2010
Annual Report

ZENITH BANK (GHANA) LIMITED

...in your best interest

"...we will continue to build on our momentum, and will be well-positioned to further separate our bank from the pack through prudent investments and to continue delivering shareholder value. ..."


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CONTENTS

CORPORATE INFORMATION

THE BOARD

Mary Chinery-Hesse (Mrs.)	Board Chairman
Daniel Asiedu	Managing Director / Chief Executive Officer
Andy Ojei	Director
Jim Ovia	Director (retired in July 2010)
Godwin Emefiele	Director (appointed in March 2010)
Chief Eddy Martins Egwuenu	Director (retired in July 2010)
Henry Benyah	Director
Steve Omojafor	Director (resigned in July 2010)
Kwame Sarpong	Director

COMPANY SECRETARIES

Micheal Osalima Otu
Daniel Agamah

AUDITORS

KPMG
(Chartered Accountants)

SOLICITORS

Corporate Legal Concepts

CORRESPONDENT BANKS

Ghana International Bank
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P.O. Box 77
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Citibank N.A,
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London, WC 2 R 1HP
Swift Code: CITIGB2L

Citibank N.A
111 Wall Street
NewYork, N.Y. 10005
Swift Code: CITIUS33

HSBC Bank Plc.
Corporate Banking
2 Exchange Square
85 Maude St, Sandown 2196
South Africa
Swift Code: HSBCZAJJ

Bank of Beirut (UK) Limited
17A Curzon Street
London
W1J5HS
United Kingdom
Swift Code: BRBAGB2L

Zenith Bank (UK) Ltd
39 Cornhill London
EC3V 3ND
London
United Kingdom
Swift Code: ZEIBGB2L

ZENITH

ZENITH BANK (GHANA) LIMITED

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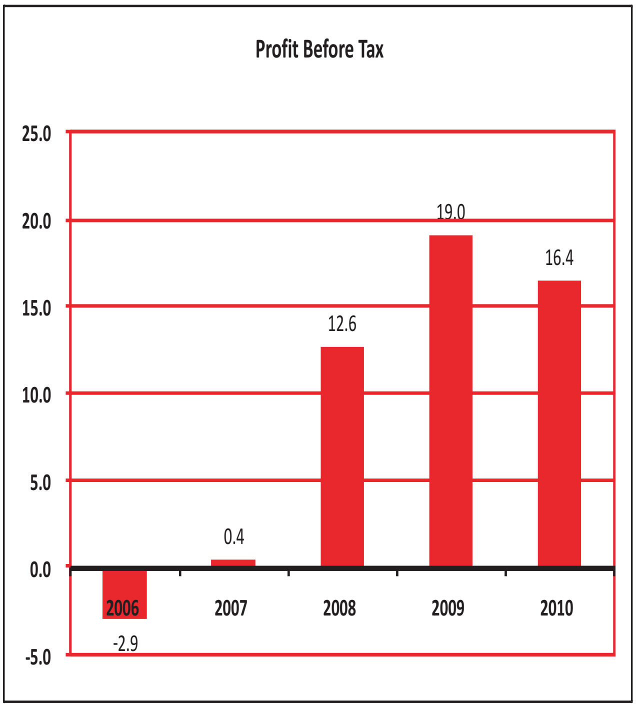
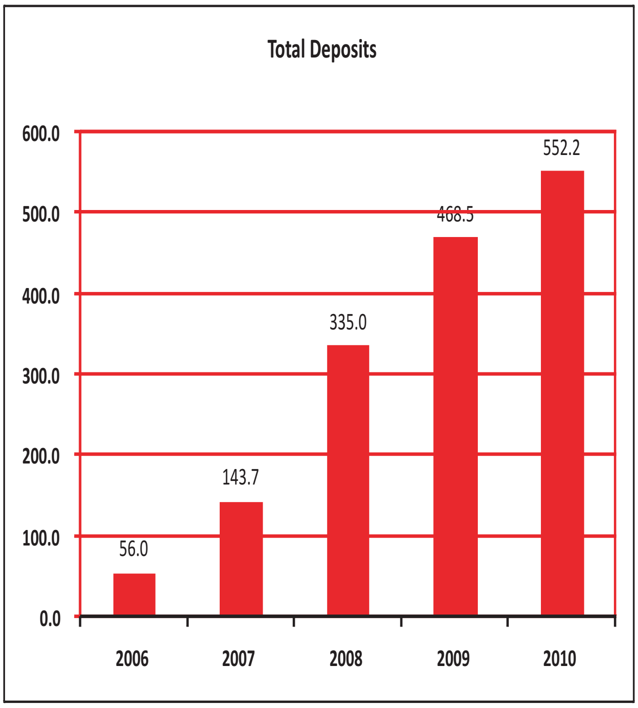
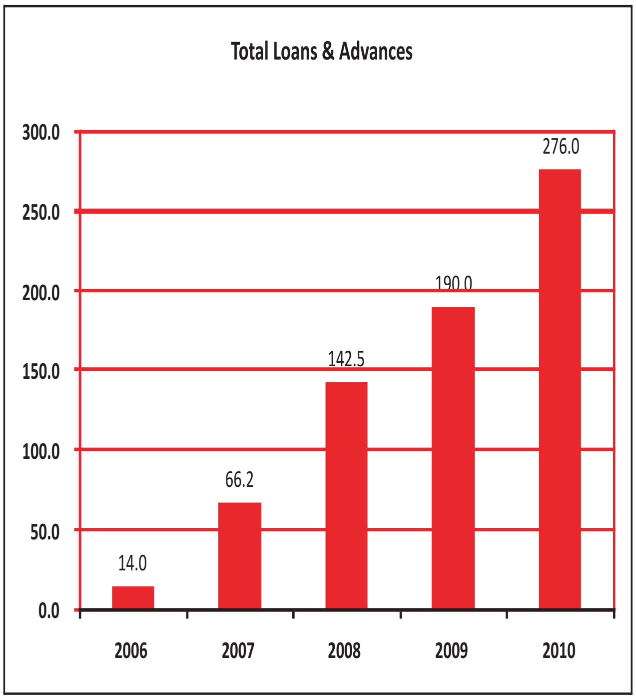
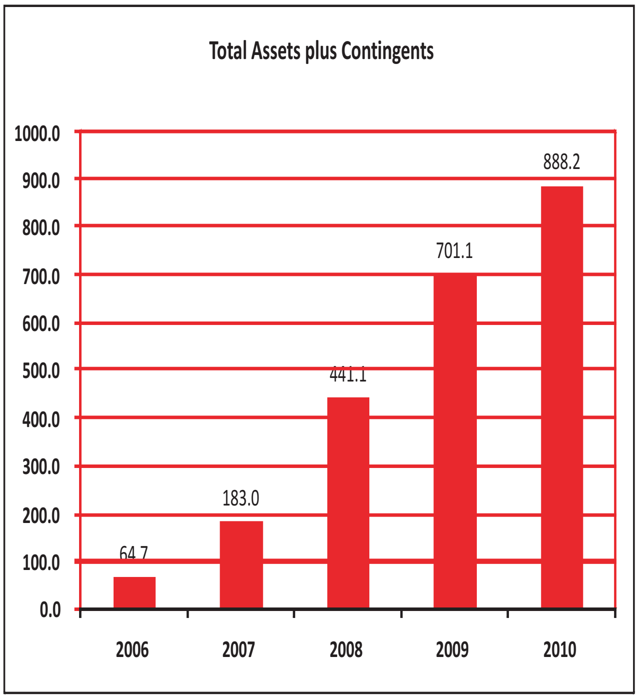
Fax: (+233)30 2660760, 2660091
Enquiry: info@zenithbank.com.gh
Website: www.zenithbank.com.gh

FINANCIAL HIGHLIGHTS









CORPORATE PROFILE

Zenith Bank (Ghana) Limited ("Zenith"), a financial services provider, was incorporated in April 2005 under the Banking Act 2004 (Act 673) as a private limited company and commenced universal banking operation in September 2005. It is a subsidiary of Zenith Bank Plc, one of the largest banks in Nigeria by all measures, with "AAA" ratings, and the Euromoney Best Bank in Africa for 2007.

Zenith currently operates twenty-three branches and agencies, connected online, real time and with ATM facilities. It operates with the objective of making banking easier and better than anything customers have ever experienced. Among its most distinguishing traits are its cutting edge ICT platform which sets it apart from competitors, its passionate staff and its devotion to the development of systems and products to satisfy customer specifications.

Major Milestones Covered

The bank in 2010 celebrated the fifth anniversary of our operations in the country to commemorate the contribution we have made to the dynamism of the Ghanaian banking industry through improvements in customer service. We have over the years improved our capacity, size, market share and industry rankings in all parameters. We have built financial, structural and technological muscle, established our presence in all four corners of the country and have created a beacon of innovation and service excellence in the Ghanaian banking industry.

Zenith continues to play a major role in the transformation of the banking industry into an intensely competitive, customer oriented, more efficient and technologically inclined industry. Indeed, before Zenith commenced operations relationship banking was novel, e-banking was almost restricted to ATMs, banking was limited to a few hours in the day and weekend banking was almost non-existent. The bank pioneered several of the innovations currently prevalent in the industry.

For our efforts, the bank was adjudged the Bank of the Year in Ghana as well as the Best Bank in Financial Performance in the country for the 2008 financial year, in addition to other awards won over the years at the Corporate Initiative, Ghana Banking Awards, 2009.

Service Excellence

Zenith is re-defining banking on many other fronts. Through immense investments we have acquired the ability to stay in the forefront of such fast-growing operations as internet banking, mobile banking, electronic payments and in recent times, Visa payment systems, as well as many other key programs that provide customers with greater speed, accuracy and options. The result, as Zenith builds this technology across the country, will be a nationwide, well-connected bank developed to the specifications of its customers and other stakeholders to give them great value.

