UNITED BANK FOR AFRICA (GHANA) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

United Bank for Africa (Ghana) Limited

Annual report and financial statements
for the year ended 31 December 2013

Contents

United Bank for Africa (Ghana) Limited

Corporate information

Directors

Mr. Kenneth Chikezie Orji	- Chairman	Appointed: October 25, 2013
Mr. Alex Mould	- Member	
Dr. Mrs Awele Elumelu	- Member	
Mr. Samuel Ofori-Adjei	- Member	
Mr. Kennedy Uzoka	- Member	
Prof. Kwamena Ahwoi	- Member	
Mr. Oliver Alawuba	- Member	Appointed: January 10, 2014
Mr. Usman Isiaka	- DMD	Appointed: January 10, 2014
Mrs. Abiola Bawuah	- MD/CEO	Appointed: March 1, 2013
Mr. Emeke Ewereibor	- Member	Resigned: May 31, 2013
Mr. Kwame Pianim	- former Chairman	Retired: December 31, 2013

Registered office

Heritage Towers,
Near Cedi House,
Ambassadorial Enclave,
Off Liberia Road,
PMB 29, Ministries
Accra

Secretary

Nana Adjoa Hackman
Heritage Towers,
Ambassadorial Enclave,
PMB 29, Ministries
Accra

Auditors

PricewaterhouseCoopers
No. 12 Airport City UNA Home, 3rd Floor
PMB CT 42 Cantonment
Accra, Ghana

United Bank for Africa (Ghana) Limited

Report of the directors

In accordance with the requirements of Section 132 of the Companies Act 1963 (Act 179), we the Board of United Bank for Africa (Ghana) Limited (the 'Bank') submit herewith the Annual Report on the state of affairs of the Bank for the year ended 31 December 2013.

Statement of directors' responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year.

It also requires the directors to ensure that the Bank keeps proper accounting records which 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.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Financial results

The financial results are set out below:

	2013 GH¢	2012 GH¢
Operating income	**175,815,473**	103,138,695
Profit before tax	**125,015,376**	62,951,732
From which is deducted:		
National stabilisation levy	**(3,125,350)**	-
Income tax expense	**(31,889,025)**	(15,420,277)
Leaving a net profit after tax of	**90,001,001**	47,531,455
Which is to be added to the amount brought forward from the previous year of	**10,020,624**	2,471,173
Making a total of	**100,021,625**	50,002,628
Out of which is deducted:		
Transfer to statutory reserve fund	**(45,000,501)**	(23,765,728)
Interim dividend declared	**(39,169,608)**	(16,400,000)
Transfer from regulatory credit risk reserve	**628,336**	183,724
Leaving a net balance on the income surplus account of	**16,479,852**	10,020,625

Head Office
The Bank is a subsidiary of United Bank for Africa Plc of Nigeria.

Principal activity
The principal activity of the Bank during the year continues to be banking and finance.

Directors
The names of the directors who served during the year, up until March 5, 2014 are provided on Page 2 of this report.

No director had a material interest, at any time during the year, in any contract of significance, other than a service contract with the Bank.

Auditors
The directors recommend that, Messrs PricewaterhouseCoopers continue in office as auditors of the Bank in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179).

On behalf of the Board

....	....
Director	**Director**
Kenneth Orii	**Abiola Bawuah**
(Chairman)	**(MD/CEO)**
March 5, 2014	**March 5, 2014**

Report of the independent auditor
To the members of United Bank for Africa (Ghana) Limited
REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of United Bank for Africa (Ghana) Limited ("the Bank") as set out on pages 6 to 44. These financial statements comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the accompanying 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 its cash flows for the year then ended 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).

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) the balance sheet and profit and loss account are in agreement with the books of account.

In accordance with section 78(2) of the Banking Act, 2004 (Act 673) we hereby confirm that:
i) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditors;
ii) in our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year under review;
iii) in our opinion, the Bank's transactions were within its powers; and
iv) the Bank in all material respects complied with the requirements of the Banking Act, 2004 (Act 673) as amended.

PricewaterhouseCoopers

Signed by: Michael Asiedu-Antwi (ICAG/P/1138)
For and on behalf of:
PricewaterhouseCoopers (ICAG/F/028)
Chartered Accountants
Accra, Ghana
27 March 2014

pwc

Statement of comprehensive income

	Note	2013 GH¢	2012 GH¢
Interest income	7	**198,819,449**	82,236,450
Interest expense	8	**(43,200,539)**	(17,877,085)
Net interest income		**155,618,910**	64,359,365
Fees and commission income	9	**22,175,827**	19,946,316
Other operating (loss)/income	10	**(1,979,264)**	18,833,014
Net fees and commissions income		**20,196,563**	38,779,330
Operating income		**175,815,473**	103,138,695
Loan impairment charges	11	**(2,674,190)**	(4,065,806)
Operating expenses	12	**(48,125,907)**	(36,121,157)
Profit before tax		**125,015,376**	62,951,732
Income tax expense	14	**(31,889,025)**	(15,420,277)
National stabilisation levy	15	**(3,125,350)**	-
Profit for the year after tax		**90,001,001**	47,531,455
Other comprehensive income		-	-
Total comprehensive income for the year		**90,001,001**	47,531,455

United Bank for Africa (Ghana) Limited

Financial statements for the year ended 31 December 2013

Statement of financial position

	Note	2013 GH¢	2012 GH¢
Assets			
Cash and balances with Bank of Ghana	16	**78,732,415**	47,698,016
Due from other banks	17	**338,403,603**	63,042,532
Government securities	18	**943,167,843**	303,949,822
Loans and advances to customers	19	**172,421,307**	278,235,197
Other assets	20	**8,622,200**	3,736,246
Property and equipment	21	**7,664,751**	7,085,157
Intangible assets	22	**171,253**	106,647
Deferred income tax asset	14	**1,346,245**	1,356,869
Total assets		**1,550,529,617**	705,210,486
Liabilities			
Customer deposits	23	**651,477,056**	428,633,944
Due to other banks	24	**668,512,777**	136,536,516
Other liabilities	25	**52,083,532**	13,988,381
Current income tax liability	14	**306,011**	307,715
National fiscal stabilisation levy	15	**2,083,897**	508,979
Total liabilities		**1,374,463,273**	579,975,535
		-	-
			13,988,381
Shareholders' funds			
Stated capital	26	**74,659,061**	74,659,061
Income surplus		**16,479,852**	10,020,624
Statutory reserve	27	**84,927,431**	39,926,930
Regulatory credit risk reserve	5	-	628,336
Shareholders' funds		**176,066,344**	125,234,951
Total liabilities and shareholders' funds		**1,550,529,617**	705,210,486

