GTBank

Guaranty Trust Bank (Ghana) Ltd
RC C-68,758

GUARANTY TRUST BANK (GHANA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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Corporate Information

Board of Directors	Alhaji Yusif Ibrahim (Chairman) Olusegun Agbaje (Vice Chairman) Emmanuel Kwaku Ofosu Offei Herbert Nana Osei-Baidoo Ademola Odeyemi Mobolaji Jubril Lawal (Appointed on 29th July 2011) Olalekan Sanusi (Managing Director-Appointed on 29th July 2011) Oludolapo Ogundimu (resigned on 30th September 2011)
Secretary	Iris Richter-Addo
Auditor	PricewaterhouseCoopers Chartered Accountants No. 12 Airport City UNA Home, 3rd Floor PMB CT 42, Cantonments Accra, Ghana
Registered Office	Guaranty Trust Bank (Ghana) Limited 25A Castle Road, Ambassadorial Area, Ridge PMB CT 416, Cantonments Accra, Ghana

REPORT OF THE DIRECTORS

The directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2011 report as follows:

Directors Responsibility Statement

The Bank's directors are responsible for the preparation and fair presentation of the financial statements comprising the statement of financial position at 31 December 2011, the statement of comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Code 1963 (Act 179), the Banking Act, 2004 (Act 673) (As Amended by the Banking (Amendment) Act, 2007 (Act 738).

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial reports that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

Financial Report and Dividend

	GH¢
Profit for the year ended 31 December 2011 before taxation is	20,806,241
from which is deducted tax of	
- National fiscal stabilization levy	(1,040,312)
- Income tax expense	(5,982,393)
giving a profit for the year after tax of	13,783,536
less transfer to statutory reserve fund and other reserves of	(6,891,768)
leaving a balance of	6,891,768
when added to the balance brought forward on income surplus of	6,894,958
leaving a balance of	13,786,726
less dividend paid for 2010	(6,863,557)
leaves a balance of	6,923,169

The board of directors declared and the shareholders approved dividend per share of Ghana Cedis 0.000742(2010: GH¢ 0.00010) amounting to GH¢ 5,200,000 (2010:GH¢6,863,557) in respect of 2011.

REPORT OF THE DIRECTORS (continued)

Nature of Business

The Bank is licensed to carry out universal banking business in Ghana, and there was no change in the nature of the Bank's business during the period.

Holding Company

The Bank is a subsidiary of Guaranty Trust Bank Plc, a company incorporated in the Federal Republic of Nigeria and licensed to carry out universal banking business.

Approval of the Financial Statements

The financial statements of the Bank were approved by the board of directors on .... and are signed on their behalf by:

....	....
Alhaji Yusif Ibrahim	Olalekan Sanusi
Chairman	*Managing Director*

ACCRA

27 January 2012

REPORT OF THE AUDIT COMMITTEE

In accordance with corporate governance best practices, the members of the Audit Committee of Guaranty Trust Bank (Ghana) Limited hereby report as follows:

We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2011 were satisfactory and reinforced the Bank's internal control system.

We are satisfied that the bank has complied with the provisions of Bank of Ghana's Circular BSD/108/2010 "International Financial Reporting Standards (IFRS) Implementation" and hereby confirm that an aggregate amount of GH¢2,217,800 (2010: GH¢508,568) was outstanding as at 31 December 2011 in relation to differences in provisions loans and advances under International Financial Reporting Standard (IFRS) and Bank of Ghana Guidelines.

We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's response thereon and with the effectiveness of the Bank's system of accounting and internal control.

J. K. Agbaje

Olusegun Agbaje
Chairman, Audit Committee

ACCRA

27 January 2012

GUARANTY TRUST BANK (GHANA) LIMITED

CORPORATE GOVERNANCE

Strict adherence to good Corporate Governance and international best practices remains high on the agenda of Guaranty Trust Bank (Ghana) Limited. As such, the Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place to facilitate best practices for the Board of Directors and senior management in order to maximise stakeholder value.

There are currently three (3) main committees through which the Board of Directors discharges its functions; Board Audit Committee, Board Credit Committee and the Board Credit Examiners Committee.

In addition to the Board Committees, there are four (4) Management Committees to ensure effective and good corporate governance at the Management level.

1.0 Board of Directors

The 7-member Board of Directors of Guaranty Trust Bank (Ghana) Limited is composed of a non-executive Chairman, with 1 Executive Director and 5 non executive directors, each bringing diverse but rich experience, with enviable records of achievement in their various fields of endeavour. The Directors possess the requisite skills and experience, integrity and business acumen to bring independent judgment to bear on board deliberations for the good of the Bank.
The roles of the Chairman and Managing Director/CEO are separate. The Chairman of the Board shall not serve simultaneously as Chairman/member of any of the Board Committees.

No two members of the same extended family shall occupy the position of Chairman and that of Managing Director or Executive Director of the Bank at the same time.

The Board is responsible for determining strategic objectives and policies of the Bank to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that Management maintains a system of internal control, which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulations.

CORPORATE GOVERNANCE - (CONTINUED)

1.1 Board Audit Committee

This Committee is made up of three (3) Non-Executive Directors and the Head of Systems & Control while the Bank's Secretary serves as the secretary to the Committee.
It is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid-down by the Board of Directors.
The Audit Committee is responsible for the review of the integrity of the Bank's financial reporting and oversee the independence and objectivity of the external auditors.
The internal and external auditors have unrestricted access to the Committee to ensure their continued independence. The Committee also seeks for explanations and additional information, where relevant, from the internal and external auditors.
Meetings are held on a quarterly basis. Other members of management may be invited to the Committee's meetings as and when appropriate. A report is provided to the full Board at each sitting.

1.2 Board Credit Committee

This Committee is responsible for review of all credits granted by the Bank and approves specific loans and credit related proposals beyond the Management Credit Committee's authority limit as may be defined from time to time by the Board.
The Committee is also responsible for ensuring that the Bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the Bank's risk assets.
To facilitate the expeditious review of credits falling within the Credit Committee' approval limit, credits are circulated amongst members for consideration and approval.

1.3 Board Credit Examiners' Committee

The Committee is charged with the quarterly review of the Bank's central liability report and summary of criticised loans with the concurrent power of assessing the adequacy of the reserves for loan losses and approving possible charge-offs.
It also reviews and recommends to the Board of Directors, significant revision to the Bank's credit policies as well as credit management structure including the establishment of authority limits.
The Committee presents reports to the Board at its quarterly meetings.

CORPORATE GOVERNANCE - (CONTINUED)

2.0 Management Committees

These are Committees comprising of senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyse and make recommendations on risks arising from the day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers. The key Management Committees in the Bank are:

- Management Credit Committee;
- Criticised Assets Committee;
- Assets and Liability Committee; and
- IT Steering Committee.

2.1 Management Credit Committee (MCC)

This is the Committee responsible for ensuring that the Bank complies fully with the Credit Policy Guide as laid down by the Board of Directors. The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not exceeding, in aggregate, a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approving all credits that are above the approval level of the Managing Director as determined by the Board. The Committee meets at least once a week or once a fortnight depending on the number of credit applications to be considered.

The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The Secretary of the committee is the Head of Credit Administration Unit of the Bank.

2.2 Criticised Assets Committee (CAC)

This Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and external regulatory framework, and ensures that triggers are sent in respect of delinquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines.

The members of the Committee include the Managing Director, General Manager, and other relevant Senior Management Staff of the Bank.

CORPORATE GOVERNANCE - (CONTINUED)

2.3 Assets and Liability Committee (ALCO)

This Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies.

