)

5.4 Capital management

5.4.1 Regulatory capital

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

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

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

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

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

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

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

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

5.4.2 Capital adequacy ratio

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

5.0 Financial risk review (Cont'd)

5.4 Capital management (Cont'd)

5.4.2 Capital adequacy ratio (Cont'd)

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

	Note	2013 GH¢	2012 GH¢
Tier 1 capital			
Ordinary share capital	30(a)	61,221,496	61,221,496
Disclosed reserve		145,323,386	74,638,630
Total qualifying tier 1 capital		206,544,882	135,860,126
Less:			
Goodwill/intangibles	26	2,201,006	2,029,530
Net tier 1 capital		204,343,876	133,830,596
Tier 2 capital		-	-
Total adjusted regulatory capital base		204,343,876	133,830,596
Total assets (less contra items)		1,920,626,146	949,487,308
Less:			
Cash on hand (cedis)		27,932,050	22,244,619
Cash on hand (forex)		89,054,675	60,865,483
Claims on Bank of Ghana:			
i. Cedi clearing account balance		111,873,214	111,286,720
ii. Forex account balance		8,748,820	53,151,398
Total claims on Bank of Ghana	18, 26	120,622,034	164,438,118

5.0 Financial risk review (Cont'd)

5.4 Capital management (Cont'd)

5.4.2 Capital adequacy ratio (Cont'd)

	2013 GH¢	2012 GH¢
Claims on Government:		
i. Treasury securities (bills and bonds)	773,534,307	209,203,135
80% of cheques drawn on other banks	26,616,097	11,932,739
Goodwill / Intangibles	2,201,006	2,029,530
80% of claims on Other Banks in cedis/forex	102,101,586	100,219,946
80% of loans guaranteed by government	55,466,544	48,345,909
50% of residential mortgage loans	878,277	762,248
Adjusted total assets	722,219,570	329,445,581
Add: Contingent liabilities		
Commercial letters of credit outstanding	251,910,463	157,971,817
Guarantees/indemnities	184,770,214	186,596,739
Total contingent liabilities	436,680,677	344,568,556
Net contingent liabilities	436,680,677	344,568,556
Add:		
50% of net open position (NOP)	11,612,195	5,178,645
100% of 3yrs average annual gross income	127,849,446	80,950,974
Total risk weighted assets base	1,298,361,888	760,143,756
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)	15.74%	17.61%
Capital surplus	74,507,687	57,816,220

5.0 Financial risk review (Cont'd)

5.4 Capital management (Cont'd)

5.4.3 Capital allocation

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

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

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

6.0 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.

6.1 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.

6.0 Fair values of financial instruments (cont'd)

6.1 Valuation models (Cont'd)

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

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

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

6.2 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.

6.3 Level 3 fair value measurements

6.3.1 *Unobservable inputs used in measuring fair value*

Below sets out information about significant unobservable inputs used at 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

6.3.2 Derivative assets held for risk management

Discounted cash flow using forex spot rates interest rate curves as shown in Note 6.2 above.

6.4 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.

6.2 Financial instruments measured at fair

31 December 2013	Note	Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	18	-	398,505,863	-	398,505,863
Held-to-maturity investment securities	19	-	773,534,307	-	773,534,307
Loans and advances to customers	21	-	676,782,866	-	676,782,866
		-	1,848,823,036	-	1,848,823,036
Liabilities					
Due to other banks	28	-	571,400,154	-	571,400,154
Deposits from customers	27	-	1,066,493,105	-	1,066,493,105
		-	1,637,893,259	-	1,637,893,259

7.0 Segment reporting

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

8.0 Net interest income See accounting policy in Notes 40 (b).	**2013** **GH¢**	**2012** **GH¢**
Interest income		
Loans and advances to customers	69,373,051	44,533,857
Placement with other banks	1,907,805	2,285,743
Investments securities	110,138,089	33,146,261
Total interest income	181,418,945	79,965,861
Interest expense		
Current accounts	470,215	969,877
Time and other deposits	42,695,489	21,186,276
Overnight and call accounts	5,747,815	3,171,171
Total interest expense	48,913,519	25,327,324
Net interest income	132,505,426	54,638,537

