ENERGY BANK GHANA LIMITED

FINANCIAL STATEMENTS
31 DECEMBER 2012

Energy Bank Ghana Limited

Report and financial statements

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Directors and registered office

Board of directors	Barrister Jimoh Ibrahim (OFR) - Chairman Mr Samuel Ayininuola - Member Dr Amos Akingba - Member Alhaji Baba Kamara - Member Bishop Steven Ogedengbe - Member Mr. Emmanuel Jegede - Member Mr. David Adom - Member Mr. Adewale Folowosele - Member Ms Ophelia Attobrah - Member (Appointed 1st October, 2012) Barrister Adedamola Aderemi - Member Mr. Isaac Monehin - Member (Up to 31st March, 2012)
Company Secretary/Legal Advisor	Mathias Sawmine GNAT Height 30 Independence Avenue Accra
Auditor	Deloitte & Touche Chartered Accountants 4 Liberation Road P.O.Box GP 453 Accra Ghana
Correspondent Banks	Bank of Ghana United Bank of Africa Commerz Bank, Frankfurt Union Bank, UK Ghana International Bank, UK Standard Chartered Bank, New York First Bank Nigeria, PLC.

Report of the Directors

To the members of Energy Bank Ghana Limited

In accordance with the requirements of section 132 of the Companies Act, 1963, (Act 179), the Directors have the pleasure in presenting the report of the Bank for the year ended 31 December, 2012. The Bank was issued a license on 21 February, 2011.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Bank and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), the requirements of the Companies Code, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

The directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Bank. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activities of the Bank are to carry on the business of financiers, bankers and banking. The bank operates under the Banking Act, 2004, Act 673. The Bank is regulated by the Bank of Ghana.

Financial results

The results of the Bank are set out on pages 8 to 9. The Bank recorded a net profit after tax of GH¢6,021,496 as against a net profit of GH¢3,655,230 in 2011. The increase in profit can be attributed to higher volume of business during the year.

The balance sheet increased from GH¢200,275,324 in 2011 to GH¢225,638,534 primarily due to an increase in customer deposits.

Auditor

The auditor, Messrs. Deloitte & Touché, have expressed their willingness to accept appointment pursuant to section 134(5) of the companies code,1963(Act 179).

ON BEHALF OF THE BOARD:

Name:	**Name:**
Signed	**Signed**
…………………………	…………………………

Report of the Directors

To the members of
Energy Bank Ghana Limited

CORPORATE GOVERNANCE

Introduction

Energy Bank Ghana Limited in line with the Policy Guidelines Proposals on Corporate Governance issued by the Bank of Ghana , has corporate governance policies designed to ensure the independence of the Board of Directors with a firm commitment to adhere to the highest standards of integrity both professionally and ethically.

To this end, the Board of Directors is committed to building a strong Bank that thrives on integrity through the adoption of pragmatic policies and procedures that will ensure open, transparent and honest conduct of business, compliance with the applicable laws, rules, regulations, international conventions, best practices as well as dealing with potential, apparent or perceived conflict of interests situations.

Pursuant to this objective, the board has adopted for itself, a corporate governance code which regulate in detail, the Board of Directors relationship with all stakeholders.

As indicated in the statement of responsibilities of directors and notes to the accounts, the Bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Directors

The Board is responsible for setting the Bank's strategic direction, for leading and controlling the Bank and for monitoring activities of the executive management. The Board presents a balanced and understandable assessment of the bank's progress and prospects

Our shareholders are represented mainly as Non-Executive Directors on the Board of Directors. These Directors oversee, direct and control Management implementation of the broad strategy objectives and vision of the Bank.

The Board consists of a Non-Executive Chairman, seven (7) Non-Executive Directors and Two (2) Executive Directors. The Non-Executive Directors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have the requisite experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Bank’s progress. The Managing Director is a separate individual from the Chairman and he implements the Management strategies and policies approved by the Board. The Board meets at least 4 times in a year.

The Board has four (4) Committees namely; (1) Audit, Risk & Compliance (2) Credit & Finance (3) HR, Remuneration & Disciplinary and (4) Marketing Committees. These Committees hold regular meetings to consider at first hand Management Board’s recommendations to the Full Board for consideration and approval. The Committees are as follows:

i) **The Audit, Risk & Compliance Committee**

The Audit, Risk & Compliance Committee comprises four (4) Non-Executive Directors. It is responsible for authorizing, directing and reviewing the programme of the Internal Auditor, It also ensures and reviews the Company’s compliance with financial and risk management control systems and reviews the current statutory and audit reports. Another important function of the Committee is its review of the risk and compliance reports of the Bank, review of any internal investigations by the Internal Auditor into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and report the matter to the Board. It also reviews with Management, external and internal auditors the adequacy of internal control systems, reviews the appointment, removal and terms of remuneration of the head of Internal Audit. It recommends the appointment and removal of external auditors, fix their fees and also approve payments for any other services rendered by them.

Report of the Directors (continued)

To the members of
Energy Bank Ghana Limited

ii) **The Credit & Finance Committee**

The Credit & Finance Committee comprises three (3) Non-Executive Directors and Two (2) Executive Directors. It is responsible for determining the broad lending policy, loan performance monitoring and recovery of the Bank. It also reviews and advises on the financial operations, budgetary issues and liquidity of the company. It approves all credits within the limits set for it by the Board and recommends to the Board for approval what is beyond their powers

iii) **The HR, Remuneration & Disciplinary Committee**

The HR, Remuneration & Disciplinary Committee comprises four (4) Non-Executive Directors and meets at least twice a year. The Committee is responsible for reviewing the composition of the Board, recommending strategies for ensuring the effective and efficient functioning of the Board and mechanisms for the appraisal of Board members' performance. It is responsible for developing and implementing a succession plan for the Bank and reviews the HR Policy of the Bank, recommends strategies for attracting and retaining competent and well-motivated staff. It also develops an appropriate remuneration policy and benefits for executive management and all other staff of the Bank and ensures the enforcement of the disciplinary code of the Bank and sit on any disciplinary matter involving a management staff. It offers direction on staff personal development, training and welfare.

iv). The Marketing Committee

The Marketing Committee comprises Three (3) Non-Executive Directors and Two (2) Executive Directors and meets at least twice a year. It is responsible for driving the overall marketing strategy of the Bank and ensures that the Bank's marketing and business expansion strategy is in line with the vision and mission of the Bank.