Its highly skilled and dedicated staff promise and deliver superior banking as well as professional excellence in service delivery.

CORE VALUES

Zenith's core values are:

Belief in God

Integrity

Keeping the Service Promise

PRODUCTS AND SERVICES

Zenith Bank (Ghana) Limited provides a range of banking services including cash current accounts, savings accounts, investment products, cash management, lending, as well as trade banking and other corporate banking services to its customers.

Traditional Products

Zenith offers a range of traditional banking accounts and also customizes these accounts to suit the specific needs of our customers. Accounts on offer include:

- Zenith Current Account
- Zenith Savings Account
- Foreign Exchange Account (GBP, EUR, USD)
- Foreign Current Account (GBP, EUR, USD)

Retail Banking Products

Zenith offers and continues to develop a broad range of retail banking products designed to fit specific segments of the consumer banking market. Some retail products are:

- Church Premium Account
- Cheque and Save Account
- Zenith Children's Account (ZECA)
- Zenith Children's Plus Account (ZECA PLUS)
- Zenith Pay Advance Salary Scheme (ZPASS)
- Zenith Investment Plan Account (ZIPA)
- Zenith Investment Savings Account (ZISA)
- Zenith Society Account (Z-Society)

E-Business Products

As a trailblazer in ICT-enabled banking in Ghana, Zenith Bank (Ghana) Limited has leveraged its in-depth understanding of the local business environment and global financial markets to develop e-solutions utilizing SMS and web-enabled facilities to meet specific customer needs. The unique deployment of ICT to customer service delivery has made Zenith brand synonymous with e-banking. The bank's e-product bouquet fall into five main categories:

- Payment/Collection solutions
- Card Solutions
- POS Acquiring
- SMS Solutions
- Reporting tools

Payment/Collection Solutions

Schools solution -a product developed to provide e-Education that meets the daily digital needs of campuses including automation of registration processes, automation of examinations and records departments, staff management, enterprise knowledge management and electronic notice boards.

Salary solution - streamlines staff salary payments for customers' workforce irrespective of where staff salary accounts are domiciled.

Embassy solutions- an online service which facilitate visa application processes and Visa fee payments

Zenith e-ticketing solution - provides platform for customers to make reservations and purchase airline tickets online.

Zenith ATM - an electronic payment platform which is connected to some one million other ATMS through the Visa platform. It enables banking transactions and collection of third party bills payment. China Union Pay card as well as e-transact cards are all accepted on Zenith ATMS.

Automated Cheque Writing Solution (ACWS) - an electronic payment solution for corporate customers that eliminates manual writing of many cheques and the associated delays.

Zenith Automated Direct Payment Sytem (ADPS) - a secure system with which corporate bodies make bulk payments to staff, contractors, distributors without time, location or volume limits, while making real time transaction notifications via the internet.

Zenith Internet Banking (i-bank) - a web-based service which enables you to conduct real time online transactions and messages through the internet, anytime, anywhere. I-bank affords customers a wide range of transaction activities which include the following:

- Check account balances and access transaction history
- Cheque book and draft request
- View and download account statements
- View real time transactions activity especially for corporate customers
- Bulk payments
- Download monthly statement
- Intra and Inter account transfers
- Bill Payment
- View Visa Card transactions

Zenith Mobile Commerce - with the use of the mobile phone, customers can perform various financial transactions online such as:

- Airtime purchase
- Banking
- Bill Payment
- GSM Postpaid
- Pay DSTV etc

Card Solutions

Zenith is a principal member of Visa and offers the following visa products:

Zenith Credit Card - for Zenith account holders, offering an approved line of credit with up to 45 days, interest free period. It is a payment card with access to a monthly revolving line of credit. The amount of credit available to an individual cardholder is based on a credit score.

Visa Debit Card - an electronic Visa card which allows cardholders to withdraw cash or pay for goods and services worldwide, with funds from their savings or current accounts.

Zenith Platinum Debit Card - a Visa debit card product for Platinum Banking customers and other high net worth individuals with higher spend limit requirements.

Visa Prepaid Card - provided to both account holders and non-account holders to access services on the Visa platform on a pre-loaded card.

Zenith EasyPay Card - a basic cash card that works only on Zenith ATMs installed across the country.

E-switch smart card - a secure way of paying for goods and services throughout the country based on biometric (finger print) identification.

Etransact Card - an electronic card use not only on Point of Sale (POS), ATM and internet but also on mobile phones.

Zenith Automated School Solutions - an electronic solutions through which students' administration and registration procedures are captured seamlessly and efficiently. The product is deployed in partnership with our technical partners, Cyberspace.

POS Acquiring

Zenith bank has acquired the right to facilitate the acceptance of cards as a means of payments to merchants for goods or services via point of sale devices on their premises. Plans are far advanced to deploy our Internet Acquiring capacities in 2011.

SMS Solutions

The Zenith SMS Solutions allow the beneficiary to enjoy the following services:

Check account balances and transaction history
Bills payments
View real time transactions especially for individual customers
Inter transfers (after registering)
Intra transfers

Reporting Tools

Reconciliation Tool - simplifies the reconciliation of customers' ledgers with their bank's statements.

Z-Prompt (Deposit Notification) - an excellent online real time service which delivers emails and SMS notifications of all account transactions (both debits and credits) and includes the current balance with each notification.

Third Party Collaboration

Zenith Bank (Ghana) Limited has leveraged its excellent e-business platform and cash management services to ease the operations of several institutions in a number of third party collaborations.

Some of these institutions are:

- Databank Financial
- IC Securities Ltd
- Firstbanc Financial Services
- National Lotteries Authority
- Electricity Company of Ghana
- KLM Royal Dutch Airlines
- Multichoice Ghana Limited
- British Council
- Ghana Water Company Limited
- West Africa Examination Council
- Delta Airlines
- Alitalia Airlines
- Virgin Atlantic
- Ghana Rubber Estates Limited
- E-transact
- Airtel Money
- MTN Mobile Money
- Afric Express

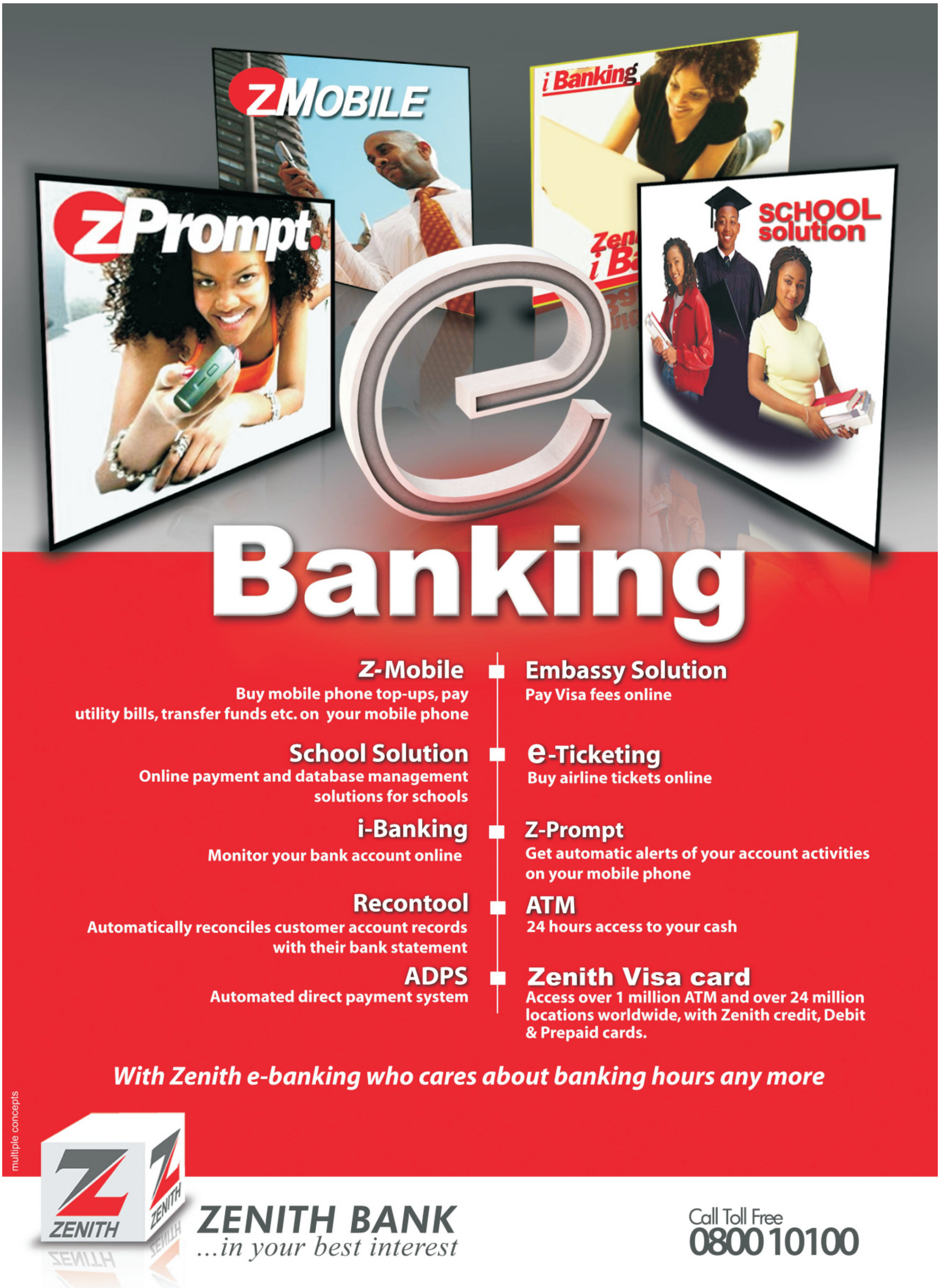
Credit Products

Auto Loan

In collaboration with a number of auto companies, Zenith provides finance to its customers for the purchase of automobiles.

