Energy Bank Ghana Limited

Report and financial statements 2011

Contents | **Page**

Energy Bank Ghana Limited

Report and financial statements 2011

Directors, officials and registered office

Directors:

Barrister Jimoh Ibrahim (OFR)	- Chairman
Mr. Samuel Ayininuola	- Chief Excutive Officer
Dr.Amos Akingba	- Member
Alhaji Baba Kamara	- Member
Bishop Steven Ogedengbe	- Member
Mr. Emmanuel Jegede	- Member
Mr. David Adom	- Member
Mr. Adewale Folowosele	- Member
Mr. Isaac Monehin	- Member
Barrister Adedamola Aderemi	- Member

Secretary:

Mathias Sawmine
GNAT Height
30 Independence Avenue
Accra.

Registered Office:

GNAT Height
30 Independence Avenue
Accra.

Solicitors:

Mathias Sawmine
GNAT Height
30 Independence Avenue
Accra.

Auditors

Deloitte & Touche
Chartered Accountants
4 Liberation Road
P.O. Box GP 453
Accra
Ghana

Bankers:

Bank of Ghana
United Bank of Africa
Commerz Bank,Frankfurt
Union Bank,UK
Standard Chartered Bank, New York
Ghana International Bank, UK

Energy Bank Ghana Limited

Directors' report

In accordance with the requirements of Section 132 of the Companies Act, 1963 (Act 179), the Directors have the pleasure in presenting the first report of the bank for the ten (10) months period ended 31 December, 2011 . The bank was issued with Banking License on 21 February, 2011.

Principal activities

The company carries on the business of financiers, bankers and banking. The company operates as a bank under the Banking Act, 2004, Act 673. The Bank is regulated by the Bank of Ghana.

Nature of business

The bank is permitted by its regulations to carry on inter alia, the business of banking in all aspects and other businesses and agencies incidental thereto. There have been no changes in the nature of business of the Bank during the 10 month period under review. The main activities are as follows:

- To carry on the business of banking, finance and investment.
- To undertake loan syndications, securities portfolio management and corporate finance operations;
- To carry on the business of acceptance of bills of exchange and export trade financing and development; and

Review of the business

The company traded well during the 10 month period and the directors are satisfied that the underlying quality of the business is sound and that profitable returns can be earned within the foreseeable future as planned.

Directors' report - continued

Financial performance

Profit and loss account 2011	**GHS**
The net profit for the 10 month period ended	
31 December, 2011 before taxation	**5,000,910**
From which is deducted taxation of	**(1,345,680)**

Thus leaving a balance transferred to	
Income surplus account of	**3,655,230**
Statutory reserves	**(1,827,615)**
Regulatory capital reserve	-

	1,827,615
Income surplus brought forward	-

Income surplus as at 31 December, 2011	**1,827,615**
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Dividend

The directors recommend the payment of dividend to shareholders of GHS0.03 per share.

Auditors

In accordance with Section 134(5) of the Companies Act, 1963, the auditors, Messrs. Deloitte & Touche, will continue as auditors of the bank.

Staff

The staff remained highly motivated throughout 2011. In line with our growth strategy, the bank continued to recruit high calibre staff across all levels and departments to improve our productivity. The total staff number at the end of December 2011 was 55. Generally, the entire staff exhibited keen commitment to their assignments and strong loyalty to the bank during the 10 month period.

We envisage a challenging banking environment as interest margins shrink within a falling interest rate regime. However, this presents opportunities to increase our lending portfolio, whilst introducing innovative solutions to our clients that will earn us good fee income. Our increased branch network and quality customer service will be the fulcrum of attracting more deposits to fund our lending activities. Furthermore, management would pursue an aggressive marketing campaign to support staff efforts.

On behalf of the board

…………………….	…………………….
Chairman	**Managing Director**

Energy Bank Ghana Limited

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial 10 month period which give a true and fair view of the state of affairs of the bank at the end of the financial 10 month period and of the profit or loss of the bank for that 10 month period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether the applicable accounting standards have been followed
- Ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

The directors are responsible for ensuring that the bank keeps accounting records which disclose with reasonable accuracy the financial position of the bank and which enables them to ensure that the financial statements comply with the Companies Act 1963 (Act 179), the Banking Act, 2004 (Act 673), the Banking (Amendment) Act 2007 (Act 738) and International Financial Reporting Standards. They are responsible for safeguarding the assets of the bank and hence for taking steps for the prevention and detection of fraud and other irregularities.

The above statement, which should be read in conjunction with the statement of the auditors' responsibilities on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors, in relation to the financial statements.

Energy Bank Ghana Limited

Independent auditors' report
To the members of Energy Bank Ghana Limited

We have audited the accompanying financial statements of Energy Bank Ghana Limited, as at 31 December, 2011 set out on pages 8 to 36, which have been prepared on the basis of the significant accounting policies on page 12 to 22 and other explanatory notes on pages 23 to 36.

