ENERGY BANK GHANA LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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CORPORATE INFORMATION

Board of directors	Barrister Dr. Jimoh Ibrahim (OFR)	- Chairman
	Mr Samuel Ayininuola	- Chief Executive Officer
	Dr Amos Akingba	- Member
	Alhaji Baba Kamara	- Member
	Mr. Emmanuel Jegede	- Member
	Mr. David Adom	- Member
	Mr. Adewale Folowosele	- Member
	Barrister Adedamola Aderemi	- Member
	Ms Ophelia Attobrah	- Member

Company Secretary/
Legal Advisor

Mathias Sawmine
GNAT Heights
30 Independence Avenue
Accra, Ghana

Auditor

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

Registered office

GNAT Heights
30 Independence Avenue
Accra, Ghana

Correspondent Banks

Bank of Ghana
United Bank of Africa
Commerz Bank, Frankfurt
Standard Chartered Bank, New York
Ghana International Bank, UK
First Bank Nigeria, PLC.
KBC Bank, Belgium
Standard Chartered Bank, Frankfurt Main

REPORT OF THE DIRECTORS

In accordance with the requirements of section 132 of the Companies Act, 1963, (Act 179), the Directors have the pleasure in presenting the financial report of the bank for the year ended 31st December, 2013.

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 and suitable accounting policies are used and consistently applied.

Principal Activity

The principal activity of the bank is the provision of banking and financial services. There was no change in the principal activity of the bank in 2013. The bank operates under the Banking Act 2004(Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738). The bank is regulated by the Bank of Ghana.

Financial Results

The Bank recorded a net profit after tax of GH¢5,537,486 as against a net profit of GH¢6,021,496 in 2012. The decrease in profit can be attributed to a higher tax rate resulting from the introduction of the national stabilization levy during the year.

The balance sheet increased from GH¢225,638,534 in 2012 to GH¢245,231,485 in 2013 primarily due to an increase in investments. The details of the results for the year are set out on pages 7 to 10.

Energy Investment

The Bank formed a subsidiary during the year called Energy Investment Limited. Its principal activities will include investment advisory, asset and fund management, investment banking, treasury management, and corporate finance.

The Bank did not consolidate the subsidiary because the subsidiary is yet to commence operations.

Issue of Shares

During the year 2013, the Bank did not issue any ordinary shares out of its authorised shares of 100 million.

Auditor

The auditor, Messrs. Deloitte & Touché, has indicated its willingness to continue in office. A resolution will be presented at the 2013 Annual General Meeting to determine their remuneration.

ON BEHALF OF THE BOARD:

Name: **Name:**

Signed .... **Signed...............................**

CORPORATE GOVERNANCE

Introduction

Energy Bank Ghana limited is committed to the principles and implementation of good corporate governance. The bank recognises the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The bank is managed in a way that maximizes long-term shareholder value and takes into account the interest of all its stakeholders.

Energy Bank Ghana Limited believes that full disclosure and transparency in its operations are in the interests of good governance. 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, Six (6) 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 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, review 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.

ii) The Credit Committee

The Credit 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.

Finance Committee

The finance committee comprises the Chief Executive Officer, the executive director and any two non-executive directors, one of who shall be the Chairman.

The committee is responsible for determining the broad financial policy and capital plan of the Bank. The committee is also responsible for reviewing and advising on the financial operations, budgeting issues, and liquidity position 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.

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Chairman **Managing Director**

Independent auditors' 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 on pages 7 to 49 which comprise the financial position as at 31 December, 2013, income statement, statement of changes in equity and statement of cash flows for the year then ended, together with the summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 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 as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the Bank has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies Act, 1963 (Act 179), and the Banking Act, 2004 (Act 673), as amended by the Banking (Amendment) Act, 2007 (Act 738). The financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013, and of its financial performance and cash flows for the year then ended and are drawn up in accordance with the International Financial Reporting Standards (IFRS).

Report on Other Legal and Regulatory Requirements

The Ghana Companies Act, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters.

We confirm that:

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

ii. In our opinion proper books of accounts have been kept by the Bank, so far as appears from our examination of those books, and

iii. The Balance Sheet [Statement of Financial Position] and Profit & Loss [Income Statement] of the Bank are in agreement with the books of accounts.

The Banking Act 2004 (Act 673), section 78 (2), requires that we state certain matters in our report

We hereby state that:

i. The accounts give a true and fair view of the state of affairs of the Bank and its results for the period under review

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

iii. The Bank transactions are within their powers and

iv. The Bank has generally complied with the provisions of Act 673 and the Banking (Amendment) Act of 2007.