Partner companies include:

- Toyota Ghana Limited
- Stallion Investments
- PHC Motors
- Rana Motors


zMOBILE
i Banking
zPrompt.
SCHOOL solution
e Banking
Z-Mobile
Buy mobile phone top-ups, pay utility bills, transfer funds etc. on your mobile phone
Embassy Solution
Pay Visa fees online
School Solution
Online payment and database management solutions for schools
e-Ticketing
Buy airline tickets online
i-Banking
Monitor your bank account online
Z-Prompt
Get automatic alerts of your account activities on your mobile phone
Recontool
Automatically reconciles customer account records with their bank statement
ATM
24 hours access to your cash
ADPS
Automated direct payment system
Zenith Visa card
Access over 1 million ATM and over 24 million locations worldwide, with Zenith credit, Debit & Prepaid cards.
With Zenith e-banking who cares about banking hours any more
multiple concepts
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Fax: (+233) 0302 253385

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(+233) 0302 782663

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Fax: (+233) 0302 522172

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Kaneshie
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Fax: (+233) 0303 308755

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Fax: (+233) 3120 21142

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Adum Branch
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Fax: (+233) 3220 49511

Suame Branch
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Fax: (+233) 3220 46123

Sunyani Branch
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Fax:(+233) 03520 23016

Tamale Branch
Main Market
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Tamale
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Fax: (+233) 3720 27422

Katamanto Cash Agency
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Katamanto
Accra
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Fax: (+233)302 671874

Abora Cash Agency
Ghana Rubber Estates Limited
Abora
Takoradi
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Ho Agency
Ho Polytechnic
Ho
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Fax: (+233)3620 25676

Bui Agency
Bui Dam Project Site

Kumasi Polytechnic Agency
Tel: (+233) 3220 48249

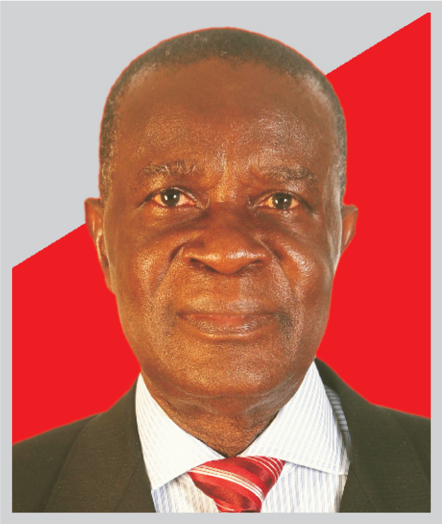
BOARD OF DIRECTORS

Mary Chinery-Hesse –Chairman

Daniel Asiedu –Managing Director/CEO

Godwin Emefiele – Director

Andy Ojei –Director



Kwame Sarpong – Director

Henry Benyah – Director

REPORT OF THE DIRECTORS

The Directors in submitting to the shareholders their report and financial statements of the Bank for the year ended 31 December 2010 report as follows:

Directors' Responsibility for the Financial Statements

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738) and for such 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 that the Bank will not be a going concern in the year ahead.

Financial Statements

	GH¢'000
Profit before tax for the year was	16,420
from which is deducted:	
a tax charge of	4,695
and a National fiscal stabilisation levy of	821

	(5,516)
	---------
giving a profit for the year after taxation of	10,904
to which is added balance brought forward	
on the retained earnings account of	2,690

	13,594
out of which is transferred to the statutory reserve fund in accordance with the Banking Act an amount of	5,452
and a transfer to the credit risk reserve of	4,569

	(10,021)
	----------
leaving a surplus carried forward on	
the retained earnings account of	3,573
	=====

The Directors do not recommend the payment of dividend.

In accordance with Section 29(c) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738), an amount of GH¢5.5 million was transferred to the statutory reserve fund from retained earnings (income surplus), bringing the cumulative balance on the statutory reserve fund to GH¢17.2 million at the year end.

Nature of Business

The Bank is licensed to carry on the business of banking and related services in Ghana.

There was no change in the nature of the Bank's business during the year.

Holding Company

The Bank is a subsidiary of Zenith Bank PLC, a bank incorporated in the Federal Republic of Nigeria.

Approval of the Financial Statements

The financial statements of the Bank were approved by the Board of Directors on 17 February 2011 and were signed on their behalf by:

Daniel Asiedu
Director

Mary Chinery-Hesse
Chairman

CHAIRMAN'S STATEMENT

Mary Chinery-Hesse,
Board Chairman

Sustainable Business Growth

Our goals in 2010 were diverse. We believe that while results are important, how we achieve them is equally important. Our commitment to this principle is the key to sustaining confidence in the Zenith brand.

Producing quality returns was, as always, our top priority in 2010. But there was no denying the headline concern in the Ghanaian banking industry, i.e. a decline in the quality of assets of banks in recent years and the implied ability of banks to generate sustainable profits across the business cycle without risking the trust placed in them by shareholders and depositors. Cognizant of developments in the Ghanaian economy and the banking industry, we emphasized risk and ethics while maintaining our view on achieving financial results. Today, we affirm our confidence in the strength of the bank and trust that it is well positioned for better prospects in 2011.

Corporate Governance Principles

Our management processes, structures and policies help us ensure compliance with laws and regulations and provide clear lines of sight for decision-making and accountability. But these disciplines represent only one side of governance. The other side, corporate culture, is even more important because that determines corporate ethics and our ability to achieve our core values.

In furtherance of this belief, we embarked on a program to enhance management structures, ensure strict regulatory compliance, boost our risk management systems towards the implementation of Basel II Accord and offer additional training to our staff in fraud prevention, professional integrity principles and business continuity. I wish to assert that this program was very successful and has laid the platform for an even stronger Zenith.

Financial Performance

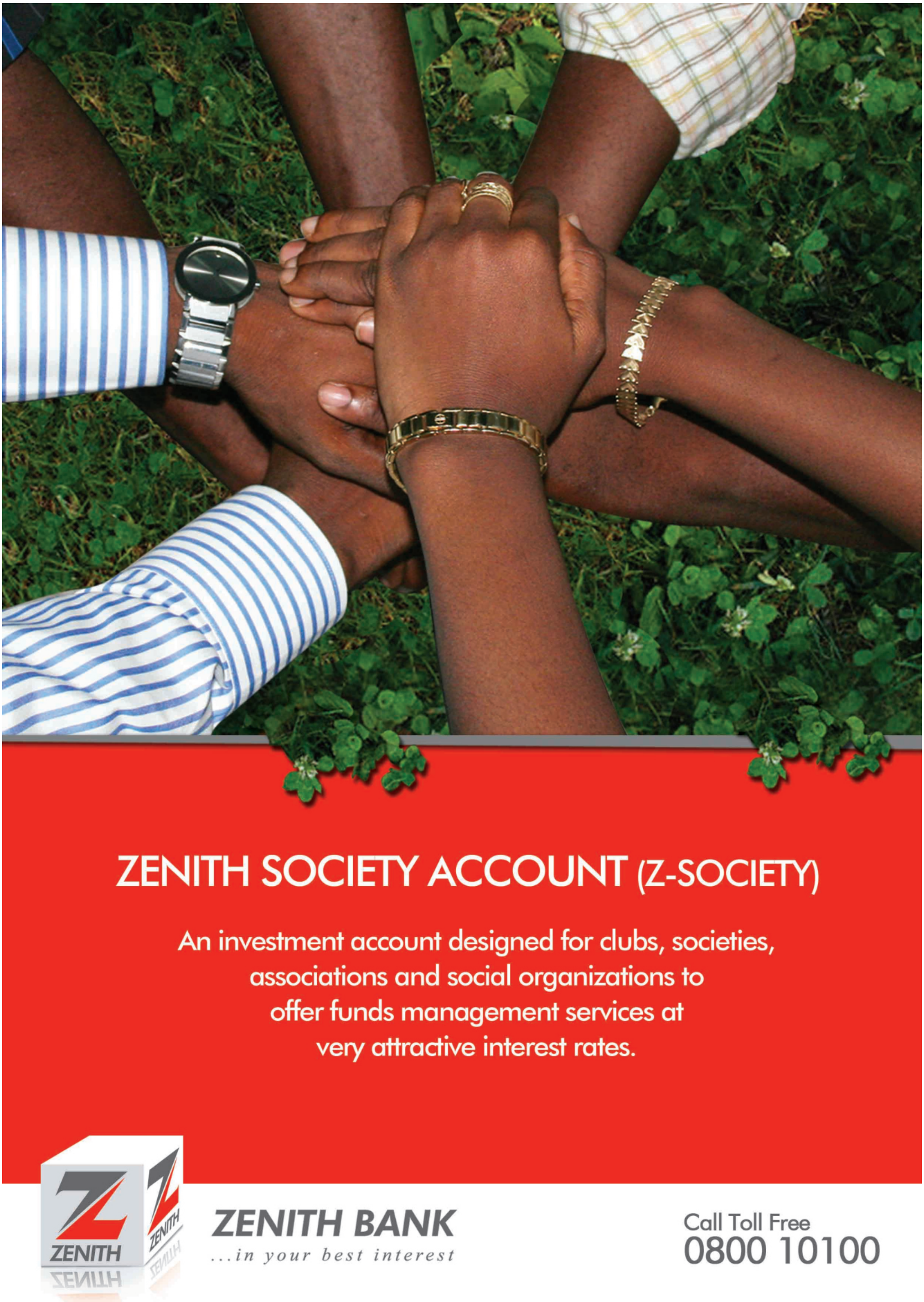
In 2010 we achieved a Return on Assets of 2.4 percent. We also grew shareholders' funds by 14.4 percent. However, our net income decreased marginally from GHS 13.4 million in 2009 to GHS 10.4 million in 2010 mainly due to the continuing economic headwinds.

