ACCESS BANK (GHANA) LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Herbert Wigwe	Chairman
	Dolapo Ogundimu	Managing Director *(Appointed - 2/3/12)*
	Frank Beecham	
	Taukume Koroye	*(Appointed - 27/6/12)*
	Obeahon Ohiwerei	
	Kameel Adebayo	*(Appointed - 12/10/12)*
	Yomi Akapo	*(Resigned - 12/10/12)*
	Nkum Adipa	*(Deceased - 9/11/12)*
	Iyabode Soji-Okusany	*(Resigned - 22/5/12)*
	Isaac Kwesi Sam	*(Appointed - 2/3/12)*

SECRETARY

Bianca Clinton
Access Bank (Ghana) Limited
Accra, Ghana

AUDITORS

KPMG
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP242
Accra

REGISTERED OFFICE

Starlet 91 Road
(Opposite Ohene Djan Sports Stadium)
P. O. Box GP 353
Accra

REPORT OF THE DIRECTORS TO THE MEMBERS OF ACCESS BANK (GHANA) LIMITED

Report of the Directors

The Directors in submitting to the shareholders the consolidated financial statements of the Bank for the year ended 31 December 2012 report as follows:

Directors Responsibility Statement

The Bank's Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act, 1963 (Act 179), the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and for such controls 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.

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.

Business Combinations

The holding company of Access Bank (Ghana) Limited, Access Bank Plc, acquired Intercontinental Bank Plc and as a result, Access Bank Plc became the ultimate beneficiary majority owner of Intercontinental Bank (Ghana) Limited. Access Bank Plc resolved to merge its subsidiary in Ghana with Intercontinental Bank (Ghana) Limited. In March 2012, the assets and liabilities of the two subsidiaries were merged with Access Bank (Ghana) Limited being the surviving entity. The merger of the two entities were approved by Bank of Ghana on 5 March 2012. The assets and liabilities were taken on at their net book values.

Financial Report and Dividend

	The Group		The Bank	
31 December	**2012 GH¢'000**	**2011 GH¢'000**	**2012 GH¢'000**	**2011 GH¢'000**
Profit before taxation is	46,811	13,034	46,528	12,968
from which is deducted taxation of	(11,867)	(4,566)	(11,796)	(4,550)
giving a profit after taxation for the year of	34,944	8,468	34,732	8,418
less net transfer to statutory reserve fund and other reserves of	(29,682)	(5,467)	(29,718)	(5,467)
leaving a balance	5,262	3,001	5,014	2,951
when added to a balance brought forward on retained earnings of	6,635	3,634	5,985	3,034
gives a balance of	11,897	6,635	10,999	5,985

In accordance with Section 29(a) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738), an amount of GH¢ 17,280,000 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 25,857,000 at the year end.

The Directors do not recommend the payment of dividend.

REPORT OF THE DIRECTORS TO THE MEMBERS OF ACCESS BANK (GHANA) LIMITED - (CONT'D)

Nature of Business

The Bank is authorised by Bank of Ghana to carry on the business of universal banking.

Subsidiaries

The Bank has two wholly owned subsidiaries, namely, Big Ticket Holdings Limited (BTH) and Triumph Properties Limited (TPL). BTH is currently operating as a leasing company and TPL was dormant for the year and at the year end.

Equity Investment in Associate

The Bank has a 40% equity investment in Magnate Technologies Services Limited, which is in vehicle leasing operations.

Holding Company

The Bank is a subsidiary of Access Bank Plc, a company incorporated in the Federal Republic of Nigeria and licensed to undertake all banking and related services.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Bank were approved by the Board of Directors on ....February 2013 and were signed on their behalf by:

Legal and Regulatory Requirements

The Bank self-reported to the Bank of Ghana certain foreign exchange infractions which resulted in the suspension of the Bank from engaging in foreign exchange business for a six month period, effective 6 August 2012.

The Bank, having complied with the directives of the Bank of Ghana and after further review by the regulator, had the ban lifted effective 24 September 2012. The Bank has taken stern disciplinary measures against staff found to be complicit and put in place robust internal control measures to forestall recurrence.

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DIRECTOR **DIRECTOR**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ACCESS BANK (GHANA) LIMITED

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Access Bank (Ghana) Limited which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, which include a summary of significant accounting policies as set out on pages 8 to 82.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ACCESS BANK (GHANA) LIMITED - (CONT'D)

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and and Section 78 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

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

In our opinion, proper books of account have been kept and the statements of financial position and comprehensive income are in agreement with the books of account.

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

..
Signed by: Nathaniel D. Harlley (ICAG/P/1056)
For and on behalf of:
KPMG: (ICAG/F/0036)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

…………………………..., 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

		The Group		The Bank	
		2012	**2011**	**2012**	**2011**
	Note	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
Assets					
Cash and cash equivalents	17	175,219	42,358	173,934	41,489
Government securities	18	292,445	148,949	292,445	148,949
Loans and advances to customers	19	274,373	76,539	274,373	76,539
Investment in associate	20	286	-	286	-
Investment in subsidiaries	25	-	-	20	20
Property and equipment	21	27,878	7,837	27,804	7,608
Intangible assets	22	1,616	630	1,616	630
Deferred tax assets	23	5,693	585	5,693	585
Other assets	24	20,993	4,740	21,120	4,904
Total assets		798,503	281,638	797,291	280,724
Liabilities					
Due to other banks	26	17,000	5,658	17,000	5,658
Deposits from customers	27	545,352	165,286	545,352	165,286
Borrowings	28	18,782	691	18,782	691
Tax payable	15.a	8,169	1,022	7,872	796
Deferred tax liabilities	23	1,873	1,555	1,812	1,494
Other liabilities	29	36,406	8,461	36,414	8,484
Total liabilites		627,582	182,673	627,232	182,409
Equity					
Stated capital	30.1	118,275	81,162	118,275	81,162
Statutory reserve	30.3	25,857	8,577	25,893	8,577
Credit risk reserve	30.4	14,993	2,591	14,993	2,591
Retained earnings	30.2	11,796	6,635	10,898	5,985
Total Equity		170,921	98,965	170,059	98,315
Total equity and liabilites		798,503	281,638	797,291	280,724

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DIRECTOR **DIRECTOR**

The notes on pages8 - 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

		The Group		The Bank	
		2012	2011	2012	2011
	Note	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Interest income	8	115,451	27,977	115,451	27,977
Interest expense	8	(42,450)	(11,352)	(42,450)	(11,352)
Net interest income		73,001	16,625	73,001	16,625
Fees and commission	9	39,812	3,232	39,812	3,232
Net trading income	10	10,299	4,144	10,299	4,144
Other operating income	11	3,283	1,383	2,835	962
Net trading and other income		53,394	8,759	52,946	8,338
Total operating income		126,395	25,384	125,947	24,963
Impairment loss on financial assets	12, 4.1.4	(21,463)	(829)	(21,463)	(829)
Personnel expenses	13	(23,749)	(3,681)	(23,749)	(3,681)
Depreciation and amortization	21.a	(6,354)	(1,781)	(6,199)	(1,592)
Other expenses	14	(28,018)	(6,059)	(28,008)	(5,893)
Operating profit before loss of equity accounted investee		46,811	13,034	46,528	12,968
Share of loss of equity accounted investee (net of tax)	20	(101)	-	(101)	-
Profit before income tax		46,710	13,034	46,427	12,968
Taxation	15	(11,867)	(4,566)	(11,796)	(4,550)
Profit after tax		34,843	8,468	34,631	8,418
Other comprehensive income		-	-	-	-
Total comprehensive income for the year attributable to equity holders of the Bank		34,843	8,468	34,631	8,418
Earnings per share - Basic & Diluted	16	0.34	0.11	0.34	0.10

The notes on pages8 - 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

The Group	**Note**	**Stated Capital GH¢'000**	**Statutory Reserve GH¢'000**	**Credit risk Reserve GH¢'000**	**Retained Earnings GH¢'000**	**Total GH¢'000**
Balance as at 1 January 2011		77,937	4,368	1,333	3,634	87,272
Profit for the year		-	-	-	8,468	8,468
Transactions with owners recorded directly in equity						
Movement in issued share capital		3,225	-	-	-	3,225
Regulatory and other reserves						
Transfer from credit risk reserve		-	-	1,258	(1,258)	-
Transfer to statutory reserve		-	4,209	-	(4,209)	-
Net transfers to/(from) reserves		-	4,209	1,258	(5,467)	-
Balance at 31 December 2011		81,162	8,577	2,591	6,635	98,965
Balance at 1 January 2012		81,162	8,577	2,591	6,635	98,965
Profit for the year		-	-	-	34,843	34,843
Transactions with owners recorded directly in equity						
Share swap	35	37,113	-	-	-	37,113
Regulatory and other reserves						
Transfer to credit risk reserve		-	-	12,402	(12,402)	-
Transfer to statutory reserve		-	17,280	-	(17,280)	-
Net transfers to/(from) reserves		-	17,280	12,402	(29,682)	-
Balance at 31 December 2012		118,275	25,857	14,993	11,796	170,921

The notes on pages8 - 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER - (CONT'D)

The Bank **Note**		**Stated Capital GH¢'000**	**Statutory Reserve GH¢'000**	**Credit risk Reserve GH¢'000**	**Retained Earnings GH¢'000**	**Total GH¢'000**
Balance as at 1 January 2011		77,937	4,368	1,333	3,034	86,672
Profit for the year		-	-	-	8,418	8,418
Transactions with owners recorded directly in equity						
Movement in issued share capital		3,225	-	-	-	3,225
Regulatory and other reserves						
Transfer from credit risk reserve		-	-	1,258	(1,258)	-
Transfer to statutory reserve		-	4,209	-	(4,209)	-
Net transfers to/(from) reserves		-	4,209	1,258	(5,467)	-
Balance at 31 December 2011		81,162	8,577	2,591	5,985	98,315
Balance at 1 January 2012		81,162	8,577	2,591	5,985	98,315
Profit for the year		-	-	-	34,631	34,631
Transactions with owners recorded directly in equity						
Share swap	35	37,113	-	-	-	37,113
Regulatory and other reserves						
Transfer to credit risk reserve		-	-	12,402	(12,402)	-
Transfer to statutory reserve		-	17,316	-	(17,316)	-
Net transfers to/(from) reserves		-	17,316	12,402	(29,718)	-
Balance at 31 December 2012		118,275	25,893	14,993	10,898	170,059