Included within various line items under interest income for the year ended 31 December 2013 is a **total of GH¢ 697,206 (2012: GH¢ 511,934) relating to impaired financial assets.**

9.0 Fees and commission income See accounting policy in Notes 40 (c).	**2013** **GH¢**	**2012** **GH¢**
Fees on loans and advances	8,501,125	5,328,073
Customer account servicing fees	13,801,068	13,597,664
Letters of credit issued	6,833,349	5,622,735
Other fees	9,338,462	7,000,566
	38,474,004	31,549,038
10.0 Net trading income See accounting policy in Notes 40 (d).		
Foreign exchange	30,895,305	14,371,068

11.0 Other operating income

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

	2013 GH¢	2012 GH¢
Foreign exchange gains	-	4,234,668
Profit on disposal of property and equipment (Note 22(b))	281,259	12,800
Sundry income	1,644,288	679,744
	1,925,547	4,927,212

12.0 Net impairment losses on financial assets

See accounting policy in Notes 40 (i).

	2013 GH¢	2012 GH¢
Specific impairment loss	9,447,518	8,066,963
Collective impairment loss	3,988,518	2,682,397
Net impairment loss on financial assets	13,436,036	10,749,360

13.0 Personnel expenses

See accounting policy in Notes 40 (v).

	2013 GH¢	2012 GH¢
Wages and salaries	24,191,534	17,442,005
Compulsory social security obligations	1,393,409	702,348
Contribution to defined contribution plan	1,320,082	679,861
Other staff cost	2,604,493	1,578,067
	29,509,518	20,402,281

The number of persons employed by the Bank at the end of the year was 634 (2012: 601).

14.0 Other expenses

See accounting policy in Notes 40 (s).

	2013 GH¢	2012 GH¢
Advertising and marketing expenses	1,302,560	1,174,567
Administrative expenses	29,110,485	22,322,402
Director's emoluments	483,086	213,287
Foreign exchange losses	11,093,907	-
Auditor's remuneration	200,000	145,000
Operating lease rentals on office premises	5,654,178	5,021,165
Donations and sponsorship	17,801	34,278
	47,862,017	28,910,699

An amount of GH¢17,801 (2012: GH¢34,278) was spent as part of social responsibility of the Bank.

15.0 Income tax expense

	2013 GH¢	2012 GH¢
See accounting policy in Notes 40 (h).		
Amounts recognised in statement of comprehensive income		
Current year income tax - See Note (a) below	30,529,480	13,799,411
Deferred tax - See Notes 25 (a)	3,558,914	(3,923,881)
	34,088,394	9,875,530
Amount recognised in other comprehensive income		
Deferred tax on exchange gains on currency swap derivative valuation	9,847,548	-

15.a Income tax

See accounting policy in Notes 40 (h).	Balance at 1/1/2013 GH¢	Payments during the year GH¢	Charge for the year GH¢	Balance at 31/12/2013 GH¢
Income tax				
2009	(830,785)	-	-	(830,785)
2010	912,114	-	-	912,114
2011	(81,329)	(228,069)	228,069	(81,329)
2012	3,979,324	(2,303,654)	341,071	2,016,741
2013	-	(23,409,841)	27,267,860	3,858,019
	3,979,324	(25,941,564)	27,837,000	5,874,760
National stabilisation levy				
2010	683,752	(683,752)	-	-
2011	551,234	(551,234)	-	-
2013	-	(1,117,050)	2,692,480	1,575,430
	1,234,986	(2,352,036)	2,692,480	1,575,430
Total	5,214,310	(28,293,600)	30,529,480	7,450,190