Deloitte & Touche
Licence Number: ICAG/F/129
Chartered Accountants

Date:………………………………………………

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2013	Note	**2013**	2012
Assets		**GH¢**	GH¢
Cash and balances with Bank of Ghana	14	**16,133,296**	9,673,234
Financial Investments	15	**99,333,981**	72,777,974
Due from other banks and financial institutions	16	**92,593,793**	113,855,651
Equity investment	32	**9,750,000**	-
Loans and advances to customers	17	**13,689,042**	16,616,224
Other assets	20	**5,811,115**	5,857,359
Property and equipment	18	**6,385,240**	4,593,868
Intangible assets	19	**1,535,018**	2,264,224
Total assets		**245,231,485**	225,638,534
Liabilities			
Customer deposits	23	**92,617,815**	115,765,018
Due to other banks	24	**70,049,178**	35,986,805
Interest payable and other liability	25	**10,804,779**	5,121,990
Current income tax payable	21	**1,030,489**	681,400
Deferred income tax	22	**377,722**	367,025
Total liabilities		**174,879,983**	157,922,238
Equity			
Stated capital	26	**60,000,000**	60,000,000
Statutory reserve fund	27	**7,607,106**	4,838,363
Regulatory credit risk reserve	28	**1,026,044**	140,994
Other reserve	29	**(182,710)**	(160,430)
Income surplus account	30	**1,901,062**	2,897,369
Total Equity		**70,351,502**	67,716,296
Total Equity and Liabilities		**245,231,485**	225,638,534

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

Approved by the Board on -------------------------------, 2014

INCOME STATEMENT

	Note	2013	2012
		GH¢	GH¢
Interest income	6	**27,863,628**	18,213,957
Interest expense	7	**(12,606,645)**	(6,684,352)
Net interest income		**15,256,983**	11,529,605
Fee and commission	8	**1,369,898**	1,320,336
Operating income		**16,626,881**	12,849,941
Other income	9(a) & (b)	**6,976,216**	4,358,292
Total income		**23,603,097**	17,208,233
Operating expenses	10	**(15,576,480)**	(9,569,149)
Impairment losses	12	**-**	(69,163)
Profit before tax		**8,026,617**	7,569,921
Income tax expense	13	**(2,076,059)**	(1,548,425)
National fiscal stabilization levy		**(413,072)**	-
Profit for the year		**5,537,486**	6,021,496

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2013	2012
	GH¢	GH¢
Profit for the year	**5,537,486**	6,021,496
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale fair valuation movement	**(182,710)**	(160,430)
Recycled during the year	**160,430**	-
Total comprehensive income	**5,512,206**	5,861,066

STATEMENT OF CHANGES IN EQUITY

	Stated capital GH¢	Statutory reserve GH¢	Regulatory credit risk reserve GH¢	Income surplus account GH¢	Other reserves GH¢	Total GH¢
Balance at 1 January 2013	**60,000,000**	**4,838,363**	**140,994**	**2,897,369**	**(160,430)**	**67,716,296**
Total Comprehensive income	**-**	**-**	**-**	**5,537,486**	**(22,280)**	**5,515,206**
Transfer to Statutory Reserves	**-**	**2,768,743**	**-**	**(2,768,743)**	**-**	**-**
Dividend Paid	**-**	**-**	**-**	**(2,880,000)**	**-**	**(2,880,000)**
Transfer to credit Reserve	**-**	**-**	**885,050**	**(885,050)**	**-**	**-**
Balance at 31 December 2013	**60,000,000**	**7,607,106**	**1,026,044**	**1,901,062**	**(182,710)**	**70,351,502**

2012

	Stated capital GH¢	Statutory reserve GH¢	Regulatory credit risk reserve GH¢	Income surplus account GH¢	Other reserves GH¢	Total GH¢
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 Reserves	-	3,010,748	-	(3,010,748)	-	-
Dividend Paid	-	-	-	(1,800,000)	-	(1,800,000)
Transfer to credit Reserve	-	-	140,994	(140,994)	-	-
Balance at 31 December 2012	60,000,000	4,838,363	140,994	2,897,369	(160,430)	67,716,296

STATEMENT OF CASH FLOWS

	Note	2013	2012
		GH¢	GH¢
Reconciliation of operating profit to operating cash flow			
Profit before tax		**8,026,617**	7,569,921
Depreciation and amortization	18&19	**3,092,424**	1,557,984
Impairment loss	12	**-**	69,163
Fair value adjustment in available for sale securities		**(22,280)**	(160,430)
		11,096,761	9,036,638
Changes in operating assets and liabilities			
Loans and advances	17	**2,927,182**	(10,664,498)
Other assets	20	**46,244**	(1,604,747)
Customer deposits	23	**(23,147,203)**	8,458,410
Amount due to banks	24	**34,062,373**	12,239,441
Other liabilities	25	**5,682,789**	889,048
Corporate tax	21	**(2,129,345)**	(1,833,180)
Net cash generated from/(used in) operating activities		**28,538,801**	16,521,112
Cash flows from investing activities			
Purchase of property and equipment	18&19	**(4,154,590)**	(3,406,789)
Investment in Energy investment	32	**(9,750,000)**	-
Cash flows from financing activities			
Dividend paid		**(2,880,000)**	(1,800,000)
Net cash (used in)/generated from financing activities			
Net increase /(decrease) in cash and cash equivalents		**11,754,211**	11,314,323
Cash and cash equivalents at start of year		**196,306,859**	184,992,536
Cash and cash equivalents at end of year	31	**208,061,070**	196,306,859

Operational Cash flows from interest:

Interest paid	**(12,267,778)**	(6,010,000)
Interest Received	**27,045,874**	16,695,602
	14,778,096	10,685,602

NOTES

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, retail, corporate and private banking. The address of the Bank's registered office is:

GNAT Heights
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) Application of new and revised International Financial Reporting Standards

During the year, there were certain amendments and revisions to some of the standards. **The nature and the impact of each new standards and amendments is described below:**

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.
The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the company's financial position or performance.