Code of Business Ethics

Management has communicated the principles in the Bank's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity required for the Bank's operations which covers compliance with the laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

Independent Auditor’s Report

To the members of Energy Bank Ghana Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Energy Bank Ghana Limited set out on pages 8 to 60. These financial statements comprise the statement of financial position as at 31 December 2012, the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 31 December 2012 and a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the financial statements

The Bank’s 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 Code, 1963 (Act 179), and the Banking Act, 2004 (Act 673), as amended by the Banking (Amendment) Act, 2007 (Act 738); and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012 and of the financial performance and the cash flows of the Bank for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Code, 1963, (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007, (Act 738).

Independent Auditor's Report

To the members of Energy Bank Ghana Limited

(continued)

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Code, 1963 (Act 179) requires that in carrying out our audit 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 account have been kept by the Bank, so far as it appears from our examination of those books; and

In accordance with Section 78(2) of the Banking Act 2004 (Act 673), we hereby confirm that:

i) we were able to obtain all the information and explanation required for the efficient performance of our duties as auditor;
ii) in our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year under review; and
iii) the Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738).

Chartered Accountants
Accra, Ghana
Licence Number: ICAG/F/026

………………………………………………… 2013

Felix Nana Sackey
Practising Certificate: Licence No. ICAG/P/1131

Energy Bank Ghana Limited

Income statement

For the year ended 31 December 2012

	Note	2012	2011
		GH¢	GH¢
Interest income	6	**18,213,957**	9,405,201
Interest expense	7	**(6,684,352)**	(1,753,215)
Net interest income		**11,529,605**	7,651,986
Fee and commission	8	**1,320,336**	477,392
Operating income		**12,849,941**	8,129,378
Other income	9	**4,358,292**	2,239,532
Total income		**17,208,233**	10,368,910
Operating expenses	10	**(9,569,149)**	(5,306,494)
Impairment losses on loans and Advances	12	**(69,163)**	(61,506)
Profit before tax		**7,569,921**	5,000,910
Income tax expense		**(1,546,197)**	(980,883)
Deferred tax	13	**(2,228)**	(364,797)
Profit for the year		**6,021,496**	3,655,230

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2012	2011
	GH¢	GH¢
Profit for the year	**6,021,496**	3,655,230
Unrealised gains/(loss) on fair value changes on available-for-sale securities	**(160,430)**	-
Total comprehensive income	**5,861,066**	3.655,230

Energy Bank Ghana Limited

Statement of financial position

For the year ended 31 December 2012

	Note	2012	2011
Assets		**GH¢**	GH¢
Cash and balances with Bank of Ghana	14	**9,673,234**	42,177,069
Financial Investments	15	**72,777,974**	79,942,233
Due from other banks and financial institutions	16	**113,855,651**	62,873,234
Loans and advances to customers	17	**16,616,224**	6,020,889
Other assets	20	**5,857,359**	4,252,612
Property and equipment	18	**4,593,868**	2,701,884
Intangible assets	19	**2,264,224**	2,307,403
Total assets		**225,638,534**	200,275,324
Liabilities			
Customer deposits	23	**115,765,018**	107,306,608
Due to other banks	24	**35,986,805**	23,747,364
Interest payable and other liability	25	**5,121,990**	4,232,942
Current income tax payable	21	**681,400**	968,383
Deferred tax	22	**367,025**	364,797
Total liabilities		**157,922,238**	136,620,094
Equity			
Stated capital	26	**60,000,000**	60,000,000
Regulatory credit risk reserve	28	**140,994**	-
Statutory reserve fund	27	**4,838,363**	1827,615
Other reserves	29	**(160,430)**	-
Income surplus account	30	**2,897,369**	1,827,615
Total Equity		**67,716,296**	63,655,230
Total Equity and Liabilities		**225,638,534**	200,275,324

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

Approved by the Board on ---------------------------------, 2013

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Chairman   **Managing Director**

Energy Bank Ghana Limited

Statement of changes in equity

For the year ended 31 December 2012

	Stated capital	Statutory reserve	Regulatory credit risk reserve	Income surplus account	Other reserves	Total
Balance at 1 January 2012	60,000,000	1,827,615	-	1,827,615	-	63,655,230
Total comprehensive income	-	-	-	6,021,496	(160,430)	5,861,066
Transfer to statutory reserve	-	3,010,748	-	(3,010,748)	-	
Dividend paid	-	-	-	(1,800,000)	-	(1800,000)
Transfer to credit reserve	-	-	140,994	(140,994)	-	-
Balance at 31 December 2012	60,000,000	4,838,363	140,994	2,879,369	(160,430)	67,716,296
Balance at 1 January 2011						
Capital Introduced	60,000,000	-	-	-	-	60,000,000
Total comprehensive income for the year	-	-	-	3,655,230	-	3,655,230
Transfer to statutory reserve	-	1,827,615	-	(1,827,615)	-	-
	-	-	-	-	-	-
Balance at 31 December 2011	60,000,000	1,827,615	-	1,827,615	-	63,655,230

Energy Bank Ghana Limited

Statement of cash flows

For the year ended 31 December 2012

	Note	2012 GH¢	2011 GH¢
Profit before tax		**7,569,921**	5,000,910
Depreciation and amortization	19&20	**1,557,984**	779,322
Adjustment for:			
Impairment allowance	12	**69,163**	61,506
Fair value adjustment in available for sale securities	29	**(160,430)**	-
		9,036,638	5,841,738
Changes in operating assets and liabilities			
Loans and advances	17	**(10,664,498)**	(6,082,395)
Other assets	20	**(1,604,747)**	(4,252,612)
Customer deposits	23	**8,458,410**	107,306,608
Amount due to banks	24	**12,239,441**	23,747,364
Other liabilities	25	**889,048**	4,232,942
Corporate tax	21	**(1,833,180)**	(12,500)
Net cash generated from operating activities		**16,521,112**	130,781,145
Cash flows from investing activities			
Purchase of property and equipment	19&20	**(3,406,789)**	(5,788,609)
Cash flows from financing activities			
Capital introduced	28		60,000,000
Dividend paid		**(1,800,000)**	-
Net increase /(decrease) in cash and cash equivalents		**11,314,323**	184,992,536
Cash and cash equivalents at start of year		**184,992,536**	-
Cash and cash equivalents at end of year	31	**196,306,859**	184,992,536

Notes to the financial statements

For the year ended 31 December 2012

1. General information

Energy Bank Ghana Limited is a private limited liability company incorporated and domiciled in Ghana. The Bank primarily is involved in investment, corporate and private banking. The address of the Bank's registered office is: GNAT Height, 30 Independence Avenue, Accra

2. Summary of significant accounting policies

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

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Code, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738).