The notes on pages8 - 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

		The Group		The Bank	
	Note	**2012**	**2011**	**2012**	**2011**
		GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Profit before tax		46,811	13,034	46,528	12,968
Adjustments for:					
Depreciation and amortization	21.a	6,354	1,781	6,199	1,592
Net impairment loss on financial assets	12	21,463	829	21,463	829
Net interest income	8	(73,001)	(16,625)	(73,001)	(16,625)
(Profit)/loss on disposal of property equipment	21.b	(12)	(102)	(12)	(22)
Assets write-offs	21	445	12	445	12
		2,060	(1,071)	1,622	(1,246)
Changes in:					
Government securities	18	(4,300)	4,021	(4,300)	4,021
Loans and advances to customers	19	105,772	(59,653)	105,772	(59,653)
Other assets	24	10,784	(2,095)	11,400	(1,938)
Due to other bank	26	11,342	(5,058)	11,342	(5,058)
Customer deposits	27	(239,389)	73,440	(239,389)	73,440
Other liabilities	29	(21,369)	5,481	(21,352)	5,362
		(135,100)	15,065	(134,905)	14,928
Interest received	8	115,451	27,977	115,451	27,977
Interest paid	8	(42,450)	(11,352)	(42,450)	(11,352)
Taxes paid	15.a	(14,251)	(6,629)	(14,251)	(6,629)
Net cash flow from operating activities		(76,350)	25,061	(76,155)	24,924
Cash flow from investing activities					
Acquisition of property and equipment	21	(4,698)	(3,207)	(4,698)	(3,207)
Proceeds from disposal of property and equipment	21.b	247	203	247	91
		-	-	-	-
Acquisition of intangible assets	22	(296)	(405)	(907)	(405)
Net cash flow used in investing activities		(4,747)	(3,409)	(5,358)	(3,521)
Financiing activities					
Proceeds from borrowings	28	11,000	-	11,000	-
Repayments of borrowings	28	(3,030)	-	(3,030)	-
Proceeds from issue of shares		-	3,225	-	3,225
Net cash flows from financing activities		7,970	3,225	7,970	3,225
Net increase in cash and cash equivalents		(73,127)	24,877	(73,543)	24,628
Balance at beginning		42,358	17,481	41,489	16,861
Take-on cash balances from merger		205,988	-	205,988	-
Cash and cash equivalents at 31 December		175,219	42,358	173,934	41,489
Cash and cash equivalents at 31 December	17	175,219	42,358	173,934	41,489

The notes on pages8 - 82 are an integral part of these consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1 Reporting entity

Access Bank (Ghana) Limited (the Bank) is a bank incorporated in Ghana. The address of the Bank's registered office is No. 9 La Tebu Crescent, off Giffard Road, East Cantonments, Accra. The consolidated financial statements of the Bank as at, and for the year ended 31 December 2012 are as stated in this report and comprises the Bank and its subsidiary BTH Limited (together referred to as the Group). The Group principally is involved in corporate and retail banking as well as leasing operations. The Bank is a subsidiary of Access Bank Plc of Nigeria. The Bank operates with a universal banking license that allows it to undertake all banking and related services.

2 Basis of preparation

a Statement of compliance

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

The consolidated financial statements were authorised for issue by the board of directors on **....... February 2013**.

b Functional and presentation currency

These consolidated financial statements are presented in Ghana Cedi, which is the Group's functional currency.

c Basis of measurement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Additional information required under the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) have been included, where appropriate. The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements comprise the consolidated statements of financial position, comprehensive income, changes in equity and cash flows and notes to the consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

2 Basis of preparation (cont'd)

d Use of accounting estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in notes 4 and 5.

3 Summary significant accounting policies

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

3.1 Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated at inter-bank mid closing rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition. Non-monetary items denominated in a foreign currency that are measured at fair value are translated at exchange rates ruling at the date when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognized in profit or loss, except for differences on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value and differences arising on translation of available-for-sale equity investments in other comprehensive income.

All foreign exchange gains and losses recognized in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.2 Business combinations

Business combination is accounted for using the purchase method as at the acquisition date which is the date on which control is transferred to the Group. Control is the power to govern the financial and operational policies of the entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration the potential voting rights that currently are exercisable.

i Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

ii Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss of equity-accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

iii Transactions eliminated on consolidation

Intra-group balances and income and expenses (except foreign currency translation gains and losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as intra-group gains but only to the extent that there is no evidence of impairment.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.3 Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

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

3.4 Fee and commission income

Fees and commissions are recognized on an accrual basis when the related services are performed. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognized on a straight line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

3.5 Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including realized and unrealized fair value changes, interest and foreign exchange differences.

3.6 Dividend income

Dividend income is recognized when the right to receive income is established.

3.7 Leases

Minimum lease payments under finance leases are apportioned between finance expense and the outstanding lease liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases under which the Group assumes substantially all the risks and rewards of ownership of the underlying asset 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 present value of minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are classified as operating leases.

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place. Minimum lease payments under finance leases are apportioned between finance expense and the outstanding lease liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.8 Financial assets and liabilities

All financial assets and liabilities are recognized in the statement of financial position and measured in accordance with their assigned category.

3.8.1 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held to maturity, available-for-sale or at fair value through profit or loss within the category of held for trading or designated at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition.

a Loans and advances

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

i those that the Group intends to sell immediately or in the short term, which are classified as held for trading and those that upon initial recognition are designated at fair value through profit or loss;

ii those that upon initial recognition are designated as available-for-sale; or

iii those for which the holder may not recover substantially all of the initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortized cost using the effective interest method. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in profit and loss as 'loan impairment charges'.

b Held to maturity

Held to maturity assets are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive interest and ability to hold to maturity and which are not designated at fair value through profit or loss or available-for-sale.

Held to maturity assets are carried at amortized cost using the effective interest method less any impairment losses. Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale with the difference between amortized cost and fair value being accounted for in other comprehensive income.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

c Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit and loss. Dividends on available-for-sale equity instruments are recognized in profit and loss in 'Dividend income' when the Group's right to receive payment is established.

3.8.2 Financial liabilities

Financial liabilities are held either at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), or at amortized cost.

a Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual patterns of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effectively held as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognized as 'financial liabilities held for trading'.

Gains and losses arising from changes in the fair value of financial liabilities classified as held for trading are included in profit and loss.

b Other liabilities measured at amortized cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from related entities, customers or debt securities in issue, convertible bonds and subordinated debts for which the fair value option is not applied.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.8.3 Determination of fair value

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

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, foreign exchange rates, and counterparty spreads) existing at the reporting dates.

3.8.4 Recognition

The Group recognizes financial assets and liabilities on the trade date on which they are originated, when the Group becomes party to the contractual provisions of the instrument.

3.8.5 De-recognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire or the Group transfers substantially all the risks and rewards of ownership. Any interest in the transferred financial asset that is created or retrieved is recognized as a separate asset or liability. Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expire.

3.8.6 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category, if the financial asset is no longer held for the purpose of selling in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories, if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.9 Impairment of financial assets

a Assets carried at amortized cost

The Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at each reporting date. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- i significant financial difficulty faced by the issuer or obligor;
- ii a breach in the form of default or delinquency in interest or principal payments;
- iii granting the borrower, as a result of financial difficulty, a concession that the lender would not otherwise consider;
- iv a likely probability that the borrower will enter bankruptcy or other financial reorganization; and
- v the disappearance of an active market for that financial asset because of financial difficulties.

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

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.9 Impairment of financial assets (cont'd)

a Assets carried at amortized cost (cont'd)

Future cash flows in groups of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of loss has been determined. Impairment charges relating to loans and advances are recognized in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are recognized in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

b Assets classified as available-for-sale

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

c Renegotiated loans

Loans that are either subject to collective or individually significant impairment assessment and whose terms have been renegotiated are considered to be past due unless renegotiated terms are adhered to and current repayments suggest otherwise.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.11 Cash and cash equivalents

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

3.12 Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as held to maturity, fair value through profit and loss or available-for-sale.

3.13 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 selfconstructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. 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.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.13 Property and equipment (cont'd)

iii Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

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

Leasehold land and buildings	2%
Leasehold improvements	20%
Furniture, fittings and equipment	20%
Computers	33.33%
Motor vehicles	25%

3.14 Goodwill

Goodwill arises on the acquisition of subsidiaries. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.15 Computer software

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

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 income statement 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 three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.16 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. The Group holds no investment properties.

3.17 Impairment of non-financial assets

The carrying amounts of the Group'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 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.

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.18 Deposits and debt securities issued

Deposits and debt securities issued are the Group's sources of debt funding. The Group 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 Group chooses to carry the liabilities at fair value through profit or loss.

3.19 Provisions

A provision is recognised if, as a result of a past event, the Group 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 Group 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 Group 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 Group recognises any impairment loss on the assets associated with that contract.

3.20 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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. 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.21 Stated capital and reserves

i Share capital

The Group classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Group's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

i Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii Dividend on ordinary shares

Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

iii Statutory reserves

Statutory reserves are based on the requirements of section 29(1) of the Banking Act. Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and its paid up capital, which determines the proportion of profits for the period that should be transferred.

iv Credit risk reserves

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRSs and the Central Bank's prudential guidelines.

3.22 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

3.23 Segment Reporting

Segment results that are reported to the Group's Managing Director (being the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly operating expenses, tax assets and liabilities.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.24 Financial guarantees

Financial guarantees are contracts that require the Group 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). Financial guarantees are included within other liabilities.