15.0 Income tax expense (Cont'd)

15.b Reconciliation of effective tax rate

	2013 %	2013 GH¢	2012 %	2012 GH¢
Profit before tax		107,699,210		40,266,158
Income tax using domestic tax rate	25.00	26,924,803	25.00	10,066,540
National stabilisation levy	2.50	2,692,480	-	-
Non-deductible expenses	0.44	469,194	9.35	3,765,649
Tax incentives	(0.12)	(126,137)	(0.08)	(33,210)
Origination and reversal of temporary differences	3.30	3,558,914	(9.74)	(3,923,449)
Under/(over) provided in prior years	0.53	569,140	-	-
Tax expenses	31.65	34,088,394	24.53	9,875,530

The effective tax rate for the year is higher than the combined effect of standard corporate income tax rate of 25% and national stabilization levy of 5% because the national stabilisation levy came into effect on July 2013 and therefore, impacted the effective tax rate by 2.5%.

16.0 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 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	19	-	39,390,193	-	-	-	-	39,390,193	39,390,193
Loans and advances 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
31 December 2012									
Cash and cash equivalents	18	-	-	-	387,739,076	-	-	387,739,076	387,739,076
Government securities	19	-	-	209,203,135	-	-	-	209,203,135	209,203,135
Loans and adv'ces to customers	21	-	-	-	326,367,194	-	-	326,367,194	326,367,194
Total assets		-	-	209,203,135	714,106,270	-	-	923,309,405	923,309,405
Due to other banks	28	-	-	-	-	-	10,842,494	10,842,494	10,842,494
Deposits from customers	27	-	-	-	-	-	780,684,242	780,684,242	780,684,242
Total liabilities		-	-	-	-	-	791,526,736	791,526,736	791,526,736

17.0 Earnings per share
See accounting policy in Notes 40 (y).

17.a Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of GH¢ 73,610,816 (2012: GH¢ 30,390,628) and a weighted average number of ordinary shares outstanding of 612,221,960 (2012: 612,221,960) calculated as follows:

	2013	2012
Net profit for the year attributable to equity holders of the Bank (GH¢)	73,610,816	30,390,628
Weighted average number of ordinary shares	612,221,960	612,221,960
Basic and diluted earnings per share	0.12	0.05

18.0 Cash and cash equivalents
See accounting policy in Notes 40 (j).

	2013 GH¢	2012 GH¢
Cash on hand	116,986,725	83,110,102
Balances with Bank of Ghana	120,622,034	164,438,118
Balances with other local Banks	45,867	269,591
Balances with other foreign Banks	74,166,786	82,397,665
Items in course of collection	33,270,122	14,915,923
Money market placements	53,414,329	42,607,677
	398,505,863	387,739,076

Included in balances with Bank of Ghana above is an amount of GH¢ 95,984,379 (2012:GH¢ 70,261,582) mandatory reserve deposits representing 9% of the Bank's total deposits and is not available for use in the Bank's day to day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

19.0 Government securities
See accounting policy in Notes 40 (m).

	Pledged 2013	Non-pledged 2013	Total 2013	Pledged 2012	Non-pledged 2012	Total 2012
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Government bonds	23,095,076	580,316,012	603,411,088	51,216,138	52,534,781	103,750,919
Treasury bills	-	170,123,219	170,123,219	-	105,452,216	105,452,216
Total trading assets	23,095,076	750,439,231	773,534,307	51,216,138	157,986,997	209,203,135

19.0 Government securities (Cont'd)

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

19.a Collateral accepted as security for assets

At 31 December 2013, the value of government securities accepted as collateral that the Bank is permitted to sell or repledge in the absence of default was GH¢ 48,610,921(2012: GH¢ 37,101,300).
These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

20.0 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 2014.

During 2013, net gains of GH¢ 29,542,645 (2012: GH¢ Nil) relating to the fair value of the swap were recognised in other comprehensive income.