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 1 *Government Loans* — *Amendments to IFRS 1*

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Bank.

IFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Bank's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2012, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Bank will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 – Consolidated Financial Statements,* IAS 27 *Separate Financial Statements
The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Bank is currently assessing the impact of adopting IFRS 10.

IFRS 11 – Joint Arrangements
The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The adoption of IFRS 11 is not expected to have a significant impact on the accounting treatment of investments currently held by the Bank.

IFRS 12 – Disclosure of Involvement with Other Entities
The standard becomes effective for annual periods beginning on or after 1 January 2013. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Bank concludes that it does not control an entity, the information used to make that judgment will be transparent to users of the financial statements to make their own assessment of the financial impact were the Bank to reach a different conclusion regarding consolidation.
The standard will not have any impact on the financial position or performance of the Bank.

IFRS 13 – Fair Value measurement
The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Bank.

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits – Amendments
The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013. The amendment has no impact on the Bank's financial position or performance

IAS 27 *Separate Financial Statements* (as revised in 2012)
As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Bank does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 ***Investments in Associates and Joint Ventures*** **(as revised in 2012)**
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 ***Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32***
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.
The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This amendments has no effect on the company. These amendments become effective for annual periods beginning on or after 1 January 2014.

IFRIC 20 ***Stripping Costs in the Production Phase of a Surface Mine***
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

Annual Improvements May 2012
These improvements will not have an impact on the Bank, but include:

IFRS 1 ***First-time Adoption of International Financial Reporting Standards***
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 ***Presentation of Financial Statements***
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 ***Property Plant and Equipment***
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 ***Financial Instruments, Presentation***
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 ***Interim Financial Reporting***
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. These improvements are effective for annual periods beginning on or after 1 January 2013.

(e) Use of estimates and judgements

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

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

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

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.
The impairment loss on loans and advances is disclosed in more detail in Note 17

Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances. The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Notes to the financial statements

For the year ended 31 December 2012

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. 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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(f) Foreign currency translation

The financial statements are presented in Ghana Cedis, which is the functional currency of the Bank, Foreign currency transactions are translated into Ghana Cedis using the interbank exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated at the rate prevailing at that date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in the income statement.

3. Significant accounting policies (continued)

(g) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "Interest income" and "Interest expense" in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected 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 instrument.

The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption are included in the calculation to the extent that they can be wholly measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

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

(h) Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis when the service has been provided. Fees and commissions not integral to the effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided.

Commitment fees, together with related direct costs, for loan facilities were draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Other commitment fees are recognised over the term of the facilities.

(i) Net trading income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

(j) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Bank classifies its financial assets into the following categories: loans and receivables, held-to-maturity and available-for-sale assets. Management determines the appropriate classification of its financial assets and liabilities at initial recognition. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

(i) Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as held for trading and those that the Bank on initial recognition designates as at fair value through profit and loss; (b) those that the Bank upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans, advances and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss account. However, interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Bank's right to receive payment is established.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement

(ii) Held-to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Bank to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale. Treasury bills with an original maturity of more than 182 days, treasury notes and other government bonds are classified as held-to-maturity.

Regular way purchases and sales of financial assets held-to-maturity are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.

(j) Financial asset and liabilities (continued)

(iii) Available-for-sale

Available-for-sale assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. Investment securities and treasury bills with a maturity of 182 days or less are classified as available for sale.

(iv) Available-for-sale

Regular way purchases and sales of financial assets available-for-sale are recognised on trade-date-the date on which the Bank commits to purchase or sell the asset.

(v) Financial liabilities

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method. Financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Financial liabilities are derecognised when they are redeemed or otherwise extinguished.

(vi) ***Determining fair value***

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, the Bank uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i) significant financial difficulty of the borrower;
ii) a breach of contract, such as default or delinquency in interest or principal repayments;
iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;
iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for that financial asset because of financial difficulties; or

vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets including:
- Adverse changes in the payment status of borrowers; or
- National or local economic conditions that correlate with defaults on the assets of the Bank.

The estimated period between a losses occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months. In exceptional cases, longer periods are warranted.

(i) ***Assets carried at amortised cost regards***

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost 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 (excluding future credit losses that have not been incurred) discounted at the financial instrument'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 profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

Future cash flows in a group 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's historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

(l) Impairment of financial assets (continued)

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(ii) Assets classified as available – for – sale

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

l. Property and equipment

Land and buildings are shown at fair value based on periodic, but at least 3-5 years, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Freehold land is not depreciated. Leasehold land is amortised over the term of the lease and is included as part of property and equipment. Depreciation on other assets is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Lease items	*Over the unexpired lease period*
Furniture & fittings	20%
Computer	33.3%
Motor vehicles	25%

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and that the cost of the item can be measured reliably. All other costs are charged to the income statement as repairs and maintenance costs during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and building are credited to reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the income statement.

Notes to the financial statements

For the year ended 31 December 2012

3. **Significant accounting policies (continued)**

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount. These are recorded in the income statement.

(n) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of three (3) years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(o) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Tax is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Internal Revenue Act, 2000 (Act 592) as amended.

(p) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the profit or loss account together with the deferred gain or loss.

(q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank, amounts due from other banks and other short-term government securities.

Notes to the financial statements

For the year ended 31 December 2012

3. Significant accounting policies (continued)

(r) Provisions

Provisions are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as expense.

(s) Employee benefits

(i) Retirement benefit obligations

The Bank contributes to the a defined contribution schemes (Social Security Fund) on behalf of employees. This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a stage managed social security fund for the benefit of the employees. All employer contributions are charged to profit and loss as incurred and included under staff cost.