Directors' responsibility for the financial statements
The directors are responsible for ensuring that the bank keeps accounting records which disclose with reasonable accuracy the financial position of the bank and which enables them to ensure that the financial statements comply with the Companies Act 1963 (Act 179), the Banking Act, 2004 (Act 673), the Banking (Amendment) Act 2007 (Act 738) and International Financial Reporting Standards. They are responsible for safeguarding the assets of the bank and hence for taking steps for the prevention and detection of fraud and other irregularities.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies Act 1963, (Act 179), the Banking Act, 2004 (Act 673), and the Banking (Amendment) Act 2007 (Act 738). The financial statements give a true and fair view of the financial position of the company as at 31 December 2011, and of its financial performance and statement of cash flow for the 10 month period then ended are drawn up in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Boards.

Independent auditors' report
To the members of Energy Bank Ghana Limited - continued

Report on other legal and regulatory requirements
The Ghana Companies Act, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters. We confirm that:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion proper books of accounts have been kept by the bank so far as appears from our examination of those books; and

iii. the balance sheet and profit and loss account of the bank are in agreement with the books of accounts.

The Banking Act 2004 (Act 673), Section 78 (2), requires that we state certain matters in our report. We hereby state that:

i. the accounts give a true and fair view of the state of affairs of the bank and its results for the 10 month period under review;

ii. we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;

iii. the banks transactions are within its powers; and

iv. the bank generally complied with the provisions in the Banking Act 2004 (Act 673) and the Banking (Amendment) Act 2007 (Act 738).

Chartered Accountants
4 Liberation Road
Accra, Ghana

……………….…………………….., 2012

Energy Bank Ghana Limited

Comprehensive income statement

For the 10 month period ended 31 December, 2011

	Note	2011 GHS
Interest income	4	**9,405,201**
Interest expense	5	**(1,753,215)**

Net interest income		**7,651,986**
Fees and commissions	6	**477,393**
Other operating income	7	**2,239,532**

Operating income		**10,368,910**
Operating expenses	8	**(5,306,494)**
Impairment	10	**(61,506)**

Profit before taxation		**5,000,910**
Income tax expense	11	**(1,345,680)**

Profit after tax		**3,655,230**
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The accompanying notes form an integral part of these financial statements.

Energy Bank Ghana Limited

Statement of financial position

As at 31 December, 2011

	Note	2011 GHS
Assets		
Cash and balances with Bank of Ghana	12	**42,177,069**
Financial investments	13	**79,942,233**
Due from other banks and financial institutions	14	**62,873,234**
Loans and advances to customers	15	**6,020,889**
Other assets	17	**4,252,612**
Property and equipment	18a	**2,701,884**
Intangible assets	18b	**2,307,403**
Total assets		**200,275,324**
Liabilities		
Customer deposits	19	**107,306,608**
Due to other banks		**23,747,364**
Interest payable and other liabilities	21	**4,232,942**
Current tax liability	11	**968,383**
Deferred tax liability	11	**364,797**
Total liabilities		**136,620,094**
Shareholders' fund		
Stated capital	22	**60,000,000**
Income surplus		**1,827,615**
Statutory reserves		**1,827,615**
Regulatory credit risk reserve		-
Shareholders' fund		**63,655,230**
Total liabilities and shareholders' fund		**200,275,324**

The accompanying notes form an integral part of these financial statements.

Approved by the Board on ……………………………………..., 2012

……………………………. ……………………………

Chairman **Managing Director**

Energy Bank Ghana Limited

Statement of changes in shareholders' equity

For the 10 month period ended 31 December, 2011

	Stated Capital GHS	Income surplus account GHS	Statutory reserves	Regulatory credit reserve GHS	**Total Shareholders' Funds** GHS
Balance at 1 January 2011	-	-		-	-
Stated capital introduced	60,000,000	-	-	-	**60,000,000**
Net profit after tax	-	3,655,230		-	**3,655,230**
Transfer to Statutory reserve	-	(1,827,615)	1,827,615	-	-
Transfer from regulatory risk reserve credit	-	-	-	-	-
Balance at 31 December 2011	**60,000,000**	**1,827,615**	**1,827,615**	**-**	**63,655,230**

The transfer to statutory reserve fund represent 50% of the Bank's net profit after tax. This is in compliance with section 29 (1)(a) of the Banking Act, 2004 (Act 673).

Energy Bank Ghana Limited

Statement of Cash flow

For the 10 month period ended 31 December, 2011

	Note	2011 GHS
Reconciliation of operating profit to operating cash flows		
Profit before tax		**5,000,910**
Adjustments for:		
Depreciation and amortisation		**779,322**
Charge for impairment		**61,506**
Operating cash flow before investment in working capital		**5,841,738**
Increase in loans and advances to customers		**(6,082,395)**
Increase in other assets		**(4,252,612)**
Increase in customer deposits		**107,306,608**
Increase in amounts due to banks		**23,747,364**
Increase in interest payable and other liabilities		**4,232,942**
Corporate tax payments		**(12,500)**
Increase in operating assets and liabilities		**124,939,407**
Net cash generated from operating activities		**130,781,145**
Investing activities		
Cost of property, plant and equipment		**(5,788,609)**
Increase in investment in Government securities		**(79,942,233)**
Net cash used in investing activities		**(85,730,842)**
Financing activities		
New capital contributions		**60,000,000**
Net cash generated from financing activities		**60,000,000**
Increase in cash and cash equivalents		**105,050,303**
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents at 1 January 2011		-
Increase in cash and cash equivalents		**105,050,303**
Cash and cash equivalents at 31 December	25	**105,050,303**

Notes to the financial statements

For the 10 month period ended 31 December, 2011

1. **Reporting Entity**

Energy Bank Ghana Limited (EBGL) is a banking institution registered and domiciled in Ghana. The registered office is loacted at GNAT Heights, 30 Independence Avenue, Accra. EBGL operates under the Banking Act, 2004 (Act 673) as amemded. The financial statements of EBGL for the 10 month period ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 20 March 2012.