21.0 Loans and advances to customers
See accounting policy in Notes 40 (l).

	2013 GH¢	2012 GH¢
Loans and advances to customers at amortised cost	711,726,734	354,316,520
Finance leases	3,718,626	4,035,525
	715,445,360	358,352,045
Less allowance for impairment	(38,662,494)	(31,984,851)
Loans and advances to customers at amortised cost	676,782,866	326,367,194

21.a Loans and advances to customers at amortised cost

	Gross amount 2013 GH¢	Impairment allowance 2013 GH¢	Carrying amount 2013 GH¢	Gross amount 2012 GH¢	Impairment allowance 2012 GH¢	Carrying amount 2012 GH¢
Individual customers	11,367,712	(112,179)	11,255,533	4,149,228	(30,253)	4,118,975
Corporate customers	704,077,648	(38,550,315)	665,527,333	354,202,817	(31,954,598)	322,248,219
Total loans and advances to cusomers	715,445,360	(38,662,494)	676,782,866	358,352,045	(31,984,851)	326,367,194

21.0 Loans and advances to customers (Cont'd)

21.b Allowances for impairment	2013 GH¢	2012 GH¢
Specific allowances for impairment		
Balance at the beginning of the reporting year	25,043,745	21,210,679
Write offs	(6,182,143)	-
	18,861,602	21,210,679
Charge for the year	9,447,518	8,066,963
Recoveries	(576,250)	(4,233,897)
Balance at 31 December	27,732,870	25,043,745
Collective allowances for impairment		
Balance at the beginning of the reporting year	6,941,106	4,258,709
Charge for the year	3,988,518	2,682,397
Balance at 31 December	10,929,624	6,941,106
Total allowances for impairment	38,662,494	31,984,851

21.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:

	2013 GH¢	2012 GH¢
Gross investment in finance leases, receivable:		
Less than one year	2,345,360	4,175,259
Between one and five years	2,409,657	849,720
More than five years	-	-
	4,755,017	5,024,979
Unearned finance income	(981,666)	(989,454)
Net investment in finance lease	3,718,626	4,035,525
Net investment in finance leases, receivable:		
Less than one year	1,695,430	3,747,871
Between one and five years	2,409,657	287,654
More than five years	-	-
	3,718,626	4,035,525

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22.0 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 2012	7,689,422	8,093,734	7,428,405	5,458,927	1,495,811	30,166,299
Acquisitions	441,286	654,344	465,648	1,601,439	3,727,798	6,890,515
Transfers	222,871	132,533	672,908	46,818	(1,075,130)	-
Write-offs	-	-	-	-	(9,851)	(9,851)
Disposals	-	(32,880)	-	(289,763)	-	(322,643)
Balance at 31 December 2012	8,353,579	8,847,731	8,566,961	6,817,421	4,138,628	36,724,320
Balance at 1 January 2013	8,353,579	8,847,731	8,566,961	6,817,421	4,138,628	36,724,320
Acqusitions	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)
Disposals	-	(2,080)	(8,916)	(1,244,469)	-	(1,255,465)
Write offs	-	-	-	-	(232,709)	(232,709)
Balance at 31 December 2013	10,282,646	10,104,340	10,633,597	7,938,354	1,913,182	40,872,119
Depreciation						
Balances at 1 January 2012	4,762,190	5,097,601	5,334,570	3,247,442	-	18,441,803
Depreciation for the year	1,132,428	1,435,712	1,332,729	1,188,952	-	5,089,821
Disposals	-	(20,536)	-	(257,671)	-	(278,207)
Balance at 31 December 2012	5,894,618	6,512,777	6,667,299	4,178,723	-	23,253,417
Balance 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
Disposal	-	(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
Carrying amounts						
Balances at 1 January 2012	2,927,232	2,996,133	2,093,835	2,211,485	1,495,811	11,724,496
Balance at 31 December 2012	2,458,961	2,334,954	1,899,662	2,638,698	4,138,628	13,470,903
Balance at 31 December 2013	3,196,495	2,373,556	2,582,218	3,267,531	1,913,182	13,332,982

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2012: Nil).