The members of the Committee include the Managing Director, General Manager, the Treasurer, Head, Risk Management Group, the Head, Currency Trading Unit and relevant Management Staff of the Bank.

2.4 IT Steering Committee

The IT Steering Committee is responsible for the review of technology deployments in the Bank, planning of new IT products and the review of developments in the Technology industry.

The Committee is chaired by the Managing Director and has the Head of Technology Unit as the Secretary. Other members include; the General Manager, the Group Head, Commercial Banking, the Group Head, Retail and Consumer Banking, Head of E-Settlement Unit, Head of SYSCON, Head of Consumer Banking Unit, Head of Retail Banking Unit and the Heads of Transaction Services and Domestic Operations Units.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF GUARANTY TRUST BANK (GHANA) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Guaranty Trust Bank (Ghana) Limited (the Bank) as set out on pages 11 to 66. These financial statements comprise the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flow 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 Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on 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 2011 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 Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF GUARANTY TRUST BANK (GHANA) LIMITED (CONTINUED)

REPORT ON OTHER LEGAL REQUIREMENTS

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
iii) the balance sheet (statement of financial position) and profit and loss account (statement of comprehensive income) are in agreement with the books of account.

In accordance with section 78(2) of the Banking Act 673, 2004 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; and
iii) in our opinion, the Bank's transactions were within its powers.

PricewaterhouseCoopers
Chartered Accountants

8 March ...2012

Accra, Ghana

Oseini Amui (100844)

pwc

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

In Ghana Cedis	*Note*	**2011**	2010
Interest income	7	**47,459,284**	50,723,964
Interest expense	7	**(16,682,918)**	(18,424,129)
Net interest income		**30,776,366**	32,299,835
Fee and commission income	8	**18,743,901**	11,904,395
Trading income	9	**9,488,018**	4,442,534
Other operating income	10	**94,273**	58,694
Operating income		**59,102,558**	48,705,458
Impairment loss	19	**(5,444,630)**	(4,120,223)
Personnel expenses	20	**(13,861,841)**	(10,876,682)
Operating lease expense	12, 32	**(1,527,343)**	(1,521,287)
Depreciation and amortisation	23	**(2,920,967)**	(2,678,737)
Other operating expenses	13	**(14,541,536)**	(12,731,000)
Profit before income tax		**20,806,241**	16,777,529
National fiscal stabilization levy	14	**(1,040,312)**	(838,877)
Income tax expense	14	**(5,982,393)**	(4,254,917)
Profit after income tax		**13,783,536**	11,683,735
Other comprehensive income		-	-
Total comprehensive income for the year		**13,783,536**	11,683,735
Earnings per share for profit attributable to equity holders			
- basic and diluted (pesewa per share)	15	0.0019	0.0017

The notes on pages 15 to 66 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

In Ghana Cedis

	Note	**2011**	2010
Assets			
Cash and cash equivalents	6, 16	**50,097,885**	37,533,080
Due from banks and financial institutions	3, 6	**62,851,388**	100,015,735
Investment securities	3, 6, 20	**186,118,894**	116,296,037
Loans and advances to customers	3, 6, 18	**113,621,838**	137,160,748
Property and equipment	21	**18,864,082**	16,623,914
Intangible assets	22	**414,338**	246,836
Deferred tax assets	24	**-**	103,571
Other assets	25	**12,326,028**	6,919,963
Total assets		**444,294,453**	**414,899,884**
Liabilities			
Deposits from customers	3, 6, 26	**266,006,853**	286,891,866
Due to banks		**45,000,000**	-
Guarantee contract liabilities	27	**900,150**	189,945
Current income tax liabilities	14	**300,064**	600,180
Deferred income tax liabilities	24	**366,705**	-
Other liabilities	28	**8,896,678**	8,450,109
Borrowings	34(ii)	**18,473,993**	21,337,753
Total liabilities		**339,944,443**	**317,469,853**
Equity			
Stated capital	29	**76,228,261**	76,228,261
Credit risk reserve	29a	**2,217,801**	508,568
Statutory reserve	29b	**20,690,012**	13,798,244
Income surplus		**5,213,936**	6,894,958
Total		**104,350,010**	97,430,031
Total liabilities and equity		**444,294,453**	**414,899,884**

The financial statements were approved by the Board on 27th January 2012 and signed on its behalf by

Alhaji Yusif Ibrahim	Olalekan Sanusi
Chairman	*Managing Director*

The notes on pages 15 to 66 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
In Ghana Cedis

	Stated Capital	Credit Risk Reserve	Statutory Reserve	Income Surplus	Total
Balance as at 1 January 2011	76,228,261	508,568	13,798,244	6,894,958	97,430,031
Total comprehensive income for the year	-	-	-	13,783,536	13,783,536
Transactions with owners - Dividend paid for 2010	-	-	-	(6,863,557)	(6,863,557)
Transfer to statutory reserve	-	-	6,891,768	(6,891,768)	-
Transfer to credit risk reserve	-	1,709,233	-	(1,709,233)	-
Balance at 31 December 2011	76,228,261	2,217,801	20,690,012	5,213,936	104,350,010

For the year ended 31 December 2010

	Stated Capital	Credit Risk Reserve	Statutory Reserve	Income Surplus	Total
Balance as at 1 January 2010	76,228,261	1,530,258	7,956,376	2,484,123	88,199,018
Total comprehensive income for the year	-	-	-	11,683,735	11,683,735
Transactions with owners - Dividend paid for 2009	-	-	-	(2,452,722)	(2,452,722)
Transfer to statutory reserve	-	-	5,841,868	(5,841,868)	-
Transfer to credit risk reserve	-	(1,021,690)	-	1,021,690	-
Balance at 31 December 2010	76,228,261	508,568	13,798,244	6,894,958	97,430,031

The notes on pages 15 to 66 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December *In Ghana Cedis*	*Note*	**2011**	2010
Cash flows from operating activities			
Profit before tax		**20,806,241**	16,777,529
Adjustments for:			
Depreciation and amortisation	23	**2,920,967**	2,678,737
Impairment on loans and advances	19	**5,444,630**	4,120,223
Exchange difference on borrowing	34	**2,580,618**	-
Profit on disposal of property and equipment		**(94,273)**	(58,694)
		31,658,182	23,517,795
Change in loans and advances		**19,263477**	(34,000,036)
Change in investment securities		**(94,720,102)**	(6,800,736)
Change in other assets		**(5,406,065)**	676,272
Change in deposits from customers		**(20,885,013)**	106,911,049
Change in other liabilities		**446,569**	(3,823,640)
Change in guarantee contract liabilities		**710,205**	(303,361)
		(68,932,747)	86,177,343
Income tax paid	14	**(6,852,545)**	(9,473,920)
Net cash (used in)/from operating activities		**(75,785,292)**	76,703,423
Cash flows from investing activities			
Purchase of property and equipment	21	**(5,448,936)**	(4,638,066)
Purchase of intangible assets	22	**(280,174)**	(154,532)
Proceeds from sale of property and equipment		**494,746**	76,001
Net cash used in investing activities		**(5,234,364)**	(4,716,597)
Cash flows from financing activities			
Interest and principal payment of Borrowings		**(6,613,574)**	21,337,753
Dividend paid		**(6,863,557)**	(2,452,722)
Net cash (used in)/generated from financing activities		**(13,477,131)**	18,885,031
Net (decrease)/increase in cash and cash equivalents		**(94,496,787)**	90,871,857
Cash and cash equivalents at 1 January		**174,868,145**	83,996,288
Cash and cash equivalents at 31 December	16	**80,371,358**	174,868,145

The notes on pages 15 to 66 are an integral part of these financial statements.