Additionally, we improved our deposit mix by raising our demand deposits as a ratio of total deposits from 38 percent to 51 percent. This had the effect of reducing our average cost of funds and almost doubled our net interest spread margin from 34 percent to 55 percent. (It was the desired result because in an environment of accelerating competition and declining asset quality, the optimal business strategy to avoid adverse selection is to lift the proportion of advances we make to blue chip companies). This in turn can be best achieved by a healthy funds mix and a low cost of funds because of low lending rates preferred by that end of the market.

Beyond 2010

While the economic outlook remains uncertain, we will continue to build on our momentum, and will be well-positioned to further separate our bank from the pack through prudent investments and to continue delivering shareholder value.

As always, you all have my sincere gratitude.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EXECUTIVE MANAGEMENT

Daniel Asiedu
Managing Director/CEO

Abiola Bawuah
General Manager

Daniel Agamah
Group Head, Marketing/Company Sec

Eva Richter-Addo
Head, HR/ Corporate Comm.

George Tsidi Blavo
Group Head, Marketing

Albert Incoom
Operations Manager

Johnson Olakunmi
Head, Internal Control & Audit

Kwame Asa Adadey
Head, Business Services

Charlotte Yawa Impraim
Head, Credit Risk Management

Joseph Nii Adjei
Financial Controller

CHIEF EXECUTIVE OFFICER'S REVIEW

Daniel Asiedu
Managing Director/CEO

Our operations in 2010 were heavily influenced by industry concerns about deposit mix, cost of funds and the need to infuse increased prudence into the operations of the industry in order to sustain growth and profitability.

OPERATING ENVIRONMENT

International Economy

Global economic recovery, after the deepest depression since World War II, appeared to have firmed up in 2010 but with significant downside risks. These risks were inherent in the slow recovery of advanced economies, high unemployment rates and the potential impact of rising oil prices which exceeded the $100/bbl mark again. A further risk to the recovery occurred when market confidence in several European countries dipped triggering fears of a Sovereign debt crisis. To contain the situation, a number of packages were instituted, notable of them being the €750 billion European Financial Stability Facility.

Altogether, the Global economy grew by 3.9 percent in 2010, a marked improvement over the 2009 growth rate of negative 0.8 percent.

The main driver of this performance was increased domestic demand in developing countries, many of whom have either recovered from the economic meltdown or about resuming growth to pre- crisis levels. The average growth for emerging economies was estimated at 7.1 percent during the year and was mainly funded by foreign capital inflows.

China's 2010 GDP growth of 10.3 percent was a key contributor to the growth recorded by the emerging economies.

Sub Saharan Africa's GDP region grew by an estimated 4.7 percent in 2010 against 1.3 percent recorded in 2009. The main drivers of this growth were increased commodity prices, foreign direct investments, higher agric productivity, an expansion in telecommunications, transportation and retail sectors as well as increased government expenditure on infrastructure-related projects.

Domestic Economy

Within the context of these global economic events the Ghanaian economy transitioned into a lower-middle income and oil economy status, attaining a GH¢44 billion GDP and producing light sweet crude from the offshore West Cape Three Points region.

Economic performance during the year was, however, weaker than expected. Provisional data indicates that GDP recorded a 5.9 percent growth rate in 2010, lower than the target real growth rate of 6.5 percent but higher as compared to the 4.1 percent growth achieved in 2009. The Industry and Services sectors grew by 7.0 percent and 6.1 percent respectively whilst the Agriculture sector grew by 4.8 percent. Significant growth industries included Energy, Finance and ICT.

In general, there was a recovery in business activity in the economy from the slowdown in 2009. In year–on-year terms, the Bank of Ghana's Composite Index of Economic Activity (CIEA) registered a growth of 10.5 percent in 2010 compared to 9.6 percent in 2009. Credit to the private sector, industrial activity, construction sector activity, and sales of key manufacturing establishments were some of the developments that contributed to the increase in the index relative to the pace observed a year ago.

As a corollary of increased investor interest in developing countries, FDI inflows into the country in 2010 doubled to US$1.11 billion from US$551.30 million in 2009 and created an estimated 120,000 jobs.

The construction, manufacturing and services industries received the largest chunk of these new investments.

Inflation declined continuously from 15.97 percent in December 2009 to 8.58 percent in December 2010 and performed better than target of 9.2 percent set at the beginning of the year. On the external front, Ghana's merchandise trade deficit for 2010 increased to US$ 2.8 billion from the US$ 2.2 billion deficit recorded in 2009. The developments in the trade account resulted in a deficit of US$2.6 billion in the current account compared to the deficit of US$1.6 recorded in 2009. With a surplus of US$4.2 billion registered in the Capital and Financial Account an overall Balance of Payments surplus of US$1.5 billion was recorded in 2010 compared with a surplus of US$1.2 billion in 2009 raising the country's Gross International Reserves position from 3.0 to 3.2 months imports cover. Consequent to improvements in the external position of the country, the Cedi depreciated marginally by 0.31 percent against the US dollar in 2010 while appreciating by 8.6 percent and 13.5 percent against the Pound Sterling and the Euro respectively. These compare with depreciations of 17.6 percent, 24.4 percent and 28.1 percent respectively in 2009.

Interest rate trends reflected inflationary conditions and expectations over the period. The Policy Rate which stood at 18 percent in December 2009 was reduced by a cumulative 450 basis points to 13.5 percent between January and July 2010 by the Monetary Policy Committee of the Bank of Ghana and has since remained the same. In response to the downward adjustments in the policy rate, rates on the money market fell significantly during the year. Average lending rates of banks went down together with average deposit rates and interbank average interest rates.

Economic Outlook

The outlook on the Ghanaian economy is very promising. The commencement of oil production in the Jubilee oil fields in the fourth quarter of 2011 and the expected increase in production from other oil wells is projected to catalyse a 14.4 percent growth in the nation's GDP. Together with this, government's initiatives in the agric and infrastructural development sectors are expected to receive a stronger boost in 2011 as government pursues its Better Ghana agenda. Indeed, the president has declared 2011 an "action year". With this view of the future, Zenith is highly optimistic of the fortunes of Ghana in 2011.

BANKING INDUSTRY PERFORMANCE

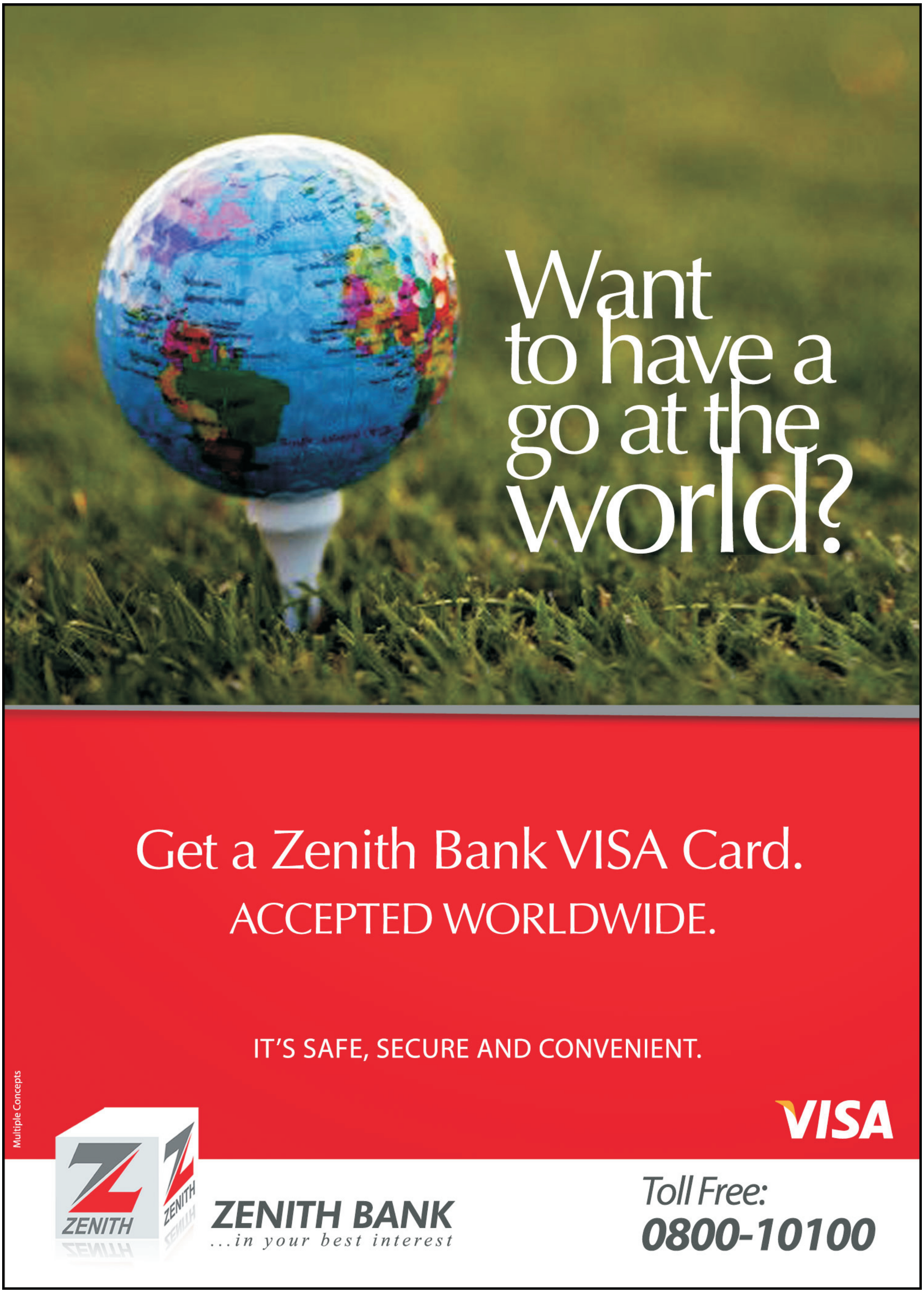
Events in the industry included a growth in banks' balance sheets, a shift in industry asset mix away from loans towards money market securities, increased use of deposits as a source of asset funding, weaker growth in shareholders' funds, deteriorating asset quality and improving liquidity. Industry income statements recorded an enhanced growth in profitability, as well as efficiency. Provisional data on the banking industry for the year ending December 2010 showed that the industry's balance sheet expanded by 23.9 percent to GH¢17.4 billion compared with a growth of 31.3 percent in 2009. Industry deposits of GH¢11.82 billion at end December 2010 marked a growth of 31.7 percent compared with 29.1 percent in 2009.