22.a Depreciation and amortisation expense

		2013 GH¢	2012 GH¢
Property and equipment	(Note 22)	5,163,027	5,089,821
Leasehold property	(Note 23)	63,675	21,800
Intangible asset	(Note 24)	66,799	45,736
		5,293,501	5,157,357

22.0 Property and equipment (Cont'd)

22.b Profit on disposal

	2013 GH¢	2012 GH¢
Cost	1,255,465	322,643
Accumulated depreciation	(877,307)	(278,207)
Carrying amount	378,158	44,436
Proceeds from disposal	(659,417)	(57,236)
Profit/(loss) on disposal	(281,259)	(12,800)

23.0 Leasehold property

See accounting policy in Notes 40 (n).

	2013 GH¢	2012 GH¢
Cost		
Balance at 1 January	1,089,970	1,089,970
Acquisitions	2,029,300	-
Transfer from WIP	1,920,000	-
Balance at 31 December	5,039,270	1,089,970
Amortisation		
Balance at 1 January	133,388	111,588
Amortisation for the year	63,675	21,800
Balance at 31 December	197,063	133,388
Carrying amount		
Balance at 1 January	956,582	978,382
Balance at 31 December	4,842,207	956,582

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2012: Nil).

24.0 Intangible asset

See accounting policy in Notes 40 (p).

	2013 GH¢	2012 GH¢
Cost		
Balance at 1 January	266,053	147,699
Acquisitions	53,754	118,354
Balance at 31 December	319,807	266,053
Amortisation		
Balance at 1 January	82,405	36,669
Amortisation for the year	66,799	45,736
Balance at 31 December	149,204	82,405

Carrying amount

Balance at 1 January	183,648	111,030
Balance at 31 December	170,603	183,648

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2012: Nil).

25.0 Deferred tax assets and liabilities
See accounting policy in Notes 40 (h).

Deferred tax assets and liabilities are atributable to the following:

	Assets GH¢	Liabilities GH¢	2013 Net GH¢	Assets GH¢	Liabilities GH¢	2012 Net GH¢
Property, equipment and software	-	(222,507)	(222,507)	284,568	-	284,568
Allowances for loan losses	715,665	-	715,665	3,750,802	-	3,750,802
Valuation gains on currency swap	-	(9,847,548)	(9,847,548)	-	-	-
Contingency	654,241	-	654,241	670,943	-	670,943
Net tax assets/(liabilities)	1,369,906	(10,070,055)	(8,700,149)	4,706,313	-	4,706,313

25.(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 2013				
Property, equipment 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)
For the year ended 31 December 2012				
Property, equipment and software	182,976	101,592	-	284,568
Allowances for loan losses	139,180	3,611,622	-	3,750,802
Contingency	460,276	210,667	-	670,943
	782,432	3,923,881	-	4,706,313

26.0 Other assets

	2013 GH¢	2012 GH¢
Prepayments	2,201,006	2,029,530
Accrued interest receivable	10,259,971	3,584,121
Receivable from related party	-	26,351
Others	1,606,148	1,220,455
	14,067,125	6,860,457

27.0 Customer deposits

See accounting policy in Notes 40 (r).

	2013 GH¢	2012 GH¢
Demand deposits	713,982,061	578,814,445
Term deposits	293,859,880	158,098,422
Savings deposits	58,651,164	43,771,375
	1,066,493,105	780,684,242

27.1 Analysis by type of depositors

	2013 GH¢	2012 GH¢
Financial institutions	10,679,302	13,093,008
Individual and other private enterprises	739,655,698	503,889,166
Public enterprises	316,158,105	263,702,068
	1,066,493,105	780,684,242
Ratio of 20 largest depositors to total deposits	38%	31%

28.0 Due to other banks

	2013 GH¢	2012 GH¢
Balances with other banks	571,400,154	10,842,494

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$225M. This is due to expire in July 2014 and the corresponding funds have been invested in government securities.