IAS 1 Financial statement presentation (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2013 and requires that items of other comprehensive income be grouped in Items that would be reclassified to profit or loss at a future point and items that will never be reclassified. This amendment only effects the presentation in the financial statements.

IAS 12 Income taxes (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2013 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. This amendment will have no impact on the company after initial application.

NOTES (CONT'D)

IAS 19 Post employee benefits (Amendment)

IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes include the following:

All past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. As a result, unvested past service costs can no longer be deferred and recognized over the future vesting period.

The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. These amendments had no impact on the company.

Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36.
In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The company has not early adopted these amendments and hence had no impact on the company.

IFRS 1 *Government Loans — Amendments to IFRS 1*

The IASB added an exception to the retrospective application of IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement*, as applicable) and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, 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 those loans. The exception will give first-time adopters relief from retrospective measurement of government loans with a below market rate of interest. As a result of not applying IFRS 9 (or IAS 39, as applicable) and IAS 20 retrospectively, first-time adopters will not have to recognize the corresponding benefit of a below-market rate government loan as a government grant. Effective for annual periods beginning on or after 1 January 2013. These have no impact on the company.

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

These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures will 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 recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized 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. Effective for periods beginning on or after 1 January 2013 These have no impact on the company

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39*

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendment covers novations:
• That arise as a consequence of laws or regulations, or the introduction of laws or regulations
• Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
• That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing
All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

NOTES (CONT'D)

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

Effective for periods beginning on or after 1 January 2014 These have no impact on the company

IFRIC 21 *Levies*

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached.
The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. Effective for periods beginning on or after 1 January 2014. These have no impact on the company.

IFRS 1 First-time Adoption of international Financial Reporting Standards (Amendment)

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)
The amendment is effective for annual periods beginning on or after 1 July 2012. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS.

IFRS 7 Financial Instruments: Disclosures - Transfer of financial assets (Amendment)

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- Financial assets are derecognized in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- Financial assets are not derecognized in their entirety - The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

IFRS 9 Financial Instruments: Classification and Measurement

A revised version of IFRS 9 (supersedes IFRS 9 (2009)) incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. However, for annual reporting periods beginning before 1 January 2015, an entity may early adopt IFRS 9 (2009) instead of applying this Standard. The impact of adoption depends on the assets held by the Company at the date of adoption as it is not practicable to quantify the effect.

IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosure of Interest in Other Entities.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new definition of control that applies to all entities. The changes will require management to make significant judgment to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group.

NOTES (CONT'D)

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities

Non-monetary Contributions by Ventures. IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognizes its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation).

IFRS 12 includes all the disclosures that were previously required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities as well as a number of new disclosures. An entity is now required to disclose the judgments made to determine whether it controls another entity.

The company will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the Group 1 July 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The company will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group 1 July 2013.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2012 with retrospective application. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

Improvements to IFRSs (issued in 2010)

The following summarizes the six amendments included that will be effective for June 2013 year ends:
IFRS 1 *First-time Adoption of International Financial Reporting Standards*
Accounting policy changes in the year of adoption - The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 Interim Financial Reporting, it has to explain those changes and update the reconciliations between previous GAAP and IFRS.
Revaluation basis as deemed cost - The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such re-measurement occurs after the date of transition to IFRS, but during the period covered by its first IFRS financial statements the adjustment is recognized directly in retained earnings (or if appropriate, another category of equity).

IFRS 7 *Financial Instruments Disclosures*

The amendment clarifies disclosures by emphasizing the interaction between quantitative and qualitative disclosures and nature and extent of risks associated with financial instruments.

IAS 1 *Presentation of Financial Statements - Clarification of statement of changes in equity*
The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

NOTES (CONT'D)

IFRIC 13 *Customer Loyalty Programmes - Fair value of award credit*
The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is applied retrospectively.

IAS 34 *Interim Financial Statements - Significant events and transactions*
The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around circumstances likely to affect fair values of financial instruments and their classification.

IAS 16 *Property, Plant and Equipment*

Classification of servicing equipment
The amendment 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*

Tax effects of distributions to holders of equity instruments
The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

(d) 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 notes.

Some of the estimates and judgments are:

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, judgment 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.

NOTES (CONT'D)

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.

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.

Deferred tax assets

Deferred tax assets are recognized 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 utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, 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.

(e) 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

(a) 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.

NOTES (CONT'D)

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

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.

(b) 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 where 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.

(c) 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.

(d) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have been 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.

(e) ***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

NOTES (CONT'D)

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

(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. Where the Bank has 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.