The notes on pages 10 to 44 are an integral part of these financial statements

The financial statements on pages 6 to 44 were approved by the board of directors on March 5, 2014 and were signed on its behalf by:

Director
Kenneth Orji
(Chairman)

Director
Abiola Bawuah
(MD/CEO)

United Bank for Africa (Ghana) Limited

Financial statements for the year ended 31 December 2013

Statement of changes in equity

For the period ended 31 December 2013

	Note	Stated capital	Income surplus	Statutory reserves	Regulatory credit risk reserve	Total
Period ended 31 December 2013		**GH¢**	**GH¢**	**GH¢**	**GH¢**	GH¢
At 1 January 2013		74,659,061	10,020,624	39,926,930	628,336	125,234,951
Profit for the year		-	90,001,001	-	-	90,001,001
Other comprehensive income			-			
Total comprehensive income			**90,001,001**	-	-	**90,001,001**
Transaction with equity holders						
Dividend declared for 2013	31		(39,169,608)	-		(39,169,608)
Total transaction with equity holders		-	**(39,169,608)**	-	-	**(39,169,608)**
Transfer to statutory reserve		-	(45,000,501)	45,000,501	-	-
Transfer to income surplus		-	628,336	-	**(628,336)**	-
At 31 December 2013		**74,659,061**	**16,479,852**	**84,927,431**	-	**176,066,344**
Year ended 31 December 2012						
At 1 January 2012		74,659,061	2,471,173	16,161,202	812,060	94,103,496
Profit for the year		-	47,531,455	-	-	47,531,455
Total comprehensive income			47,531,455			47,531,455
Dividend declared for 2012			(16,400,000)			(16,400,000)
						-
						-
Transfer to statutory reserve		-	(23,765,728)	23,765,728	-	-
Transfer to income surplus		-	183,724	-	(183,724)	-
At 31 December 2012		74,659,061	10,020,624	39,926,930	628,336	125,234,951

United Bank for Africa (Ghana) Limited

Financial statements for the year ended 31 December 2013

Statement of cash flows

	Note	2013 GH¢	2012 GH¢
Operating activities			
Cash generated from/ (used in) operating activities	28	**341,122,515**	(7,070,523)
Income tax paid	14	**(31,880,105)**	(17,676,469)
National stabilisation levy paid	15	**(1,550,432)**	-
Net cash generated from / (used in) operating activities		**307,691,978**	(24,746,992)
Investing activities			
Purchase of property and equipment	21	**(2,317,660)**	(1,393,896)
Purchase of intangible assets	22	**(148,901)**	(44,620)
Proceeds from disposal of property and equipment		**1,255**	64,140
Net cash used in investing activities		**(2,465,306)**	(1,374,376)
Financing activities			
Dividend paid	25	**(10,645,618)**	(16,400,000)
Net cash used in financing activities		**(10,645,618)**	(16,400,000)
Increase / (decrease) in cash and cash equivalents		**294,581,054**	(42,521,368)
Cash and cash equivalents at 1 January	28	**102,292,819**	144,814,187
Cash and cash equivalents at 31 December	28	**396,873,873**	102,292,819

1. Reporting entity

United Bank for Africa (Ghana) Limited ("the Bank") is a limited liability company and is incorporated and domiciled in Ghana. The registered office is Heritage Towers, Ambassadorial Enclave, Accra. The Bank operates under Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738). The Bank is a subsidiary of United Bank for Africa Plc of Nigeria. The Bank provides retail, corporate banking and investment banking services.

The financial statements for the year ended 31 December 2013 have been approved for issue by the Board of Directors on 5 March 2014. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 6.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The following standards have been adopted by the Bank for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Bank:

Amendment to IAS 1, 'Presentation of Financial Statements ' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment only affects presentation on the face of the statement of comprehensive income.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The impact has been increased disclosure in the financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The impact of adopting of IFRS 12 has been increased disclosures in the financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 has increased the extent of fair value disclosures in the financial statements.

2.1.1 Changes in accounting policies and disclosures (continued)

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. There are no other new or revised standards or interpretations issued and effective that would be expected to have a material impact on the Bank.

(ii) New and amended standards not yet adopted by the Bank
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Bank is yet to assess IFRS 9's full impact. The Bank will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The impact of this on the bank relats to the payment of the National Fiscal Stabilisation Levy.

Annual improvements 2010-2012 and 2011-2013 cycles – These are collections of 7 and 4 amendments to standards respectively as part of the IASB's programme to annual improvements. The amendments are all effective for annual periods beginning on or after 1 July 2014 and the directors are currently assessing the impact of these improvements on their financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The Ghana Interbank Exchange rates are used to translate foreign currency items into the functional currency.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in due to other banks or customer deposits, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or due from other banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.4 Financial assets and liabilities

All financial assets and liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.4.1 Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. The Directors determine the classification of its financial assets at initial recognition.

a ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or 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 and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to customers, due from other banks and government securities. Interest on loans is included in profit or loss and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as 'loan impairment charges'.

b ***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank designates as available for sale; and

(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

2.4.1 Financial assets (continued)

Interest on held-to-maturity investments is included in the profit or loss and reported as 'Interest income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the profit or loss as 'Net gains/(losses) on government securities'.

c *Recognition*

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

2.4.2 Financial liabilities

The Bank's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

2.4.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities on the Ghana Stock Exchange.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, Directors believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.4.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (government securities) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a portion of the risks.