3.25 Employee benefits

i Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii Provident fund

The Group has a Provident Fund Scheme for all employees who have completed their probation period with the Group. Employees contribute 5% of their basic salary to the Fund whilst the Group contributes 7.5%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.26 Post balance sheet events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

3.27 New standards and interpretations not yet adopted

At the date of authorisation of the financial statements of the Group for the year ended 31 December 2012, the following Standards and Interpretations were in issue but not yet effective and may have an impact on future consolidated financial statements:

Standard	**Interpretation**
IAS 1	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
amendment	The Bank will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss.
	The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.
	This amendment is effective for annual periods beginning on or after 1 July 2012 and is expected to be applied retrospectively.
	This amendment has no impact on the Group's consolidated financial statements.
IFRS 7	*Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities*
amendment	The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements.
	Based on the new disclosure requirements, the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar agreements.
	The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods and will not have any significant impact on the Group's consolidated financial statements

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	**Interpretation**
IFRS 10	*Consolidated Financial Statements* IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists: • Identify how decisions about the relevant activities are made, • Assess whether the entity has power over the relevant activities by considering only the entity's substantive rights, • Assess whether the entity is exposed to variability in returns, and • Assess whether the entity is able to use its power over the investee to affect returns for its own benefit. Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. The above standard is not expected to have any significant impact on the Group's consolidated financial statements and is effective for annual periods beginning on or after 1 January 2013.
IFRS 11	*Joint Arrangements* IFRS 11 establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities. According to IFRS 11, joint arrangements are divided into two types, each having its own accounting model. • Joint operations whereby the jointly controlling parties, known as joint operators, have rights to assets and obligations for the liabilities, relating to the arrangement. • Joint ventures whereby the joint controlling parties, known as joint venturers, have rights to the net assets of the arrangement. In terms of IFRS 11, all joint ventures will have to be equity accounted. The above standard is not expected to have any significant impact on the Group's consolidated financial statements and is effective for annual periods beginning on or after 1 January 2013.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard **Interpretation**

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

The required disclosures aim to provide information to enable user to evaluate:

- The nature of, and risks associated with, an entity's interests in other entities; and
- The effects of those interests on the entity's financial position, financial performance and cash flows.

This is effective for annual periods beginning on or after 1 January 2013 and the Group shall evaluate the impact on these consolidated financial statements when it becomes effective.

IFRS 13 *Fair Value Measurement*

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in IFRS 13 are as follows:

- Fair value is an exit price;
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics;
- Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants;
- Price is not adjusted for transaction costs;
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and
- The three-level fair value hierarchy is extended to all fair value measurements.

This is effective for annual periods beginning on or after 1 January 2013 and the impact on these consolidated financial statements for can not be reasonably estimated as at the reporting date.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IAS 19	*Employee Benefits: Defined benefit plans*
amendments	Key changes in terms of the amendments are: • Actuarial gains and losses are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss is no longer permitted. • Past service costs as well as gains and losses on curtailments / settlements are recognised in profit or loss. • Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. • The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. This is effective for annual periods beginning on or after 1 January 2013 and is not expected to have any significant impact on the Group's consolidated financial statements.
IAS 27	*Separate Financial Statements (2011)* IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of IAS 27 (2011) will not have a significant impact on the Group's separate financial statements and is effective for annual periods beginning on or after 1 January 2013.
IAS 28	*Investments in Associates and Joint Ventures (2011)* IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include: • IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and • On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest. This amendment is effective for annual periods beginning on or after 1 January 2013 and its adoption will not have a significant impact on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IFRS 2009-2011 Annual improvement to various Standards	(i) IFRS 1 First-time Adoption of International Financial Reporting Standards (Repeated application of IFRS1) The amendment clarifies the applicability of IFRS 1 to an entity that has IFRS in a previous reporting period, but whose most recent previous annual financial standards do not contain an explicit and unreserved statement of compliance with IFRS. If such an entity presents its financial statements in accordance with IFRS again, then it is now allowed, rather than required, to apply IFRS 1. A repeated adopter that elects not to apply IFRS 1 in the above situation has to apply IFRS retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, as if it had never stopped applying IFRS. Such entity should also disclose the reason for electing to apply IFRS on a continuous basis. Irrespective of whether the repeated adopter applies IFRS 1, it is required to disclose the reason why it stopped applying IFRS and is resuming the application of IFRS. The above option is available regardless of whether it existed at the time the entity previously applied IFRS. For example, the above option is available to a repeated adopter that previously applied SIC 8 First-time Application of IASs as the Primary Basis of Accounting. This amendment will not have a significant impact on the Group's consolidated financial statements. Borrowing cost exemption IFRS 1 is amended to clarify how the exemption should be applied for borrowing costs relating to qualifying assets for which the commencement date of capitalization is before date of transition to IFRS. After the amendment, if a first-time adopter of IFRS chooses to apply the exemption, then: • It should not restate borrowing costs; and • It should account for borrowing costs incurred on or after the date of transition (for an earlier date, as permitted by IAS 23 Borrowing Costs) in accordance with IAS 23. This includes borrowing costs that have been incurred on qualifying assets already under construction at that date. This amendment will not have a significant impact on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IFRS 2009-2011 Annual improvement to various Standards (cont'd)	(ii) IAS 1 Presentation of Financial Statements (Comparative information beyond minimum requirements) IAS 1 is amended to clarify that only one comparative period – which is the preceding period-, is required for a complete set of financial statements. If an entity presents additional comparative information, the additional information need not be in the form of complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Presentation of the Opening statement of financial position and related notes IAS 1 requires the presentation of an opening balance of financial position (sometimes referred to as the 'third statement of financial position') when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification. IAS 1 is amended to clarify that: The opening statement of financial position is required only if: • a change in accounting policy; • a retrospective restatement; or • a reclassification has an effect on the information in that statement of financial position; • Except for disclosures required under IAS 8, notes relating to the opening statement of financial position are no longer required; and • The appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains the requirement for the presentation of notes relating to additional comparative information and those relating to the opening statement of financial statements are different, because the underlying objectives are different. Consequential amendments have been made to IFRS 1 and IAS 34 Interim Financial Reporting This amendment will not have a significant impact on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IFRS 2009-2011 Annual improvement to various Standards (cont'd)	(iii) IAS 16 Property, Plant and Equipment (Classification of Servicing Equipment) This amendment to IAS 16 clarifies the accounting for spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS Inventories. This amendment will not have a significant impact on the Group's consolidated financial statements. (iv) IAS 32 Financial Instruments: Presentation (Income tax consequences of distributions) Income taxes on distribution to holders of equity instruments and on transaction costs of equity transactions have been clarified in amendments to IAS 32, these are now to be accounted for in accordance with IAS 12 Income Taxes. The amendment removes a perceived inconsistency between IAS 32 and IAS 12. Before the amendment, IAS 32 indicated that distributions to holders of equity instrument are recognized directly in equity, net of any related income tax. However, IAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has been made to IFRIC 2 Members' Share in Co-operative entities and Similar Instruments. This amendment will not have a significant impact on the Group's consolidated financial statements. (v) IAS 34 Interim Financial Reporting (Segment assets and liabilities) IAS 34 is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires separate disclosure of total assets and liabilities for a particular reportable segment: • only when the amount is regularly provided to the chief operating decision maker; and • where there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. This amendment will not have a significant impact on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IFRSs 10, 12 and IAS 27 amendments	*Joint Arrangements (IFRS 12) Disclosure of Interests in Other Entities and (IAS 27) Separate Financial Statements (2011)* Under this amendment, a qualifying investment entity is required to account for investments in controlled entities- as well as investments in associates and joint ventures- at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered extensions of the investment entity's investing activities. The consolidation exception is mandatory – not optional. The parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries. The amendment also requires new disclosures including quantitative data about the investment entity's exposure to risks arising from its unconsolidated subsidiaries. The disclosures now apply to the investee as a single investment rather than to the consolidated investee's underlying financial assets and financial liabilities. The amendments apply to annual periods beginning on or after 1 January 2014. However, early adoption is permitted, which means that a qualifying investment entity might be able to adopt the amendments as early as 31 December 2012. This amendment will not have a significant impact on the Group's consolidated financial statements.
IAS 32 amendments	*Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities* The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. This amendment will not have a significant impact on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3 Summary significant accounting policies (cont'd)

3.27 New standards and interpretations not yet adopted (cont'd)

Standard	Interpretation
IFRS 9	*Financial Instruments*
(2010)	IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects: Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed. Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The above standard is not expected to have any significant impact on the Group's consolidated financial statements and is effective for annual period annual periods beginning on or after 1 January 2015.
IFRS 9	*Financial Instruments*
(2009)	IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The above standard is not expected to have any significant impact on the Group's consolidated financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management

The Bank's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

a Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit and Risk Management Committee of the Board is responsible for developing and monitoring the Group's risk management policies over specified areas.

The Committee is complemented by the Risk Management unit in co-ordinating the process of monitoring and reporting of risks in the Group.

The Group has adopted the concept of enterprise-wide risk management referred to as Enterprise Risk Management (ERM). ERM is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is an integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. These include the:

- Establishment of the Group's risk philosophy, culture and objectives;
- Establishment of the Group's risk management governance framework;
- Articulation of the Group's risk management to stakeholders and development of an action plan to meet their risk management expectations; and
- Establishment of policies and procedures to identify, measure, monitors, report and control the risks the Group faces.

The Group's risk management framework places significant emphasis on:

- Establishing a strong, independent Risk Management Function to champion, coordinate and monitor the enterprise-wide risk methodology across the Bank and its subsidiaries;
- Formally assigning accountability and responsibility for risk management; and
- Breaking the Bank's risk universe down into manageable, tailored, well-resourced and specialized components.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off balance sheet exposures. Actual exposures against limits are monitored daily.

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

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

4.1.1 Exposure to credit risk

The Group and The Bank	**Note**	**2012** **GH¢'000**	**2011** **GH¢'000**
Carrying amount	19	274,373	76,539
Loans and advances to customers at amortised cost			
Individually impaired:			
Grade 6: Impaired		10,951	274
Grade 7: Impaired		22,131	3
Grade 8: Impaired		37,096	3,333
Gross amount		70,178	3,610
Allowance for impairment		(45,826)	(1,875)
Carrying amount		24,352	1,735

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.1 Exposure to credit risk (cont'd)

The Group and The Bank	**2012 GH¢'000**	**2011 GH¢'000**
Collectively impaired:		
Grade 1 -3: Low fair risk	205,205	72,800
Grade 4-5: Watch list	48,023	2,160
Gross amount	253,228	74,960
Allowance for impairment	(3,207)	(158)
Carrying amount	250,021	74,802
Past due but not impaired:		
Grade 6-8 Watch list	12,709	366
Gross amount	12,709	366
Past due:		
90-180 days	10,951	274
180 days +	71,936	3,702
Gross amount	82,887	3,976
Carrying amount - amortised cost	274,373	76,537

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.2 Impaired loans

Individually impaired loans are loans and advances for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/security agreement(s). These loans are graded 6 to 8 in the Group's internal credit risk grading system.