NOTES

1. REPORTING ENTITY

Guaranty Trust Bank (Ghana) Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The address of the Bank's registered office is 25A Castle Road Ambassadorial Area, Ridge, PMB CT 416, Cantonments, Accra. The bank is a subsidiary of Guaranty Trust Bank Plc of Nigeria. The Bank operates with a universal banking license that allows it to undertake all banking and related services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2.2 Basis of Measurement

The financial statements are prepared on the historical cost basis. The statement of comprehensive income classifies expenses based on their nature while the statement of financial position classifies assets and liabilities according to their order of liquidity.

2.3 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Bank

The amendments to existing standards below are relevant to the Bank's operations:

Standard	Title	Applicable for financial year beginning on/after
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial Instruments: Disclosures	1 January 2011

The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Bank was already disclosing the analysis of other comprehensive income on its statement of changes in equity.

The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (Continued)

- The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments have also removed the requirement to disclose the following;
- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated loans that would otherwise be past due but not impaired.
- The application of the above amendment simplified financial risk disclosures made by the Bank.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Bank's financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank.

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Bank. However, the directors are ; to assess the impact on the Bank's operations.

Title	**Applicable for financial years beginning on/after**
Presentation of financial statements	1 July 2012
Employee benefits	1 January 2013
Financial instruments	1 January 2013
Fair value measurement	1 January 2013

- IAS 1, 'Presentation of financial statements

The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

- IAS 19, 'Employee benefits'

  - The impact on the Bank will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The Bank has yet to assess the full impact of the amendments.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (Continued)

- IFRS 9, 'Financial instruments'

- IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating 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 in profit or loss, unless this creates an accounting mismatch. The Bank is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13, 'Fair value measurement'
- IFRS 13 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 all IFRSs. The requirements, which are largely aligned between IFRS 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 IFRS. The Bank is yet to assess IFRS 13s full impact. 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.

2.4 Use of Estimates and Judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In particular, information about significant areas of estimating uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in Note 4.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency transactions

(i) Functional and presentation currency

The financial statements are presented in Ghana Cedi, which is the Bank's functional currency. Except as indicated, financial information presented in Ghana Cedi has been rounded to the nearest Ghana Cedi.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

2.6 Interest income and expense

Interest income and expense are recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

2.7 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

2.8 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income.

2.10 Leases

i) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Leased assets – lessee

Leases in which the Bank assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases for which a significant portion of the risks and rewards of ownership are retained by another party other than the Bank are operating leases and are not recognised on the Bank's statement of financial position.

2.11 Income tax expense

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Income tax expense (Continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

2.12 Financial assets and liabilities

2.12.1 Financial assets

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

(i) Loans and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have 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.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities (Continued)

2.12.2 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.

2.12.3 Recognition

The Bank initially recognises loans and advances, deposits; debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. The Bank uses the trade date accounting for regular way contracts when recording financial asset transactions.

2.12.4 De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities (Continued)

2.12.5 Offsetting

Financial assets and liabilities are set-off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

2.12.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2.12.6 Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

2.12.7 Identification and measurement of impairment

At each balance sheet date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. Assets showing signs of deterioration are assessed for individual impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets and liabilities (Continued)

2.12.7 Identification and measurement of impairment (Continued)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

2.12.8 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:

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 financial assets and liabilities (Continued)

2.12.8 Classes of financial instruments (Continued)

Category (as defined by IAS 39)		Class (as determined by the Bank)		Subclasses
	Loans and receivables	Loans and advances to banks		
		Loans and advances to customers	Loans to individuals (retail)	Overdrafts
				Term loans
				Mortgages
			Loans to corporate entities	Large corporate customers
				Small and Medium Enterprises (SMEs)
				Others
		Investment securities - debt instruments		Listed
				Unlisted
	Held-to-maturity Investments	Investment securities - debt securities		Listed
				Unlisted
	Financial liabilities at armortised cost	Deposits from banks		
		Deposits from customers	Retail customers	
			Large corporate customers	
			SMEs	
Off-balance sheet financial Instruments	Loan commitments			
	Guarantees, acceptances and other financial facilities			

2.13 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. They also include overnight borrowings.

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

2.14 Investment securities

Investment securities are classified as held-to—maturity and are initially measured at fair value and subsequently accounted for at amortised cost.

2.15 Pledged assets

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers 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.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

ii. Subsequent costs

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

iii. Depreciation

Depreciation is charged to the profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5.

The estimated useful lives for the current and corresponding periods are as follows:

Leasehold land and buildings	50 years
Equipment	5 years
Computer hardware	3 years
Furniture and fittings	5 years
Motor vehicle	4 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

iv De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Intangible assets - software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. This is reassessed annually.

2.18 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment of non-financial assets (Continued)

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.19 Deposits and debt securities issued

Deposits and debt securities issued are the Bank's sources of assets funding.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through the profit or loss.

2.20 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

2.21 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). The fair values of financial guarantees are included within other liabilities.

NOTES (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits

i. Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the profit or loss when they are due.

ii. Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

iii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.23 Stated capital and reserves

i. Ordinary shares

Ordinary shares are classified as 'stated capital' in equity.

ii. Dividend on ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction

The Bank's business involves taking on risk in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits forgone, which may be caused by internal or external factors

3.2 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 the Bank's Asset and Liability Committee (ALCO) and Management Credit Committee as well as the Risk Management Unit, which are responsible for developing and monitoring risk management policies in their specified areas.

All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

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

3.3 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMNT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate Management Credit Committee reporting to the Board Credit Committee 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 unit Heads. Larger facilities require approval by the Management Credit Committee, Managing Director and the Board Credit Committee/Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* Management Credit Committee 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.

- *Developing and maintaining the Bank's risk gradings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of six grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The Risk grades are subject to regular reviews by the Risk Management unit of the Bank.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Risk Management unit of the Bank on the credit quality of local portfolios 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. Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorities authorised by the Board Credit Committee. Each business unit with the responsibility of initiating credit has experienced credit managers who report on all credit related matters to local management of the Board Credit Committee and respond to issues at the Bank's Criticised Assets Committee (CAC). Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

- *Regular review of business units and credit quality* are undertaken by internal audit function of the bank and the parent company.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMNT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

In Ghana Cedis	*Note*	2011	2010
Carrying amount	6, 18	**113,621,838**	137,160,748
Individually impaired			
Grade 5: Impaired		**612,040**	-
Grade 6: Impaired		**10,772,000**	9,960,546
Gross amount		**11,384,040**	9,960,546
Allowance for Impairment	19	**(10,357,860)**	(5,691,466)
Carrying amount		**1,026,180**	4,269,080
Collectively impaired			
Grade 1-3: Low-fair Risk		**111,364,685**	115,365,555
Allowance for impairment	19	**(1,084,003)**	(1,057,087)
Carrying amount		**110,280,682**	114,308,468
Past due but not impaired			
Grade 4: Watch List		**2,374,334**	19,060,435
Gross amount		**2,374,334**	19,060,435
Allowance for impairment	19	**(59,358)**	(477,235)
Carrying amount		**2,314,976**	18,583,200
Past due but not impaired comprises:			
0-90days		**2,314,976**	18,583,200
Carrying amount		**2,314,976**	18,583,200
Past due but not impaired comprises			
Construction Sector		-	8,446,045
Commerce		**2,314,976**	10,137,155
Carrying amount		**2,314,976**	18,583,200
Neither past due nor impaired			
Grade 1-3: Low-fair Risk		**110,280,682**	114,308,468
Carrying amount		**110,280,682**	114,308,468
Total carrying amount on balance sheet		**113,621,838**	137,160,748

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

Contingent Liabilities:		
Bonds and guarantees	38,375,257	10,534,147
Commitments:		
Clean Line Facilities for Letters of Credit	188,028,482	40,545,300

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

i. **Key ratios on loans and advances**

Loan loss provision ratio is 4.35% (2010: 2.85%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 12.40% (2010: 8.47%).