2.5 Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows:

<table>
<tr><th colspan="2">Category (as defined by IAS 39)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclasses</th></tr>
<tr><td rowspan="8">Financial assets</td><td rowspan="6">Loans and receivables</td><td rowspan="6">Loans and advances to customers</td><td>Deposits with other Banks</td><td>Due from other Banks</td></tr>
<tr><td rowspan="2">Loans to individuals</td><td>Term loans</td></tr>
<tr><td>Overdraft</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td></tr>
<tr><td>Commercial</td></tr>
<tr><td>Public Sector</td></tr>
<tr><td rowspan="2">Held-to-maturity investment</td><td colspan="2" rowspan="2">Government securities</td><td>Government bonds</td></tr>
<tr><td>Government treasury bills</td></tr>
<tr><td rowspan="4">Financial liabilities</td><td rowspan="4">Financial liabilities at amortised cost</td><td colspan="2">Deposits from other Banks</td><td>Due to other banks</td></tr>
<tr><td colspan="2" rowspan="3">Deposits from customers</td><td>Individuals</td></tr>
<tr><td>Corporate entities</td></tr>
<tr><td>Public sector</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="3">Loans commitments</td><td rowspan="2"></td></tr>
<tr><td colspan="3">Guarantees, acceptances and other financial facilities</td></tr>
</table>

The carrying amounts of the respective financial instruments are disclosed in the related notes.

2.6 Impairment of financial assets

a. Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or 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 the 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.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter Bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between 3 and 12 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.

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 asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment 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.

2.6 Impairment of financial assets (continued)

a. Assets carried at amortised cost (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of 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 group and historical loss experience for assets with credit risk characteristics similar to those in the group. 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 on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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.

When a loan is uncollectible, it is written off against the related allowance 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. Impairment charges relating to loans and advances to Banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

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 or loss.

b. Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated and repayments are being received regularly are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

2.7 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.

2.8 Leases

Leases are divided into finance leases and operating leases.

a. The Bank is the lessee

(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 the profit or loss on a straight-line basis over the period of the lease.

(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.

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in profit or loss 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 recognised as an expense in the period in which termination takes place.

b. The Bank as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Rental income from operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

c Fees paid in connection with arranging leases

The Bank makes payments to agents for services in connection with negotiating lease contracts with the Bank's lessees. For operating leases, the letting fees are capitalised within the carrying amount of the related property, and depreciated over the life of the lease.

2.9 Property, plant and equipment

All property, plant and equipment used by the Bank is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised 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 the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

2.9 Property, plant and equipment (continued)

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	2%
Leasehold improvement	Over the period of lease
Computers	25%
Motor vehicles	25%
Equipment, furniture and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in profit or loss.

2.10 Intangible assets

Intangible assets comprise computer software licences and other intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Bank have a definite useful life. At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Bank chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

2.11 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 National Fiscal Stabilisation Levy

The National Stabilisation Levy is assessed under the National Fiscal Stabilisation Levy Act (Act 781) of 2010 at 5% on accounting profit before tax which became effective on 1 July 2010. The levy is not tax deductible and it is accounted for on accrual basis. The levy which was withdrawn in January 2012 was re-introduced in June 2013.

2.13 Income Tax

Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Employee benefits

Pension obligations

The Bank makes contributions to a statutory pension scheme and a provident fund for eligible employees. Contributions by the Bank to the mandatory pension scheme are determined by law and are accounted for on accrual basis. The provident fund contributions are currently managed by the Treasury Department in collaboration with Human Capital Department. These are defined contributions plans.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the statutory pension scheme or the provident fund. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Other entitlements

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

2.15 Provisions

Provisions are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.16 Stated capital

a. Ordinary shares

Ordinary shares are classified as "Stated capital" in equity.

b. Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

2.17 Contingent liabilities, acceptances and letters of credit

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

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

2.18 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity at the date of acquisition, including cash in hand, deposits held at call with other Banks, and other short term highly liquid investments with original maturities of three months or less.

2.20 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.21 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or 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, usually on a time-apportionment basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

3. 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. The most important types of risk include; credit risk, liquidity risk and market risk- comprising currency, interest rate and other price risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The Board has established a Risk Management Committee in support of their risk oversight objectives and responsibilities. There is also a Risk Management Department which has responsibility for the implementation of the Bank's risk control principles, frameworks and processes across the entire risk spectrum.

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

Risk management framework (continued)

The Bank's Audit and Risk Management sub-committees of the Board are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. These Committees are assisted in these functions by Internal Audit and the Risk Management department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Sub-Committee on Audit.

3.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's exposure to loans and advances to customers and other Banks and investment securities.

3.1.1 Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Sub-Committee on Risk Management. A separate Credit Department, reporting to the Chief Risk Officer, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Board Committee on Risk Management.
- Reviewing and assessing credit risk. The Credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. Limiting concentrations of exposure to counterparties, and industries for loans and advances.
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management's attention on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of four grades reflecting varying degrees of default or risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving Board of Directors. Risk grades are subject to regular reviews by the Risk Management Division.

The Bank's internal credit ratings scale and classifications are as follows:

Rating	Classification	Description of the grade
1	Performing	Credits with overwhelming capacity to repay obligations or no evidence exists that obligation will not be honoured when due.
2	Watch list Credit/ Other loans exceptionally mentioned	Existing credits that have shown signs of deterioration. Immediate corrective actions required to avoid complete loss.
3	Substandard and Doubtful	Strong doubt exists that full repayment of principal and interest will occur. But the exact extent of the loss is not certain.
4	Bad or Loss	When all or part of the outstanding loans are uncollectible based on present conditions.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the credit department on the credit quality of the portfolio and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

3.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers 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.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

(b) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit 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 loan.

3.1.2 Risk limit control and mitigation policies (continued)

(b) Financial covenants (for credit related commitments and loan books)-continued

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 unused 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 (often referred to as financial covenants).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

15.3% of the total maximum exposure is derived from loans and advances to banks and customers (2012: 55.5%); 83.9% represents investments in government securities (2012: 44.3%) and 0.8% represent balances included in other assets (2012: .0.2%)

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the loan and advances portfolio and government securities based on the following:

95% of the loans and advances portfolio is categorised in grade 1 of the internal rating system and are considered neither past due nor impaired (2012: 90%).

Due from other banks, cash and balances with Bank of Ghana and other assets are neither past due nor impaired.

All the investments in government of Ghana securities are not exposed to any significant risk.

All credit exposures arise in Ghana. The following table breaks down the Bank's credit exposure at carrying amounts, as categorised by the industry sectors of the Bank's counterparties.