Banks' balance sheet structure as of December 2010 suggests significant increases in the size of the industry's loans portfolio and reduced pace in the growth of investments. The share of net loans & advances in banks' assets of 40.1 percent in December 2010 was a reduction in the 43.8 percent recorded in 2009. Banks' Investments (in both bills and securities) share of total assets, increased from 21.4 percent in 2009 to 26.5 percent in 2010. Similarly, the ratio of loans to deposits declined from 77.2 percent in 2009 to 67.7 percent in 2010. These developments in the asset mix could be as a result of concerns about industry asset quality.

Regarding asset quality, the industry's Non-Performing Loan (NPL) ratio continued its deteriorating trend which begun four years ago, rising from 16.2 percent at end December 2009 to 17.6 percent at the end of December 2010.

The shares of non-performing loans ratios are high in Commerce & Finance, Manufacturing, Services and Construction sectors accounting for 41.0 percent, 19.2 percent and 7.2 percent respectively of the total. Electricity, Gas and Water recorded the least with a 1.6 percent share. Furthermore, industry Capital Adequacy Ratio (CAR) declined marginally to 19.1 percent in 2010 from 20.2 percent for the same period in 2009.

With respect to industry liquidity, the ratio of liquid assets to total deposits improved significantly in terms of the broad measures from 47.2 percent to 51.3 percent from 2009 to 2010 respectively. The recapitalisation of banks and the relative slowdown in credit expansion could largely account for these outcomes. In general, liquidity in the industry remains largely adequate.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Industry profitability, improved in 2010. The industry's net profit after tax of GH¢425.8 million represented a growth of 75.1 percent at end December 2010 compared with a growth of 7.0 percent registered in 2009. Return on Asset (ROA) and Return on Equity (ROE) increased from 2.1 percent and 23.6 percent to 2.7 percent and 28.6 percent respectively.

In terms of composition, both the shares of income from investment and fees in total income expanded in 2010, the share of investment income increased to 22.1 percent, up from 15.4 percent recorded in the same period in 2009. Also, the share of income from fees improved marginally from 14.8 percent in 2009 to 14.9 percent in 2010. However, the share of income from loans and advances declined to 55.9 percent by the end of December 2010, compared with a share of 58.7 percent for the same period in 2009.

In general, indicators of operational efficiency in 2010 pointed to some improvements relative to 2009. Cost to income ratio declined to 85.4 percent by the end of December 2010, from 86.4 percent in the corresponding period in 2009. Cost to total asset ratio also decreased to 14.3 percent in 2010, down from 15.8 percent observed in 2009.

The industry, in 2011 is expected to record a lower loan default rate as a result of attempts by government to repay its local debts. This is expected to further improve the liquidity in the banking industry. Moreover, the increased investor interest in Ghana and the emerging oil industry is expected to bring a number of opportunities to banks and the financial markets, opportunities for an even stronger growth in size, investments and profitability.

ZENITH DEVELOPMENTS

The bank in 2010 celebrated the fifth anniversary of our operations in the country to commemorate the contribution we have made to the dynamism of the Ghanaian banking industry. We also experienced an improvement in staff and resource quality, enhanced product innovation, as well as improvements in interest spread and revenue contribution from fee sources. We, however, recorded a number of declines in our financial indicators.

Service Delivery

The bank placed a lower priority on branch expansion in 2010 as part of our broad strategy of pausing to consolidate before a resumption of a further expansion drive. We nonetheless recently opened up a branch in Sunyani, the capital of the Brong Ahafo region to enhance our competitive positioning in one of the burgeoning regions of the country.

We, also, stepped up staff training efforts through improved internal and external training programs. Furthermore, we improved our infrastructure by enhancing IT security and our e-business deployment capabilities. The strong IT infrastructure and quality service standards we have established over the years was highly instrumental in the elevation of our status to a Principal on the Visa International platform and the award of a Principal Agency position on the global Western Union Money Transfer platform.

Financial Performance

Our plan in 2010 to reduce our dependence on fixed deposits as a source of funding, improve our deposit mix and to reduce our cost of funds remained incumbent throughout the year. We reduced our weighted average cost of funds by increasing our demand deposit to total deposit ratio from 38 percent to 51 percent. This had the effect not only of reducing our deposit concentration ratio but also of improving our interest margin from 33.5 percent to 56.5 percent. The results prove that we made significant strides in this regard and are on course to achieve our goals.

Apart from this, we adhered to our resolve to improve the contribution of fee income to gross earnings by marginally raising this ratio from 22.3 percent to 22.8 percent.

Our Plan for 2011

We plan to embark on a growth drive in 2011. We assert that our most priced asset in this new oil economy is our competitive capacity in the energy business building on the over twenty year experience of our parent company. Indeed, the sector was our most significant earner in 2010. We intend, in 2011, to deepen our investment in energy, especially in the Oil and Gas segment.

We have observed the increased foreign investor interest in the economy and their need for local banking partners in their business efforts. We will leverage further on this opportunity in the areas of energy, ICT and infrastructural development whilst striving to achieve an even stronger risk profile.

Our resource development and product innovation programs will also be boosted to enhance our competitive edge in both the business and retail banking arenas. Our faith in the prospects of the Ghanaian economy remain strong and intend to profit from the expected resurgence in its prospects as the business cycle trends upwards.

Thank you.

CORPORATE GOVERNANCE

Corporate governance relates to the systems, rules, processes and laws by which businesses are operated, regulated, directed and controlled with the view of achieving the long term goals of the organization while maintaining the right balance with stakeholders' interests. The stakeholders comprise both internal and external parties.

Increased in stakeholder activism has led to increased demand for accountability from organizations the world over.

At Zenith Bank Ghana Limited, conscious of our enviable place in the market, we have in place a robust system of corporate governance bearing in mind our core values of Trust in God, Integrity and Keeping the Service Promise. We also pay key attention to elements of honesty, trust, openness and accountability.

Board of Directors

The Board of Directors is made up of a Non-Executive Chairman, four (4) Non-Executive Directors and one (1) Executive Director.

The Board comprises of persons of mixed skills with experience in different fields of human endeavor. The Directors are conscious of their statutory responsibilities as well as their responsibilities to shareholders and other stakeholders.

The Board is responsible for the strategic direction of the Bank.

The Managing Director/Chief Executive Officer is responsible for the day to day running of the Bank assisted by the Executive Committee.

Responsibilities of the Board

The Board is responsible for:

- Review and provision of strategic direction for the bank including major plans of action and risk policy
- Review and approval of annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance
- Overseeing major capital expenditures, acquisitions and divestiture
- Monitoring the effectiveness of the corporate governance practices under which the Bank operates and making appropriate changes as necessary
- Ensuring the integrity of the Bank's accounting and financial reporting systems
- Ensuring that appropriate systems of control and risk monitoring are in place
- Establishment of the various Committees of the Bank including the terms of reference and review of reports of such Committees to address key areas of banks business

The Board meets at least every quarter but may hold extraordinary sessions as business of the Bank demands.

Committees

The Board executes it functions through various committees of the Board. These committees have been set up in accordance with statutory requirements and global best practices. Each Committee has well defined terms of reference to guide their functions. The committee considers only matters that fall within their purview to avoid decision overlaps. The Committees of the Board meet each quarter but may hold extra-ordinary meetings to address urgent issues that may arise.

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises the Chairman who is a Non-Executive Director, four (4) other Non-Executive Directors and an Executive Director as members. The Board Credit Committee is chaired by a Non-Executive Director who is well versed in credit matters. All loan applications above the level of Management Credit Committee are sent to the Committee for consideration and approval. The composition of the Committee is as follows:

Name of Director	Position
Chief Eddy Egwuenu	Chairman
Daniel Asiedu	Member
Andy Ojei	Member
Godwin Emefiele	Member
Kwame Sarpong	Member
Henry Benya	Member

Board Risk Management Committee

The Risk Management Committee has oversight responsibility for the overall risk assessment of various areas of the Bank's operations and compliance. The Chief Risk Officer has access to this Committee and makes quarterly presentations for the consideration of the Committee.
Members of the Committee include:

Name of Director	Position
*Kwame Sarpong	Chairman
*Sir Steve Omojafor	Member
Henry Benyah	Member
Daniel Asiedu	Member
Andy Ojei	Member

*Kwame Sarpong replaced Sir Steve Omojafor as the Chairman of the committee after the former resigned.

Board Audit Committee

The Committee is made up of a Non-Executive Chairman, three (3) other Non-Executive Directors and an Executive Director. The Committee meets once every quarter. We recognize the Committee as the "guardian of public interest", and reflect this both in the composition and caliber of its membership.

The Committee's membership comprises the following:

Name of Director	Position
Henry Benyah	Chairman
Andy Ojei	Member
Sir Steve Omojafor	Member
Chief Eddy Egwuenu	Member

Board Nomination Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and one Executive Director as members. The Committee is scheduled to meet every quarter and at such times that the need arises. Members of the Committee are as follows:

Name of Director	Position
Kwame Sarpong	Chairman
Andy Ojei	Member
Daniel Asiedu	Member
Godwin Emefiele	Member

*Kwame Sarpong replaced Jim Ovia as the Chairman of the committee after the former resigned.