Twenty (20) largest exposure (gross funded and non-funded) to total exposure is 31.3% (2010: 52.4%).

ii. **Impaired loans and securities**

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 graded 5 to 6 in the Bank's internal credit risk grading system.

iii. **Past due but not impaired loans**

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank. These loans are graded 4 in the Bank's internal credit risk grading system

iv. **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 a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

v. **Write-off policy**

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Bank's Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer 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 are generally based on a product specific past due status.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

vi. **Risk grading**

A risk rating is a grade given to a loan (or group of loans), reflecting its quality. The ratings are either stated in numbers or as a description from one (1) to six (6).

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

vi Risk grading (Continued)

The bank's internal rating scale are as follows:

Description	Ratings	Characteristics of Credits
Superior Credits	1	They are credits that have overwhelming capacity to repay obligations. The business has adequate cash flow and high quality revenue from continuing business. It has strong equity when related to the quality of its assets with track record of at least consistent profit for three (3) years. Good depth and breadth of management with industry dominance, leverage over its customers and suppliers. Full cash collateralised credits are classified as Superior Credits.
Above average Credits	2	These have majority of attributes of superior credits but may have weaknesses in not more than two of the characteristics of superior credits. These weaknesses should not impair repayment capacity of the borrower
Acceptable Credits	3	Average credits have most of the attributes of Above Average Credits but may have one or more of the following weaknesses which if not closely managed could impair repayment capacity of the borrower: Low capitalisation and equity base, short track record, low market share, price control on its products and highly cyclical demand.
Watch-list Credits/ Other Loans Exceptionally Mentioned (OLEM)	4	This category applies to existing credits that have shown signs of deterioration because they have well-defined weaknesses which could affect the ability of the borrower to repay. Immediate corrective actions are set in motion to avoid complete loss.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

Vi Risk grading (Continued)

Description	Ratings	Characteristics of Credits
Substandard and Doubtful	5	This rate is applied where a strong doubt exists that full repayment of principal and interest will occur. The exact extent of the potential loss is not however certain at the time of classification. Some attributes are interest and principal past due for 90 days or more, borrower has recorded losses consistently for 2 years, borrowers net worth is grossly eroded due to major business failure or disaster and security offered has deteriorated.
Bad and Lost	6	This applies when all or part of the outstanding loans are uncollectible based on present conditions. Attributes are principal and interest overdue and unpaid for more than 180 days, legal processes does not guaranteefull recovery of outstanding debt, clients request for a waiver of part of interest accrued has been granted, borrower is under receivership or in the process of liquidation, borrower has absconded and or documentation is shoddy or incomplete to pursue recovery through legal means.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

	Loans and Advances to Customers	
31 December 2011	**Gross**	**Net**
In Ghana Cedis		
Grade 5: Individually impaired	612,040	200,767
Grade 6: Individually impaired	10,772,000	825,413
Total	11,384,040	1,026,180
31 December 2010		
Grade 5: Individually impaired	-	-
Grade 6: Individually impaired	9,960,546	4,269,080
Total	9,960,546	4,269,080

vi. Credit Collateral

The Bank holds collateral against loans and advances to customers in the form of 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 loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2011 (2010: Nil).

There were no repossessed collateral as at 31 December 2011 (31 December 2010: Nil)

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

vi. Credit concentration

The Bank monitors concentrations of credit risk by product, by industry and by customer.

An analysis of concentrations of credit risk at the reporting date is shown below:

In Ghana Cedis	**Loans and Advances to Customers**	
	2011	**2010**
Carrying amount	113,621,838	137,160,748
Concentration by product		
Overdraft	**32,671,000**	38,586,450
Term loan	92,452,059	105,800,086
	125,123,059	144,386,536
Less: Impairment	**(11,501,221)**	(7,225,788)
	113,621,838	137,160,748
Concentration by industry		
Mining and Quarrying	**4,008,228**	5,005,165
Manufacturing	**27,888,044**	28,883,509
Construction	**10,823,514**	8,446,045
Electricity, Gas and Water	**1,615,145**	17,167,936
Commerce and Finance	**78,488,128**	70,653,464
Transport, Storage and Communication	-	51,392
Services	-	12,411,658
Miscellaneous	**2,300,000**	1,767,367
	125,123,059	144,386,536
Less: Impairment	**(11,501,221)**	(7,225,788)
	113,621,838	137,160,748
Concentration by Customer		
Individuals	**2,300,000**	1,767,367
Private enterprise	**122,823,059**	142,619,169
	125,123,059	144,386,536
Less: Impairment	**(11,501,221)**	(7,225,788
	113,621,838	137,160,748

Concentration by industry for loans and advances are measured based on the industry in which customer operates. Where the nature of business operation of a client cannot be clearly identified, it is classified as miscellaneous.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.3 Credit Risk (Continued)

3.3.1 Management of credit risk (Continued)

	Bonds, Guarantees and Letters of Credit to Customers	
In Ghana Cedis 2011	2010	
Carrying Amount	**226,403,739**	51,079,448
Concentration by product		
Bonds and Guarantees	**38,375,257**	10,534,147
Letters of Credit	**188,028,482**	40,545,301
226,403,739	51,079,448	
Less: Impairment	-	-
	226,403,739	51,079,448

vii. Investments securities

Investment securities amounting to GH¢186,118,894 are held in Government of Ghana Treasury Bills and bonds and are not considered exposed to credit risk. Further details of the investment securities are in Note 20. These represent the maximum credit risk exposure of the bank by holding these investments.

viii. Due from banks and other financial institutions

Amount due from banks of GH¢62,851,388 are held with only reputable established banks and financial institutions and not considered impaired. Further details of these are in Note 6 and 16. These represent the maximum credit risk exposure of the Bank by holding these investments.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.4 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

i. Management of liquidity risk

The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

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

The Bank maintains liquidity limit imposed by its local regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports on the liquidity position of the bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO on monthly basis.

ii. 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 for which there is an active and liquid market less any deposits from banks. The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

iii Assets used in 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:

- Cash and balances with central banks;
- Certificates of deposit;

Government bonds and other securities that are readily acceptable in repurchase agreements with central banks.

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.4 Liquidity risk (Continued)

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

In Ghana cedis	Total	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
31 December 2011					
Due to banks and financial institutions	50,378,715	50,378,715	-	-	-
Deposits from customers	275,407,719	175,100,620	64,002,750	36,304,350	-
Due to parent company	1,474,424	1,474,424	-	-	-
Borrowings	19,397,693	2,125,463	4,250,925	8,501,850	4,519,455
Other liabilities	7,422,255	2,815,134	958,334	1,876,289	1,772,498
	354,080,806	231,894,356	69,212,009	46,682,489	6,291,953

Assets for the management of liquidity risk are summarised below:

In Ghana cedis	Total	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
31 December 2011					
Cash and short term funds	50,097,885	50,097,885	-	-	-
Due from banks	62,851,388	62,851,388	-	-	-
Short term investments	157,367,845	135,914,124	1,204,770	20,248,951	-
Interbank takings	(45,292,500)	(45,292,500)	-	-	-
	225,024,618	203,570,897	1,204,770	20,248,951	-
Liquidity gap	129,056,188	28,323,459	68,007,239	26,433,538	6,291,953

NOTES (CONTINUED)

5. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.4 Liquidity risk (Continued)

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity.