(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.

(f) 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.

(g) 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:

NOTES (CONT'D)

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

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.

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.

NOTES (CONT'D)

3. **Significant accounting policies (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.

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.

(h). 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:

Leased Items	Over unexpired lease period
Furniture & fittings	20%
Computer (Software & hardware)	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 (CONT'D)

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.

(i) 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).

(j) 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.

(k) 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.

(l) 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 of Ghana, amounts due from other banks and other short-term government securities.

(m) 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.

NOTES (CONT'D)

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

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.

(n) Employee benefits

(i) Retirement benefit obligations

The Bank contributes to a defined contribution scheme (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.

(ii) Other entitlements

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

(o) 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.

(p) 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 company 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.

(q) 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.

(r) 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.

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.

NOTES (CONT'D)

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

(s) 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.

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.

4. Financial risk management (continued)

a) Credit risk

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.

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

	2013		2012	
The Bank	**Overdrafts**	**Term loan**	Overdrafts	Term loan
	GH¢	**GH¢**	GH¢	GH¢
Neither past due nor impaired	**1,663,494**	**12,025,548**	4,509,759	12,237,134
Past due but not impaired	**-**	**-**	-	-
Impaired	**-**	**-**	-	-
Gross loans and advances	**1,663,494**	**12,025,548**	4,509,759	12,237,134
Less: allowance for impairment	**-**	**-**	-	130,669
Net loans and advances	**1,663,494**	**12,025,548**	4,509,759	12,106,465

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. The ratings are Current, Olem, Substandard, Doubtful and Loss depending on number of days of delinquency. 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. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	2013	2012
Past due up to 30 days	**-**	**-**
Past due 30-60 days	**-**	**-**
	-	**-**

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

a) Credit risk

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:

	2013 GH¢	2012 GH¢
Individually assessed impaired loans and advances	-	69,163
Fair value of collateral	NIL	NIL

There were no term loans that were individually impaired.

Repossessed collateral

There were no repossessed assets as at 31 December 2013 (2012: 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.

Commitments and guarantees

	2013 GH¢	2012 GH¢
Bank guarantee	15,529,375	-
Bid security	139,951	-
Letters of credit	-	4,180,746
	15,669,326	4,180,746

a) Credit risk (continued)

Maximum exposure to credit risk before collateral held

The Bank's maximum exposure to credit risk at 31 December 2013 and 2012 is the same as the balances of the various financial assets in the statement of financial position listed below;

	2013	2012
	GH¢	GH¢
Balances with Bank of Ghana (Note 14)	**16,133,296**	9,673,234
Government and other securities (Note 15)	**99,333,981**	72,777,974
Due from other banks (Note 16)	**92,593,793**	113,855,651
Loans and Advances to customers (Note 17)	**13,689,042**	16,616,224
Other assets (excluding prepayments) (Note 20)	**1,252,370**	4,154,205
	223,002,482	217,077,288

Credit risk exposures relating to off-balance sheet items:

- Acceptances and letters of credit
- Bank guarantees, bid security and performance bonds

4. Financial risk management

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2013 and 31 December 2012, 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.

4. Financial risk management

b) Liquidity risk

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 by the Bank under financial liabilities/financial assets by remaining contractual maturities at the balance sheet date.

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

The Bank
As at 31 December 2013

Liabilities	Up to one months GH¢	Over one month but not more than three month GH¢	Over three months but not more than one year GH¢	Over one year but not more than five years GH¢	Over five years GH¢	Total GH¢
Due to customers	7,834,203	16,713,156	66,110,533	1,959,923	-	92,617,815
Loan commitment and Guarantees	-	-	4,122,091		-	4,122,091
Due to other Banks	70,049,178	-	-	-	-	70,049,178
Other liabilities	320,430	2,891,411	4,000,433	3,592,505	-	10,804,779
Total liabilities	78,203,811	19,604,567	74,233,057	5,552,428	-	177,593,863
Assets						
Cash and balances with Bank of Ghana	16,133,296			-	-	16,133,296
Government Securities	4,061,549	20,000,000	75,272,432	-	-	99,333,981
Due from other banks	-	92,593,793	-	-	-	92,593,793
Loans and advances to customers	2,400,542	879,143	3,366,536	7,042,821	-	13,689,042
Others assets(excluding prepayment)	124,089	623,883	504,398	-	-	1,252,370
Total assets	22,719,476	114,096,819	79,143,366	7,042,821	-	223,002,482
Cumulative liquidity gap	(55,484,335)	39,007,917	43,918,226	45,408,619	-	45,408,619

As at 31 December 2012

Total liabilities	27,498,902	23,011,613	15,183,567	59,373,672	-	125,067,754
Total assets	9,673,234	113,855,651	76,932,179	16,616,224	-	217,077,288
Cumulative liquidity gap	(17,825,668)	73,018,370	134,766,982	92,009,534	-	92,009,534

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.