2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except available for sale investments, financial assets and financial liabilities held at fair value through profit and loss that have been measured at fair value. The financial statements have been presented in Ghana cedis.

2.2 Statement of Compliance

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

2.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(a) Fair value of financial instruments

The fair value of a financial asset is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded on the balance sheet cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(b) Impairment losses on loans and advances

The bank reviews its problem loans to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

(c) Impairment of equity investments

The bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exits. The bank treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months. In addition, the bank evaluates other factors such as the share price volatility.

(d) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.4 New and amended standards and interpretations - continued

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the bank:

• IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)

• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

• IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

• The amendments to IFRS 3 are effective for annual 10 month periods beginning on or after 1 July 2011. The bank, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.

2.5 Summary of significant accounting policies

(a) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated in cedis at the prevailing exchange rate ruling at the bank's 10 month period end. Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. All translation differences are dealt with in arriving at the operating result.

(b) Recognition of income and expenses

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter 10 month period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

(ii) Fee and commission income

The bank earns fee and commission income from services it provided to its customers. Fee income can be divided into the following two categories:

Fee income earned from services provided over a certain 10 month period of time

Fees earned for the provision of services over a 10 month period of time are accrued over that 10 month period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or the other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.5 Summary of significant accounting policies continued

(iii) Dividend income

Revenue is recognized when the bank's right to receive the payment is established.

(iv) Net trading income

This comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(c) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date i.e. the date that the bank commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

(ii) Financial assets and liabilities held for trading

Financial assets or financial liabilities held for trading comprising financial instruments held for trading other than derivatives are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Net trading income' according to the terms of the contract or when the right to the payment has been established.

Included in this classification are debt securities, equities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(iii) Financial assets and liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

· the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management or investment strategy; or

· the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in 'Net gains or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

(iv) Held to maturity financial investments

Held to maturity financial investments are those which carry fixed determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'interest income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line 'Impairment losses on financial investments'.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.5 Summary of significant accounting policies continued

(v) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost is calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortization is included in 'Interest income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Charge for bad and doubtful debt'.

(vi) Available for sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. It includes equity investments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in 'Other operating income' or 'Other operating expenses'. Where the bank holds more than one investment in the same security it is deemed to be disposed off on a first-in first-out basis. Interest earned, whilst holding available-for-sale financial investments, is recognized in the income statement as 'Interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(vii) Borrowed funds

After initial measurement, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is

calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(d) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the bank has transferred substantially all the risks and rewards of the asset, or (b) the bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.5 Summary of significant accounting policies continued

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit of loss.

(e) Repurchase and reverse repurchase agreements

Securities may be lent or subject to a commitment to repurchase it at specified date ('a repo'). Such securities are not derecognized but retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Bank.

Conversely, securities borrowed or purchased securities subject to a commitment to resell it as a specified date (a 'reverse repo') is not recognized on the balance sheet as the transactions are treated as collateralised loans. However where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

(f) Impairment of financial assets

The Bank assesses at each balance sheet whether objective evidence of impairment exists for any financial asset. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (identified impairment). If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (unidentified impairment). Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.5 Summary of significant accounting policies continued

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

Future cash flows in a Bank of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the 10 month period on which the historical loss experience is based and to remove the effects of conditions in the historical 10 month period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of a new loan conditions. Once the terms have been renegotiated, the loan is placed on a watch-list for a period of six to twelve months before a decision is taken. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate.

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If in a subsequent 10 month period the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) Available for sale financial instruments

For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of Interest Income. Reversals of impairment of debt securities are recognised in the income statement if in a subsequent 10 month period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.5 Summary of significant accounting policies continued

(g) Collateral and netting

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting, where financial assets and liabilities are offset and the net amount reported in the balance sheet, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

(h) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of

whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

1. The Bank as a lessor

Finance leases

Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting 10 month periods under the pre-tax net investment method to reflect a constant 10 month periodic rate of return.

Operating leases

Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. The leased assets are included within property, plant and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight line basis over the 10 month period of the lease unless another systematic basis is more appropriate.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.5 Summary of significant accounting policies continued

2. The Bank as a Lessee

Finance leases which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with corresponding liability to the lessor included in 'Other liability'. Lease payments are apportioned between the finance charges and reduction on the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expense'.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Operating lease payments are not recognised in the balance sheet. Rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate, and included in 'Other operating expenses'.

(i) Cash and cash equivalents

Cash and cash equivalents are recorded in the balance sheet at cost. For the purpose of the cash flow statement cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana and amounts due from other banks.