At 31 December 2013

	Loans and advances to customers	Balances with Bank of Ghana	Due from other Banks	Government Securities	Other Assets	Total
Agriculture	2,595,220	-	-	-	-	**2,595,220**
Manufacturing	7,732,763	-	-	-	-	**7,732,763**
Commerce and Finance	54,102,030	67,052,806	338,403,603	943,167,843	6,184,219	**1,408,910,501**
Transport and communications	11,093,044	-	-	-	-	**11,093,044**
Building and construction	135,363	-	-	-	-	**135,363**
Services	1,270,645	-	-		-	**1,270,645**
Oil and Gas	33,810,511	-	-		-	**33,810,511**
Power	-	-	-	-	-	**-**
Miscellaneous (Consumer)	61,681,732	-	-	-	-	**61,681,732**
Total	**172,421,307**	**67,052,806**	**338,403,603**	**943,167,843**	**6,184,219**	**1,527,229,778**
At 31 December 2012						
Agriculture	2,574,815	-	-	-	-	2,574,815
Manufacturing	166	-	-	-	-	166
Commerce and Finance	46,462,235	34,949,160	63,042,532	303,949,822	1,091,352	449,495,101
Transport and communications	8,661,434	-	-	-	-	8,661,434
Building and construction	2,007,228	-	-	-	-	2,007,228
Services	1,801,989	-	-	-	-	1,801,989
Oil and Gas	73,850,156	-	-	-	-	73,850,156
Power	95,631,088	-	-	-	-	95,631,088
Miscellaneous (Consumer)	47,246,084	-	-	-	-	47,246,084
Total	278,235,197	34,949,160	63,042,532	303,949,822	1,091,352	681,268,063

Credit risk exposures relating to off-balance sheet items are as follows:

	2013	2012
Off- balance sheet items		
Letters of credit	**2,006,151**	837,196
Letters of guarantee	**19,221,463**	13,576,260
Loan commitments	**21,309,053**	28,196,629
	42,536,667	42,610,085

3.14 **Loans and advances**

The table below represents the maximum credit risk exposure in respect of loans and advances at the carrying amount.

31 December 2013	To customers GH¢	To Banks GH¢
Neither past due nor impaired	**174,155,716**	354,150,086
Past due but not impaired	**-**	-
Impaired	**5,286,520**	-
Gross	**179,442,236**	354,150,086
Less impairment :		
Specific	**-5,132,214**	-
Collective	**-1,888,715**	-
Net	**172,421,307**	354,150,086
31 December 2012		
Neither past due nor impaired	278,757,087	97,991,692
Past due but not impaired	160,760	-
Impaired	3,664,089	-
Gross	282,581,936	97,991,692
Less impairment :		
Specific	(3,470,653)	-
Collective	(876,086)	-
Net	278,235,197	97,991,692

3.15 Impaired loans

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are considered "non performing" in the Bank's internal credit risk grading system and are rated 3 or 4.

Past due but not impaired loans

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 30 days past due are not usually considered impaired, unless other information is available to indicate the contrary. These are considered "the Watch list credit" in the Bank's internal credit risk grading system and are rated 2.

3.15 Impaired loans (continued)

Neither past due nor impaired loans

These are loans for which no evidence exists that the obligations will not be honoured when due. They are considered "performing" credit and are rated 1 in the Bank's internal credit risk grading system.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the Bank's homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Loan write off requires approval of the Board of Directors and the Bank of Ghana.

Collateral held

The Bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over placements with other Banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

As at 31 December 2013, the Bank had repossessed collaterals of GH¢ 233,449 (2012: GH¢ 231,653).

Financial effect of collaterals

The financial effect of collateral held by the Bank as at 31 December 2013 was a reduction in impairment charge of GH¢154,306 (2012: GH¢ 153,119).

	2013 GH¢	2012 GH¢
Past due but not impaired		
1 - 30 days	-	160,760
Impaired loans:		
Individually impaired		
Grade 3:	**5,286,520**	608,283
Grade 4:	-	3,055,806
Allowance for impairment	**(5,132,214)**	(3,470,653)
Carrying amount	**154,306**	193,436

Collectively impaired	2013 GH¢	2012 GH¢
Grade	**174,155,716**	278,757,087
Grade	**-**	160,760
Allowance for impairment	**(1,888,715)**	(876,086)
Carrying amount	**172,267,001**	278,041,761

Accrued interest on impaired loans amounts to GH¢ 280,698 during the year (2012: GH¢ 351,018).

3.2 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

3.2.1 Management of liquidity risk

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in the Treasury department, includes:

(i) 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 are borrowed by customers;

(i) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(i) Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and

(i) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets

The Bank's Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3.2.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank's Treasury to maintain a wide diversification by currency, provider, product and term.

3.2.3 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Banks, debt securities issued, other borrowings and commitments maturing within the next month.

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Notes (continued)

3.2.4 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting 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 not resulting in a significantly different analysis.

At 31 December 2013	Up to 3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 1 year GH¢	Total GH¢
Financial liabilities					
Customer deposits	569,933,587	80,538,098	8,156,208		**658,627,893**
Other liabilities	14,909,990	3,117,970	34,055,572	-	**52,083,532**
Due to other banks	-	683,554,314	-	-	**683,554,314**
Total financial liabilities	**584,843,577**	**767,210,382**	**42,211,780**	-	**1,394,265,739**
Financial Assets					
Cash and balances with Bank of Ghana	78,732,415	-			**78,732,415**
Due from other banks	338,403,603	-			**338,403,603**
Government securities	219,492,717	150,551,545	374,416,624	198,706,957	**943,167,843**
Loans and advances	87,960,515	11,271,145	9,839,387	63,350,260	**172,421,307**
Assets held for managing liquidity risk	**724,589,250**	**161,822,690**	**384,256,011**	**262,057,217**	**1,532,725,168**
Net liquidity gap	**139,745,673**	**(605,387,692) -**	**342,044,231**	**262,057,217**	**138,459,429**
At 31 December 2012					
Financial liabilities					
Customer deposits	411,684,835	15,604,712	8,156,208		435,445,755
Other liabilities	9,768,365	3,117,970	1,611,025	-	14,497,360
Due to other banks	139,949,929	-	-	-	139,949,929
Total financial liabilities	561,403,129	18,722,682	9,767,233	-	589,893,044
Financial Assets					
Cash and balances with Bank of Ghana	47,698,016	-			47,698,016
Due from other banks	63,042,532	-			63,042,532
Government securities	30,129,326	22,391,594	56,429,725	194,999,177	303,949,822
Loans and advances	218,489,299	5,879,649	8,207,219	45,659,030	278,235,197
Assets held for managing liquidity risk	359,359,173	28,271,243	64,636,944	240,658,207	692,925,567
Net liquidity gap	(202,043,956)	9,548,561	54,869,711	240,658,207	103,032,523

The net liquidity gap over one year is funded by the shareholders funds as well as the excess liquidity under three months.