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

Commitments and Guarantees maturity analysis

	On demand GH¢	Over one month but not more than three month GH¢	Over three months but not more than one year GH¢	Over one year but not more than five years GH¢	Over five years GH¢	Total GH¢
Bank guarantees	-	-	15,000,000	529,375	-	15,529,375
Bid Security	71,439	65,434	3,078	-	-	139,951
	71,439	65,434	15,003,078	529,375	-	15,669,326

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.

c) Market risk

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.

Impact on net interest income

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

	+25 basis points 2013	+25 basis points 2012	-25 basis points 2013	-25 basis points 2012
Effect on net interest income	**38,142**	28,824	**(38,142)**	(28,824)
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.

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

c) Market risk (continued)

The Bank
At 31 December 2013

Assets	**USD**	**GBP**	**Euro**
Cash and balances with Bank of Ghana	**861,696**	**9,710**	**231,447**
Due from other banks	**21,604,757**	**65,494**	**50,801**
Loans and advances to customers	**365,007**	**-**	**-**
Total	**22,831,460**	**75,204**	**282,248**
Due to customers	**7,796,730**	**11,903**	**491,927**
Due to other banks	**14,650,000**	**-**	**-**
Total	**22,446,730**	**11,903**	**491,927**
Net on balance sheet position	**384,730**	**63,301**	**(209,679)**
Net off balance sheet position	**1,946,678**	**-**	**-**
At 31 December 2012			
Total assets	27,234,633	566,364	191,652
Total liabilities	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	-	-

NOTES (CONTINUED)

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 foreign currency weakens 10% vs GH¢		**Impact on profit after tax if foreign currency strengthens 10% vs GH¢**	
Effect on income	**2013**		**2013**	
		%		**%**
USD	**(38,473)**	**(0.22)**	**38,473**	**0.22**
GBP	**(6,330)**	**(0.06)**	**6,330**	**0.06**
EUR	**20,968**	**0.17**	**(20,968)**	**(0.17)**
Net change	**(869,952)**		**869,952**	
Effect on income	2012		2012	
		%		%
USD	49,434	1.0	572,720	(1.0)
GBP	(49,455)	(1.0)	11,669	1.0
EUR	34,096	0.6	52,028	(0.6)
Net change	33,075		636,417	

NOTES (CONTINUED)
(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:

The Bank

	In Ghana 2013	**Outside Ghana 2013**	In Ghana 2012	Outside Ghana 2012
Assets	**GH¢**	**GH¢**	GH¢	GH¢
Cash and balances with Bank of Ghana	**16,133,296**	**-**	9,673,234	-
Government securities	**99,333,981**	**-**	72,777,974	-
Due from other banks	**45,576,365**	**47,017,428**	96,846,573	17,009,078
Loans and advances to customers	**2,759,042**	**10,930,000**	16,616,224	-
Other assets (excluding prepayment)	**1,252,370**	**-**	4,145,205	-
Total assets	**165,055,054**	**57,947,428**	200,059,210	17,009,078
Liabilities				
Due to customers	**92,617,815**	**-**	115,765,018	-
Due to other financial institutions	**59,274,338**	**10,774,840**	35,986,805	-
Other liabilities	**10,804,779**	**232,013**	5,121,990	-
Total liabilities	**162,696,932**	**11,006,853**	135,286,914	-

d) Fair values of financial assets and liabilities

(i) Financial instruments not measured at fair value - Bank

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 2013	Carrying amount 2012	**Fair value 2013**	Fair value 2012
Financial assets				
Cash and balances with Bank of Ghana (Note 14)	**16,133,296**	9,673,234	**16,133,296**	9,673,234
Government securities(classified as held to maturity) (Note 15)	**96,516,691**	72,938,404	**99,333,981**	72,777,974
Loans and advances to customers (Note 17)	**13,689,042**	16,746,893	**13,689,042**	16,746,893
Due from banks (Note 16)	**92,593,793**	113,855,651	**92,593,793**	113,855,651
Other assets (excluded prepayments) (Note 20)	**1,252,370**	4,145,205	**1,252,370**	4,145,205
Financial liabilities				
Due to other financial institutions (Note 24)	**70,049,178**	35,986,805	**70,049,178**	35,986,805
Deposits due to customers (Note 23)	**92,617,815**	115,765,018	**92,617,815**	115,765,018
Other liabilities	**10,484,349**	5,121,990	**10,484,349**	5,121,990

NOTES (CONTINUED)

Off-balance sheet financial instruments

	2013	2012
	GH¢	GH¢
Loan commitment ,Guarantees, acceptances and other financial facilities	**15,669,326**	4,180,746

(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

(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.

(viii) 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).

NOTES (CONTINUED)

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

• 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 2013, 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 2013 were classified as follows:

	(Level 1)	Total
Available for sale securities		
Government securities (treasury bills with a maturity of 182 days or less) (Note 15)	**99,333,981**	**99,333,981**

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**	**72,777,794**

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.

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.