29.0 Other liabilities

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

	2013 GH¢	2012 GH¢
Due to parent company	5,025,685	1,249,182
Creditors and accruals	12,319,294	8,888,872
Deferred income	5,651,455	2,175,555
	22,996,434	12,313,609

30.0 Capital and reserves

See accounting policy in Notes 40 (w)

30.a Share capital	2013 No. of Shares	2013 Proceeds GH¢	2012 No. of Shares	2012 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

***30.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.

31. Dividends

The Bank did not declare dividend for the financial year ended 31 December 2013 (2012: 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:

	2013 GH¢	2012 GH¢
Less than one year	804,957	1,337,335
Between one and five years	798,428	669,833
More than five years	305,091	22,361
	1,908,476	2,029,529

33.0 Contingencies

***33.a* Claims and litigation**

There were no litigation and claims involving the Bank as at 31 December 2013 (2012: Nil).

***33.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.

33.b Contingent Liabilities and commitments (cont'd)

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:

	2013 GH¢	2012 GH¢
Contingent liabilites: Bonds and guarantees	184,770,214	186,596,739
Commitments: Clean line facilities for letters of credit	251,910,463	157,971,817
	436,680,677	344,568,556

33.c Commitments for capital expenditure

At 31 December 2013, the Bank's commitment for capital expenditure was GH¢ 1,296,960 (2012: GH¢ 2,370,844).

34.0 Related parties

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

34.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 2013, the bank transacted the following business with the parent bank:

		2013 GH¢	2012 GH¢
Transaction during the year		2,852,241	632,041
Due to Parent company at year end	29	5,025,685	1,249,182

34.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.

34.0 Related parties (Cont'd)

34.b Transactions with key management personnel (Cont'd)

	2013 GH¢	2012 GH¢
Executive Director	682,420	780,942
Officers and other employees	7,231,420	3,368,286
	7,913,840	4,149,228

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

34.c Associated companies

	2013 GH¢	2012 GH¢
Balances with associated companies as at reporting period were:		
Nostros	1,263,136	1,309,855
Inter Bank advances	-	26,351
	1,263,136	1,336,206
Balance due to Zenith Bank (UK)	(530,171,992)	-

35.0 Comparative information

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

36.0 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.

37.0 Financial risk management

37.a Introduction and overview

The Bank's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

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

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

Risk management framework

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

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

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

37.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.

37.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, fulfill commitments to lend and meet any other commitments.

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

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

37.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.

***37.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:

37.0 Financial risk management (Cont'd)

37.e Operational risk (Cont'd)

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

38.0 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

39.0 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 2013.

a. IFRS 13 Fair Value Measurement.
b. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).
c. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).
d. Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (2013).

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

39.a Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Bank has applied the new definition of fair value, as set out in Notes 40 (i) (vi), prospectively. The change had no significant impact on the measurements of the Bank's assets and liabilities, but the Bank has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Bank has provided the relevant comparative disclosures under those standards.

39.b Offsetting financial assets and financial liabilities

As a result of the amendments to IFRS 7, the Bank has expanded disclosures about offsetting financial assets and financial liabilities See Notes 5.1.3

39.c Presentation of items of OCI

As a result of the amendments to IAS 1, the Bank has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. This changes did not have any impact on the financial statements as the Bank did not have any item in OCI in the past.

40.0 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 Notes: 39, (c)).

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

40.0 Summary significant accounting policies (cont'd)

40.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, except for differences on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value and differences arising on translation of available-for-sale equity investments in other comprehensive income.

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

40.b Interest income and expense

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

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

40.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.

40.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.

40.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.

40.f Dividend income

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

40.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.

40.0 Summary significant accounting policies (cont'd)

40.g Leases (Cont'd)

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.

40.h Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

40.i Financial assets and financial liabilities

40.i.i Recognition

The Bank nitially recognises loans and advances, deposits, debt securities issued and sbordinated 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.

40.i.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

40.0 Summary significant accounting policies (cont'd)

40.i Financial assets and financial liabilities (Cont'd)

40.i.ii Classification (Cont'd)

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

40.i.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.i.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.

40.i.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.

40.i.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.

40.0 Summary significant accounting policies (cont'd)

40.i Financial assets and financial liabilities (Cont'd)

40.i.vi Fair value measurement (Cont'd)

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.