3.2.5 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

(i) Cash and balances with Bank of Ghana;
(ii) Placement and balances with other Banks;
(iii) Government bonds and other securities that are readily acceptable in repurchase agreements
(iv) Short term loans and advances

3.3 Market risks

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

Overall responsibility for management of market risk rests with Assets and Liability Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies. The Board Sub-Committee on Risk Management has oversight responsibility for market risk management.

3.3.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. 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 losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Bank Treasury.

Interest rates on advances to customers and other risk assets are based on the individual risk profile of the customer and taken into account the Bank's cost of fund.

The Asset and Liability Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

3.3.1 Interest rate risk (continued)

The table below summarises the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity of assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity.

At 31 December 2013	Up to 3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over I year GH¢	Non-interest bearing GH¢	Total GH¢
Financial assets						
Cash and balances with Bank of Ghana	-	-	-	-	78,732,415	78,732,415
Government securities	37,059,855	200,436,912	425,802,123	279,868,953	-	943,167,843
Due from other banks	43,204,301	-	-	-	295,199,302	338,403,603
Loans and advances to customers net	87,960,515	11,271,145	9,839,387	63,350,260	-	172,421,307
Other assets	-	-	-	-	8,622,200	8,622,200
Total financial assets	168,224,671	211,708,057	435,641,510	343,219,213	382,553,917	1,541,347,368
Financial liabilities						
Customer deposits	174,916,471	77,792,539	7,532,067	-	391,235,979	651,477,056
Due to other banks	-	668,512,777	-	-	-	668,512,777
Other liabilities	-	-	-	-	52,083,532	52,083,532
Total financial liabilities	174,916,471	746,305,316	7,532,067	-	443,319,511	1,372,073,365
Interest rate sensitivity gap	(6,691,800)	(534,597,259)	428,109,443	343,219,213		
At 31 December 2012						
Financial assets						
Cash and balances with Bank of Ghana	-	-	-	-	47,698,016	47,698,016
Government securities	30,129,326	22,391,594	56,429,725	194,999,177	-	303,949,822
Due from other banks	15,129,623	-	-	-	47,912,909	63,042,532
Loans and advances to customers (net)	218,489,299	5,879,649	8,207,219	45,659,030	-	278,235,197
Other assets	-	-	-	-	3,736,246	3,736,246
Total financial assets	263,748,248	28,271,243	64,636,944	240,658,207	99,347,171	696,661,813
Financial liabilities						
Customer deposits	171,238,277	14,438,331	7,532,067	-	235,425,269	428,633,944
Due to other banks	136,536,516	-	-	-	-	136,536,516
Other liabilities	-	-	-	-	14,497,360	14,497,360
Total financial liabilities	307,774,793	14,438,331	7,532,067	-	249,922,629	579,667,820
Interest rate sensitivity gap	(44,026,545)	13,832,912	57,104,877	240,658,207		

3.3.1 Interest rate risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

Sensitivity analysis

An increase of a 100 basis points in interest rates at the reporting date would have impacted equity and profit by the amounts shown below:

Sensitivity analysis of Interest rate risks - Increase of 100 basis points in net interest margin

	2013	2012
	GH¢	GH¢
Interest income impact	**11,586,574**	955,703
Interest expense impact	**9,287,698**	296,771
Net impact on profit	**2,298,876**	658,932

A decrease of a 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

3.3.2 Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent Banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline of 10% and 20% of the core capital for single currency position and aggregate currency position respectively as stipulated by the Bank of Ghana. These positions are reviewed on a daily basis by management.

3.3.2 Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at balance sheet date. (All figures are in Ghana Cedis)

As at 31 December 2013					
Financial assets	**GH¢**	**USD**	**EUR**	**Others**	Total
Cash and balances with Bank of Ghana	70,705,598	6,141,461	768,693	1,116,663	78,732,415
Government securities	943,167,843				943,167,843
Due from other banks	290,212,136	46,325,186	474,226	1,392,055	338,403,603
Loans and advances to customers	150,796,939	21,624,365	3	-	172,421,307
Other assets	6,184,219	69,604	-		6,253,823
Total financial assets	1,461,066,735	74,160,616	1,242,922	2,508,718	1,538,978,991
Financial liabilities					
Customer deposits	535,362,729	111,938,369	2,295,850	1,880,108	651,477,056
Other liabilities	50,152,536	3,778,134	23,297	213,462	54,167,429
Due to other banks	571,995,521	96,517,256	-	-	668,512,777
Total financial liabilities	1,157,510,786	212,233,759	2,319,147	2,093,570	1,374,157,262
Net balance sheet position	303,555,949	(138,073,143)	(1,076,225)	415,148	164,821,729
As at 31 December 2012					
Financial assets					
Cash and balances with Bank of Ghana	39,671,200	6,141,460	768,693	1,116,663	47,698,016
Government securities	303,949,822				303,949,822
Due from banks	14,851,065	46,325,186	474,226	1,392,055	63,042,532
Loans and advances to customers	114,558,151	162,494,355	1,182,690	-	278,235,197
Other assets	3,667,143	69,103	-		3,736,246
Total financial assets	476,697,381	215,030,104	2,425,609	2,508,718	696,661,813
Financial liabilities					
Customer deposits	312,519,617	111,938,369	2,295,850	1,880,108	428,633,944
Other liabilities	10,482,466	3,778,134	23,297	213,462	14,497,360
Due to other banks	40,019,260	96,517,256	-	-	136,536,516
Total financial liabilities	363,021,344	212,233,759	2,319,147	2,093,570	579,667,820
Net balance sheet position	113,676,037	2,796,347	106,461	415,148	116,993,993
Off balance sheet items					
Letters of credit	-	2,006,151	-	-	2,006,151
Letters of guarantee	19,221,463	-	-	-	19,221,463
Loan commitments		21,309,053	-	-	21,309,053