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(ii) Other entitlements

The estimated monetary liability for employees' outstanding annual leave entitlement at the reporting date is recognised as an expense accrual.

(t) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(u) Stated capital

Ordinary shares are classified as equity**.** Stated capital is classified as equity where the Bank has no obligation to deliver cash or other assets to shareholders. All shares are issued at no par value. Where any Bank purchases the Bank's equity share capital (treasury shares), the consideration paid, is deducted from equity attributable to the Bank's equity holders until the shares are cancelled or reissued.

(v) Dividends

Dividends payable on ordinary shares are charged to equity in the period in which they are declared.

Dividend income is recognised in the income statement when the entity's right to receive payment is established.

(w) Contingent liabilities and commitments

Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

3. Significant accounting policies (continued)

Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

(x) Accounting for leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The total payments made under operating leases are charged to 'operating expenses' on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period 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.

(ii) Finance lease

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Board sub-committee, Credit Committee of Management, Risk Management Department, Asset and Liability Committee (ALCO) under policies approved by the Board of Directors. Risk management department identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is one of the most important risks for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit committee, whose membership comprises executive management and head of risk, which reports regularly to the Board of Directors.

3. Significant accounting policies (continued)

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 groups 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, industry sector and by country are approved quarterly 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 and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

4. Financial risk management
a) Credit risk (cont'd)

Credit risk monitoring and control

Credit risk exposures of the Bank are monitored closely. The Credit Committee ensures regularity of credit approvals and line utilizations authorizes disbursements of credit facilities when approval conditions are met, and perform periodical reviews of collaterals at the Bank. The Credit Committee is also responsible for the preparation of internal risk management reports for consideration of the Board of Directors. The Recoveries Department monitors past due exposures with a view to maximizing loan recoveries**.**

Financial assets

	2012		2011	
The Bank	**Overdrafts**	**Term loan**	Overdrafts	Term loan
Neither past due nor impaired	**4,509,759**	**12,237,134**	1,580,551	4,501,844
Gross loans and advances	**4,509,759**	**12,237,134**	1,580,551	4,501,844
Less: allowance for impairment	**-**	**130,669**	-	61,506
Net loans and advances	**4,509,759**	**12,106,465**	1,580,551	4,440,338

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank. These loans are all classified as current.

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. There were no loan and advances which were past due but not impaired.

4. **Financial risk management (continued)**

a) Credit risk (continued)

Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	2012	2011
Individually assessed impaired loans and advances	**69,163**	61,506
Fair value of collateral	**NIL**	NIL

Repossessed collateral

There were no repossessed assets as at 31 December 2012 (2011: nil).

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total used commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of all credit commitments.

a) Credit risk (continued)

Maximum exposure to credit risk before collateral held

The Bank's maximum exposure to credit risk at 31 December 2012 and 2011 is the same as the balances of the various financial assets in the statement of financial position listed below.

	2012	2011
Balances with Bank of Ghana (Note 14)	**9,673,234**	42,177,069
Government and other securities (Note 15)	**72,777,974**	79,942,233
Due from other banks (Note 16)	**113,855,651**	62,873,234
Loans and Advances to customers (Note 17)	**16,616,224**	6,020,889
Other assets (excluding prepayments) (Note 20)	**4,154,205**	2,893,997
	217,077,288	193,907,422

Credit risk exposures relating to off-balance sheet items:

- Acceptances and letters of credit	**4,180,746**	619,994

4. **Financial risk management (continued)**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2012 and 31 December 2011, without taking account of any collateral held or other credit enhancements attached. For assets reported in the statement of financial position, the exposures set out above are based on carrying amounts.
Loans and advances to customers are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees.

b)Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank of Ghana requires that the Bank maintain a cash mandatory reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The treasury department monitors liquidity ratios on a daily basis.

Liquidity management within the Bank has several strands. The first is day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as they are borrowed by customers. The Bank maintains an active presence in Ghanaian money markets to facilitate that. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intra-day liquidity in real time is recognised by the Bank as a mission critical process: any failure to meet specific intra-day commitments would be a public event and may have an immediate impact on the Bank's reputation.

b) Liquidity risk (continued)

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as commercial letters of credit and guarantees.

Treasury develops and implements the process for submitting the bank's projected cash flows to stress scenarios. The output of stress testing informs the Bank's contingency funding plan. This is maintained by the ALCO of the Bank and is aligned with the country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term.

An important source of structural liquidity is provided by our core private deposits, mainly term deposit, current accounts and call deposit. Although current accounts and call deposits are repayable on demand, the bank's broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the bank's operations and liquidity needs.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the bank's reputation, the strength of earnings and the bank's financial position.

The table below presents the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date.

Energy Bank Ghana Limited

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Bank manages the liquidity risk based on a different basis (see note above for details), not resulting in a significantly different analysis.

4. **Financial risk management (continued)**

b) Liquidity risk (continued)

As at 31 December 2012

	Up to one months	**Over one month but not more than three month**	**Over three months but not more than one year**	**Over one year but not more than five years**	**Over five years**	**Total**
Liabilities						
Due to customers	27,498,902	20,357,346	8,535,098	59,373,672	-	115,765,01
Loan commitment and Guarantees	-	-	4,180,746	-	-	4,180,746
Other liabilities	-	2,654,267	2,467,723	-	-	5,121,990
Total liabilities	27,498,902	23,011,613	15,183,567	59,373,672	-	125,067,754
Assets		-				
Cash and balances with Bank of Ghana	9,673,234	-	-	-	-	9,673,234
Government Securities	-	-	72,777,974	-	-	72,777,974
Due from other banks	-	113,855,651	-	-	-	113,855,651
Loans and advances to customers	-	-	-	16,616,224	-	16,616,224
Others assets(excluding prepayment)	-	-	4,145,205	-	-	4,145,205
Total assets	9,673,234	113,855,651	77,083,609	16,616,224	-	217,068,288
Cumulative liquidity gap	(17,825,668)	90,844,038	61,739,612	(42,757,448)	-	92,000,534

As at 31 December 2011

Total liabilities	88,828,742	46,458,172	-	1,333,180	-	136,620,094
Total assets	146,215,119	26,290,205	-	27,770,000	-	200,275,324
Cumulative liquidity gap	57,386,377	(20,167,967)	-	26,436,820	-	63,655,230

The balances in the above table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flows (principal and interest), on an undiscounted basis.