4.1.3 Past due but not impaired loans

Past due but not impaired loans, are those for which contractual interest or principal payments are past due, but the Group 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 Group.

4.1.4 Allowances for impairment

The Group establishes an allowance for impairment losses carried at amortised cost 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.

4.1.5 Loans and advances with renegotiated terms

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.6 Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when the Group'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.

	Loans and advances to customers	
The Group and The Bank	**Gross**	**Net**
	GH¢'000	**GH¢'000**
31 December 2012		
Grade 6: Individually Impaired	10,951	2,607
Grade 7: Individually Impaired	22,131	13,876
Grade 8: Individually Impaired	37,096	7,869
Gross amount	70,178	24,352
31 December 2011		
Grade 6: Individually Impaired	274	-
Grade 7: Individually Impaired	3	-
Grade 8: Individually Impaired	3,333	1,735
Gross amount	3,610	1,735

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.7 Collateral held and their financial effect

The Group 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 2012 (2011: no collateral held).

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

The Group and The Bank	**Loans and advances to customers**	
	2012	**2011**
	GH¢'000	**GH¢'000**
Against individually impaired:		
Property	76,927	1,352
Others	21,653	115,462
Against collectively impaired:		
Property	76,229	22,303
Others	394,135	4,060
Against past due but not impaired:		
Property	98,553	12,050
Others	58,088	3,256
	725,585	158,483

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.7 Collateral held and their financial effect (cont'd)

Details of financial and non-financial assets obtained by the Group during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year ended 31 December are shown below:

The Group and The Bank	**2012**	**2011**
	GH¢'000	**GH¢'000**
Property	251,709	35,705
Others	473,876	122,778
	725,585	158,483

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operations.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.8 Concentration of credit risk

The Group 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:

	Loans and advances to customers	
The Group and The Bank	**2012**	**2011**
	GH¢'000	**GH¢'000**
Carrying amount	274,373	76,539
Concentration by product:		
Overdrafts	161,523	29,336
Term loans	149,936	47,110
Staff loans	10,687	654
Finance leases	1,260	1,472
Gross loans and advances	323,406	78,572
Less: Impairment	(49,033)	(2,033)
	274,373	76,539
Concentration by industry:		
Finance institutions	842	1,021
Agriculture	42	-
Manufacturing	43,114	8,027
Public sector	26,755	-
Transport and communication	38,974	10,188
Energy	180	-
Staff	10,687	654
General commerce	110,265	48,997
Construction and real estate	41,935	-
Mining, Oil and Gas	17,473	9,338
Others	33,139	347
Gross loans and advances	323,406	78,572
Less: allowance for impairment	(49,033)	(2,033)
Net loans and advances	274,373	76,539

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.1 Credit risk management (cont'd)

4.1.8 Concentration of credit risk (cont'd)

	Loans and advances to customers	
The Group and The Bank	**2012**	**2011**
	GH¢'000	**GH¢'000**
Concentration by customer:		
Individuals	10,687	654
Private enterprise	312,719	77,918
	323,406	78,572
Less: Allowance for impairment	(49,033)	(2,033)
	274,373	76,539

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

4.1.9 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

4.1.10 Key ratios on loans and advances

Loan loss provision ratio is 15.16% (2011: 2.59%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 25.63% (2011: 5.06%).

Ratio of fifty (50) largest exposure (gross funded and non-funded) to total exposure is 31% (2011: 82%).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.2 Liquidity risk

The Group defines liquidity risks as the risk that the Group will encounter difficulty meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group 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 Group aims to be in a position to meet all obligations, repay depositors, fulfill commitments to lend and meet any other commitments.

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.

All liquidity policies and procedures are subject to review and approval by the Asset and Liability Committee (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.

4.2.1 Exposure to liquidity risk

The key measure used by the Group 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 Group also uses gap analysis to determine the liquidity position of the Group and where necessary, recommend remedial action.

Details of the reported Group ratio of net liquid assets to deposits and customers at the reporting date and during the reporting year were as follows:

The Group and The Bank	**2012 %**	**2011 %**
At period end	76	108
Average for the year	69	134
Maximum for the year	83	168
Minimum for the year	61	108

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.2 Liquidity risk (cont'd)

4.2.2 Maturity analysis for financial assets and liabilities

The table below presents cash flows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date adjusted to reflect behavioral character of deposits. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages liquidity risk taking into account the behavioral characteristics of deposits.

The Group	Note	Carrying amount GH¢'000	Nominal (inflow) /outflow GH¢'000	Less than 1 month GH¢'000	Less than 3 months GH¢'000	3 months to 1 year GH¢'000	1- 5 years GH¢'000
At 31 December 2012							
Non-derivative liabilities							
Due to other banks	26	17,000	17,000	11,000	6,000	-	-
Deposits from customers	27	545,352	553,606	213,847	94,868	226,032	18,859
Borrowings	28	18,782	18,782	691	-	1,875	16,216
		581,134	589,388	225,538	100,868	227,907	35,075
Non-derivative assets							
Cash and cash equivalent	17	175,219	175,219	175,219	-	-	-
Government securities	18	292,445	292,445	107,002	55,000	89,727	40,716
Loans and advances to customers	19	274,373	278,371	52,930	26,170	117,571	81,701
		742,037	746,035	335,151	81,170	207,298	122,417
At 31 December 2011							
Non-derivative liabilities							
Due to other banks	26	5,658	5,658	5,658	-	-	-
Deposits from customers	27	165,286	168,143	91,018	37,119	40,006	-
Borrowings	28	691	691	-	-	691	-
		171,635	168,143	96,676	37,119	40,697	-
Non-derivative assets							
Cash and cash equivalent	17	42,358	42,358	42,358	-	-	-
Government securities	18	148,949	148,949	22,300	12,151	114,498	-
Loans and advances to customers	19	76,539	77,035	16,800	41,017	19,218	-
		267,846	268,342	81,458	53,168	133,716	-

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.2 Liquidity risk (cont'd)

4.2.2 Maturity analysis for financial assets and liabilities (cont'd)

The Bank	**Note**	**Carrying amount GH¢'000**	**Nominal (inflow) /outflow GH¢'000**	**Less than 1 month GH¢'000**	**Less than 3 months GH¢'000**	**3 months to 1 year GH¢'000**	**1- 5 years GH¢'000**
At 31 December 2012							
Non-derivative liabilities							
Due to other banks	26	17,000	17,000	11,000	6,000	-	-
Deposits from customers	27	545,352	553,606	213,847	94,868	226,032	18,859
Borrowings	28	18,782	18,782	691	-	1,875	16,216
		581,134	589,388	225,538	100,868	227,907	35,075
Non-derivative assets							
Cash and cash equivalent	17	173,934	173,934	173,934	-	-	-
Government securities	18	292,445	251,729	107,002	55,000	89,727	40,716
Loans and advances to customers	19	274,373	278,371	52,930	26,170	117,571	81,701
		740,752	704,034	333,866	81,170	207,298	122,417
At 31 December 2011							
Non-derivative liabilities							
Due to other banks	26	5,658	-	5,658	-	-	-
Deposits from customers	27	165,286	168,143	91,018	37,119	40,006	-
Borrowings	28	691	691	-	-	691	-
		171,635	168,143	96,676	37,119	40,697	-
Non-derivative assets							
Cash and cash equivalent	17	41,489	41,489	41,489	-	-	-
Government securities	18	148,949	148,949	22,300	12,151	114,498	-
Loans and advances to customers	19	76,539	77,035	16,800	41,017	19,218	-
		266,977	267,473	80,589	53,168	133,716	-

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.3 Market risks

4.3.1 Management of market risks

The Group recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Group's exposure to market risk arises principally from customer driven transactions.

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.

4.3.2 Exposure to market risks – Trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is the open position limits using the Value 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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.3 Market risks (cont'd)

4.3.3 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 preapproved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

The Group	**Note**	**Carrying amount GH¢'000**	**Less than 3 months GH¢'000**	**3-6 months GH¢'000**	**6-12 months GH¢'000**	**1-5 years GH¢'000**
At 31 December 2012						
Cash and cash equivalent	17	175,219	175,219	-	-	-
Government securities	18	292,445	162,002	61,062	28,665	40,716
Loans and advances to customers	19	274,373	75,102	62,277	55,293	81,701
Total assets		742,037	412,323	123,339	83,958	122,417
Due to other banks	26	17,000	17,000	-	-	-
Deposits from customers	27	545,352	300,460	118,244	107,788	18,860
Borrowings	28	18,782	691	1,875	-	16,216
Total liabilities		581,134	318,151	120,119	107,788	35,076
Total interest repricing gap		160,903	94,172	3,220	(23,830)	87,341
At 31 December 2011						
Cash and cash equivalent	17	42,358	42,358	-	-	-
Government securities	18	148,949	-	22,300	12,151	114,498
Loans and advances to customers	19	76,539	16,800	41,017	19,218	-
		267,846	59,158	63,317	31,369	114,498
Deposits from customers	27	165,286	88,161	37,119	40,006	-
Borrowings	28	691	691	-	-	691
Due to other banks	29	5,658	5,658	-	-	-
Total liabilities		171,635	94,510	37,119	40,006	691
Total interest repricing gap		96,211	(35,352)	26,198	(8,637)	113,807

4 Financial risk management (cont'd)

4.3 Market risks (cont'd)

4.3.3 Exposure to interest rate risk – Non-trading portfolios (cont'd)

The Bank	Note	Carrying amount GH¢'000	Less than 3 months GH¢'000	3-6 months GH¢'000	6-12 months GH¢'000	1-5 years GH¢'000
At 31 December 2012						
Cash and cash equivalent	17	173,934	173,934	-	-	-
Government securities	18	292,445	134,073	92,266	13,703	52,403
Loans and advances to customers	19	274,373	136,492	75,744	29,298	36,183
Total assets		740,752	444,499	168,010	43,001	88,586
Due to other banks	26	17,000	17,000	-	-	-
Deposits from customers	27	545,352	290,486	140,549	95,162	19,155
Borrowings	28	18,782	18,782	-	-	18,782
Total liabilities		581,134	326,268	140,549	95,162	37,937
Total interest repricing gap		159,618	118,231	27,461	(52,161)	50,649
At 31 December 2011						
Cash and cash equivalent	17	41,489	41,489	-	-	-
Government securities	18	148,949	-	22,300	12,151	114,498
Loans and advances to customers	19	76,539	16,800	41,017	19,218	-
Total assets		266,977	58,289	63,317	31,369	114,498
Deposits from customers	27	165,286	88,161	37,119	40,006	-
Borrowings	28	691	691	-	-	691
Due to other banks	29	5,658	5,658	-	-	-
Total liabilities		171,635	94,510	37,119	40,006	691
Total interest repricing gap		95,342	(36,221)	26,198	(8,637)	113,807

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.3 Market risks (cont'd)

4.3.3 Exposure to interest rate risk – Non-trading portfolios

i Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 500 basis point (bp) parallel fall or rise in market interest rates.