Sensitivity analysis

A 5% strengthening of the cedi against foreign currencies at 31 December 2013 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012:

	2013	2012
	GH¢	GH¢
Profit / (loss)	**6,936,711**	(27,423)

3.3.2 Foreign exchange risk (continued)

A 5% weakening of the Ghana cedi against foreign currencies at 31 December would have had an equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

4. Capital management

Regulatory capital

Bank of Ghana sets and monitors capital requirements for the Bank.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, based on the guidelines by Bank of Ghana (the regulator), for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by the Bank's Risk Management Department and comprises two tiers:

(i) Tier 1 capital: stated capital (net of any book values of treasury shares), statutory reserve, retained earnings and reserves created by appropriations of retained earnings; and

(ii) Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

The Bank of Ghana requires each Bank to:

(i) Hold the minimum level of regulatory capital of GH¢60 million; and

(ii) Maintain a ratio of total regulatory capital to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2013 and 2012. During those two years, the Bank complied with all of the externally imposed capital requirements.

Tier 1 capital	**2013**	2012
Stated capital	**74,659,061**	74,659,061
Statutory reserve	**84,927,431**	39,926,930
Income surplus	**16,479,852**	10,020,624
Less: intangible assets	**(6,292,432)**	(3,631,069)
Total qualifying Tier 1 capital	**169,773,912**	120,975,546
Tier 2 capital	**-**	-
Total regulatory capital	**169,773,912**	120,975,546

	2013	2012
Risk-weighted assets:		
On-balance sheet	**343,683,688**	292,104,694
Off-balance sheet	**10,011,962**	6,955,569
Total risk-weighted assets	**353,695,650**	299,060,263
Capital adequacy ratio	**48%**	40%

The increase of the regulatory capital in the year 2013 is mainly due to the contribution of the current-year profit. The increase of the risk-weighted assets reflects the growth of the Bank's loans portfolio in **2013.**

5. **Regulatory credit reserve**

IAS 39 requires the Bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, Bank of Ghana prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of income surplus and not expenses in determining profit or loss. These amounts are dealt with in the regulatory credit risk reserve. The provision for this additional impairment amounts is to be made only when impairment amounts provided under IFRS rules is lower than the figure to be provided under Bank of Ghana Prudential Guidelines.

The movements in regulatory credit risk reserve during the year were as follows :

	2013	2012
At 1 January	**628,336**	812,060
Transfer to income surplus	**(628,336)**	(183,724)
At 31 December	-	628,336

6. **Critical accounting estimates and judgements in applying the Bank's accounting policies**

The Bank's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

a. **Impairment losses on loans and advances**

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, 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 are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cashflows to differ by +/-1%, the impairment loss is to be estimated at GHS26,563,780.35 higher or lower.

b. Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost. If all held-to-maturity investments were to be so reclassified, the carrying value would increase by GHS26,563,780.35 , with a corresponding entry in the fair value reserve in shareholders' equity.

7. Interest income

	2013 GH¢	2012 GH¢
Loans and advances :		
To banks	**7,565,068**	1,055,616
To customers	**38,918,804**	37,630,233
Investment securities	**152,335,577**	43,550,601
	198,819,449	82,236,450

8. Interest expense

	2013 GH¢	2012 GH¢
On customer deposits:		
Fixed deposits	**10,525,792**	6,946,622
Savings deposits	**1,813,619**	1,453,594
Demand and call deposits	**5,892,936**	2,507,455
	18,232,347	10,907,671
On deposits and takings from banks:	**24,968,192**	6,969,414
	43,200,539	17,877,085
Net interest income	**155,618,910**	64,359,365

9. Fees and commission

	2013 GH¢	2012 GH¢
Commission on turnover	**3,023,050**	2,917,956
Fees and charges	**3,364,429**	1,664,522
Trade finance fees	**3,925,449**	11,027,927
Guarantees charges and commission	**851,742**	102,726
Other commissions	**11,011,157**	4,233,185
	22,175,827	19,946,316

10. Other operating income

	2013 GH¢	2012 GH¢
Other income	-	107,939
(Loss)/profit on foreign exchange transactions	(1,979,264)	18,725,075
	(1,979,264)	18,833,014

11. Loan impairment charges

At 1 January	4,346,739	13,695,368
Increase in impairment during the year	2,674,190	4,065,806
Amounts written off during the year as uncollectible		(13,431,558)
Income received on claims previously written off	-	17,123
At 31 December	7,020,929	4,346,739
Loan loss provision ratio	3.91%	1.54%
Gross non-performing loans ratio	2.95%	1.30%

12. Operating expenses

Operating expenses include:

Staff costs (Note 13)	23,847,038	16,282,792
Directors' fees	198,665	119,640
Depreciation	1,723,328	1,995,325
Amortisation	84,293	254,598
Auditors remuneration	180,335	240,000
Donations and social responsibility	137,759	27,120
General and administrative expenses	21,954,489	17,201,682
	48,125,907	36,121,157

13. Staff costs

Salaries and wages	11,670,590	11,129,287
Social security fund contribution	1,064,828	845,198
Staff provident fund	1,039,429	837,453
Other staff related costs	10,072,191	3,470,854
	23,847,038	16,282,792
Number of staff at year end	476	462

14. Income Tax

Income tax expense	2013 GH¢	2012 GH¢
Current income tax	**31,878,401**	16,613,138
Deferred income tax	**10,624**	(1,192,861)
Income tax expense	**31,889,025**	15,420,277
National fiscal stabilisation levy	**3,125,350**	-
Total	**35,014,375**	15,420,277

Reconciliation of actual to effective tax rate	2013 GH¢	2012 GH¢
Profit before income tax	**125,015,376**	62,951,732
Tax calculated at the tax rate of 25% (2012: 25%)	**31,253,844**	15,737,933
National Fiscal stabilisation levy	**3,125,350**	-
Expenses not deductible for tax purposes	**1,219,869**	331,499
Income not subject to tax	**(584,688)**	(649,155)
	35,014,375	15,420,277

Current income tax liability

Year of assessment	Balance at 1 January GH¢	Charge for the year GH¢	Payment GH¢	Balance at 31 December GH¢
Up to 2012	307,715			307,715
2013	-	31,878,401	**(31,880,105)**	(1,704)
	307,715	**31,878,401**	**(31,880,105)**	**306,011**