	Total	0 to 3 months	3 to 6 months	6 to 12 months	Over 12 months
In Ghana cedis					
31 December 2010					
Non-derivative liabilities					
Deposits from Customers	301,236,459	278,842,164	22,394,295	-	-
Due to Parent Company	4,216,909	4,216,909	-	-	-
Borrowings	22,887,900	-	-	-	22,887,900
Other liabilities	4,233,200	2,166,104	2,067,096	-	-
	332,574,468	285,225,177	24,461,391	-	22,887,900
In Ghana cedis					
31 December 2010					
Cash and short term funds	37,533,080	37,533,080	-	-	-
Due from banks	100,015,735	100,015,735	-	-	-
Short term investments	116,296,037	116,296,037	-	-	-
	253,844,852	253,844,852	-	-	-
Liquidity gap	78,729,616	31,380,325	24,461,391	-	22,887,900

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – CONTINUED

3.5 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i. Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Group, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

With the exception of translation risk arising on the Bank's net investment in its foreign operations, all foreign exchange risk within the Bank are monitored by the Treasury Group. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in the ALCO. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

ii. Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is the open position limits using the Earning's at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Bank is to be exposed to.

3.5.1 Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Bank's exposure to interest rate risk on non-trading portfolios is as follows:

3. FINANCIAL RISK MANAGEMENT – CONTINUED

3.5.1 Interest rate risks (continued)

In Ghana Cedis	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
31 December 2011					
Cash and cash equivalents	50,097,885	50,097,885	-	-	-
Due from other banks	62,851,388	62,851,388	-	-	-
Investment securities	186,118,894	132,906,173	2,204,770	20,248,951	30,759,000
Loans and advances to customers	113,621,838	34,598,000	11,859,000	37,794,000	29,370,838
Total financial assets	412,690,005	280,453,446	14,063,770	58,042,951	60,129,838
Deposits from customers	266,006,853	170,476,282	60,955,000	34,575,571	
Due to banks	45,000,000	45,000,000	-	-	-
Borrowings	18,473,993	2,024,240	4,048,500	8,097,000	4,304,253
Guarantee contract liability	900,150	88,803	45,260	627,698	138,389
Other liabilities	8,896,678	3,217,566	1,334,556	2,355,000	1,989,556
Total financial liabilities	339,277,674	220,806,891	66,383,316	45,655,269	6,432,198
Total interest repricing gap	73,412,331	59,646,555	(52,319,546)	12,387,682	53,697,640

In Ghana Cedis	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
31 December 2010					
Cash and cash equivalents	37,533,080	37,533,080	-	-	-
Due from other banks	100,015,735	100,015,735	-	-	-
Investment securities	116,296,037	36,681,460	79,614,577	-	-
Loans and advances to customers	137,160,748	75,582,179	10,673,000	37,741,463	13,164,106
Total financial assets	391,005,600	249,812,454	90,287,577	37,741,463	13,164,106
Deposits from customers	230,979,182	209,166,728	21,812,454	-	-
Deposits from other financial institutions	55,912,684	55,912,684	-	-	-
Due to parent company	4,216,909	4,216,909	-	-	-
Borrowings	21,337,753		-	-	21,337,753
Total financial liabilities	312,446,528	296,296,321	21,812,454	-	21,337,753
Total interest repricing gap	78,559,072	(19,483,867)	68,475,123	37,741,463	(8,173,647)

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

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. Standard scenarios that are considered on a regular basis include a 100 basis point (bp) parallel fall or rise in prime rates.

Sensitivity analysis

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

Sensitivity Analysis of Interest rate risks - Increase / decrease of 100 basis points in Net Interest Margin

In Ghana Cedis	**2011**	2010
Interest Income Impact	**3,463,684**	3,528,697
Interest Expense Impact	**(1,535,233)**	(1,795,755)
Net Impact on Profit	**1,928,451**	1,732,942

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.

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

Assuming no management actions, a series of such rises would increase net interest income for 2012 by GH¢ 1,928,451 while a series of such falls would decrease net interest income for 2011 by GH¢1,928,451. Also a series of such rises would increase the Adjusted Core Capital to RWA and Adjusted Total Capital to RWA by 0.27% and 0.27% respectively, while a series of such falls would decrease the Adjusted Core Capital to RWA and Adjusted Total Capital to RWA by 1.34% and 1.34% respectively. The revised Adjusted Total Capital to RWA ratios are well above the minimum capital requirement of 10%.

The Bank has implemented the Reuters system to monitor live interest and exchange rates to facilitate trading by the Treasury department. This will help the Bank to know what is happening at any moment in time on the markets and where opportunities are present to make gains from high interest rates. The bank does not embark on hedging of its interest rate risk and foreign currency risk

3.5.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2011. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency:

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

In Ghana Cedis

At 31 December 2011	Cedi	USD	GBP	EUR	Other	Total
Assets						
Cash and cash equivalents	46,139,461	3,198,410	383,628	376,386	-	50,097,885
Due from banks	33,198,746	23,031,145	1,038,733	5,501,189	81,575	62,851,388
Investment securities	186,118,894	-	-	-	-	186,118,894
Loans and advances to customers	75,824,267	37,797,571	-	-	-	113,621,838
Other assets	12,176,238	149,790	-	-	-	12,326,028
Total financial assets	353,457,606	64,176,916	1,422,361	5,877,575	81,575	425,016,033
Liabilities						
Deposits from customers	194,919,144	62,714,365	2,631,154	5,742,190	-	266,006,853
Due to banks	45,000,000	-	-	-	-	45,000,000
Other liabilities	9,932,999	520,855	9,743	-	-	10,463,597
Borrowings	-	18,473,993	-	-	-	18,473,993
Total financial liabilities	249,852,143	81,709,213	2,640,897	5,742,190	-	339,944,443
Net on-balance sheet financial position	**103,605,463**	**(17,532,297)**	**(1,218,536)**	**135,385**	**81,575**	**85,071,590**
Credit commitments	**14,090,609**	**210,479,239**	**910,507**	**923,384**	**-**	**226,403,739**

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.5.2 Foreign exchange risk (Continued)

In Ghana Cedis **At 31 December 2010**	**Cedi**	**USD**	**GBP**	**EUR**	**Other**	**Total**
Assets						
Cash and cash equivalents	30,625,804	5,611,700	1,015,842	279,734	-	37,533,080
Due from banks	40,384,850	57,382,214	8,891	2,213,064	26,716	100,015,735
Investment securities	116,296,037	-	-	-	-	116,296,037
Loans and advances to customers	104,450,522	32,710,226	-	-	-	137,160,748
Other assets	6,476,711	388,624	54,628	-	-	6,919,963
Total financial assets	298,233,924	96,092,764	1,079,361	2,492,798	26,716	397,925,563
Liabilities						
Deposits from customers	217,653,585	65,865,813	998,888	2,373,580	-	286,891,866
Other liabilities	8,654,251	582,245	3,271	467	-	9,240,234
Borrowings	-	21,337,753	-	-	-	21,337,753
Total financial liabilities	226,307,836	87,785,811	1,002,159	2,374,047	-	317,469,853
Net on-balance sheet financial position	**71,926,088**	**8,306,953**	**77,202**	**118,751**	**26,716**	**80,455,710**
Credit commitments	**8,680,814**	**41,066,968**	-	**1,331,666**	-	**51,079,448**

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.5.2 Foreign exchange risk (Continued)

Sensitivity analysis

A 5% strengthening of the cedi against foreign currencies at 31 December 2011 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 2010.