An increase of a 500 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

	The Group		The Bank	
The Group and The Bank	**2012**	**2011**	**2012**	**2011**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Interest income impact	3,710	1,339	3,704	1,335
Interest expense impact	(2,906)	(858)	(2,906)	(858)
Net impact	804	481	798	477

A decrease of a 500 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 FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.3 Market risks (cont'd)

4.3.4 Exposure to other market risks – Non-trading portfolios

The Group's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from customer driven transactions.

i Foreign exchange exposure

As at the reporting date net currency exposures for major currencies of the Group are as follows:

The Group and The Bank	**USD GH¢'000**	**GBP GH¢'000**	**EURO GH¢'000**	**Others GH¢'000**	**Total GH¢'000**
At 31 December 2012					
Net foreign currency exposure:					
Assets	135,032	5,389	7,852	2,465	150,738
Liabilites	(129,009)	(2,881)	(6,356)	-	(138,246)
Net on balance sheet position	6,023	2,508	1,496	2,465	12,492
Line facilities for LCS and Bonds and Guarantees	(180,670)	(892)	(3,563)	(8,630)	(193,755)
At 31 December 2011					
Net foreign currency exposure:					
Assets	42,962	113	1,320	-	44,395
Liabilites	(53,669)	(64)	(1,077)	-	(54,810)
Net on balance sheet position	(10,707)	49	243	-	(10,415)
Line facilities for LCS and Bonds and Guarantees	(37,548)	-	(15,611)	-	(53,159)

The following mid inter-bank exchange rates were applied during the year:

	Average rate		**Reporting rate**	
GH¢ to	**2012**	**2011**	**2012**	**2011**
USD 1	1.8313	1.5242	1.9044	1.5841
GBP 1	2.8711	2.3511	3.0912	2.4456
EURO 1	2.3249	1.9730	2.5237	2.0501

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.3 Market risks (cont'd)

4.3.4 Exposure to other market risks – Non-trading portfolios

ii Sensitivity analysis

A 5% weakening of the cedi against foreign currencies at 31 December 2012 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 2011.

The Group and The Bank			2012			2011
	Assets	Liabilities	Total	Assets	Liabilities	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Profit/(Loss)	7,537	(16,600)	(9,063)	2,220	(5,398)	(3,178)

A best case scenario 5% strengthening 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.

4.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

The Group's Control and Compliance unit is responsible for establishing and maintaining an appropriate framework of the Group's compliance policies and procedures. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.5 Capital management

4.5.1 Regulatory capital

The 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 Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Group'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 non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.

- 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.

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 Group'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 Group 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.

The Group complied with the statutory capital requirements throughout the period. There have been no material changes in the Group's management of capital during this period.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.5 Capital management (cont'd)

4.5.2 Capital adequacy ratio

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

The table below summarizes the composition of regulatory capital and ratios of the Group.

	Note		The Group		The Bank
		2012	2011	2012	2011
		GH¢'000	GH¢'000	GH¢'000	GH¢'000
Tier 1 capital					
Ordinary share capital	30.1	118,275	81,162	118,275	81,162
Disclosed reserve		37,653	15,212	36,791	14,562
Total qualifying tier 1 capital		155,928	96,374	155,066	95,724
Less:					
Goodwill/intangibles 24		5,186	1,302	5,186	1,302
Net tier 1 capital		150,742	95,072	149,880	94,422
Tier 2 capital		-	-	-	-
Total adjusted regulatory capital base		150,742	95,072	149,880	94,422
Total assets (less contra items)		798,503	281,638	797,291	280,724
Less:					
Cash on hand (cedis)		25,330	3,052	25,330	3,052
Cash on hand (forex)		3,444	305	3,444	305
Claims on Bank of Ghana:					
iv Cedi clearing account balance		15,527	4,109	15,527	4,109
v Forex account balance		23,024	2,292	23,024	2,292
Total claims on Bank of Ghana	17, 24	38,551	6,401	38,551	6,401

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.5 Capital management (cont'd)

4.5.3 Capital adequacy ratio (cont'd)

	Note	The Group 2012 GH¢'000	The Group 2011 GH¢'000	The Bank 2012 GH¢'000	The Bank 2011 GH¢'000
Claims on Government:					
i Treasury securities (bills and bonds)		292,445	148,949	292,445	148,949
Total claims on Government					
80% of cheques drawn on other banks		12,422	3,287	12,422	3,287
Goodwill / Intangibles 24		5,186	1,302	5,186	1,302
80% of claims on Other Banks in cedis/forex		19,845	6,400	18,817	5,705
50% of residential mortgage loans		1,763	56	1,763	56
Adjusted total assets		399,517	111,886	399,333	111,667
Add: Contingent liabilities					
Commercial letters of credit outstanding	33.2	174,229	49,118	174,229	49,118
Guarantees/indemnities	33.2	30,658	15,124	30,658	15,124
Net contingent liabilities		204,887	64,242	204,887	64,242
Add:					
50% of net open position (NOP)		6,107	12,746	6,107	12,746
100% of 3yrs average annual gross income		58,168	18,474	58,168	18,474
Total risk weighted assets base		668,679	207,348	668,495	207,129
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)		22.54	45.85	22.42	45.59

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

4 Financial risk management (cont'd)

4.5 Capital management (cont'd)

4.5.4 Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Bank's Risk Management and Credit Administration Units, and is subject to review by the Bank's Credit Committee or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5 Use of estimates and judgements

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

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

These disclosures supplement the commentary on financial risk management in Note 4.

5.1 Impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 3.9a.

The specific 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 a 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 allowances and the model assumptions and parameters used in determining collective allowances.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

5 Use of estimates and judgements (cont'd)

5.2 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 techniques as described in Note 3.8.3.

A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled as described in accounting policy Note 3.8.3. 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. The Bank's accounting policy on fair value measurements is discussed in Note 3.8.3.

The Bank measures fair values using the following fair value hierarcjhy that reflects the significance of the inputs used in making the measurements.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar imstruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and unobservable inputs have a significant effect on the instrument's valuation. This level includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumpitions are required to reflect differences between the instruments.

The table below analyses the financial instruments measures at fair value at the of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

The Group and The Bank	**Note**	**Level 1 GH¢'000**	**Level 2 GH¢'000**	**Level 3 GH¢'000**	**Total GH¢'000**
31 December 2012					
Government securities	18	-	292,445	-	292,445
Loans and advances to customers	19	-	274,373	-	-
Investment in associate	20	-	-	286	286
		-	566,818	286	292,445
31 December 2011					
Government securities	18	-	148,949	-	148,949
Loans and advances to customers	19	-	76,539	-	76,539
		-	225,488	-	225,488

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

5 Use of estimates and judgements (cont'd)

5.3 Financial assets and liabilities classification

The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into the accounting categories respectively described in Notes 3.8.1 and 3.8.2.

Details of the Bank's classification of financial assets and liabilites are given in Note 7.

6 Segment reporting

The Group's has four reportable segments, as summarised below, whih are the Group's strategic business divisions. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the divisions, the Group's Managing Director reviews the internal management reports on at least a monthly basis. Below is the list of the Group's divisions:

- Instituional Banking;
- Commercial Banking;
- Retail Banking; and
- Financial Markets.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

3.23 Segment reporting (cont'd)
Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating income, included in the internal management reports that are reviewed by the Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other divisions in the Group. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments
The Group and The Bank

31 December 2012	**Instituional Banking**	**Commercial Banking**	**Retail Banking**	**Financial Markets**	**Unallocated**	**Total**
Revenue:	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
Derived from external customers	54,672	23,270	11,284	21,381	26,992	137,599
Derived from other business segments	13,903	3,778	10,220	1,819	1,526	31,246
	68,575	27,048	21,504	23,200	28,518	168,845
Interest expense	(8,490)	(9,526)	(14,178)	(10,256)	-	(42,450)
	60,085	17,522	7,326	12,944	28,518	126,395
Assets and liabilities:						
Tangible segment assets	182,574	72,584	23,824	-	360,648	639,630
Unallocated segment assets	-	-	-	-	158,874	158,874
Total assets	182,574	72,584	23,824	-	519,522	798,504
Segment liabilities	(226,187)	(106,819)	(207,368)	(14,224)	(29,924)	(584,522)
Unallocated segment liabilities	-	-	-	-	(43,060)	(43,060)
Total liabilities	(226,187)	(106,819)	(207,368)	(14,224)	(72,984)	(627,582)
Net assets	(43,613)	(34,235)	(183,544)	(14,224)	446,538	170,922
31 December 2011						
Derived from external customers	13,438	4,663	1,666	8,043	5,469	33,279
Derived from other business segments	2,509	738	191	556	814	4,808
	15,947	5,401	1,857	8,599	6,283	38,087
Interest expense	-	-	-	-	-	-
	15,947	5,401	1,857	8,599	6,283	38,087
Assets and liabilities:						
Tangible segment assets	59,504	40,814	275	8,000	172,086	280,679
Unallocated segment assets	-	-	-	-	959	959
Total assets	59,504	40,814	275	8,000	173,045	281,638
Segment liabilities	(83,061)	(29,266)	(19,337)	-	(50,700)	(182,364)
Unallocated segment liabilities	-	-	-	-	(309)	(309)
Total liabilities	(83,061)	(29,266)	(19,337)	-	(51,009)	(182,673)
Net assets	(23,557)	11,548	(19,062)	8,000	122,036	98,965