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

4. **Financial risk management (continued)**

c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates, interest rates and equity prices, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The ALCO sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Bank’s exposure to interest rate risks. Included in the table are the Bank’s assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

Notes to the financial statements

For the year ended 31 December 2012

4. **Financial risk management (continued)**

c) Market risk (continued)

As at 31 December 2012

	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
Financial assets					
Cash and balances with Bank of Ghana	9,673,234	-	-	-	9,673,234
Government securities	-	72,777,974	-	-	72,777,974
Due from other banks	113,855,651	-	-	-	113,855,651
Loans and advances to customers	15,472,881	123,730	331,891	528,746	16,616,224
Other assets(excluding prepayment)	4,145,205	-	-	-	**4,145,205**
Total financial assets	**143,226,459**	**72,901,704**	**331,891**	**528,746**	**217,068,258**
Financial liabilities					
Due to customers	21,696,481	20,357,346	5,310,546	59,373,672	**115,765,018**
Due to other financial institutions		35,986,805			**35,986,805**
Other liabilities	-	5,121,990	-	-	**5,121,990**
Total financial liabilities	**21,696,481**	**61,466,141**	**5,310,546**	**59,337,672**	**156,872,813**
As at 31 December 2011					
Total financial assets	146,215,119	21,280,918	27,770,000	-	195,266,037
Total financial liabilities	88,828,742	42,225,230	-	-	134,053,972

(c) Market risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk.

Interest rate sensitivity analysis

The sensitivity of the income statement is the effect of assumed changes in interest rates on the net income for one year, based on the financial assets and liabilities held at 31 December 2012 and 2011.

Notes to the financial statements

For the year ended 31 December 2012

Impact on net interest income

The effect on interest of a 25 basis points change would be as follows:

	+25 basis points 2012	+25 basis poir 2012	-25 basis points 2011	-25 basis points 2011
Effect on net interest income	**259,332**	193,028	**(259,332)**	(193,028)
As a percentage of net interest income	**2.25%**	2.52%	**(2.25%)**	(2.52%)

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. This is measured through the profit and loss accounts.

The table below summarises the bank’s exposure to foreign currency exchange rate risk at the balance sheet date. Included in the table are the bank’s financial assets and liabilities at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalent of the foreign currencies.

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

4. **Financial risk management (continued)**

(c) Market risk (continued)

At 31 December 2012			
Assets	**USD**	**GBP**	**Euro**
Cash and balances with Bank of Ghana	**279,101**	**1,860**	**112,050**
Due from other banks	**20,834,340**	**564,504**	**79,602**
Loans and advances to customers	**6,221,192**	**-**	**-**
Total	**27,334,633**	**566,364**	**191,652**
Due to customers	**27,828,975**	**71,817**	**532,609**
Total	**27,828,975**	**71,817**	**(532,609)**
Net on balance sheet position	**(494,342)**	**494,547**	**(340,957)**
Net off balance sheet position	**2,188,872**	**-**	**-**
At 31 December 2011			
Total assets	24,222,341	219,857	307,434
Total liabilities	9,873,257	-	1,064
Net on balance sheet position	14,349,084	219,857	306,370

The following sensitivity table demonstrates the effects of a 10% rise or fall in foreign exchange rates for each of the major foreign currency exposures of the Bank:

	Impact on profit after tax if currency weakens 10% vs GH¢		**Impact on profit after tax if currency strengthens 10% vs GH¢**	
Effect on income	**2012**		**2012**	
		%		**%**
USD	49,434	1.0	(49,434)	(1.0)
EUR	(49,455)	(1.0)	49,455	1.0
GBP	34,096	0.6	(34,096)	(0.6)
Net change	33,075		(33,075)	
Effect on income		2011		2011
		%		%
USD	(1,434,908)	(39.3)	1,434,908	39.3
EUR	(21,986)	(0.6)	21,986	0.6
GBP	(30,367)	(0.8)	30,367	0.8
Net change	(1,487,261)		1,487,261	

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

4. **Financial risk management (continued)**

(c) Market risk (continued)

Concentration risk – geographical

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

	In Ghana 2012	**Outside Ghana 2012**	In Ghana 2011	Outside Ghana 2011
Assets				
Cash and balances with Bank of Ghana	**9,673,234**	**-**	42,177,069	-
Government securities	**72,777,974**	**-**	79,942,233	-
Due from other banks	**96,846,573**	**17,009,078**	54,644,500	8,228,734
Loans and advances to customers	**16,616,224**	**-**	6,20,889	-
Other assets (excluding prepayment)	**4,145,205**	**-**	2,893,997	-
Total assets	**200,059,210**	**17,009,078**	179,657,799	8,228,734
Liabilities				
Due to customers	**115,765,018**	**-**	107,306,608	-
Due to other financial institutions	**35,986,805**	**-**	23,747,364	-
Other liabilities	**5,121,990**	**-**	4,232,942	-
Total liabilities	**156,872,813**	**-**	135,286,914	-

d) Fair values of financial assets and liabilities

(i) Financial instruments not measured at fair value

The table below summaries the carrying amounts and fair values of those financial assets and liabilities not presented on the statement of financial position at their fair values:

	Carrying amount 2012	Carrying amount 2011	**Fair value 2012**	Fair value 2011
Financial assets				
Cash and balances with Bank of Ghana (Note 14)	**9,673,234**	47,177,069	**9,673,234**	47,177,069
Government securities(classified as held to maturity) (Note 15)	**72,938,404**	79,942,233	**72,777,974**	79,942,233
Loans and advances to customers Note (17)	**16,616,224**	6,020,889	**16,616,224**	6,020,889
Due from banks (Note 16)	**113,855,651**	113,855,651	**113,855,651**	113,855,651
Other assets (excluded prepayments) (Note 21)	**4,145,205**	2,893,997	**4,145,205**	2,893,997
Financial liabilities				
Due to other financial institutions	**35,986,805**	23,747,364	**35,986,805**	23,747,364
Deposits due to customers	**113,855,651**	107,306,608	**113,855,651**	107,306,608
Other liabilities	**5,121,990**	4,232,942	**5,121,990**	4,232,942

4. **Financial risk management (continued)**

Off-balance sheet financial instruments

	2012	2011
Loan commitment ,Guarantees, acceptances and other financial facilities	**4,180,746**	**619,944**

(ii) Loans and advances to other financial institutions

Loans and advances to other financial institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) Loans and advances to customers

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

(d) Fair values of financial assets and liabilities (continued)

(iv) Government securities

The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Government securities (Held to maturity) disclosed in the table above comprise only those securities with more than 180 days to maturity and were classified held to maturity. The fair value for these assets is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other government securities are already measured and carried at fair value.