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

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

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		
	2013	2012
Share capital	**60,000,000**	60,000,000
Statutory reserve	**7,607,106**	4,799,733
Income surplus	**1,901,062**	2,669,253
Tier 1 Capital	**69,508,168**	67,468,986
Less:		
Intangibles	**1,535,018**	2,264,224
Net Tier 1 Capital	**67,973,150**	65,204,762
Tier 2 capital		
Total regulatory capital	**67,973,150**	65,204,762
Risk weighted assets		
- On balance sheet	**45,134,401**	51,378,542
- Off balance sheet	**15,669,326**	4,180,746
Total risk weighted assets	**60,803,727**	55,559,288
50% of net open position	**215,798**	3,414,369
100% of three years average annual gross income	**24,079,362**	13,750,532
Adjusted asset base	**85,098,887**	72,724,189
Capital adequacy ratio	**80%**	90%

Total tier 1 capital excludes regulatory credit risk reserve.

NOTES (CONTINUED)

5. **Significant 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.

NOTES (CONTINUED)

5. **Significant 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 the 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.

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

	2013	2012
6. **Interest income**		
Cash and short term funds	**7,284,674**	6,909,625
Government securities	**19,735,991**	10,424,136
Loans and advances	**842,963**	880,196
	27,863,628	18,213,957
7. **Interest expense**		
Time and other deposits	**7,581,839**	3,918,304
Interest on money market borrowing	**5,024,806**	2,766,048
	12,606,645	6,684,352
8. **Fee and commission income**		
Arrangement, facility &brokerage fees	**115,569**	159,844
Commission	**1,254,329**	1,160,492
	1,369,898	1,320,336
9. **Other income**		
Gain on forex trading	**6,864,422**	4,313,825
Sundry income	**111,794**	44,467
	6,976,216	4,358,292

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

No amount included in fees and commission income with respect to fiduciary activities of the bank. (2012: Nil)

Operating expenses	**2013**	2012
Staff costs (Note 11)	**4,622,372**	3,172,812
Advertising and marketing	**227,949**	57,440
Occupancy cost	**4,066,246**	2,661,386
Donation and subscription	**256,072**	62,757
Bank charges	**35,491**	50,840
Printing, stationery and related cost	**169,736**	125,895
Travel, transport & accommodation	**609,647**	286,520
Communication	**226,923**	111,910
ATM expense	**6,114**	68,847
Training	**44,730**	37,728
Depreciation	**3,092,424**	1,557,984
Directors' remuneration (10a)	**46,718**	15,791
Other board related expense	**167,300**	43,924
Legal and consultancy	**14,904**	17,506
Auditor's remuneration	**62,000**	40,000
Penalty	**18,000**	18,000
Other operational cost	**1,909,854**	1,239,809
	15,576,480	9,569,149

10a. **Particulars of directors remuneration**

In line with section (128) of the Company's code, 1963 (Act 179) the following are the aggregate of the directors' remuneration

	2013	2012
Allowances and benefits in kind	**46,718**	15,791
Pension contribution	**-**	-
Bonus paid	**-**	-
	46,718	**15,791**

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

11. Staff Cost

Wages & salaries	**2,765,738**	2,132,475
Contractual staff	**300,740**	159,198
Leave allowance	**229,813**	140,547
Medical expense	**743,881**	394,406
Other staff benefits	**582,200**	346,186
	4,622,372	3,172,812

The average number of persons employed by the bank during the year was 107 **(**2012: 78).

12. Impairment charge on loans and advances

	2013	2012
Individually assessed (Note 17)	**-**	-
Collectively assessed (Note 17)	**-**	69,163
	-	69,163

13. Income tax expense

	2013	2012
Current income tax (Note 21)	**2,478,434**	1,546,197
Deferred income tax (Note 22)	**10,697**	2,228
	2,489,131	1,548,425

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:

	2013	2012
Profit before income tax	**8,026,617**	7,569,921
Tax using the enacted tax rate (30%)	**2,407,985**	1,892,480
Non-tax deductible expenses	**70,449**	(346,283)
Items taxed at different rate	**10,697**	2,228
Overall tax charge	**2,489,131**	1,548,425
Effective tax rate	**30%**	20%

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

14. Cash and balances with Bank of Ghana

	2013	2012
Cash in vault	**5,322,331**	4,358,105
Balances with the Bank of Ghana	**10,810,965**	5,315.129
	16,133,296	9,673,234

The balances with Bank of Ghana include non-interest bearing mandatory reserve deposits of GH¢8,335,603.33 (2012: GH¢10,418,851.62). These funds are not available to finance the Bank's day-to-day operations.

15. Financial Investments

	2013	2012
Securities classified as available-for-sale		
Government securities - at fair value	**99,280,301**	72,777,974
- Maturing within 91 days of the date of acquisition	**24,061,549**	72,777,974
- Maturing after 91 days of the date of acquisition	**75,218,752**	-
Total securities available-for-sale	**99,280,301**	72,777,974
Securities classified as held-to-maturity		
Government securities - at amortised cost		
- Maturing after one year of the date of acquisition	**53,680**	-
Total financial investment	**99,333,981**	72,777,974

The movement in government securities is summarised as follows:

	2013	2012
At 1 January	**77,777,974**	76,751,733
Additions	**99,463,011**	77,938,404
Gain/(loss) from changes in fair value (Note 35)	**(182,710)**	(160,430)
Disposals (sale and matured)	**(77,777,974)**	(76,751,733)
At 31 December	**99,280,301**	77,777,974

Treasury bills and notes are debt securities issued by the Bank of Ghana. Treasury notes and treasury bills with original maturity of one year are classified as held-to-maturity while treasury bills with original maturity terms of three months and nine months are classified as available-for-sale.