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

7 Financial assets and liabilities

The Group and The Bank	Note	Trading GH¢'000	Designated at fair value GH¢'000	Held-to-maturity GH¢'000	Loans and receivables GH¢'000	Avaliable-for-sale GH¢'000	Other amortised cost GH¢'000	Total carrying amount GH¢'000	Fair value GH¢'000
31 December 2012									
Trading assets									
Cash and cash equivalents	17	-	-	-	175,219	-	-	175,219	175,219
Government securities	18	292,445	-	-	-	-	-	292,445	292,445
Loans and advances to customers	19	-	-	-	274,373	-	-	274,373	274,373
		292,445	-	-	449,592	-	-	742,037	742,037
Trading liabilities									
Due to other banks	26	-	-	-	-	-	17,000	17,000	17,000
Deposits from customers	27	-	-	-	-	-	545,352	545,352	545,352
Borrowings	28	-	-	-	-	-	18,782	18,782	18,782
		-	-	-	-	-	581,134	581,134	581,134
31 December 2011									
Trading assets									
Cash and cash equivalents	17	-	-	-	42,358	-	-	42,358	42,358
Government securities	18	148,949	-	-	-	-	-	148,949	148,949
Loans and advances to customers	19	-	-	-	76,539	-	-	76,539	76,539
		148,949	-	-	118,897	-	-	267,846	267,846
Trading liabilities									
Due to other banks	26	-	-	-	-	-	5,658	5,658	5,658
Deposits from customers	27	-	-	-	-	-	165,286	165,286	165,286
Borrowings	28	-	-	-	-	-	691	691	691
		-	-	-	-	-	171,635	171,635	171,635

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

7.1 Loans and advances to customers

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

7.2 Loans and advances to Banks

Loans and advances to banks include inter-bank placements. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of their fair values. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity profiles.

7.3 Government securities

The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is rated using quoted market prices for securities with similar credit, maturity and yield characteristics. All available for sale assets are measured and carried at fair value.

7.4 Deposits from Banks and customers

The estimated fair value of deposits with no stated maturity dates, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar maturity profiles.

7.5 Off-balance sheet financial instruments

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

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

8 Net interest income	**2012**	**The Group 2011**	**2011**	**The Bank 2011**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Interest income				
Loans and advances to customers	79,081	6,033	79,081	6,033
Placement with other banks	1,807	1,372	1,807	1,372
Investments securities	34,563	20,572	34,563	20,572
Total interest income	115,451	27,977	115,451	27,977
Interest expense				
Demand deposits	7,824	360	7,824	360
Time and other deposits	32,926	10,945	32,926	10,945
Savings deposits	1,700	47	1,700	47
Total interest expense	42,450	11,352	42,450	11,352
Net interest income	73,001	16,625	73,001	16,625
9 Fees and commission income				
Fees on loans and advances	14,316	894	14,316	894
Customer account servicing fees	19,995	1,964	19,995	1,964
Letters of credit issued	5,092	264	5,092	264
Other fees	409	110	409	110
	39,812	3,232	39,812	3,232
10 Net trading income				
Foreign exchange	10,299	4,144	10,299	4,144
11 Othe operating income				
Foreign exchange	45	1	45	1
Profit on disposal of property and equipment (Note 21.b)	12	102	12	22
Bad debt recovered	1,649	80	1,649	80
Rental income	1,124	812	1,124	812
Sundry income	453	388	5	47
	3,283	1,383	2,835	962

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

	The Group		The Bank	
12 Net impairment losses on financial assets	**2012 GH¢'000**	**2011 GH¢'000**	**2012 GH¢'000**	**2011 GH¢'000**
Specific impairment loss	19,564	730	19,564	730
Collective impairment loss	1,899	99	1,899	99
Net impairment loss on financial assets	21,463	829	21,463	829

13 Personnel expenses

Wages and salaries	10,285	1,707	10,285	1,707
Allowances	12,149	1,493	12,149	1,493
Other staff cost	1,315	481	1,315	481
	23,749	3,681	23,749	3,681

The number of persons employed by the Group at the end of the year was 424 (2011: 78)

	The Group		The Bank	
14 Other expenses	**2012 GH¢'000**	**2011 GH¢'000**	**2012 GH¢'000**	**2011 GH¢'000**
Administrative expenses	24,892	5,006	24,890	4,848
Director's emoluments	350	264	350	264
Auditor's remuneration	308	68	300	60
Operating lease rentals on office premises	1,993	543	1,993	543
Donations and sponsorship	475	178	475	178
	28,018	6,059	28,008	5,893

An amount of GH¢ 475,000 (2011: GH¢ 178,000) was spent as part of social responsibility of the Bank.

15 Income tax expense	**2012 GH¢'000**	**2011 GH¢'000**	**2012 GH¢'000**	**2011 GH¢'000**
Current year income tax	17,314	4,037	17,243	4,037
Deferred tax	(5,447)	529	(5,447)	513
	11,867	4,566	11,796	4,550

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

The Group

15.a Income tax

	Balance at 1/1/2012	Take-on Balances from Merger	Adjusted Balance at 1/1/2012	Payments during the year	Charge for the year	Balance at 31/12/2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Income tax						
2009	-	4,430	4,430	-	-	4,430
2010	-	(3,256)	(3,256)	-	-	(3,256)
2011	142	2,588	2,730	-	-	2,730
2012	-	-	-	(14,251)	17,314	3,063
	142	3,762	3,904	(14,251)	17,314	6,967
National stabilisation levy						
2009	-	(96)	(96)	-	-	96
2010	-	(123)	(123)	-	-	(123)
2011	880	541	1,421	-	-	1,421
	880	322	1,202	-	-	1,202
Total	1,022	4,084	5,106	(14,251)	17,314	8,169

15.b Reconciliation of effective tax rate

	2012	2012	2011	2011
	%	GH¢'000	%	GH¢'000
Profit before tax		46,811		13,034
Income tax using domestic tax rate	25.00	11,703	25.00	3,259
Tax exempt income	-	-	0.07	909
Non-deductible expenses	8.85	4,145	6.38	832
Tax incentives	(0.07)	(33)	(3.33)	(434)
Effect of movement in deferred tax	(8.38)	(3,923)	-	-
Tax expenses	25.40	11,892	28.12	4,566

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)
The Bank

Income tax	**Balance at 1/1/2012**	**Take-on Balances from Merger**	**Adjusted Balance at 1/1/2012**	**Payments during the year**	**Charge for the year**	**Balance at 31/12/2012**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
Income tax						
2009	-	4,430	4,430	-	-	4,430
2010	-	(3,256)	(3,256)	-	-	(3,256)
2011	(84)	2,588	2,504	-	-	2,504
2012	-	-	-	(14,251)	17,243	2,992
	(84)	3,762	3,678	(14,251)	17,243	6,670
National stabilisation levy						
2009	-	(96)	(96)	-	-	96
2010	-	(123)	(123)	-	-	123
2011	880	541	1,421	-	-	(1,421)
	880	322	1,202	-	-	1,202
Total	796	4,084	4,880	(14,251)	17,243	7,872

Reconciliation of effective tax rate

	2012	**2012**	**2011**	**2011**
	%	**GH¢'000**	**%**	**GH¢'000**
Profit before tax		46,528		12,968
Income tax using domestic tax rate	25.00	11,632	25.00	3,242
Tax exempt income	-	-	0.07	909
Non-deductible expenses	8.91	4,145	6.43	834
Tax incentives	(0.07)	(33)	(3.35)	(435)
Effect of movement in deferred tax	(8.43)	(3,923)	-	-
Tax expenses	25.41	11,821	28.15	4,550

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

16 Earnings per share

16.a Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of GH¢34,843,000 (2011: GH¢8,468,000) and a weighted average number of ordinary shares outstanding of 103,138,000 (2011: 80,487,000) calculated as follows:

	The Group		The Bank	
	2012 GH¢'000	**2011 GH¢'000**	**2012 GH¢'000**	**2011 GH¢'000**
Net profit for the year attributable to equity holders of the Bank	34,843	8,468	34,631	8,418
Weighted average number of ordinary shares	103,138	80,487	103,138	80,487
Basic and diluted earnings per share (Gps)	0.34	0.11	0.34	0.10

17 Cash and balances with Bank of Ghana

Cash on hand	28,774	3,357	28,774	3,357
Balances with Bank of Ghana	75,153	19,719	75,153	19,719
Balances with other local Banks	1,288	1,047	3	178
Balances with other foreign Banks	29,671	6,126	29,671	6,126
Items in course of collection	15,527	4,109	15,527	4,109
Money market placements	24,806	8,000	24,806	8,000
	175,219	42,358	173,934	41,489

Included in balances with Bank of Ghana above is an amount of GH¢ 50,611,680 (2011: GH¢ 15,384,960) for the Bank and the Group's mandatory primary reserve deposits representing 9% of the Bank's total deposits and is not available for use in the Bank's day to day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

18 Government securities

The Group	**Pledged 2012**	**Non-pledged 2012**	**Total 2012**	**Pledged 2011**	**Non-pledged 2011**	**Total 2011**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
Government bonds	-	8,313	8,313	-	34,451	34,451
Treasury bills	-	284,132	284,132	-	114,498	114,498
Total securities	-	292,445	292,445	-	148,949	148,949

The Bank	**Pledged 2012**	**Non-pledged 2012**	**Total 2012**	**Pledged 2011**	**Non-pledged 2011**	**Total 2011**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
Government bonds	-	8,313	8,313	-	34,451	34,451
Treasury bills	-	284,132	284,132	-	114,498	114,498
Total securities	-	292,445	292,445	-	148,949	148,949