In Ghana Cedis	2011	2010
Profit / (Loss)	(926,694)	(425,169)

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

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – (CONTINUED)

3.5.3 Exposure to Other Market Risks – Non-trading Portfolios

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various scenarios. Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring by the Bank's Risk Management Unit, but is not currently significant in relation to the overall results and financial position of the Bank.

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities.

3.6 Capital management

i. Regulatory capital

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

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax income surplus, retained profits and general statutory reserves.

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

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

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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

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

NOTES (CONTINUED)

3. FINANCIAL RISK MANAGEMENT – CONTINUED

3.6 Capital management (Continued)

i. Capital adequacy ratio

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

In Ghana Cedis	**2011**	2010
Tier 1 capital		
Ordinary issued share l	**76,228,261**	76,228,261
Disclosed reserves	**25,903,948**	20,693,202
Shareholders' fund	**102,132,209**	96,921,463
Less:		
Intangible assets	**1,335,037**	2,322,707
Total qualifying tier 1 capital	**100,797,172**	94,598,756
Tier 2 Capital		
Fair value reserve for available For sale securities	**-**	-
Total regulatory capital	**100,797,172**	94,598,756
Adjusted risk-weighted assets	**157,794,874**	188,916,285
Risk weighted contingent liabilities	**226,403,739**	51,079,447
Risk adjusted net open position	**4,773,052**	3,997,705
Risk-weighted assets	**388,971,665**	243,993,437
Total regulatory capital expressed as a percentage of total risk-weighted assets is	**25.91%**	38.77%

NOTES (CONTINUED)

4. USE OF ESTIMATES AND JUDGEMENTS

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

4.1 Key sources of estimation uncertainty

i. Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.12.7.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the ALCO.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

ii. Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation models as described in Note 2.12.6.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

NOTES (CONTINUED)

4. USE OF ESTIMATES AND JUDGEMENT – (CONTINUED)

4.2 Critical Accounting Judgments in applying the Bank's Accounting Policies

Critical accounting judgments made in applying the Bank's accounting policies include:

i. Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 2.12.1.

Details of the Bank's classification of financial assets and liabilities are given in Note 2.12.8 and Note 6.

ii. Determination of impairment of property and equipment, and intangible assets, excluding goodwill

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

5. Segment Reporting

The Bank's current operation is concentrated in Ghana and as such does not lend itself to segmental reporting and hence management has not provided information on segmental reporting.

The chief operating decision maker considers the operation in Ghana as an operating segment.

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

6. Financial Assets and Liabilities
Accounting Classification, Measurement Basis and Fair Values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

In Ghana Cedis	**Held-to-maturity**	**Loans and Receivables**	**Amortised Cost**	**Total**	**Fair value**
31 December 2011					
Cash and cash equivalents	-	50,097,885	-	50,097,885	50,097,885
Due from banks and other financial institutions -	62,851,388		-	62,851,388	62,851,388
Loans and advances to customers	-	113,621,838	-	113,621,838	113,621,838
Investment securities	186,118,894	-	-	186,118,894	186,266,278
Other assets (excluding prepayments)	-	1,305,231	-	1,305,231	1,305,231
Total Financial assets	248,970,282	165,024,954	-	413,995,236	414,143,620
Deposits from customers	-	-	266,006,853	266,006,853	266,006,853
Due to banks	-	-	45,000,000	45,000,000	45,000,000
Due to parent company	-	1,474,424	-	1,474,424	1,474,424
Borrowings	-	-	18,473,993	18,473,993	18,473,993
Total financial liabilities	-	1,474,424	329,480,846	330,955,270	330,955,270

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

6. Financial Assets and Liabilities (continued)
Accounting Classification, Measurement Basis and Fair Values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

In Ghana Cedis	Held-to-maturity	Loans and Receivables	Amortised Cost	Total	Fair value
31 December 2010					
Cash and cash equivalents	-	37,533,080	-	37,533,080	37,533,080
Due from banks and other financial institutions -	100,015,735		-	100,015,735	100,015,735
Loans and advances to customers	-	137,160,748	-	137,160,748	137,160,748
Investment securities	116,296,037	-	-	116,296,037	116,353,412
Other assets (excluding prepayments)	-	1,057,500	-	1,057,500	1,057,500
Total financial assets	216,311,772	175,751,328	-	392,063,100	392,120,475
Deposits from customers	-	-	286,891,866	286,891,866	286,891,866
Due to parent company	-	1,516,814	-	1,516,814	1,516,814
Borrowings	-	-	21,337,753	21,337,753	21,337,753
Total financial liabilities	-	1,516,814	308,229,619	309,746,433	309,746,433

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

7. Net interest income

In Ghana Cedis	**2011**	**2010**
Interest income		
Placements with other banks	**2,267,828**	1,256,657
Investment securities	**16,098,215**	18,529,876
Loans and advances to customers	**29,093,241**	30,937,431
Total interest income	**47,459,284**	50,723,964

Interest income include: GH¢1,730,860(2010: GH¢1,224,936) of interest income accrued on impaired financial assets. This represents the unwinding of discounting in accordance with IAS 39.

	2011	**2010**
Interest expense		
Current accounts	**1,293,142**	301,730
Deposits from customers	**12,427,637**	16,722,731
Overnight and call accounts	**2,962,139**	1,399,668
Total interest expense	**16,682,918**	18,424,129
Net interest income	**30,776,366**	32,299,835

8. Fee and commission income

In Ghana Cedis	**2011**	**2010**
Commission income	**11,347,987**	8,310,237
Income from fees	**5,992,458**	3,450,869
Others	**1,403,456**	143,289
	18,743,901	11,904,395

9. Trading income

In Ghana Cedis	**2011**	**2010**
Income from dealing in foreign exchange	**9,488,018**	4,442,534

Trading income includes the profits and losses arising from trading of foreign currencies.

10. Other operating income

In Ghana Cedis	**2011**	**2010**
Profit on disposal of property and equipment	**94,273**	58,694

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

11. Personnel expenses

In Ghana Cedis	**2011**	**2010**
Staff costs	**12,113,976**	9,422,043
Employer's social security contributions	**493,112**	427,982
Employer's provident fund contributions	**378,697**	329,190
Medical expenses	**876,056**	697,467
	13,861,841	10,876,682

The average number of persons employed by the bank during the period to 31 December 2011 was 317 (2010: 315).