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

16. Due from Banks

	2013	2012
Current account with foreign banks	**17,681,818**	17,009,078
Items in course of collection	**7,305,701**	1,082,154
Balances with foreign financial institutions	**29,335,610**	26,336,752
Balances with local financial institutions	**38,270,664**	69,427,667
	92,593,793	113,855,651

17. Loans and advances to customers

(a) Analysis by type of facility	**2013**	2012
Overdrafts	**1,663,494**	4,509,761
Term loan	**11,683,234**	11,882,477
Staff	**342,315**	354,655
Gross loans and advances	**13,689,042**	16,746,893
Allowances for impairment	**-**	(130,669)
	13,689,042	16,616,224

(b) Analysis by business segments		
Commerce and finance	**-**	-
Transport, storage and communication	**10,789,648**	11,614,004
Service	**314,841**	625,611
Miscellaneous	**2,584,553**	4,507,278
Gross loans and advances	**13,689,042**	16,746,893
Less: Allowances for impairment	**-**	(130,669)
	13,689,042	16,616,224

17. Loans and advances to customers (continued)

(c) Analysis by type of customer	**2013**	2012
Individuals	**693,311**	434,557
Private enterprise	**12,653,417**	15,957,681
Staff	**342,314**	354,657
Gross loans and advances	**13,689,042**	16,746,893
Less: Allowances for impairment	**-**	(130,669)
	13,689,042	16,616,224

Advances to employees at 31 December 2013 amounted **GH¢342,314** (2012: GH¢354,657). Maximum staff indebtedness during the year amounted to **GH¢51,010** (2012: GH¢39,478).

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

(d) Analysis of maturity	**2013**	2012
Due after 3 months but within 12 months	**6,431,550**	6,790,946
Due after 12 months but within 5 years	**7,257,492**	9,955,947
	13,689,042	16,746,893
Less: Allowances for impairment	**-**	(130,669)
	13,689,042	16,616,224
(e) Analysis by commercialization		
Commercial	**12,653,417**	15,976,240
Others	**1,035,625**	770,653
	13,689,042	16,746,893
Less: Allowances for impairment	**-**	130,669
	13,689,042	16,616,224
(f) Analysis by security		
Secured	**13,689,042**	16,680,893
Unsecured	**-**	65,000
	13,689,042	16,746,893
Less: Allowances for impairment	**-**	(130,669)
	13,689,042	16,161,224

(g) Key ratios on loans and advances		
Loan loss provision	**1%**	1%
Gross non-performing loans ratio	**NIL**	NIL
50 largest exposures to total exposures	**87%**	83%
Loan deposit ratio	**15%**	14%

17. **Loans and advances to customers (continued)**

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

	Individually assessed	**Total**
Balance at 1 January 2013	**130,669**	**130,669**
Impairment - charge to profit and loss account (Note 12)	-	**-**
At 31 December	**130,669**	**130,669**
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

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

18. **Property and equipment**

December, 2013	**Motor vehicles**	**Furniture and fittings**	**Computers**	**Equipment**	**Leasehold equipment**	**Total**
Cost						
At 1 January 2013	**505,468**	**682,360**	**2,270,479**	**893,530**	**1,287,927**	**5,639,764**
Additions	**290,315**	**310,083**	**1,789,233**	**403,859**	**872,003**	**3,665,493**
At 31 December 2013	**795,783**	**992,443**	**4,059,712**	**1,297,389**	**2,159,930**	**9,305,257**
Accumulated depreciation						
At 1 January 2013	**136,645**	**140,569**	**480,576**	**167,535**	**120,571**	**1,045,896**
Charge for the year	**175,351**	**184,839**	**1,085,235**	**235,029**	**193,667**	**1,874,121**
At 31 December 2013	**311,996**	**325,408**	**1,565,811**	**402,564**	**314,238**	**2,920,017**
Net book value						
At 31 December 2013	**483,787**	**667,035**	**2,493,901**	**894,825**	**1,845,692**	**6,385,240**

December, 2012

	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

19. **Intangible assets**

	2013	2012
Computer software		
At 1 January	**3,555,634**	2,801,541
Additions	**489,097**	754,093
At 31 December	**4,044,731**	3,555,634
Amortisation		
At 1 January and at 31 December	**1,291,410**	494,138
Charge for the year	**1,218,303**	797,272
At 31 December	**2,509,713**	1,291,410
Net book value at 31 December	**1,535,018**	2,264,224

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

20. Other assets	**2013**	2012
Prepayments	**4,558,745**	1,703,154
Interest earned not collected	**817,754**	1,518,355
Other receivables	**434,616**	2,635,849
	5,811,115	5,857,358