(j) Property and equipment

Property and equipment owned by the Bank are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is computed using the straight-line method so as to write off the cost over the estimated useful lives. Changes in the expected useful life are accounted for by changing the amortisation 10 month period or method, as appropriate, and treated as changes in accounting estimate.

Property and equipment are depreciated as follows:

· Leased assets	over the unexpired lease 10 month period
· Motor vehicles	25%
· Computers : hardware	25%
: software	25%
· Furniture and equipment	20%

(k) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Such financial guarantees are given to banks, other financial institutions and bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and payment of import duties.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in 'Other liabilities', Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the unamortised fee income and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

The fee income received is recognized in the income statement in 'Fees and commission income' on a straight line basis over the life of the guarantee.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

2.6 Summary of significant accounting policies continued

(l) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) Taxes

Current tax

Income tax payable on taxable profits is recognised as an expense in the 10 month period in which the profits arise. Income tax recoverable on tax

allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits

Current tax assets and liabilities for the current and prior 10 month periods are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except;

where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

· in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except;

· where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

· in respect of taxable temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or par of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and recognised to the extent that is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the 10 month period when the asset is realised or the

liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred and current tax assets and liabilities are only off set when they arise in the same tax reporting entity and the same taxation authority, and where there is both the legal right to set off current tax assets against current tax liabilities and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

3. Segment information

The primary segment reporting format is aligned to business units based on the Bank's management and internal reporting structure. The segment information presented is in respect of the Bank's business.

The bank's business units are as outlined below;

● Wholesale banking	Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to corporate and institutional customers.
● Treasury	Undertakes the bank's funding and investing in liquid assets such as short-term placements and government debt securities.
● Retail banking	Provides loans and overdrafts, as well as handles the deposits and other transactions of individual customers such as funds transfers, standing orders and ATM card services.

For the purpose of segmental reporting, interest is allocated to the business units based on a pool rate determined by Treasury using the bank's cost of funds.

Analysed below is the net income, profit and certain assets and liabilities of the business segments of the bank for the 10 month period ended 31 December 2011

	Treasury	**Wholesale**	**Retail**	**Total**
	GHS	GHS	GHS	GHS
Net interest income	6,226,720	1,147,192	278,074	**7,651,986**
Net fee and commision income	1,961,686	344,941	410,287	**2,716,914**
Total income	8,188,406	1,492,133	688,361	**10,368,900**
Operating expenses	(4,063,357)	(806,249)	(436,878)	**(5,306,484)**
Impairment charge	-	-	(61,506)	**(61,506)**
Operating profit	4,125,049	685,884	251,483	**5,000,910**
Income tax expense				**(1,345,680)**
Profit for the 10 month period				**3,655,230**

4. Interest income

	2011
	GHS
Cash and short term funds	**3,968,824**
Investments securities	**5,104,820**
Loans and advances	**331,557**
	9,405,201

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

5. Interest expense

	2011 GHS
Time and other deposits	1,257,139
Interest on money market borrowing	496,076
	1,753,215

6. Fees and commissions

	2011 GHS
Arrangement, facility & brokerage fees	15,250
Commissions	462,142
	477,393

7. Other operating income

	2011 GHS
Gains on foreign exchange transactions	2,215,180
Sundry income	24,352
	2,239,532

8. Operating expenses

	2011 GHS
Staff cost (note 9)	1,501,287
Depreciation	779,322
Advertising, marketing & public relations	47,792
Audit fees	16,000
Directors' remuneration	17,441
Other board related expenses	18,108
Occupancy cost	1,332,666
Legal and consultancy fees	11,733
Training	33,803
Donations and subscriptions	66,284
Bank charges	145,153
Printing, stationery & related cost	130,362
Travel & transport & accomodation expenses	263,394
Communication	73,726
ATM expenses	51,058
Other operational cost	818,365
	5,306,494

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

9. Staff costs

	2011 GHS
Wages, salaries, bonus and allowances	**1,044,734**
Contractual staff	**143,714**
Social Security Fund Contribution	**49,596**
Other employee cost	**123,280**
Leave allowance	**124,862**
Medical expenses	**15,101**
	1,501,287

The average number of persons employed by the bank during the 10 month period was 55

10. Charge for bad and doubtful debts

	2011 GHS
Collective impairment	**61,506**
	61,506

11. Taxation

The compononents for income tax for 2011 are as follows;

	2011 GHS
Current tax	
Current income tax	**980,883**
Deferred tax	
Origination and reversal of temporary differences	**364,797**
Total income tax expense	**1,345,680**

10 month period of assessment	Payment during the 10 month period GHS	Charge for 10 month period GHS	**At 31 Dec GHS**
2011	(12,500)	980,883	**968,383**
	(12,500)	980,883	**968,383**
National stabilisation levy			
2011	-	-	-
	-	-	-
Total	**(12,500)**	**980,883**	**968,383**

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2011		
	Assets GHS	**Liabilities** GHS	**Net** GHS
Property and equipment	-	380,173	380,173
Impairment allowances for loan losses	(15,376)	-	(15,376)
Net tax (assets)/liabilities	**(15,376)**	**380,173**	**364,797**

A reconciliation between tax expense and accounting profit for the 10 month periods ended 31 December 2011 is as follows:

	2011 GHS
Accounting profit	**5,000,910**
Depreciation and amortisation	**779,321**
Provision for bad and doubtful debts	**61,506**
Donations	**58,375**
	5,900,112
Capital allowance	**(1,535,143)**
	4,364,969
Tax thereon - 25%	**1,091,242**
Total salary of Graduates GHS220,719 50% as rebate	**(110,359)**
	980,883

12. Cash and balances with Bank of Ghana

	2011 GHS
Cash in till	**1,839,262**
Balance with Bank of Ghana	**40,337,807**
	42,177,069

13. Financial investment

	2011 GHS
Short-term government securities	
Treasury Bills	**76,751,733**
	76,751,733
Short/medium-term government securities	
Government bond: 6 months	**3,190,500**
Total	**79,942,233**

Financial investments are financial assets classified as held to maturity and are carried at cost.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

14. Due from other banks and financial institutions

	2011 GHS
Nostro account balances	8,228,734
Zenith Bank	21,271,506
United Bank for Africa (Ghana) Limited	18,132,584
Agricultural Development Bank	6,001,052
Union Bank UK	9,239,358
	62,873,234

15. Loans and advances to customers

(a) Analysis by type:

	2011 GHS
Term loans	4,186,667
Overdrafts	1,580,551
Staff	315,177
Gross loans and advances	6,082,395
Provision for bad and doubtful debts (note 16)	(61,506)
Net loans and advances	6,020,889

(b) Analysis by type of customer:

	2011 GHS
Individuals	5,767
Private enterprises	5,761,451
Staff	315,177
	6,082,395
Provision for bad and doubtful debts (note 15)	(61,506)
Net loans and advances	6,020,889

(c) Analysis by business segment:

	2011 GHS
Commerce and finance	5,767
Transport, storage and communication	5,761,451
Services	-
Miscellaneous	315,177
	6,082,395
Provision for bad and doubtful debts (note 15)	(61,506)
Net loans and advances	6,020,889

(d) Key ratios on loans and advances

	2011
(i) Loan loss provision ratio	1.01%
(ii) Non Performing loan ratio	Nil

All other ratios are not applicable as the bank has only one loan facility at 10 month period end. The Bank did not breach any statutory liquidity provision during the period.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

16. Movement in provision for bad and doubtful debts and interest in suspense

	2011 GHS
At 1 January	**-**
Charge for the 10 month period	**61,506**
At 31 December	**61,506**

17. Other assets

	2011 GHS
Prepayments	**1,358,615**
Interest earned not collected	**1,202,686**
Cheque for clearing	**1,691,311**
	4,252,612

18a. Property and equipment

	At 1 Jan GHS	Additions GHS	At 31 Dec GHS
Cost			
Motor vehicles	-	301,926	**301,926**
Computers - Hardware	-	1,008,094	**1,008,094**
Equipment	-	497,312	**497,312**
Furniture and fittings	-	481,704	**481,704**
Leasehold equipment	-	698,032	**698,032**
	-	2,987,068	**2,987,068**

Depreciation	At 1 Jan GHS	Charge for 10 month period GHS	At 31 Dec GHS
Motor vehicles	-	47,359	**47,359**
Computers - Hardware	-	145,272	**145,272**
Equipment	-	47,816	**47,816**
Furniture and fittings	-	23,715	**23,715**
Leasehold equipment	-	21,022	**21,022**
	-	285,184	**285,184**

Carrying value:	
At 31 December, 2011	**2,701,884**
At 31 December, 2010	-

Energy Bank Ghana Limited

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

18b. Intangible assets

Cost	At 1 Jan GHS	Additions GHS	**At 31 Dec GHS**
Computer Software	-	2,801,541	**2,801,541**
	=========	===========	===========
Amortization			**At 31 Dec GHS**
Computer Software	-	494,138	**494,138**
	=========	===========	===========
Carrying value:			
At 31 December, 2011			**2,307,403**
			===========
At 31 December, 2010			-
			===========

19. Customer deposits	**2011 GHS**
Current accounts	**59,428,823**
Savings accounts	**2,223,749**
Time deposits	**45,654,036**
	107,306,608
(a) Analysis by type of depositor:	
Individuals & other private enterprises	**86,692,605**
Government departments & agencies	**20,614,003**
	107,306,608
(b) 20 largest depositors to total deposit ratio	**91%**

20. Deposits from other banks	**2011 GHS**
Money market borrowing	**23,747,364**
	23,747,364

21. Interest payable and other liabilities	**2011 GHS**
Accrued interest payable	**334,473**
Interest receivable from treasury bills investment	**3,411,643**
Other creditors and accruals	**486,826**
	4,232,942

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

22. Stated capital & reserves

i) The number of shares authorized, issued and in treasury are as follows:-

Ordinary:	
Authorized	100,000,000
Issued	60,000,000
	============

ii) Proceeds from the issued shares are as follows:-

Ordinary shares:	
Issued for cash	**60,000,000**
	============

b) Income surplus

This an accumalation of profit ove rthe 10 month period.

c) Statutory reserve

This is used to accumulate the statutory transfer from the income surplus. At the end of each financial the bank is suuposed to transfer a percentage of the profit after tax into this reserve in acordance with the Banking Act.

d) Regulatory credit reserve

At the end of each financial 10 month period the difference between the IFRS impairment and the Bank of Ghana (BoG) provision is transferred from the income suprlus into this reserve in order to satisfy the regulator (BoG).