(v) Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of approximates their fair value.

(vi) Off-balance sheet financial instruments

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

(vii) Financial instruments measured at fair value

Refer to note 15.

(d) Fair values of financial assets and liabilities (continued)

(di) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of Bank of Ghana's securities and other derivative contracts.

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. As at 31 December 2012, the Bank did not hold any level 3 financial assets and/or liabilities.

This hierarchy requires the use of observable market data when available. The Bank considers relevant observable market prices in its valuation where possible. Financial instruments measured at fair value at 31 December 2012 were classified as follows:

31 December 2012

	(Level 1)	**Total**
Available for sale securities		
Government securities (treasury bills with a maturity of 182 days or less) (Note 15)	72,777,974	72,777,974

31 December 2011

	(Level 1)	**Total**
Available for sale securities		
Government securities (treasury bills with a maturity of 182 days or less) (Note 15)	72,777,974	79,777,974

e) Capital management

The bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): stated capital, share premium, income surplus, and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves and other reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

There have been no material changes in the bank's management of capital during the period.

(All amounts are expressed in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements set by Bank of Ghana;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis

e) Capital management (continued)

Bank of Ghana requires each bank to: (a) hold the minimum level of regulatory capital of GH¢60 million; (b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%;

The table below summarises the composition of regulatory capital and the ratios at 31 December:

Tier 1 Capital

	2012	2011
Share capital	**60,000,000**	60,000,000
Statutory reserve	**4,799,733**	1,827,615
Income surplus	**2,669,253**	1,827,615
Tier 1 Capital		
Less:	**67,468,986**	63,655,230
Intangibles	**2,264,224**	2,307,403
Net Tier 1 Capital	**65,204,762**	61,347,827
Tier 2 capital		
Total regulatory capital	**65,204,762**	61,347,827
Risk weighted assets		
- On balance sheet	**51,378,542**	29,950,538
- Off balance sheet	**4,180,746**	619,994
Total risk weighted assets	**55,559,288**	30,570,532
50% of net open position	**3,414,369**	4,609,743
100% of three years average annual gross income	**13,750,633**	10,368,910
Adjusted asset base	**72,724,289**	45,549,185
Capital adequacy ratio	**90%**	135%

Total tier 1 capital excludes regulatory credit risk reserve.

Notes to the financial statements

For the year ended 31 December 2012

5. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. This is done by the Credit Risk function of the Bank. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows (based on the customer’s financial situation and the net realisable value of any underlying collateral) are reviewed regularly by the Credit Risk function to reduce any differences between loss estimates and actual loss experience.

Collectively assessed impairment allowances cover credit losses inherent in portfolio of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but which the individual impaired items cannot yet be identified. A component of collectively assessed allowances is industry risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective impairments.

(b) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Determining fair values

The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade frequently and have little 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.

5. Critical accounting estimates and judgements in applying accounting policies (continued)

(d) Held-to-maturity financial assets

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturing as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its positive intention and ability to hold such assets to maturity. If the Bank fails to keep these assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to classify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

(e) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where th final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Energy Bank Ghana Limited

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For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

6. Interest income

	2012	2011
Cash and short term funds	**6,909,625**	3,968,824
Government securities	**10,424,136**	5,104,820
Loans and advances	**880,196**	331,557
	18,213,957	9,405,201

7. Interest expense

Time and other deposits	**3,918,304**	1,257,139
Interest on money market borrowing	**2,766,048**	496,076
	6,684,352	1,753,215

8. Fee and commission income

Arrangement, facility &brokerage fees	**159,844**	15250
Commission	**1,160,492**	462,142
	1,320,336	477,393

9 Other income

Gain on forex trading	**4,313,825**	2,215,180
Sundry income	**44,467**	24,352
	4,358,292	2,239,532

10. Operating expenses

Staff costs (Note 11)	**3,172,812**	1,501,287
Advertising and marketing	**57,440**	47,792
Occupancy cost	**2,661,386**	1,332,666
Donation and subscription	**62,757**	66,284
Bank charges	**50,840**	145,153
Printing, stationery and related cost	**125,895**	130,362
Travel, transport & accommodation	**286,520**	263,394
Communication	**111,910**	73,726
ATM expense	**68,847**	51,058
Training	**37,728**	33,803
Depreciation	**1,557,984**	779,322
Directors' remuneration	**15,791**	17,441
Other board related expense	**43,924**	18,108
Legal and consultancy	**17,506**	11,733
Auditor's remuneration	**40,000**	16,000
Other operational cost	**1,257,809**	818,365
	9,569,149	5,306,494

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

11. Staff costs

	2012	2011
Wages, salaries, bonus and allowance	**2,132,475**	1,094,330
Contractual staff	**159,198**	143714
Leave allowance	**140,547**	124,862
Medical expense	**394,406**	15,101
Other staff benefits	**346,186**	123,280
	3,172,812	1,501,287

The average number of persons employed by the bank during the year was 78 **(**2011: 55).

12. Impairment charge on loans and advances

	2012	2011
Individually assessed (Note 17)	**69,163**	61,506

13. Income tax expense

Current income tax (Note 21)	**1,546,197**	980,883
Deferred income tax (Note 22)	**2,228**	364,797
	1,545,425	1,345,680

The tax on the profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits as follows:

	2012	2011
Profit before income tax	**7,569,921**	5,000910
Tax using the enacted tax rate (25%)	**1,892,480**	1,250,228
Non-tax deductible expenses	**(346,283)**	(269,345)
Items taxed at different rate	**2,228**	364,797
Overall tax charge	**1,548,425**	1,345,680
Effective tax rate	**20%**	27%

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

14. Cash and balances with Bank of Ghana

	2012	2011
Cash in vault	**4,358,105**	1,839,262
Balances with the Bank of Ghana	**5,315.129**	40,337,807
	9,673,234	42,177,069

The balances with Bank of Ghana include non-interest bearing mandatory reserve deposits of GH¢5,315,129 (2011: GH¢9,657,594.72). These funds are not available to finance the Bank's day-to-day operations.