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

	Balance 1/1/13	**Charge for the year**	**Payments**	**Balance 31/12/13**
Year of assessment				
Up to 2012	681,400	-	-	681,400
2013	-	**2,065,362**	**(1,866,082)**	**199,280**
	681,400	**2,065,362**	**(1,866,082)**	**880,680**
National stabilization levy (2013)	**-**	**413,072**	**(263,263)**	**149,809**
	681,400	**2,478,434**	**(2,129,345)**	**1,030,489**

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

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

2012

	Balance 1/1/12	Charge for the year	Payments	Balance 31/12/12
Year of assessment 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

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

Deferred income taxes are calculated using the enacted tax rate of 30% (2012: 25%). The movement on deferred tax account is as follows:

	2013	2012
At 1 January	**367,025**	364,797
Recognised in income statement	**10,697**	2,228
At 31 December	**377,722**	367,025
Made up as follows:		
Deferred tax asset	**52,540**	(52,540)
Deferred tax liability	**325,182**	419,565
Net deferred tax	**377,722**	367,025

23. Due to customers

	2013	2012
Current accounts	**43,930,122**	48,841,339
Savings	**1,762,340**	16,332,431
Time deposits	**46,925,353**	50,591,248
	92,617,815	115,765,018
Analysis by type of depositors		
Financial institutions		
Individual and other private enterprise	**81,933,541**	66,185,773
Government department & agencies	**10,684,274**	49,579,245
	92,617,815	115,765,018

The twenty largest depositors constituted **47%** (2012: 82%) of the total amount due to customers

	2013	2012
Current	**27,699,516**	38,663,788
Non-current	**16,163,691**	56,502,612
	43,863,207	95,166,400

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

24. Due to other financial institutions

	2013	2012
Overnight borrowings	**70,049,178**	35,986,805

25. Interest payables and other liabilities

	2013	2012
Accrued Interest payable	**329,867**	674,352
Interest receivable from treasury bill	**8,495,768**	3,757,716
Other creditors and accruals	**1,979,144**	689,922
	10,804,779	5,124,002

Other payables include an amount of **Nil** (2012: GH¢**27,222**) held as collateral for irrevocable commitments under letters of credit.

	2013	2012
Current	**-**	27,222
Non-current	**-**	-
	-	27,222

26. Stated capital

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

27. Statutory reserve fund

	2013	2012
At 1 January	**4,838,363**	1,827,615
Transfer from income surplus account	**2,768,743**	3,010,748
At 31 December	**7,607,106**	4,838,363

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.

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

28. **Regulatory credit risk reserve**

	2013	2012
At 1 January	**140,994**	-
Transfer from income surplus account	**885,050**	140,994
At 31 December	**1,026,044**	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.

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.

	2013	2012
Cash and balances with bank of Ghana (Note 14)	**16,133,296**	9,673,234
Government securities (Note 15)	**99,333,981**	72,777,974
Due from banks and other financial institution (Note 16)	**92,593,793**	113,855,651
	208,061,070	196,306,859

32. Equity Investment in Energy Investment

The Bank has obtained Bank of Ghana approval and Securities and Exchange Commission (SEC) license to establish a wholly owned subsidiary, Energy Investments Limited which will be fully operational in first quarter of 2014.
An initial equity capital of Nine Million Seven Hundred and Fifty Thousand Ghana cedis (GH¢9,750,000) has been provided for a smooth take off in 2014.

33. 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 recognized in the statement of financial position

	2013	2012
Letters of Credit	**-**	4,180,746
Guarantees and other commitments	**15,669,326**	-
	15,669,326	4,180,746

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

Nature of Contingent liabilities

Letters of credit commit 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 customers' default

Commitments
There were no commitments as at the end of the year

34. **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:	**2013**	2012
a) Loans to officers		
Officers and employees	442,199	442,677
Interest expense on the above	99,885	(88,020)
	342,314	354,657
Amounts due from:		

Terms and conditions of related party transaction

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 2013 and 31 December 2012 include loans to related parties (directors and companies controlled by directors) as follows:

	2013	2012
At 1 January	**11,717,850**	5,767,218
Loans advanced during the year	**-**	6,721,185
Loans repayments received	**(787,850)**	(770,553)
Transfer to other loan category	**-**	-
At 31 December	**10,930,000**	11,717,850

The above loans granted to a related party were at 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

	2013	2012
At 1 January	**417,925**	261,036
Net movement during the year	**220,873**	156,889
At 31 December	**638,798**	417,925

(iii) Remuneration of key management staff

	2013	2012
Remuneration - key management staff	**441,143**	-

35. **Social responsibility**

In furtherance of our corporate social responsibility, the Bank supported initiatives totaling **GH¢49,463** (2012: GH¢24,140) 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.

36**. Breaches on Loan classification, waiver of unpaid interest on a facility and Sanctions**

There were two breaches with respect to the Bank failing to seek approval before waiving unpaid interest on a facility, and inappropriate classification and provisioning for one loan account. A penalty of **GH¢18,000** was imposed on the Bank (2012: GH¢18,000)