23. Cash and cash equivalents

	2011
	GHS
Cash and balances with Bank of Ghana (note 12)	**42,177,069**
Due from banks and other financial institutions (Note 14)	**62,873,234**

	105,050,303
	============

24. Related party transactions

a) Loans to officers

Officers and other employees	**315,177**
	============

b) Remuneration of management & directors' fees

Salary and allowances of management	**538,000**
	============

c) l Associate Company

A loan facility of GHS6.0m was granted to Air Nigeria during the period and the outstanding balance as at 31 December 2011 was GHS5.7m.

d) : Shareholding Structure

The follwong are the Shareholders of the bank:

Global Fleet Oil and Gas Nigeria Limited	70%
NICON Insurance Plc Nigeria	10%
Global Fleet UK	20%

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

25. Contingencies and commitments

(a) Guarantees and indemnities

The bank had outstanding guarantees and indemnities of GHS619,994 as at the end of the 10 month period.

(b) Contingent liability

There are no other contingent liabilities at the end of the 10 month period.

(c) Commitments

There no commitments outstanding at the end of the 10 month period.

28. Financial risk management

(a) Introduction and overview

There is risk in every transaction the Bank undertakes and in every service it provides. It is therefore a fundamental responsibility of management to ensure that all the risks associated with each class of business, each product and each type of transaction are identified as well as manage the risks associated with the conduct of the bank's affairs. Most transactions of the Bank are subject to one or more of the following risks:

- credit risk;
- liquidity risk;
- interest rate risk;
- currency risk;
- market risk;
- operational risk;

These inherent risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and controls. This process is critical to the Bank's continued profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibility.

Outlined in this note is information about the bank's exposure to each of the above risks, the bank's objectives, policies and processes for measuring and managing these risks, and the bank's management of capital.

(b) Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (CC), Risk Management Department, Asset and Liability Committee (ALCO), which are responsible for developing and monitoring bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(c) Risk measurement and reporting systems

The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the actual loss. These models make use of probabilities and adjusted to reflect the economic environment. The Bank also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the bank is willing to accept. In addition the bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information and data on risk measures across the business are generated 10 month periodically and processed in order to analyse, control and identify early risks. This information is made available to the Board, as well to the key management risk control functions of the bank. The reports include aggregate credit exposure analysed into industry and customer as well as liquidity ratios.

(d) Credit risk management

Credit risk is the risk that the bank will incur a loss because its customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk is the bank's largest risk and considerable resources, expertise and controls are devoted to managing it.

The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring such limits. The Board sub-committee reviews the quality of the Credit Book, past due credits and all new credits approved by the CC. In all cases the Board reviews at its meetings all extensions of credit that are in place

Types of credit risk assets

Credit facilities extended to customers may be short term (up to one 10 month period) medium term (one to three 10 month periods) or long term (over three 10 month periods) in tenor. Additionally, facilities may be of a direct or indirect nature. They may be contractual (where the borrower has the contractual right to draw) or advised (where the Bank can cancel the credit at its discretion)

Direct facilities are those where the Bank actually disburses funds to a borrower, in the form of a loan or other advance, or creates an arrangement whereby the customer may himself draw funds on credit at his volition up to an agreed limit. Such direct facilities include:

- Overdrafts i.e. advances on current accounts mainly to finance current assets
- Demand Loans
- Term Loans
- Bill discounting
- Advances under letters of credit
- Acceptances, guarantees and indemnities etc.

Indirect (or contingent) obligations are created when the Bank enters into a contractual obligation to pay a third party at a future date, or upon the occurrence of a certain event, against the indemnity of a customer (who is the direct obligor). Such indirect facilities include:

- Opening and/or confirmation of letters of credit
- Issuance of guarantees and indemnities (e.g. to customs, immigration)
- Issuance of bid/performance/advance payment bonds
- Issuance of standby letters of credits.

This can also consist of operational risk such as non delivery, facilities for FX and other dealing lines.

Target market and risk asset selection

The target market and risk asset selection is a continuous process which involves a screening of the entire market, identifying business potential, defining desirable opportunities and adhering to resultant marketing objectives and strategies. An unfocused approach to the market can lead to unplanned asset concentrations of uneven quality on the books, and it may not be possible for the Bank to easily work out from undesirable relationships even when such a decision has been made.

The Bank undertakes a screening of the market and economic sectors to identify key players and potential business for the Bank. This is followed by a short listing of the desirable industries. This list should be supported by a justification as to why only some industries were selected, and why the Bank will not deal with some others.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

Industry studies are also carried out on each of the selected industries. This exercise enables the Bank to understand the importance of each sector to the economy, Gross Domestic Product percentage share, and key players in the industry, business cycles and product mix. The information derived above guides the Bank in identifying critical success factors and quantitative/qualitative acceptance parameters by industry.