40.i.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.

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,

40.0 Summary significant accounting policies (cont'd)

40.i Financial assets and financial liabilities (Cont'd)

40.i.vii Identification and measurement of impairment (Cont'd)

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.

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.

40.i.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.

40.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.

40.0 Summary significant accounting policies (cont'd)

40.j Cash and cash equivalents (Cont'd)

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

40.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.

40.k.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, 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.

40.k.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.

40.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.

40.0 Summary significant accounting policies (cont'd)

40.l Loans and advances (Cont'd)

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.

40.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.

40.m.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. 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 Group 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.

40.m.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)).

40.m.iii Available-for-sale

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

Interest income is 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.

40.0 Summary significant accounting policies (cont'd)

40.n Property and equipment

40.n.i. *Recognition and measurement*

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

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

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

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

40.n.ii Subsequent costs

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

40.n.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

40.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.

40.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.

40.0 Summary significant accounting policies (cont'd)

40.p Intangible assets (Cont'd)

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.

40.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. 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.

40.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.

40.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.

40.0 Summary significant accounting policies (cont'd)

40.t Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group 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.

40.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.v Employee benefits

40.v.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.

40.v.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.

40.w Stated capital and reserves

40.w.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.

40.w.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.

40.w.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.

40.w.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.

40.0 Summary significant accounting policies (cont'd)

40.x 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.

40.y 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.

41.0 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 2013, 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 (2013), IFRS 9 Financial Instruments (2010) and	IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.
IFRS 9 Financial Instruments (2009) (together, IFRS 9)	The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share by share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss. The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value. IFRS 9 (2010) introduces a new requirement in respect of financial liabilities

41.0 New standards and interpretations not yet adopted (Cont'd)

Standard	Interpretation
	designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.
IFRS 9 Financial instruments (2013), IFRS 9 Financial Instruments (2010) and	IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted. Given the nature of the Bank's operations, this standard is not expected to have a significant impact on the Bank's financial statements.
IFRS 9 Financial Instruments (2009) (together, IFRS 9) (cont'd)	The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. The Bank will evaluate the potential effect of the adoption of the amendments to IAS 32.
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.
Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	This amendment will result in an entity having to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted. The Bank does not control other entities and the standard is not expected to have any impact on the its financial statements.
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. This amendment is not expected to have any impact on the Bank's financial statements.
IFRIC 21 Levies	IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Bank's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy. The amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated in the original hedging documentation meets specific criteria. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. It is not expected to have a material effect on the Bank's financial statements.
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 amendments apply retrospectively for annual periods beginning on or after 1 January 2015 with early adoption permitted. The amendment is not expected to have any impact on the Bank financial statements.

42.0 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 three (3) facilities granted by the Bank that had balances exceeding the prescribed exposure limits.

Zenith Bank Puts Smiles On Faces

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 in Tamale

Zenith Bank donates to Tema SOS Chidlren's Village

Zenith Bank donates to Human Service Trust in Abura

Zenith Bank donates to Abdullam Orphanage in Obuasi

On Saturday, March 30 2013, staff of Zenith Bank (Ghana) Limited embarked on their annual Easter donations dubbed "A Walk in My Shoes", to reflect the Bank's commitment to giving back to the societies in which it operates.

The donations which included food items, toiletries and clothing were aimed at putting smiles on the faces of our underprivileged brothers and sisters.

The items were also deemed as a support in recognition of the efforts being made by orphanages to provide homes and a secure future for the underprivileged in society.

Zenith Bank believes that as we celebrate the resurrection of Christ each year, so should we celebrate how good the Lord has been and how far He has brought us – by enabling us to touch lives.

Zenith Bank donates to Father's Home in Takoradi

Zenith Bank donates to Lighthouse Children's Home in Aburi

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

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Daniel Asiedu, MD/CEO Zenith Bank


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ZENITH BANK (GHANA) LIMITED

Annual Report 2013

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