Below is the schedule of attendance at Board Committee meetings during the year.

Directors	*BC	*CC	*RMC	*NC	*AC
Number of meetings held	4	4	4	2	4
Attendance:					
Mary Chinery-Hesse	4	N/A	N/A	N/A	N/A
Daniel Asiedu	4	4	4	2	4
Andy Ojei	3	3	3	1	3
Jim Ovia (Retired 15/7/10)	-	-	N/A	1	-
Godwin Emefiele (Appointed 5/3/10)	1	1	N/A	-	N/A
Chief Eddy M. Egwuenu (Retired 15/7/10)	2	2	N/A	-	2
Sir Steve Omojafor (Resigned 15/7/10)	2	N/A	2	N/A	2
Kwame Sarpong	4	4	4	1	N/A
Henry Benyah	3	2	3	N/A	3

**Risk Management Committee (RMC), Nomination Committee (NC), Audit Committee (AC), Credit Committee (CC), Board Committee (BC)*

N/A as used above implies 'Not applicable' that is, the Director in question was not a member of the stated committee and hence could not have been expected to attend the Committee meeting.

Other Committees

The Bank has in place, other standing management committees in addition to the afore-mentioned Committees. These included among others;

Executive Committee (EXCO)

The Bank has in place an Executive Committee which has oversight responsibility for the implementation of strategies approved by the Board. It is chaired by the Managing Director/Chief Executive Officer. It meets once every week to discuss and adopt policy decisions. It also provides direction for the staff of the bank and ensures effective and efficient use of the Bank's resources.
It is made up of the following members:

Name	Position
Daniel Asiedu	Chairman
Abiola Bawuah	Member
David Agamah	Member
Eva Richter-Addo	Member
George Tsidi Blavo	Member
Johnson Olakunmi	Member
Kwame Asa Adadey	Member
Charllote Yawa Impraim	Member
Albert Inkoom	Member
Joseph Nii Adjei	Member

Management Committee

This committee is chaired by the Managing Director/Chief Executive Officer. It meets weekly to deliberate on issues affecting the Bank. Membership includes EXCO members, Heads of departments and Branch heads, at and above the grade of Assistant Manager.

Systems of Internal Control

The Bank has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance of the effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Internal Control and Audit function of the Bank plays a key role in providing an objective view and continuing assessment of the effectiveness and efficiency of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of Business Ethics

Management has communicated the principles in the Staff Handbook to its employees in the discharge of their duties. This handbook sets the professionalism and integrity required for business operations which covers compliance with the law, conflict of interest, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.


ZENITH
ZENITH

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

Report on the Financial Statements

We have audited the financial statements of Zenith Bank (Ghana) Limited, which comprise the statement of financial position at 31 December 2010, the statements of comprehensive income, changes in equity, and cash flows for the year then ended and notes to the financial statements, which include a summary of significant accounting policies as set out on pages 28 to 68.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zenith Bank (Ghana) Limited at 31 December 2010 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 Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act 2007 (Act 738).

Other matter

The financial statements of the Bank for the year ended 31 December 2009 were audited by another auditor who expressed an unqualified opinion on these statements on 11 March 2010.

Report on Other Legal and Regulatory Requirements

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

KPMG

CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P. O. BOX GP242
ACCRA

FEBRUARY 17 2011

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	Restated 2010 GH¢'000	Restated 2009 GH¢'000	2008 GH¢'000
Assets				
Cash and cash equivalents	17	**254,152**	268,425	201,688
Loans and advances to customers	18	**269,893**	187,857	137,642
Advances under finance lease	19	**6,084**	2,149	4,829
Investment securities	20	**105,744**	81,121	31,616
Property and equipment	21	**12,319**	13,103	9,812
Leasehold property	22	**796**	814	832
Intangible assets	23	**11**	18	-
Taxation	16(ii)	**-**	497	-
Other assets	24	**5,042**	2,617	2,633
Total Assets		**654,041**	556,601	389,052
Liabilities				
Customer deposits	25	**552,195**	468,513	339,993
Deferred tax liabilities	16(iv)	**3,678**	2,946	101
Taxation	16(ii)	**871**	-	2,290
Other liabilities	26	**10,706**	9,455	5,823
Total Liabilities		**567,450**	480,914	348,207
Shareholders' Funds				
Share capital	27(i)	**61,221**	61,221	34,778
Retained earnings		**3,573**	2,690	990
Statutory reserve fund		**17,228**	11,776	5,077
Credit risk reserve	27(iv)	**4,569**	-	-
Total Shareholders' Funds		**86,591**	75,687	40,845
Total Liabilities and Shareholders' Funds		**654,041**	556,601	389,052

The notes on pages 34 to 68 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 17 February 2011 and signed on its behalf by:

Daniel Asiedu
Director

Mary Chinery-Hesse
Chairman

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 GH¢'000	Restated 2009 GH¢'000
Interest income	7	**59,790**	66,833
Interest expense	8	**(26,648)**	(44,050)
		-----------	-----------
Net interest income		**33,142**	22,783
Net fees and commission income	9	**21,460**	13,501
Net trading income	10	**2,901**	9,601
Other income	11	**5,603**	14,157
		----------	----------
Operating income		**63,106**	60,042
Net impairment loss on financial assets	12	**(9,028)**	(10,491)
Personnel expenses	13	**(13,985)**	(12,178)
Depreciation and amortisation	21,22,23	**(4,918)**	(3,933)
Other expenses	14	**(18,755)**	(14,391)
		-----------	-----------
Profit before income tax		**16,420**	19,049
National stabilisation levy	16(ii)	**(821)**	(462)
Income tax expense	16(i)	**(4,695)**	(5,188)
		-----------	----------
Profit after taxation		**10,904**	13,399
Other comprehensive income		**-**	-
		-----------	----------
Total comprehensive income for the year		**10,904**	13,399
		=======	======
Basic and diluted earnings per share (Ghana cedi)		**0.02**	0.02
		====	====

The notes on pages 34 to 68 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital GH¢'000	Retained Earnings GH¢'000	Statutory Reserve GH¢'000	Credit Risk Reserve GH¢'000	Total Equity GH¢'000
Balance at 1 January 2010	61,221	2,690	11,776	-	75,687
	--------	--------	--------	-------	---------
Total comprehensive income for the year					
Profit for the year	-	10,904	-	-	10,904
	--------	--------	--------	-------	---------
Total comprehensive income for the year	-	10,904	-	-	10,904
	--------	--------	--------	-------	---------
Regulatory and other reserves					
Transfer to statutory reserve	-	(5,452)	5,452	-	-
Transfer to credit risk reserve		(4,569)	-	4,569	-
	--------	---------	-------	-------	--------
Total transfers to and from reserves	-	(10,021)	5,452	4,569	-
	--------	---------	-------	-------	--------
Balance at 31 December 2010	61,221	3,573	17,228	4,569	86,591
	======	=====	======	=====	======

The notes on pages 34 to 68 from an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Share Capital GH¢'000	Retained Earnings GH¢'000	Statutory Reserve GH¢'000	Other Reserve GH¢'000	Total Equity GH¢
Balance at 1 January 2009		34,778	427	5,077	(1,237)	**39,045**
Impact of change in accounting policy	20(ii)	-	(241)	-	1,237	**996**
Correction of error relating to 2008	34(ii)	-	804	-	-	**804**
Restated balance at 1 January 2009		34,778	990	5,077	-	**40,845**
Total comprehensive income for the year						
Profit for the year		-	13,399	-	-	**13,399**
Total comprehensive income for the year		-	13,399	-	-	**13,399**
Regulatory and other reserves						
Transfer to statutory reserve		-	(6,699)	6,699	-	**-**
Total transfers to reserves		-	(6,699)	6,699	-	**-**
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Additions to share capital		21,443	-	-	-	**21,443**
Transfer to share capital		5,000	(5,000)	-	-	**-**
Total contributions by and distributions to owners		26,443	(5,000)	-	-	**21,443**
Balance at 31 December 2009		61,221	2,690	11,776	-	**75,687**

The notes on pages 34 to 68 from an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 GH¢'000	2009 GH¢'000
Cash flows from operating activities		
Profit before tax for the period	16,420	19,049
Adjustments for:		
Depreciation and amortisation	4,918	3,933
Net impairment loss on loans and advances	9,028	10,491
Net interest income	(33,142)	(22,783)
Impairment of equipment	-	16
Profit on sale of property and equipment	(14)	-
Opening balance adjustment to impairment loss on loans and advances	(501)	-
	(3,291)	10,706
Change in loans and advances	(90,524)	(60,731)
Change in advances under finance lease	(3,974)	2,706
Change in other assets	(2,425)	16
Change in customer deposits	83,682	128,520
Change in other liabilities	1,251	3,632
	(15,281)	84,849
Interest received	59,790	66,833
Interest paid	(26,648)	(44,050)
National fiscal stabilisation levy paid	(416)	(127)
Income tax paid	(3,000)	(5,465)
Net cash from operating activities	14,445	102,040
Cash flows from investing activities		
Acquisition of investment securities	(24,623)	(49,505)
Purchase of property and equipment	(4,209)	(7,219)
Proceeds from sale of property and equipment	114	-
Acquisition of intangible assets	-	(22)
Net cash used in investing activities	(28,718)	(56,746)
Cash flows from financing activities		
Proceeds from rights issue	-	21,443
Net cash from financing activities	-	21,443
Net (decrease)/increase in cash and cash equivalents	(14,273)	66,737

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

	2010 GH¢'000	2009 GH¢'000
Analysis of changes in cash and cash equivalents during the year		
Cash and cash equivalents at 1 January	**268,425**	201,688
Net (decrease)/ increase in cash and cash equivalents	**(14,273)**	66,737
	-----------	-----------
Cash and cash equivalents at 31 December	**254,152**	268,425
	=======	=======
Analysis of cash and cash equivalents		
Cash and balances with banks	**109,876**	48,304
Balances with Bank of Ghana	**67,227**	88,310
Placement with other Banks	**77,049**	131,811
	-----------	-----------
	254,152	268,425
	=======	=======

The notes on pages 34 to 68 form an integral part of the financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

Zenith Bank (Ghana) Limited is a Bank incorporated in Ghana. The address and registered office of the Bank can be found on page 1 of the annual report. The Bank operates with a Banking license that allows it to undertake the business of Banking and related activities.