Workable and appropriate Risk Asset Acceptance Criteria (RAAC) have been developed for each industry, taking into account both quantitative as well as qualitative parameters identified above. Example of these include, net sales, net income, 10 month periods in business, market reputation, management quality, minimum lending, ... among others.

Differing financing needs for the different industries often make it necessary to identify the credit products mostly required by each industry. Such products should be supported by a product RAAC which evidences that tenor, documentation requirements and approval process are consistent with the associated transaction risks and that transaction flows are understood and documented.

Credit Application (CA) Process

Prior to extension of any credit facility, whether direct or contingent, it must be recommended and approved by means of a CA. Such CA will incorporate analysis and evaluation of all risk inherent in the transaction. These reviews are both quantitative, ie balance sheet spreading, cash flow analysis as well as subjective, nature of the business, quality of management, suitability of loan to business.

Credit approval authority is delegated to Management by the Board of Directors of Energy Bank Ghana Limited. Any extension of credit exceeding authority delegated is subject to approval by the Credit Sub-committee of the Board, following recommendation to the Board by Management.

Authority for approval of credit within limits is delegated by the Board of Directors. There is a Credit Sub Committee of the Board that may exercise the authority of the Board pending full sittings of the Board. The Credit Sub-Committee comprises a minimum of two Ghanaian resident non-executive directors of the Board.

The Board may delegate authority down the line to an in-house Credit Committee (CC) who may in turn delegate authority (but not the ultimate responsibility) to the Director of Credit Risk Management and/or to other Credit Officers as may be required under the policy approved by the Board. All decisions of the Credit Sub-Committee must be unanimous.

All Credit granted by the Bank are subject to the laws and regulations contained in the Banking Act 2004. No single party facility shall exceed 25% of the net worth of the bank on secured basis or 10% of net worth on unsecured basis. No unsecured facilities to directors are permitted without the approval of the Bank of Ghana.

At 31 December 2011, the bank's credit exposure were categorised as follows:

- Exposures that are neither past due nor impaired
- Exposures that are past due but not impaired and
- Individually impaired facilities

The balances for each category have been analysed below;

	2011	
	Loans & advances to customers	Due from banks & financial inst.
	GHS	GHS
Neither past due nor impaired	6,082,395	-
Past due but not impaired		-
Individually impaired		-
Gross	6,082,395	-
Less Allowance for impairment	(61,506)	-
Net amount	**6,020,889**	**-**

Loans and advances to customers in Ghana analysed by industry sector, as well as by customer type is shown in note 14(b) & 14(c)

Liquidity risk management

Liquidity risk is defined as the likely event of a negative impact on the value or volume of liquid assets as a result of changes in any of the following variables that impact on liquidity: interest and exchange rates, inflation, customer actions, changing economic conditions and the action(s) of competitors.

To limit this risk, management adopts a number of measures including monitoring the day-to-day funding requirements to ensure that future cash flows can be met. This requires that the bank maintains an active presence in the local money markets to enable that to happen. The Bank also maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the Bank is statutorily required to maintain a reserve of 9% of foreign currency customer deposits held as well as 9% of local currency customer deposits in separate accounts with the Bank of Ghana. These balances are used to support all inter-bank transactions.

Liquidity risk measurement

The bank prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing; defined to include all liabilities taken from customers that are in excess of GHC 1 billion per client. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralized with a Treasury Bill or Bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. To manage the impact deposit concentration on liquidity, wholesale borrowings from individual clients does not exceed 25% of total customer liabilities. Also, the recommended ratio of the top 20 deposits to total liabilities is 15% or less. The implication of these ratios is the need to diversify the mix of deposits such that the action of one group is unable to significantly affect the bank's deposit base especially in a negative manner. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

The loan/ deposit ratio measures the amount of advances as a percentage of deposits and is used to monitor the availability of funds for additional credits out of deposits. All approved loans that are yet to be disbursed are captured as part of the loan deposit ratio, to ensure that the true position of available funds is reported at any one time. Two loan/deposit ratios are reported using only facilities that have been disbursed for one report and another ratio using both disbursed and un-disbursed facilities.

In addition to the above, the bank also ensures compliance to the regulatory requirements set by the Bank of Ghana such as effective volatile liability dependency ratio which is the measured as (volatile funds – liquid assets) / long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. The bank targets a negative ratio to be in compliance with BoG. (Volatile funds is short term wholesale funds e. g call accounts).

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

The table below summarises the maturity analysis of liabilities showing the contractual undiscounted cash flows.

Maturities of assets and liabilities

	0-3 months GHS	Over 6 mths GHS	Over 12 mths GHS	Total GHS
Assets				
Cash and balances with Bank of Ghana	42,177,069	-	-	**42,177,069**
Financial investments	36,912,204	15,260,029	27,770,000	**79,942,233**
Due from other banks and financial institutions	62,873,234	-	-	**62,873,234**
Loans and advances to customers	-	6,020,889	-	**6,020,889**
Other assets	4,252,612	-	-	**4,252,612**
Deferred tax asset	-	-	-	**-**
Current tax asset	-	-	-	**-**
Property and equipment	-	2,701,884	-	**2,701,884**
Intangible assets	-	2,307,403	-	**2,307,403**
Total assets	146,215,119	26,290,205	27,770,000	**200,275,324**
Liabilities				
Customer deposits	65,081,378	42,225,230	-	**107,306,608**
Due to other banks	23,747,364	-	-	**23,747,364**
Interest payable and other liabilities	-	4,232,942	-	**4,232,942**
Current tax liability	-	-	968,383	**968,383**
Deferred tax liability	-	-	364,797	**364,797**
Total liabilities	88,828,742	46,458,172	1,333,180	**136,620,094**
Net liquidity gap	57,386,377	(20,167,967)	26,436,820	**63,655,230**

Liquidity Crises Management

Liquidity crisis is defined as a condition where the bank is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the Bank resulting in substantial withdrawal of funds by depositors.