12. Lease rentals

In Ghana Cedis	**2011**	**2010**
Operating lease rentals on leasehold land	**30,154**	30,154
Operating lease rentals on office premises	**1,497,189**	1,491,133
	1,527,343	1,521,287

13. Other operating expenses

In Ghana Cedis	**2011**	**2010**
Advertising and marketing expenses	**1,076,335**	1,113,761
Administrative expenses	**11,819,905**	10,269,078
Software licensing	**875,859**	385,386
Training	**368,112**	463,274
Directors' emoluments	**175,375**	238,124
Auditor's remuneration	**140,000**	120,000
Social responsibility costs	**85,950**	141,377
	14,541,536	12,731,000

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

14. National fiscal stabilization levy and income tax expense

In Ghana Cedis	**2011**	**2010**
Current income tax		
Corporate income tax	**5,512,117**	4,416,751
Deferred income tax expense (Note 24)	**470,276**	(161,834)
Income tax expense	**5,982,393**	4,254,917
National fiscal stabilisation levy	**1,040,312**	838,877
Total	**7,022,705**	5,093,794

Current Income Tax

In Ghana Cedis	**Balance at 1 January**	**Payments during period**	**Charge for the period**	**Balance at 31 December**
Current Income tax				
Up to 2010	553,074	-	-	553,074
2011	-	(6,007,813)	5,512,117	(495,696)
	553,074	(6,007,813)	5,512,117	57,378
National Fiscal Stabilisation Levy				
Up to 2010	47,106	-	-	47,106
2011	-	(844,732)	1,040,312	195,580
	47,106	(844,732)	1,040,312	242,686
Total	600,180	(6,852,545)	6,552,429	300,064

Reconciliation of effective tax

In Ghana Cedis	**2011**	**2010**
Profit	20,806,241	16,777,529
Income tax calculated at tax rate (25%)	5,201,560	4,194,382
National stabilisation levy	1,040,312	838,877
Non-deductible expenses	780,833	60,535
Total	7,022,705	5,093,794

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

15. Earnings per Share

Basic Earnings per Share

The basic earnings per share at 31 December 2011are calculated by dividing the profit attributable to equity holders of the bank by the weighted average number of ordinary shares.

In Ghana Cedis	**2011**	**2010**
Profit for the year attributable to equity holders of the bank	13,783,536	11,683,735
Weighted average number of ordinary shares	7,007,777,636	7,007,777,636
Basic earnings per share (Ghana Cedi per share)	0.0019	0.0017
Diluted earnings per share (Ghana Cedi per share)	0.0019	0.0017

There are no potentially dilutive shares outstanding at 31 December 2011 or 2010. Diluted earnings per share are therefore the same as the basic earnings per share.

16. Cash and cash equivalents

In Ghana Cedis	**2011**	**2010**
Cash on hand	11,334,365	7,282,572
Balances with Bank of Ghana	38,763,520	30,250,508
	50,097,885	37,533,080
Due from and to banks and other financial institutions	17,851,388	100,015,735
Treasury bill maturing within 90days	12,422,085	37,319,330
	80,371,358	174,868,145

Due from and to banks and other financial institutions

In Ghana Cedis	**2011**	**2010**
Nostro account balances	12,753,397	4,684,642
Placements with other banks and other financial institutions	29,949,357	91,783,755
Due from other local banks	3,489,112	3,332,754
Items in course of collection	-	214,584
Cash collateral	16,659,522	-
Due from other banks	62,851,388	100,015,735
Due to banks	(45,000,000)	-
Due from and to banks and financial institutions	17,851,388	100,015,735

Amounts due from and to banks and other financial institutions are current

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

17. Pledged assets

Financial assets that may be re-pledged or resold by counterparties

Assets are pledged as collateral under repurchase agreements with other banks and as security relating to overnight borrowings.

In Ghana Cedis	**2011**	**2010**
Government securities	58,126,000	59,281,366

These Government securities have been pledged as collateral for liabilities of GH¢45,000,000 (31 December 2010: GH¢7,838,037). These transactions have been conducted under terms that are usual and customary to standard lending and securities borrowing activities.

18. Loans and advances to customers

In Ghana Cedis	**2011**	**2010**
Loans and advances	125,123,059	144,386,536
Specific allowances for impairment	(10,357,860)	(6,168,701)
Collective impairment	(1,143,361)	(1,057,087)
	113,621,838	137,160,748
Current	84,251,000	123,996,642
Non –current	29,370,838	13,164,106

19. Impairment allowance on loans and advances

In Ghana Cedis	**2011**	**2010**
Balance at beginning of year	7,225,788	3,105,565
Impairment loss for the period - specific allowances	5,358,356	4,066,143
collective allowances	86,274	54,080
Loan write off	(1,169,197)	-
Balance at end of year	11,501,221	7,225,788

20. Investment securities

In Ghana Cedis	**2011**	**2010**
Investment securities comprise		
Treasury bills (see (a) below)	134,950,405	57,014,671
Government bonds	51,168,489	-
	186,118,894	57,014,671
Current	155,359,894	57,014,671
Non –current	30,759,000	-

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

21. Property and equipment

In Ghana Cedis

	Leasehold Improvement	Furniture & Equipment	Computer & Accessories	Motor Vehicle	Capital Work in progress	Total
Cost						
Year ended 31 December 2010						
At 1 January	6,583,959	5,080,538	1,791,736	1,815,663	2,232,552	17,504,448
Additions	882,565	1,319,691	410,434	357,939	1,667,437	4,638,066
Disposal	-	(22,554)	-	(122,191)	-	(144,745)
Transfers	2,267,305	95,974	(11,289)	160,634	(2,512,624)	-
Balance at 31 December	9,733,829	6,473,649	2,190,881	2,212,045	1,387,365	21,997,769
Year ended 31 December 2011						
At 1 January	9,733,829	6,473,649	2,190,881	2,212,045	1,387,365	21,997,769
Additions	3,596,800	1,263,000	239,279	349,857	-	5,448,936
Disposal	(374,000)	(228,473)	(52,457)	(224,154)	-	(879,084)
Transfers	631,709	173,000	1,532	60,119	(866,360)	-
At 31 December	13,588,338	7,681,176	2,379,235	2,397,867	521,005	26,567,621
Depreciation						
Year ended 31 December 2010						
At 1 January	360,221	1,249,409	795,518	504,574	-	2,909,722
Charge for the year	371,522	1,100,036	647,115	472,897	-	2,591,570
Released on disposal	-	(22,554)	-	(104,883)	-	(127,437)
At 31 December	731,743	2,326,891	1,442,633	872,588	-	5,373,855
Year ended 31 December 2011						
At 1 January	731,743	2,326,891	1,442,633	872,588	-	5,373,855
Charge for the year	486,236	1,235,945	534,484	551,630	-	2,808,295
Released on Disposal	(60,000)	(142,000)	(52,457)	(224,154)	-	(478,611)
At 31 December	1,157,979	3,420,836	1,924,660	1,200,064	-	7,703,539
Net book amounts						
31 December 2010	9,002,086	4,146,758	748,248	1,339,457	1,387,365	16,623,914
31 December 2011	12,430,359	4,260,340	454,575	1,197,803	521,005	18,864,082

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

22. Intangible assets

In Ghana Cedis

	Purchased Software	Developed Software	Total
Year ended 31 December 2010			
Cost			
At 1 January	351,992	53,421	405,413
Additions	154,532	-	154,532
Balance at 31 December	506,524	53,421	559,945
Year ended 31 December 2011			
At 1 January	506,524	53,421	559,945
Additions	280,174	-	280,174
At 31 December	786,698	53,421	840,119
Amortisation			
At 1 January 2010	206,572	19,370	225,942
Amortisation for the year	74,359	12,808	87,167
At 31 December 2010	280,931	32,178	313,109
At 1 January 2011	280,931	32,178	313,109
Amortisation for the period	101,988	10,684	112,672
At 31 Dec 2011	382,919	42,862	425,781
Net book amounts			
At 31 December 2010	225,593	21,243	246,836
At 31 December 2011	403,779	10,559	414,338

23. Depreciation and amortisation

The depreciation and amortisation charge is recognized as follows:

In Ghana Cedis	2011	2010
Property and equipment (Note 21)	2,808,295	2,591,570
Intangible assets (Note 22)	112,672	87,167
	2,920,967	2,678,737