2. BASIS OF PREPARATION

a. Statement of Compliance

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

b. Basis of Measurement

The financial statements are presented in Ghana cedi which is the Bank's functional currency. They are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss.

c. Use of Estimates and Judgment

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are described in notes 3(f) (vii), (x), (xi) and 29.

d. Changes in Accounting Policies

(i) Overview

The bank changed its accounting policy on classification and measurement of investment securities with effect from 1 January 2010.

(ii) Classification and measurement of investment securities

The Bank early adopted IFRS 9, "Financial Instruments: Classification and Measurement" issued in November 2009 in the financial year starting 1 January 2010 for the classification and measurement of investment securities.

Under the new accounting policy, investment securities that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are accounted for at amortised cost. Interest is determined using the effective interest method and impairment losses and translation differences on monetary items are recognised in the income statement.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Adoption of IFRS 9 is mandatory from 1 January 2013; earlier adoption is permitted.

Previously, available for sale financial assets were initially recognised at fair value plus, for items not at fair value through profit and loss, transaction costs directly attributable to their acquisition or issue and were subsequently measured at fair value. Gains and losses arising from changes in fair value are included as a separate component in equity until sale, when the cumulative gain or loss is transferred to the income statement.

The bank adopted IFRS 9 from 1 January 2010, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

Comparative information has been re-presented in conformity with the transitional requirements of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future receipts or payments through the expected life of the financial instruments or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently when calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transactions costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the income statement in the period they arise.

b. Fees and commissions

Fees and commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are performed.

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

c. Net trading income

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

d. Foreign currency

Foreign currency transactions are translated into the Bank's functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or exchange rates at the date the fair value was determined if held at fair value, and the resulting foreign exchange gains and losses are recognised in the income statement or shareholders' equity as appropriate.

e. Leases

(i) Classification

Leases that the Bank 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.

Other leases are classified as operating leases.

(ii) Lease Payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

f. Financial assets and liabilities

(i) Categorisation of financial assets and liabilities

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit and loss and financial assets measured at amortised cost. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

(ii) Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

(iii) Financial assets and liabilities measured at amortised cost

This relates to all other liabilities that are not designated at fair value through profit or loss.

(iv) Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss are recognised when the bank becomes a party to the contractual arrangement of that instrument (the date the Bank commits to purchase or sell the asset). Loans and receivables are recognised when cash is advanced to customers or borrowers.

Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs except for those that classified at fair value through profit or loss.

(v) Subsequent measurement

After initial recognition, an entity shall measure financial assets at fair value or at amortised cost. Fair value changes of financial assets measured at fair value are recognised in profit or loss.

Loans and receivables and other liabilities are subsequently carried at amortised cost using the effective interest method, less impairment loss.

(vi) De-recognition

Financial assets are de-recognised when the right to receive cash flows from the financial asset has expired or where the Bank has transferred substantially all risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities are de-recognised when the contractual obligations are discharged, cancelled or expire.

(vii) Fair value measurement

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments 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 inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or financial liability is not actively traded, the Bank establishes fair value by using valuation techniques. These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

For complex instruments such as swaps, the Bank uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may be derived from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

(viii) Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(ix) Amortised cost measurement

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

(x) Identification and measurement of impairment

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrower.

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

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is determined as the current effective interest rate under the contract.

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

g. Derivative financial instruments

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fair value changes in the derivative are recognised in the income statement.

h. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with maturities less than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

i. Investment securities

This comprises investments in short-term Government securities and medium term investments in Government and other securities such as treasury bills and bonds. Investments in securities are categorised as financial assets measured at amortised cost.

j. Loans and receivables

This is mainly made up of placements and overnight deposits with Banks and other financial institutions and loans and advances to customers. Loans and receivables are carried in the statement of financial position at amortised cost.

k. Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use." Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(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 future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over their useful lives.

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

Leasehold land and buildings	-	50 years
Leasehold improvements	-	5 years
Furniture, fittings and equipment	-	4 - 5 years
Computers	-	3 years
Motor vehicles	-	4 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposal of property and equipment are determined by comparing proceeds from disposal with the carrying amounts of property and equipment and are recognised in the income statement as other income.

l. Intangible assets

(i) Software

Software acquired by the Bank 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.

m. Taxation

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

n. Deferred taxation

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and corresponding 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 tax rates that are expected to be applied to 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.

o. 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.

p. Dividend

Dividend income is recognised when the right to receive income is established. Dividend payable is recognized as a liability in the period in which they are declared.

q. Deposits, amounts due to banks and borrowings

This is mainly made up of customer deposit accounts, overnight placements by Banks and other financial institutions and medium term borrowings. They are categorised as other financial liabilities and carried in the statement of financial position at amortised cost.

r. Provisions

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

s. Financial guarantees

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

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

t. Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Termination benefits

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

(iii) Short-term benefits

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

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

u. Impairment on non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset 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 pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the asset. Impairment losses are recognised in the income statement.

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 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.

v. Share Capital

(i) Ordinary shares

Ordinary shares are classified as equity.

w. Earnings per share

The Bank presents basic and diluted 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 Bank by the number of ordinary shares outstanding during the period. The Bank has no convertible notes and share options, which could potentially dilute its EPS and therefore the Bank's Basic and diluted EPS are essentially the same.

x. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. These are disclosed as follows:

- IAS 24 *Related Party Disclosures* (revised 2009). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. This change will have no impact on the company's financial statements. The effective date is 1 January 2011.

- *Amendments to IFRIC 14 IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction*. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This change will have no impact on the company's financial statements. The effective date is 1 January 2011.

Improvements to IFRSs 2010 – IFRS 7 *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. This change will have no impact on the company's financial statements. The effective date is 1 January 2011.

Improvements to IFRSs 2010 – IAS 1 *Presentation of Financial Statements.* The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. The effective date is 1 January 2011.

Improvements to IFRSs 2010 – IFRIC 13 *Customer Loyalty Programmes*. The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This change will have no impact on the company's financial statements. The effective date is 1 January 2011.

4. NON – PERFORMING LOANS RATIO

The percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 11% (2009: 9%).

5. CONTINGENT LIABILITIES AND COMMITMENTS

	2010 GH¢'000	2009 GH¢'000
(i) Contingent Liabilities		
Pending Legal Suits	35	-
	==	==
(ii) Commitments for Capital Expenditure		
Under Contract	Nil	Nil
	==	==
(iii) Unsecured Contingent Liabilities and Commitments		
This relates to commitments for trade letters of credit and guarantees.	234,182	144,520
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

6. SOCIAL RESPONSIBILITY COST

A total of GH¢123,746 (2009: GH¢88,209) was spent under the Bank's social responsibility programme.

7. INTEREST INCOME

Classification

	2010 GH¢'000	2009 GH¢'000
Loans and advances to customers	45,191	52,526
Investment securities	14,339	14,174
Others	260	133
	----------	----------
	59,790	66,833
	======	======

Included under interest income on loans and receivables is a total amount of GH¢Nil (2009: GH¢Nil) accrued on impaired financial assets.

8. INTEREST EXPENSE

	2010 GH¢'000	2009 GH¢'000
Demand deposits	327	31
Time and other deposits	24,713	40,044
Overnight and call accounts	1,566	1,912
Borrowings	42	2,063
	----------	----------
	26,648	44,050
	======	======

Total interest expense on financial liabilities held at amortised cost was GH¢26,648,000 (2009: GH¢44,050,000)

9. NET FEES AND COMMISSION INCOME

	2010 GH¢'000	2009 GH¢'000
Fees and commission income (Note 9(i))	21,520	13,514
Fees and commission expense (Note 9(ii))	(60)	(13)
	---------	---------
	21,460	13,501
	======	======

i. Fee and commission income

	2010 GH¢'000	2009 GH¢'000
Fees on loans and advances	3,317	2,490
Financial guarantee contracts issued	3,468	1,278
Customer account servicing fees	6,833	3,841
Letters of credit issued	5,932	5,369
Others	1,970	536
	---------	---------
Total fees and commission income	21,520	13,514
	======	======

ii. Fee and commission expense

	2010 GH¢'000	2009 GH¢'000
Inter-Bank transaction fees	60	13
	==	==

Fees and commission income and expense disclosed above are fees other than those included in determining the effective interest rate on financial instruments.

10. NET TRADING INCOME

	2010 GH¢'000	2009 GH¢'000
Foreign exchange trading	2,901	9,601
	====	====

11. OTHER INCOME

	2010 GH¢'000	2009 GH¢'000
Foreign exchange gains	5,386	13,914
Profit on disposal of equipment	14	-
Sundry income	203	243
	-------	--------
	5,603	14,157
	=====	=====

12. IMPAIRMENT LOSS

	2010 GH¢'000	2009 GH¢'000
Specific impairment	7,438	8,400
Portfolio impairment	1,590	2,091
	-------	--------
Impairment loss	9,028	10,491
	=====	=====

13. PERSONNEL EXPENSES

	2010 GH¢'000	2009 GH¢'000
Wages and salaries	10,663	8,673
Compulsory social security obligations	417	280
Contribution to defined contribution plan	403	281
Other staff costs	2,502	2,944
	13,985	12,178

The average number of persons employed by the Bank during the year was 558 (2009: 466).