This is deemed to have occurred when any of the following conditions exist:

- Liquidity guidelines/ratios have been breached for four consecutive weeks.
- BoG support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

Market risk management

Market risks arise from interest rate products and open positions in currency, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate mismatch report in addition to interest rate sensitivity reports using different rates are produced for ALCO meetings as part of the process of managing interest rate risk. Different interest rate sensitivity scenarios, 1 to 5 percent changes, are produced for review at each ALCO. The review is guided by profitability, liquidity needs (projections) and interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The bank has adopted the Bank of Ghana requirement that banks maintain a total open position which is equal to 30% of their net worth. Within this limit, banks are also required to maintain single currency open positions equal to 15% of net worth.

Included in the table are the Bank's assets and liabilities at carrying amounts categorised by currency:

At 31 December, 2011	**GBP**	**EUR**	**US$**		**Total**
	GHS	**GHS**	**GHS**	**GHS**	**GHS**
Assets					
Cash and balances with Bank of Ghana	2,336	97,852	406,041	41,670,840	**42,177,069**
Financial investments		-	-	79,942,233	**79,942,233**
Due from other banks and financial institutions	217521	209,582	19,674,916	42,771,515	**62,873,534**
Loans and advances to customers	-	-	4,141,384	1,879,505	**6,020,889**
Other assets	-	-	-	4,252,612	**4,252,612**
Property and equipment	-	-	-	2,701,884	**2,701,884**
Intangible assets	-	-	-	2,307,403	**2,307,403**
Total assets	219,857	307,434	24,222,341	175,525,992	**200,275,624**
Liabilities					
Customer deposits	-	1,064	9,873,257	97,432,287	**107,306,608**
Due to other banks	-	-	-	23,747,364	**23,747,364**
Interest payable and other liabilities	-	-	-	4,232,942	**4,232,942**
Current tax liability	-	-	-	968,383	**968,383**
Deferred tax liability	-	-	-	364,797	**364,797**
Total liabilities	-	1,064	9,873,257	126,745,773	136,620,094
Net on balance sheet position	219,857	306,370	14,349,084	48,780,219	**63,655,530**
Net off balance sheet position	-	-	-	619,994	**619,994**

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

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

Foreign currency exposure	2011	
	Ghana	Outside
	GHS	GHS
Assets		
Cash and balances with Bank of Ghana	42,177,069	-
Due from other banks and financial institutions	54,644,500	8,228,734
Loans and advances to customers	6,020,889	-
Other assets	4,252,612	-
	107,095,070	8,228,734
Liabilities		
Customer deposits	107,306,708	-
Due to other banks	23,747,364	-
Interest payable and other liabilities	4,232,942	-
	135,287,014	-

Capital management

The bank's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Ghana, (ii) to safeguard the bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximize shareholder value. Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Finance Director.

Under the current capital requirements set by the Bank of Ghana, banks have to maintain a ratio of regulatory capital to weighted risk assets ("capital adequacy ratio") above 10%.

Regulatory capital as defined by the Bank of Ghana has two (2) components;

Tier 1 capital: share capital arising on permanent shareholders' equity, retained earnings and reserves created; and

Tier 2 capital: qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to quality as subordinated loan capital, it should possess the following attributes:

- should be unsecured
- repayment is subordinated to other debt instruments
- should have a minimum original fixed term to maturity of over 5 10 month periods
- not available to absorb the losses of a bank which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier I capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

Notes to the financial statements

For the 10 month period ended 31 December, 2011 - continued

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the 10 month periods ended 31 December 2011.

			GHS
Paid-up Capital			60,000,000
Income surplus			1,827,615
Statutory reserve			1,827,615
Regulatory credit reserve			-
Tier 1 Capital			**63,655,230**
Add:			
Tier 2 Capital -	Subordinated Term Debt		-
Total Capital			**63,655,230**
Risk weighted assets		**45,549,185**	
Capital Adequacy Ratio (CAR)			
Bank's Total Assets		**200,275,324**	
CAR=(Adjusted Capital Base/Adjusted Asset Base x 100/1)			
Adjusted Capital base		**62,755,470**	

Adjusted Asset base		**45,549,185**	
Tier 1 capital adequacy ratio		138%	
Total capital adequacy ratio achieved by Energy Bank Ghana Limited		138%	
Minimum required by Bank of Ghana		10%	

During the 10 month period, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

Comparative Information

The Bank was issued with a Banking License on 21 February, 2011 hence the financial statemetns have been prepared for the ten (10) month period.