Government securities are treasury bills and bonds issued by the Government of Ghana. These are classified as held to maturity and carried at amortised cost.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

19 Loans and advances to customers

	The Group and The Bank	
	2012	**2011**
	GH¢'000	**GH¢'000**
Loans and advances to customers at amortised cost	274,373	76,539

19.a Loans and advances to customers at amortised cost

The Group and The Bank	Gross amount 2012 GH¢'000	Impairment allowance 2012 GH¢'000	Carrying amount 2012 GH¢'000	Gross amount 2011 GH¢'000	Impairment allowance 2011 GH¢'000	Carrying amount 2011 GH¢'000
Overdrafts	161,523	(48,299)	113,224	29,336	(2,033)	27,303
Term loans	149,936	(232)	149,704	47,110	-	47,110
Staff loans	10,687	(500)	10,187	654	-	654
Finance leases	1,260	(2)	1,258	1,472	-	1,472
Total loans and advances to cusomers	323,406	(49,033)	274,373	78,572	(2,033)	76,539

19.b Allowances for impairment

	The Group and The Bank	
	2012	**2011**
	GH¢'000	**GH¢'000**
Specific allowances for impairment		
Balance at the beginning of the reporting year	1,875	1,145
Take-on Balances from Merger	26,535	-
Adjusted balance at the beginning of the reporting year	28,410	1,145
Charge for the year	19,564	730
Recoveries	(2,148)	-
Balance at 31 December	45,826	1,875
Collective allowances for impairment		
Balance at the beginning of the reporting year	158	59
Take-on Balances from Merger	1,150	-
Adjusted balance at the beginning of the reporting year	1,308	59
Charge for the year	1,899	99
Balance at 31 December	3,207	158
Total allowances for impairment	49,033	2,033

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

19 Loans and advances to customers (cont'd)

Loans and advances to customers at amortised cost include the following finance lease receivables for financing certain equipments and leased out to certain customers where the Bank is the lessor:

	The Group and The Bank	
	2012	**2011**
	GH¢'000	**GH¢'000**
Finance lease receivables		
Gross investment in finance leases, reeivable:		
Less than one year	273	237
Between one and five years	951	1,193
More than five years	36	42
	1,260	1,472
Unearned finance income	(240)	(280)
Net investment in finance lease	1,020	1,192
Net investment in finance leases, receivable:		
Less than one year	223	214
Between one and five years	797	978
More than five years	21	24
	1,020	1,192

20 Investment in associate

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Income	2,137	-	2,137	-
Expenses	(2,389)	-	(2,389)	-
Profit/(loss)	(252)	-	(252)	-
Share of profit/(loss) at 40%	(101)	-	(101)	-

The Bank has an interest of 40% (2011: 40%) in Magnate Technologies Services Limited. The equity accounted investee is not publicly listed and consequentially does not have published price quotes. The investee uses the same reporting dates of 31 December. Set out below is a summary of financial information of the equity accounted investee, not adjusted for by the percentage ownership held by the Bank.

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Current assets	178	-	178	-
Non current assets	971	-	971	-
	1,149	-	1,149	-
Current liabilities	(435)	-	(435)	-
Net assets	714	-	714	-
Share of net assets at 40%	286	-	286	-

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

21 Property and equipment

The Group	**Leasehold improv'ts GH¢'000**	**Furniture & equipment GH¢'000**	**Computers GH¢'000**	**Motor vehicles GH¢'000**	**Capital work in progress GH¢'000**	**Total GH¢'000**
Cost						
Balances at 1 January 2011	3,589	1,639	226	2,343	25	7,822
Acquisitions	406	607	94	2,100	-	3,207
Write-offs	(10)	(2)	-	-	-	(12)
Disposals	-	(442)	-	(808)	-	(1,250)
Balance at **31 December 2011**	3,985	1,802	320	3,635	25	9,767
Balance at 1 January 2012	3,985	1,802	320	3,635	25	9,767
Take-on Balances from Merger	14,227	9,699	6,528	3,311	59	33,824
Adjusted balance at 1 January 2012	18,212	11,501	6,848	6,946	84	43,591
Acquisitions	93	1,676	675	2,241	13	4,698
Transfers	48	-	-	13	(61)	-
Disposals	-	-	-	(881)	-	(881)
Write-offs	-	(140)	(2)	(303)	-	(445)
Balance at 31 December 2012	18,353	13,037	7,521	8,016	36	46,963
Depreciation						
Balances at 1 January 2011	140	297	93	1,069	-	1,599
Depreciation charged for the year	167	403	82	828	-	1,480
Disposals	-	(391)	-	(758)	-	(1,149)
Balance at 31 December 2011	307	309	175	1,139	-	1,930
Balance at 1 January 2012	307	309	175	1,139	-	1,930
Take-on Balances from Merger	1,711	5,857	3,096	1,685	-	12,349
Adjusted balance at 1 January 2012	2,018	6,166	3,271	2,824	-	14,279
Depreciation charged for the year	768	2,124	1,250	1,680	-	5,822
Disposals	-	-	-	(646)	-	(646)
Write-offs	-	(115)	(2)	(253)	-	(370)
Balance at 31 December 2012	2,786	8,175	4,519	3,605	-	19,085
Carrying amounts						
Balances at 1 January 2011	3,449	1,342	133	1,274	25	6,223
Balance at **31 December 2011**	3,678	1,493	145	2,496	25	7,837
Balance at 31 December 2012	15,567	4,862	3,002	4,411	36	27,878

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

21 Property and equipment (cont'd)

The Bank	**Leasehold property & improv'ts GH¢'000**	**Furniture & equipment GH¢'000**	**Computers GH¢'000**	**Motor vehicles GH¢'000**	**Capital work in progress GH¢'000**	**Total GH¢'000**
Cost						
Balances at 1 January 2011	3,589	1,639	226	1,116	25	6,595
Acquisitions	406	607	94	2,100	-	3,207
Disposals	-	(442)	-	(519)	-	(961)
Write-offs	(10)	(2)	-	-	-	(12)
Balance at 31 December 2011	3,985	1,802	320	2,697	25	8,829
Balance at 1 January 2012	3,985	1,802	320	2,697	25	8,829
Take-on Balances from Merger	14,227	9,699	6,528	3,311	59	33,824
Adjusted balance at 1 January 2012	18,212	11,501	6,848	6,008	84	42,653
Acquisitions	93	1,676	675	2,241	13	4,698
Transfers	48	-	-	13	(61)	-
Disposals	-	-	-	(464)	-	(464)
Write-offs	-	(140)	(2)	(303)	-	(445)
Balance at 31 December 2012	18,353	13,037	7,521	7,495	36	46,442
Depreciation						
Balances at 1 January 2011	140	297	93	292	-	822
Depreciation charged for the year	167	402	82	640	-	1,291
Disposals	-	(391)	-	(501)	-	(892)
Balance at 31 December 2011	307	308	175	431	-	1,221
Balance at 1 January 2012	307	308	175	431	-	1,221
Take-on Balances from Merger	1,711	5,857	3,096	1,685	-	12,349
Adjusted balance at 1 January 2012	2,018	6,165	3,271	2,116	-	13,570
Depreciation charged for the year	768	2,124	1,250	1,525	-	5,667
Disposals	-	-	-	(229)	-	(229)
Write-offs	-	(115)	(2)	(253)	-	(370)
Balance at 31 December 2012	2,786	8,174	4,519	3,159	-	18,638
Carrying amounts						
Balances at 1 January 2011	3,449	1,342	133	824	25	5,773
Balance at 31 December 2011	3,678	1,494	145	2,266	25	7,608
Balance at 31 December 2012	15,567	4,863	3,002	4,336	36	27,804

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

21.a Depreciation and amortisation expense	**The Group** **2012** **GH¢'000**	**2011** **GH¢'000**	**The Bank** **2012** **GH¢'000**	**2011** **GH¢'000**
Property and equipment (Note 21)	5,822	1,480	5,667	1,291
Intangible asset (Note 22)	532	301	532	301
	6,354	1,781	6,199	1,592

21.b Profit on disposal	**The Group** **2012** **GH¢'000**	**2011** **GH¢'000**	**The Bank** **2012** **GH¢'000**	**2011** **GH¢'000**
Cost	881	1,250	464	961
Accumulated depreciation	(646)	(1,149)	(229)	(892)
Carrying amount	235	101	235	69
Proceeds from disposal	(247)	(203)	(247)	(91)
(Profit)/loss on disposal	(12)	(102)	(12)	(22)

22 Intangible asset	**The Group** **2012** **GH¢'000**	**2011** **GH¢'000**	**The Bank** **2012** **GH¢'000**	**2011** **GH¢'000**
Cost				
Balance at 1 January	1,253	848	1,253	848
Take-on Balances from Merger	1,943	-	1,943	-
Adjusted balance at 1 January 2012	3,196	848	3,196	848
Acquisitions	907	405	907	405
Balance at 31 December	4,103	1,253	4,103	1,253
Amortisation				
Balance at 1 January	623	322	623	322
Take-on Balances from Merger	1,332	-	1,332	-
Adjusted balance at 1 January 2012	1,955	322	1,955	322
Amortisation for the year	532	301	532	301
Balance at 31 December	2,487	623	2,487	623
Carrying amount				
Balance at 1 January	630	526	630	526
Balance at 31 December	1,616	630	1,616	630

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

23 Deferred assets and liabilities

Deferred tax assets and liabilities are atributable to the following:

The Group		**2012**			**2011**	
	Assets GH¢'000	**Liabilities GH¢'000**	**Net GH¢'000**	**Assets GH¢'000**	**Liabilities GH¢'000**	**Net GH¢'000**
Property, equipment and software	-	(1,811)	(1,811)	-	(1,555)	(1,555)
Allowances for loan losses	5,693	-	5,693	-	-	-
Others	-	(62)	(62)	585	-	585
Net tax assets/(liabilities)	5,693	(1,873)	3,820	585	(1,555)	(970)