Deferred income tax asset

	Property and equipment	Impairment	Total
At 1 January 2013	270,184	**(1,627,053)**	(1,356,869)
Charge to profit or loss	1,778	**8,846**	10,624
At 31 December 2013	271,962	**(1,618,207)**	**(1,346,245)**
At 1 January 2012	164,008	-	164,008
Charge/(credit) to profit or loss	106,176	(1,627,053)	(1,520,877)
At 31 December 2012	270,184	(1,627,053)	(1,356,869)

15. National stabilisation levy

	2013 GH¢	2012 GH¢
At 1 January	**508,979**	508,979
Charge for the year	**3,125,350**	-
Paid during the year	**(1,550,432)**	-
At 31 December	**2,083,897**	**508,979**

16. Cash and balances with Bank of Ghana

	2013 GH¢	2012 GH¢
Cash on hand	**11.679.609**	12.748.856
Balances with Bank of Ghana	**67.052.806**	34.949.160
	78.732.415	47.698.016

Balances with Bank of Ghana include mandatory deposit reserve of GH¢57,322,000 (2012: GH¢ 28,540,312) which is not available for day to day operations.

Movement in mandatory deposit reserve is as follows:

	2013	2012
Balance at 1 January	**38,577,055**	23,003,374
Increase	**18,744,945**	15,573,681
Balance at 31 December	**57.322.000**	**38.577.055**

17. Due from other banks

	2013	2012
Items in course of collection	**16.634.938**	7.286.313
Placement and balances with local Banks	**43.204.311**	7.506.095
Placement with foreign Banks	**19.590.029**	7.623.528
Nostro account balances	**258.974.325**	40.626.596
	338.403.603	63.042.532

All due from other banks are current

18. Government securities: Held to Maturity

	2013	2012
Treasury Bills		
28-Day B.o.G Bill	**15.750.117**	-
56-Day B.o.G Bill	**20.635.892**	-
91-Day Treasury Bill	**673.846**	30.129.326
182-Day Treasury Bill	**200.436.912**	22.391.594
273- Day B.o.G Bill	**384.445.436**	-
	621.942.203	52.520.920
Government Bonds		
I Year Notes	**41,356,687**	56,429,725
2- Year Fixed Bond	**153,928,388**	58,090,240
3- Year Fixed Bond	**12,321,511**	23,198,187
5- Year Fixed Bond	-	-
3- Year Floating Bond	**113,619,054**	113,710,750
	321,225,640	251,428,902
	943,167,843	303,949,822
Current	**744,460,886**	108,950,645
Non- current	**198,706,957**	194,999,177

19. Loans and advances to customers

	2013 GH¢	2012 GH¢
Analysis by type of advance		
Overdrafts	**72,628,416**	78,881,518
Loans	**106,813,820**	203,700,418
Gross loans and advances	**179,442,236**	282,581,936
Specific allowance for impairment	**(5,132,214)**	(3,470,653)
Collective impairment	**(1,888,715)**	(876,086)
Net loans and advances	**172,421,307**	278,235,197
Analysis by type of customer		
Private enterprises	**136,902,459**	235,870,564
Individuals	**37,266,639**	42,996,190
Staff	**5,273,137**	3,715,182
Gross loans and advances	**179,442,236**	282,581,936
Specific allowance for impairment	**(5,132,214)**	(3,470,653)
Collective impairment	**(1,888,715)**	(876,086)
Net loans and advances to customers	**172,421,307**	278,235,197
Current	**109,071,048**	232,576,167
Non- current	**63,350,259**	45,659,030

20. Other assets

	2013 GH¢	2012 GH¢
Prepayments	**2,087,038**	1,214,132
Stationery stocks	**350,943**	513,959
Mobile money	**1,111,293**	458,006
Others	**5,072,926**	1,550,149
	8,622,200	3,736,246
Current	**7,213,224**	3,125,044
Non- current	**1,408,976**	611,202

21. Property and equipment

Cost	Land and building	Leasehold improvements	Office fittings and equipment	Motor vehicles	Computers	Capital work in progress	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
31December 2013							
At 1 January	1,972,100	4,402,585	7,341,663	2,331,154	2,158,983	414,176	**18,620,661**
Additions		22,909	1,117,129	613,421	92,457	471,744	**2,317,660**
Disposal		-	(3,306)	(14,738)	-	-	**(18,044)**
Transfers		-	(50,217)	-	50,217		-
At 31 December	1,972,100	4,425,494	8,405,269	2,929,837	2,301,657	885,920	**20,920,277**
Depreciation							-
At 1 January	49,014	2,279,494	5,363,350	1,896,854	1,946,792	-	**11,535,504**
Charge for year	34,598	381,050	878,484	315,776	113,420	-	**1,723,328**
Disposal		-	(3,306)	-	-	-	**(3,306)**
At 31 December	83,612	2,660,544	6,238,528	2,212,630	2,060,212	-	**13,255,526**
							-
Net book value	1,888,488	1,764,950	2,166,741	717,207	241,445	885,920	**7,664,751**
							-
31December 2012							
Cost							
At 1 January	1,972,100	4,395,727	6,218,640	2,481,411	2,038,198	296,647	17,402,723
Additions	-	51,718	1,005,011	12,169	126,404	198,594	1,393,896
Disposal		-	(13,532)	(162,426)			(175,958)
Transfers		(44,860)	131,544		(5,619)	(81,065)	-
At 31 December	1,972,100	4,402,585	7,341,663	2,331,154	2,158,983	414,176	18,620,661
Depreciation							-
At 1 January	14,416	2,018,853	4,234,563	1,637,385	1,794,835	-	9,700,052
Charge for year	34,598	260,641	1,134,109	414,020	151,957	-	1,995,325
Disposal		-	(5,322)	(154,551)	-	-	(159,873)
At 31 December	49,014	2,279,494	5,363,350	1,896,854	1,946,792	-	11,535,504
							-
Net book value	1,923,086	2,123,091	1,978,313	434,300	212,191	414,176	7,085,157

The profit or (loss) on disposal is as follows :

	2013	2012
	GH¢	GH¢
Cost	**18,044**	175,958
Depreciation	**(3,306)**	(159,873)
Net book value	**14,738**	16,085
Proceeds	**1,255**	64,140
(Loss) / profit on disposal	**(13,483)**	48,055