15. Government securities

	2012	2011
Securities classified as available-for-sale		
Maturing within 91 days of the date of acquisition	**72,777,974**	76,751,733

The movement in government securities is summarised as follows:

	2012	2011
At 1 January	**76,751,733**	-
Additions	**(160,430)**	76,751,733
Gain/(loss) from changes in fair value		
Disposals (sale and matured)	**3,813,329**	-
At 31 December	**72,777,974**	76,751,733

16. Due from banks

	2012	2011
Current account with foreign banks	**17,009,078**	8,228,734
Items in course of collection	**1,082,154**	788,556
Balances with local financial institutions	**95,764,419**	53,855,944
	113,855,651	62,873,234

Notes to the financial statements

For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

17. Loans and advances to customers

Analysis by type of facility		
Overdrafts	**4,509,761**	1,580,551
Term loan	**11,882,477**	4,186,667
Staff	**354,655**	315,177
Gross loans and advances	**16,746,893**	6,082,395
Allowances for impairment	**(130,669)**	61,506)
	16,616,224	6,020,889

Analysis by business segments		
Commerce and finance	**-**	5,767
Transport, storage and communication	**11,614,004**	5,761,451
Service	**625,611**	-
Miscellaneous	**4,507,278**	315,177
Gross loans and advances	**16,746,893**	6,082,395
Less: Allowances for impairment	**(130,669)**	(61,506)
	16,616,224	6,020,889

Analysis by type of customer	**2012**	2011
Individuals	**434,557**	5,767
Private enterprise	**15,957,681**	5,761,451
Staff	**354,657**	315,177
Gross loans and advances	**16,746,893**	6,082,395
Less: Allowances for impairment	**(130,669)**	(61,506)
	16,616,224	6,020,889

Advances to employees at 31 December 2012 amounted **GH¢354,655** (2011: GH¢315,177). Maximum staff indebtedness during the year amounted to **GH¢39,478** (2011: GH¢315,177).

Analysis of maturity		
Due after 3 months but within 12 months	**6,790,946**	1,580,551
Due after 12 months but within 5 years	**9,955,949**	4,501,844
	16,746,893	6,082,395
Less: Allowances for impairment	**(130,669)**	(61,506
	16,616,224	6,020,889

Notes to the financial statements
For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

Analysis by commercialisation		
Commercial	**15,976,240**	5,767,218
Others	**770,655**	315,177
	16,746,893	6,082,395
Less: Allowances for impairment	**(130,669)**	(61,506)
	16,616,224	6,020,889
Analysis by security		
Secured	**16,680,893**	6,082,395
Unsecured	**65,000**	0
	16,746,893	6,020,395
Less: Allowances for impairment	**(130,669)**	(61,506)
	16,616,224	6,082,395
Loan loss provision	**1%**	1%
Gross non-performing loans ratio	**NIL**	NIL
50 largest exposures to total exposures	**NIL**	NIL

Movement in the Bank’s impairment allowance is as follows:

Movement in impairment allowance	**Individually assessed**	**Total**
Balance at 1 January 2012	61,506	**61,506**
Impairment - charge to profit and loss account (Note 12)	69,163	**69,163**
Balance at 31 December 2012	130,669	**130,669**
Balance at 1 January 2011	-	-
Impairment - charge to profit and loss account (Note 12)	61,506	61,506
Balance at 31 December 2011	61,506	61,506

(All amounts are expressed in Ghana cedis unless otherwise stated)

18. Property and equipment

	Motor vehicles	Furniture and fittings	Computers	Equipment	Leasehold equipment	Total
Cost						
At 1 January 2012	301,926	481,704	1,008,094	497,312	698,032	**2,987,068**
Additions	203,542	200,656	1,262,385	396,218	589,895	**2,652,696**
At 31 December 2012	**505,468**	**682,360**	**2,270,479**	**893,530**	**1,287,927**	**5,639,764**
Accumulated depreciation						
At 1 January 2012	47,359	23,715	145,272	47,816	21,022	**285,184**
Charge for the year	89,286	116,719	335,304	119,719	99,549	**760,712**
At 31 December 2012	**136,645**	**140,569**	**480,576**	**167,535**	**120,571**	**1,045,896**
Net book value At 31 December 2012	**368,823**	**541,791**	**1,789,903**	**725,995**	**1,167,356**	**4,593,868**

	Motor vehicles	Furniture and fittings	Computers	Equipment	Leasehold equipment	Total
Cost						
At 1 January 2011	-	-	-	-	-	-
Additions	301,926	1,008,094	497,312	481,704	698,032	2,987,068
At 31 December 2011	301,926	1,008,094	497,312	481,704	698,032	2,987,068
Accumulated depreciation						
At 1 January 2011	-	-	-	-	-	-
Charge for the year	47,359	145,272	47,816	23,715	21,022	285,184
At 31 December 2011	47,359	145,272	47,816	23,715	21,022	285,184
Net book value At 31 December 2011	254,567	862,822	449,496	457,989	677,010	2,701,884

Notes to the financial statements
For the year ended 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

19. Intangible assets

Computer software	2012	2011
At 1 January	2,801,541	-
Additions	754,093	2,801,541
At 31 December	3,555,634	2,801,541
Amortisation		
At 1 January and at 31 December	494,138	-
Charge for the year	797,272	494,138
At 31 December	1,291,410	494,138
Net book value at 31 December	2,264,224	2,307,403

20. Other assets

	2012	2011
Prepayments	1,703,154	1,358,615
Interest earned not collected	1,518,356	1,202,686
Other receivables	2,635,849	1,691,311
	5,857,358	4,252,612