The Bank		**2012**			**2011**	
	Assets GH¢'000	**Liabilities GH¢'000**	**Net GH¢'000**	**Assets GH¢'000**	**Liabilities GH¢'000**	**Net GH¢'000**
Property, equipment and software	-	(1,750)	(1,750)	-	(1,494)	(1,494)
Allowances for loan losses	5,693	-	5,693	-	-	-
Others	-	(62)	(62)	585	-	585
Net tax assets/(liabilities)	5,693	(1,812)	3,881	585	(1,494)	(909)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

23.a Movements in temporary differences during the year

The Group

	Bale at 1 January GH¢'000	Take-on Balances from Merger GH¢'000	Adjusted balance at 1 January 2012 GH¢'000	Recog'd in profit and loss GH¢'000	Recog'd in other comp'nsive income GH¢'000	Bal. at 31 December GH¢'000
For the year ended 31 December 2012						
Property, equipment and software	(1,555)	(1,264)	(2,819)	1,008	-	(1,811)
Allowances for loan losses	-	608	608	5,085	-	5,693
Others	585	-	585	(647)	-	(62)
	(970)	(656)	(1,626)	5,446	-	3,820
For the year ended 31 December 2011						
Property, equipment and software	(457)	-	(457)	(1,098)	-	(1,555)
Others	-	-	-	585	-	585
	(457)	-	(457)	(513)	-	(970)

The Bank

	Bal. at 1 January GH¢'000	Take-on Balances from Merger GH¢'000	Adjusted balance at 1 January 2012 GH¢'000	Recog'd in profit and loss GH¢'000	Recog'd in other comp'sive income GH¢'000	Bal. at 31 December GH¢'000
For the year ended 31 December 2012						
Property, equipment and software	(1,494)	(1,264)	(2,758)	1,008	-	(1,750)
Allowances for loan losses	-	608	608	5,085	-	5,693
Others	585	-	585	(647)	-	(62)
	(909)	(656)	(1,565)	5,446	-	3,881
For the year ended 31 December 2011						
Property, equipment and software	(396)	-	(396)	(1,098)	-	(1,494)
Others	-	-	-	585	-	585
	(396)	-	(396)	(513)	-	(909)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

24 Other assets	The Group 2012 GH¢'000	The Group 2011 GH¢'000	The Bank 2012 GH¢'000	The Bank 2011 GH¢'000
Prepayments	5,186	1,302	5,186	1,302
Accrued interest receivable	3,564	658	3,564	658
Others	12,243	2,780	12,370	2,944
	20,993	4,740	21,120	4,904

25 Investment in subsidiary

Investment in subsidiary represents Access Bank's investments in BTH, a subsidiary of Access Bank which is in the business of acquiring for rent/sale residential and commercial real estate properties and to undertake contract and commercial hiring of vehicles and equipment. Activities relating to the acquisition for rent/sale of residential and commercial real estate properties have not yet commenced.

26 Due to other Banks	The Group 2012 GH¢'000	The Group 2011 GH¢'000	The Bank 2012 GH¢'000	The Bank 2011 GH¢'000
Balances due to other banks	17,000	5,658	17,000	5,658

27 Customer deposits

	The Group 2012 GH¢'000	The Group 2011 GH¢'000	The Bank 2012 GH¢'000	The Bank 2011 GH¢'000
Demand deposits	258,226	44,226	258,226	44,226
Term deposits	150,525	116,923	150,525	116,923
Savings deposits	136,601	4,137	136,601	4,137
	545,352	165,286	545,352	165,286
Analysis by type of depositors				
Financial institutions	33,355	11,643	33,355	11,643
Individual and other private enterprises	482,588	128,928	482,588	128,928
Public enterprises	29,409	24,715	29,409	24,715
	545,352	165,286	545,352	165,286
Ratio of 20 largest depositors to total deposits	34.09%	59%	34.09%	59%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

28 Borrowings

The Group and The Bank	At 1 Jan. 2012 GH¢'000	Take-on Balances from Merger GH¢'000	Adjusted opening balance GH¢'000	Drawdown GH¢'000	Repayments GH¢'000	At 31 Dec. 2012 GH¢'000
Danida	-	84	84	- -		84
Export Development and Investment Fund	-	10,121	10,121	11,000	(3,030)	18,091
Social Security and National Insurance Trust	339	-	339	-	-	339
Ghana Private Sector Developments Facility	352	-	352	-	-	352
	691	10,205	10,896	11,000	(3,030)	18,782

The Export Development and Investment Fund (EDIF) facility was secured for onward lending to qualifying institutions. Interest accrues at 2.5% per annum and is payable at the end of the loan term of three years. Accrued interest of GH¢ 451,684 included in interest payable in other liabilities.

29 Other liabilities

	The Group		The Bank	
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢'000
Creditors and accruals	28,063	6,812	28,071	6,835
Deferred income	8,343	1,649	8,343	1,649
	36,406	8,461	36,414	8,484

30 Capital and reserves

30.1 Share capital

	The Group				The Bank			
	2012 No. of Shares	2012 GH¢'000 Proceeds	2011 No. of Shares	2011 GH¢'000 Proceeds	2012 No. of Shares	2012 GH¢'000 Proceeds	2011 No. of Shares	2011 GH¢'000 Proceeds
Authorised								
Ordinary Shares of no par value '000	110,689	-	100,000	-	110,689	-	100,000	-
Issued for cash consideration '000	110,689		80,488		110,689		80,488	
Issued and fully paid								
Issued for cash consideration	80,488	81,162	80,067	77,937	80,488	81,162	80,067	77,937
Movement in shares	30,201	37,113	421	3,225	30,201	37,113	421	3,225
	110,689	118,275	80,488	81,162	110,689	118,275	80,488	81,162

Access Bank Plc owns 95.3% of Access Bank (Ghana) Limited and 4.7% is owned by other shareholders.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

30 Capital and reserves (cont'd)

30.2 Retained earnings
This represents the residual of cumulative annual profits that are available for distribution to shareholders.

30.3 Statutory reserve
This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 29(a) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and guidelines from the Central Bank.

30.4 Credit risk reserve
This represents the excess of Bank of Ghana's total provision over impairment loss of financial assets recognised in the income statement arising out of provisions made for impairment under Bank of Ghana guidelines .

31 Dividends

The Bank did not declare dividend for the financial year ended 31 December 2012 (2011: Nil).

32 Leasing

The Bank leases various offices, branches 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. There were no contingent rents payable.

Non cancellable operating lease rentals are payable as follows:

The Group and The Bank	**2012 GH¢'000**	**2011 GH¢'000**
Less than one year	828	608
Between one and five years	1,893	-
More than five years	2,220	-
	4,941	608

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

33 Contingencies

33.1 Claims and litigation

There are various claims against the Group for which the amounts could not be estimated at the reporting period. Other litigation and claims involving the Group as at 31 December 2012 approximated GH¢ 2,882,000 (2011: GH¢ Nil).

33.2 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.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off balance sheet risk:

The Group and The Bank	**2012 GH¢'000**	**2011 GH¢'000**
Contingent liabilites:		
Bonds and guarantees	30,658	15,124
Commitments:		
Clean line facilities for letters of credit	174,229	49,118
	204,887	64,242

33.3 Commitments for capital expenditure

The Bank had commitment for capital expenditure amounting to approximately GH¢ Nil as at 31 December 2012 (2011: GH¢ Nil).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

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 members of the Access Bank Group.

34.1 Parent

The parent company, which is also the ultimate parent company, is Access Bank Plc. Transactions between Access Bank Plc. and the subsidiaries also meet the definition of related party transactions. The parent company incurred expenditures in the normal course of business, mainly in the form of salary payments to seconded staff from Nigeria and licence fees, which were recharged to the Bank at cost. During the year ended 31 December 2012, the bank transacted the following business with the parent bank:

		The Group		The Bank	
	Nature of transaction	**2012**	**2011**	**2012**	**2011**
		GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**
Access Bank Plc. - Nigeria	Bank balances	2,316	839	2,316	839
Access Bank Plc. - Nigeria	Placement	5,730	193	5,730	193
Access Bank Plc. - Nigeria	Accounts payable	152	193	152	193

34.2 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 Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Access Bank Plc.

Key management personnel and their immediate relatives have the following outstanding loan balances with the Bank at the reporting period:

The Group and The Bank	**2012**	**2011**
	GH¢'000	**GH¢'000**
Executive Director	-	-
Officers and other employees	10,687	654
	10,687	654

Interest rates charged on balances outstanding are at concessionary rates and lower than the rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate and other assets of the respective borrowers. No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end. These balances have, however, been collectively impaired as part of the portfolio impairment assessment for unidentified loans and advances.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - (CONT'D)

34 Related parties (cont'd)

34.3 Associated companies

	The Group		The Bank	
Balances with associated companies as at reporting period were:	**2012 GH¢'000**	**2011 GH¢'000**	**2012 GH¢'000**	**2011 GH¢'000**
Access Bank UK	16,070	4,779	-	-
Account receivables	-	-	706	706
	16,070	4,779	706	706

35 Business combinations
The holding company of Access Bank (Ghana) Limited, Access Bank Plc, acquired Intercontinental Bank Plc and as a result, Access Bank Plc became the ultimate beneficiary majority owner of Intercontinental Bank (Ghana) Limited. Access Bank Plc resolved to merge its subsidiary in Ghana with Intercontinental Bank (Ghana) Limited. In March 2012, the assets and liabilities of the two subsidiaries were merged with Access Bank (Ghana) Limited being the surviving entity. The merger of the two entities were approved by Bank of Ghana on 5 March 2012.

The assets and liabilities were taken on at their net book values and these financial statements presented are based on the combined assets and liabilities of the two merged entities.

Below are the amounts recognised for each class of assets and liabilities merged:

Assets	**GH¢'000**
Cash and cash equivalents	205,988
Government securities	139,196
Loans and advances to customers	321,143
Investment in associate	386
Property and equipment	21,475
Intangible assets	611
Deferred tax assets	608
Other assets	32,049
Total assets	721,456
Liabilities	
Deposits from customers	619,455
Borrowings	10,205
Tax payable	4,084
Deferred tax liabilities	1,264
Other liabilities	49,335
Total liabilites	684,343
Net Assets	37,113

36 Comparative information

The comparative information have been reclassified, where applicable, to conform to the current year's presentation.