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

24. Deferred income tax

Movements in temporary differences during the year

In Ghana Cedis	**At 1 January**	**Recognised in profit or loss**	**At 31 December**
2011			
Property, equipment and software	410,954	603,563	1,014,517
Unutilised capital allowances	(514,525)	(133,287)	(647,812)
	(103,571)	470,276	366,705
2010			
Property, equipment and software	309,015	101,939	410,954
Allowances for loan losses	(250,751)	250,751	-
Unutilised capital allowances	-	(514,525)	(514,525)
	58,263	(161,834)	(103,571)

25. Other assets

In Ghana Cedis	**2011**	**2010**
Accounts receivable and prepaid expenses	**1,335,037**	1,972,300
Prepaid expense – premises	**5,616,741**	3,070,606
Prepaid expense – leasehold land	**4,301,681**	1,370,835
Stationary and stocks	**1,072,569**	506,222
	12,326,028	6,919,963
Current	**5,355,758**	3,006,779
Non-current	**6,970,270**	3,913,184

26. Deposits from customers

In Ghana Cedis	**2011**	**2010**
By type of deposit		
Current and call account	**162,764,185**	135,307,793
Savings account	**17,980,969**	9,642,196
Cash collateral	**4,527,540**	3,381,369
Term deposit	**80,734,159**	138,560,508
	266,006,853	286,891,866

The twenty largest depositors to total deposit constitute 31.29% (2010: 57.42%).
Deposits from customers are current

In Ghana Cedis	**2011**	**2010**
By type of customer		
Financial institutions	**5,278,159**	55,912,684
Individuals and other private enterprises	**214,562,437**	197,497,008
Public enterprises	**46,166,257**	33,482,174
	266,006,853	286,891,866

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

27. Guarantee contract liability

Guarantee contract liability relates to the deferred fees on guarantees and letter of credits outstanding at the year end.

28. Other Liabilities

In Ghana Cedis	**2011**	**2010**
Due to parent company	4,709,890	4,216,909
Other payables	4,186,789	4,233,200
	8,896,679	8,450,109

29. Stated capital

	No. of shares
At 31 December 2011	
Authorised	
Ordinary Shares of no par Value	9,000,000,000

In Ghana Cedis

	No. of shares	**Proceeds**
Issued and fully paid		
Issued for cash consideration	6,788,777,636	74,242,861
Issued for consideration other than cash	219,000,000	1,985,400
	7,007,777,636	76,228,261

At 31 December 2010

Authorised		
Ordinary Shares of no par Value	9,000,000,000	
Issued and fully paid		
Issued for cash consideration	6,788,777,636	74,242,861
Issued for consideration other than cash	219,000,000	1,985,400
	7,007,777,636	76,228,261

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

29. Stated capital (Continued)

Directors' Shareholding

The Director named below held the following number of shares in the Bank as at 31 December 2011:

Number of Ordinary Shares	**2011**	**2010**
Alhaji Yusif Ibrahim	150,000,000	150,000,000

Number of Shareholders

The company had three (3) ordinary shareholders at 31 December 2011 distributed as follows:

	Shareholding	**Percentage**
GTB Plc	6,707,777,636	95.72
Nederlandse financierings-maatschappij voor ontwikkelingslanden n.v. (FMO)	150,000,000	2.14
Alhaji Yusif Ibrahim	150,000,000	2.14
	7,007,777,636	100.00

30. Other reserves

a. Credit Risk Reserve

Credit risk reserve represents the amounts set aside in respect of the excess of Bank of Ghana's total provisions over the impairment charge in accordance with IFRS charged to the profit or loss. The movement is included in the statement of changes in equity.

b. Statutory Reserve

Statutory reserve represents transfer of 50% of profit after tax to reserve in compliance with Bank of Ghana's regulatory requirement. The movement is included in the statement of changes in equity.

31. Dividends

At the next Annual General Meeting, a dividend of GH¢5,200,000 is to be proposed for the year ended 31 December 2011 (2010: GH¢6,863,557).

32. Leasing

The Bank acts as lessee under operating leases and lessor under finance leases, leasing assets for its own use and providing asset financing for its customers.

i. Finance Lease

The Bank did not have any finance lease receivables at 31 December 2011 (2010: Nil).

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

32. Leasing – continued

ii. Operating Lease

The Bank leases various office and other premises under non-cancellable operating lease arrangements. The lease rentals are paid in advance and amortised on a straight line basis over the lease period. The outstanding balance is accounted for as a prepayment in other assets (see Note 25). There are no contingent rents payable.

Non cancellable operating lease rentals are payable as follows:

In Ghana Cedis	**2011**	**2010**
Less than One Year	1,836,192	1,464,000
Between One and Five Years	4,210,717	3,964,000
More than Five Years	3,871,513	1,042,000

33. Contingencies

i. Claims and Litigation

There were no litigation and claims involving the bank as at 31 December 2011 (2010: Nil).

ii. Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related to performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

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

33. Contingencies (Continued)

ii. Contingent liabilities and commitments (Continued)

The following tables summarise the amount of contingent liabilities and commitments with off-balance sheet risk.

In Ghana Cedis	**2011**	**2010**
Contingent Liabilities:		
Bonds and guarantees	38,375,257	10,534,147
Commitments:		
Clean Line Facilities for Letters of Credit	188,028,482	40,545,300

iii. Commitments for capital expenditure

The Bank had GH¢14,441,758 commitments for capital expenditure as at 31 December 2011 (2010: GH¢8,621,442).

34. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes Guaranty Trust Bank Plc of Nigeria (GTB Plc) and its subsidiaries.

i. Parent

The parent company, which is also the ultimate parent company, is GTB Plc. Transactions between Guaranty Trust Bank Plc and the subsidiaries also meet the definition of related party transactions. During the period ended 31 December 2011, the bank transacted the following business with the parent bank:

In Ghana Cedis	**2011**	**2010**
Transactions on behalf of bank	1,474,424	1,445,061
Technical service fee	3,235,466	2,058,098
Accrued interest payable	-	713,750
	4,709,890	4,216,909

Transactions are as in the normal course of business as with other customers.

ii Nederlandse financierings-maatschappij voor ontwikkelingslanden n.v. (FMO)

The Bank secured a loan facility of US$15 million from FMO in 2010 with an interest rate of 4.5% above Libor. Principal and interest are payable over a period of 4 years. The movement during the period is as follows:

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

34. Related Parties (Continued)

ii. Nederlandse financierings-maatschappij voor ontwikkelingslanden n.v. (FMO)-continued

In Ghana Cedis	**2011**	**2010**
Balance as at 1 January	**21,337,753**	-
Loan drawdown	-	21,337,753
Loan repayments	**(5,444,378)**	-
Exchange difference	**2,580,618**	-
Balance as at 31 December	**18,473,993**	21,337,753

iii. Transactions with key management personnel

The bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the bank. There were no loans and deposits from key management staff with the year.

iv. Transactions with companies with directors' interest

Companies with directors' interest, key management personnel and their immediate relatives engaged in the following transactions with the bank during the year:

Loans and advances

In Ghana Cedis	**2011**	**2010**
Secured loans	**1,220,162**	6,749,589

Interest rates charged on balances outstanding are at rates that would be charged to customers in the ordinary course of business. The loans granted are secured over real estate, equity and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel.

Key management personnel compensation

There were no short-term employee and post-employment benefits outstanding as at 31 December 2011 (2010: Nil).

	2011	**2010**
Salaries and other short term benefits	**490,417**	387,140
Post employment benefits	**19,491**	16,820
	590,908	403,960