22. Intangible assets

Intangible assets represent computer software purchased by the Bank. The movement during the year is as follows:

	2013 GH¢	2012 GH¢
Cost		
At 1 January	**1,210,767**	1,166,147
Additions	**148,901**	44,620
At 31 December	**1,359,668**	1,210,767
Amortisation		
At 1 January	**1,104,120**	849,522
Charge for the year	**84,293**	254,598
At 31 December	**1,188,414**	1,104,120
Net book value	**171,253**	106,647

23. Customer deposits

	2013 GH¢	2012 GH¢
Savings deposits	**53,223,933**	49,545,740
Demand and call deposits	**470,442,593**	321,514,942
Fixed deposits	**127,810,530**	57,573,262
	651,477,056	428,633,944
Current	**632,621,045**	428,633,944
Non-current	**18,856,010**	-

24. Due to other banks

	2013 GH¢	2012 GH¢
Takings from local banks	**53,352,897**	47,604,860
Takings from foreign banks	**615,159,880**	88,931,656
	668,512,777	136,536,516

All due to other banks are current.

25. Other liabilities

a)

	2013 GH¢	2012 GH¢
Africash payable	**1,092,377**	267,424
Accruals	**9,027,145**	6,148,991
Drafts payable	**2,041,093**	1,982,807
Withholding tax payable	**3,261,476**	1,379,898
Visa payable	**859,471**	554,344
Inward transfers payable	**697,685**	1,045,926
Sundry liabilities	**6,580,295**	2,608,991
Dividend payable	**28,523,990**	-
	52,083,532	13,988,381

All other liabilities are current.

Dividend payable is made up of:

b)

	2013 GH¢	2012 GH¢
At 1 January	-	-
Dividend declared	**39,169,608**	16,400,000
Dividend paid	**(10,645,618)**	(16,400,000)
At 31 December	**28,523,990**	-

26 Stated capital

The authorised shares of the Bank is 9,000,000,000 (2012: 9,000,000,000) ordinary shares of no par value.

	2013		2012	
		GH¢		GH¢
Issued :				
For cash consideration	**3.700.250**	**74.659.061**	**3.700.250**	74.659.061

27 Statutory reserve

Statutory reserve represents transfer of 50% of profit after tax to reserve in compliance with Bank of Ghana's regulatory requirement. The statutory reserve is not distributable. The movement is included in the statement of changes in equity.

28. Reconciliation of profit before tax to cash generated from operations

	2013 GH¢	2012 GH¢
Operating profit before tax	**125.015.376**	62.951.732
Adjustments for:		
Loan impairment charges	**2.674.190**	4.065.806
Depreciation and amortisation	**1,807,621**	2,249,923
Loss / (profit) on disposal of property and equipment	**13.483**	(48.055)
Operating cash flow before investment in working capital	**129.510.670**	69.219.406
Decrease/(increase) in loans and advances	**103,139,700**	(97,539,745)
Increase/(decrease) in other assets	**(4,885,954)**	787,740
Increase in government securities	**(632,287,491)**	(65,976,070)
Increase in customer deposits	**222,843,112**	23,991,624
Increase/(decrease) in other liabilities	**9.571.161**	(1.582.302)
Increase in due to other banks	**531.976.261**	79.602.505
Increase in mandatory deposit reserve	**(18.744.945)**	(15.573.681)
Cash generated from / (used in) operations	**341,122,515**	(7,070,523)

Analysis of the balances of cash and cash equivalents for the purpose of the statement of cash flows:

	2013 GH¢	2012 GH¢
Cash and balances with Bank of Ghana (Note 16)	**78,732,415**	47,698,016
Mandatory deposit reserve (Note 16)	**(57,322,000)**	(38,577,055)
Unrestricted cash and bank balances	**21,410,415**	**9,120,961**
Due from other banks (Note 17)	**338,403,603**	63,042,532
Short term treasury bills	**37,059,855**	30,129,326
	396,873,873	**102,292,819**

29. Contingent liabilities and commitments

a. Legal proceedings

There were legal proceedings against the Bank at 31 December 2013. Besides provision of GHS 33,713 (2012 : GHS 93,085) made in respect of these cases against the Bank, no contingent liability associated with legal actions has been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

b. Capital commitments

At 31 December 2013, the Bank had capital commitments of GHS132,153 (2012: GHS 75,516) in respect of equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

c. Loan commitments, guarantee and other financial facilities

At 31 December 2013, the Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2013	2012
	GH¢	GH¢
Loan commitments	**21,309,053**	28,196,629
Letters of credit	**2,006,151**	837,196
Letters of guarantee	**19,221,463**	13,576,260
	42,536,667	42,610,085

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Concentrations of contingent liabilities are covered under note 3.1.

30. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is a subsidiary of UBA Plc which owns 91% of the issued ordinary shares. UBA Plc is also the ultimate controlling party of the Bank.

All transactions with related parties are done in the normal course of business.

Details of related party balances are as follows:	**2013** **GH¢**	2012 GH¢
Loans to key management staff	-	-
Due from Parent (UBA Plc)	**258.974.325**	33.806.058
Total	**258.974.325**	33.806.058
Interest income - key management staff	-	-
Deposits from key management staff	**105.593**	8.534
Due to Parent (UBA Plc)	**116.295.080**	**116.295.080**
Due to other UBA affiliates	**504.199.792**	154.746.240
Total	**620.600.466**	154.754.774
Interest expense - key management staff	-	31

Key management compensation

The remuneration of key management staff during the year were as follows:	**2013 GH¢**	2012 GH¢
Salaries and other short-term employment benefits	**493,876**	390,668
Defined contribution for key management staff	**-**	-

Key management staff constitutes staff with grades of General Manager. One key management staff was redeployed to UBA Plc subsidiary during the year.

Directors' remuneration

Fees for services as a director	**198,665**	119,640

31. **Interim dividend declared**
During the year the Bank declared a dividend of 1.1 pesewas (2012: 0.44 Pesewas) per share amounting to GHS39,169,607.78 (2012: 0.44). Payment of dividend is subject to withholding tax at a rate of 8%.

32. **Fair values**
The carrying values of financial assets and liabilities are not significantly different from their fair values except for Government securities which have a fair value of GH¢ 321,225,640 (2012: GH¢301,143,826).

33 **Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.