21. Current tax (recoverable)/payable

Year of assessment	Balance 1/1/12	Charge for the year	Payments	Balance 31/12/12
Up to 2011	968,383	-	(1,333,180)	(364,797)
2012	-	1,546,197	(500,000)	1,046,197
	968,383	1,546,197	(1,833,180)	681,400

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For the year ended 31 December 2012

21. **Current tax (recoverable)/payable (continued)**

2012

	Balance 1/1/11	Charge for the year	Payments	Balance 31/12/11
Year of assessment				
Up to 2011		980,883	(12,500)	968,383
	-	980,883	(12,500)	968,383

22. **Deferred income tax (asset)/liability**

Deferred income taxes are calculated using the enacted tax rate of **25%** (2012: 25%). The movement on deferred tax account is as follows:

	2012	2011
At 1 January	**364,797**	-
Recognised in income statement	**2,228**	364,797
At 31 December	**327,025**	364,797
Made up as follows:		
Deferred tax asset	**(52,540)**	380,173
Deferred tax liability	**419,565**	(15,376
Net deferred tax assets	**327,025**	364,797

23. **Due to customers**

	2012	2011
Current accounts	**48,841,339**	59,428,823
Savings	**16,332,431**	2,223,749
Time deposits	**50,591,298**	45,654,036
	115,765,018	107,306,608
Analysis by type of depositors		
Financial institutions		
Individual and other private enterprise	**66,185,773**	86,692,605
Government department &agencies	**49,579,247**	20,614,003
	115,765,018	107,306,608

The twenty largest depositors constituted **80%** (2011: 60%) of the total amount due to customers.

	2012	2011
Current	**38,663,788**	39,671,578
Non-current	**56,502,612**	24,714,623
	95,166,400	64,386,201

24. **Due to other financial institutions**

	2012	2011
Overnight borrowings	**35,986,805**	23,747,364

25. **Other liabilities**

	2012	2011
Accrued Interest payable	**674,352**	334,473
Interest receivable from treasury bill	**3,757,716**	3,411,643
Other creditors and accruals	**711,922**	486,826
	5,121,990	4,232,942

Other payables include an amount of **GH¢27,222**(2011: GH¢**0**) held as collateral for irrevocable commitments under letters of credit.

	2012	2011
Current	**27,222**	-
Non-current	**-**	-
	27,222	-

26. **Stated capital**

	No. of Shares	**Proceeds**
Authorised shares of no par value	**100,000,000**	
Issued ordinary shares for cash consideration	**60,000,000**	**60,000,000**

27. Statutory reserve fund

	2012	2011
At 1 January	**1,827,615**	-
Transfer from income surplus account	**3,010,748**	1,827,615
At 31 December	**4,838,363**	1,827,615

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by Section 29 of the Banking Act, 2004 (Act 673). The proportion of net profits transferred to this reserve ranges from 12.5% to 50% of net profit after tax, depending on the ratio of existing statutory reserve fund to paid-up capital.

28. Regulatory credit risk reserve

	2012	2011
At 1 January	**-**	
Transfer from income surplus account	**140,994**	-
At 31 December	**140,994**	-

Regulatory credit risk reserve represents the excess of loan impairment provision determined under the Bank of Ghana guidelines over the provisions for loan impairment.

Notes to the financial statements

For the year ended 31 December 2012

29. Other reserve- Available for sale securities

This is the fair value movement on available for sale financial assets.

30. Income surplus account

This amount represents the accumulated annual profit after appropriations available for distribution.

31. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition including: cash and balances with Bank of Ghana, treasury bills, other eligible bills and amounts due from and to banks. Cash and cash equivalents exclude the mandatory reserve requirement held with Bank of Ghana.

	2012	2011
Cash and balances with bank of Ghana (Note 14)	**9,673,234**	42,177,069
Government securities (Note 15)	**72,777,974**	79,947,233
Due from banks and other financial institution (Note 16)	**113,855,651**	62,873,234
	196,306,859	184,992,536

32. Contingencies and commitments

Contingencies

The Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The value of these securities is not recognised in the statement of financial position.

	2012	2011
Letters of credit	**4,180,746**	619,994

Nature of contingent liabilities

Letters of credit commits the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Commitments

There was no commitment as at the end of the year.

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(All amounts are expressed in Ghana cedis unless otherwise stated)

33. Related party transactions

This relates to intercompany dealings and transactions with key management personnel.
In the normal course of business, current accounts were operated and other transactions carried out with related parties. The balances outstanding as at year-end were as follows:

Amounts due to:	**2012**	2011
a) Loans to officers		
Officers and employees	442,677	315,177
Interest expense on the above	**(88,020)**	-
	354,657	315,177

b) Transactions with Directors and Key Management Personnel

Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Bank. These personnel are the Executive Directors of the Bank.

During the year, there were no significant related party transactions with companies or customers of the Bank where a Director or any connected person is also a director or key management members of the Bank. The bank did not make provision in respect of loans to Directors or any key management member during the period under review.

(i) Advances to related parties

Advances to customers at 31 December 2012 and 31 December 2012 include loans to related parties (directors and companies controlled by directors) as follows:

	2012	2011
At 1 January	**5,767,218**	-
Loans advanced during the year	**6,721,185**	7,600,000
Loans repayments received	**(770,553)**	(1,832,782)
At 31 December	**11,717,850**	5,767,218

The above loan granted to a related party was at an arm's length. The terms of the credit facility are not less favourable to the bank than those normally offered to other persons.

ii) Deposits from directors

	2012	2011
At 1 January	**261,036**	-
Net movement during the year	**156,889**	261,036
At 31 December	**417,925**	261,036

(iii) Directors' remuneration

Directors

Other emoluments	15,790	17,441

34. Social responsibility

In furtherance of our corporate social responsibility, the Bank supported initiatives totaling **GH¢24,140** (2011: GH¢50,000) to cover activities in the Bank's key areas of concern, namely health, education and the environment. These included donations and support for tertiary institutions, programmes for trainee professionals, health and charitable institutions and cultural and other social events.

35. Breaches in Statutory liquidity and Sanctions

There were two breaches with respect to the Bank failing to inform Bank of Ghana of the absence of the Managing Director who proceeded on leave and failing to submit annexures of daily forex open position return. A penalty of GH¢18,000 was imposed on the bank. (2011: GH¢ Nil).