14. OTHER EXPENSES

	2010 GH¢'000	2009 GH¢'000
Directors emoluments	148	100
Auditor's remuneration	105	96
Advertising and marketing	1,222	945
Training	518	598
Administrative	16,762	12,652
	18,755	14,391

15. FINANCIAL INSTRUMENTS CLASSIFICATION SUMMARY

Financial instruments are classified along two recognition principles: held at fair value through profit or loss and amortised cost. These categories of financial instruments have been combined for presentation on the face of the statement of financial position.

	Note	Designated at fair value through profit or loss GH¢'000	Amortised cost GH¢'000	Carrying amount GH¢'000	Total fair value GH¢'000
Financial assets					
Cash and cash equivalents	17	-	254,152	254,152	254,152
Loans and advances	18	-	269,893	269,893	269,893
Investment securities	20	-	105,744	105,744	105,744
Total at 31/12/10		-	629,789	629,789	629,789
Cash and cash equivalents	17	-	268,425	268,425	268,425
Loans and advances	18	-	187,857	187,857	187,857
Investment securities	20	-	81,121	81,121	81,121
Total at 31/12/09		-	537,403	537,403	537,403

15. FINANCIAL INSTRUMENTS CLASSIFICATION SUMMARY (continued)

Financial liabilities

	Note	Designated at fair value through profit or loss GH¢'000	Amortised cost GH¢'000	Carrying amount GH¢'000	Total fair value GH¢'000
Customer deposits	25	-	552,195	552,195	552,195
		----------	-----------	-----------	-----------
Total at 31/12/10		-	552,195	552,195	552,195
		======	=======	=======	=======
Customer deposits	25	-	468,513	468,513	468,513
		----------	-----------	-----------	-----------
Total at 31/12/09		-	468,513	468,513	468,513
		======	=======	=======	=======

16. TAXATION

(i) Income Tax Expense

	2010 GH¢'000	2009 GH¢'000
Current Tax [Note 16(iii)]	3,963	2,344
Deferred Tax [Note 16(iv)]	732	2,844
	--------	--------
	4,695	5,188
	=====	=====

(ii) Taxation Payable

	Balance at 1/1/10 GH¢'000	Payments during the year GH¢'000	Charge for the year GH¢'000	Balance at 31/12/10 GH¢'000
Income Tax				
2008	-	-	-	-
2009	(831)	-	-	(831)
2010	-	(3,000)	3,963	963
	------	--------	-------	-----
	(831)	(3,000)	3,963	132
National Fiscal Stabilisation Levy	334	(416)	821	739
	--------	----------	--------	------
	(497)	(3,416)	4,784	871
	=====	======	=====	====

(iii) Reconciliation of Effective Tax Rate

Analysis of tax charge in the year

	2010 GH¢'000	2009 GH¢'000
The charge for taxation based on profit for the year comprises:		
Current tax on income for the year	3,963	2,169
Adjustments in respect of prior periods	-	175
	-------	-------
Total current tax	3,963	2,344
Deferred tax:		
Reversal of temporary differences	732	2,844
	--------	--------
Tax on profits on ordinary activities	4,695	5,188
	=====	=====
Effective tax rate	28.6%	27.2%

The effective tax rate for the year is higher than the standard rate of corporation tax in Ghana, 25% (2009: 25%).

The differences are explained below:

	2010 GH¢'000	2009 GH¢'000
Profit before tax	16,420	19,049
	======	======
Tax at 25% (2009: 25%)	4,105	4,762
Non-deductible expenses	2,091	1,846
Tax exempt revenues	(1,391)	(3,531)
Tax incentives	(42)	(50)
Capital allowances	(800)	(858)
Under provision in previous years	-	175
Deferred taxes	732	2,844
	--------	--------
Current tax charge	4,695	5,188
	=====	=====

The income tax for the year is based on a tax rate of 25% on profit before tax.

Tax liabilities up to the 2009 year of assessment have been agreed with the Internal Revenue Service. The remaining liabilities are subject to the agreement of the Internal Revenue Service.

National Fiscal Stabilisation Levy is a levy introduced by the Government as a charge on profit before tax effective July 2009. The rate applicable to the bank is 5%.

(iv) Deferred Tax

	2010 GH¢'000	Restated 2009 GH¢'000	Restated 2008 GH¢'000
Balance at 1 January	2,946	101	(580)
Charge for the year	732	2,845	194
Effect of change in policy:			
Reversal of deferred tax on available for sale investment securities	-	-	487
	--------	--------	-----
Balance at 31 December	3,678	2,946	101
	=====	=====	===

During the year, the Bank changed its accounting policy for classification and measurement of investment securities. In previous periods, investments securities were classified as available for sale and initially recognised at fair value plus any directly attributable costs and subsequently, measured at fair value. Gains and losses arising from changes in fair values were recognised as a separate component in equity until sale, when the cumulative gain or loss is transferred to the income statement.

Deferred tax was recognised on gains arising from changes in fair value and recognised directly in equity. The bank changed its accounting policy on classification and measurement of investment securities with effect from 1 January 2010. Under the new accounting policy, investment securities that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are accounted for at amortised cost.

(v) Recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

			2010			2009
	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000	Assets GH¢'000	Liabilities GH¢'000	Net GH¢'000
Property and equipment	(200)	-	(200)	-	37	37
Portfolio impairment	(940)	-	(940)	(570)	-	(570)
Exchange differences	-	4,818	4,818	-	3,479	3,479
	---------	--------	--------	--------	--------	--------
Net tax (assets)/liabilities	(1,140)	4,818	3,678	(570)	3,516	2,946
	======	=====	=====	=====	=====	=====

17. CASH AND CASH EQUIVALENTS

	2010 GH¢'000	2009 GH¢'000
Cash and balances with banks	109,876	48,304
Balances with Bank of Ghana	67,227	88,310
Placements with other banks	77,049	131,811
	-----------	-----------
	254,152	268,425
	=======	=======

18. LOANS AND ADVANCES

(i) Analysis by Type

Overdrafts	**194,477**	129,048
Term loans	**88,637**	68,881
Commercial papers	**5,000**	502
Staff loans	**2,965**	2,124
	-----------	-----------
Gross loans and advances	**291,079**	200,555
Impairment allowance	**(21,186)**	(12,698)
	-----------	-----------
Net loans and advances	**269,893**	187,857
	=======	=======

The above constitutes loans and advances (including credit bills negotiated) to customers and staff.

The maximum amount due from staff during the year was GH¢4,368,000 (2009: GH¢2,918,000).

(ii) Key ratios on Loans and Advances

a. Loan loss provision ratio was 6% (2009: 1%)
b. Gross non-performing loan ratio was 11% (2009: 9%)
c. Ratio of fifty (50) largest exposure (gross funded and non-funded) to total exposures was 75% (2009: 64%)

(iii) Analysis by Business Segments

	2010 GH¢'000	2009 GH¢'000
Financial institutions	**12,739**	7,255
Manufacturing	**22,597**	23,919
Public sector	**7,629**	3,800
Retail and consumer goods	**28,047**	11,913
Energy	**81,265**	68,587
Staff	**2,965**	2,124
Telecommunication, aviation and hospitality	**41,800**	10,122
Mining and construction	**3,519**	5,568
Miscellaneous	**90,518**	67,267
	-----------	-----------
Gross loans and advances	**291,079**	200,555
Impairment allowance	**(21,186)**	(12,698)
	-----------	-----------
Net loans and advances	**269,893**	187,857
	=======	=======

(iv) Analysis by Type of Customer

	2010 GH¢'000	2009 GH¢'000
Corporate loans	225,786	156,347
Retail loans	62,328	42,084
Staff	2,965	2,124
	----------	----------
Gross Loans and Advances	291,079	200,555
Impairment allowance	(21,186)	(12,698)
	-----------	-----------
Net Loans and Advances	269,893	187,857
	=======	=======

19. ADVANCES UNDER FINANCE LEASE

	2010 GH¢'000	Restated 2009 GH¢'000
Not more than one year	3,788	1,577
Over one year but not more than five years	3,796	1,398
	--------	-------
Gross investment in finance lease	7,584	2,975
Unearned future income on finance lease	(1,439)	(804)
	--------	-------
Present value of minimum lease payments, receivable	6,145	2,171
Allowance for impairment	(61)	(22)
	--------	--------
Net advances under finance lease	6,084	2,149
	=====	=====

20. INVESTMENTS SECURITIES

(i) Investment securities

	2010 GH¢'000	Restated 2009 GH¢'000	Restated 2008 GH¢'000
Treasury Bills	67,797	65,735	2,999
Government Bonds	37,947	15,386	28,617
	-----------	----------	----------
	105,744	81,121	31,616
	=======	======	======

The Government Bonds consist of Ghana Government fixed rate instruments.

(ii) Movement in investment securities

	2010 GH¢'000	Restated 2009 GH¢'000	Restated 2008 GH¢'000
At 1 January	**81,121**	31,616	32,741
Effect of change in policy			
Reversal of fair value adjustments	-	-	(241)
	---------	---------	---------
Restated balance at 1 January	**81,121**	31,616	32,500
Additions	**628,794**	66,400	9,762
Interest receivable	-	-	1,242
	-----------	----------	--------
	709,915	98,016	43,504
Redeemed on maturity	**(604,171)**	(16,895)	(11,888)
	-----------	----------	----------
At 31 December	**105,744**	81,121	31,616
	=======	======	======

During the year, the Bank changed its accounting policy for classification and measurement of investment securities. In previous periods, investments securities were classified as available for sale and initially recognised at fair value plus any directly attributable costs and subsequently, measured at fair value. Gains and losses arising from changes in fair values were recognised as a separate component in equity until sale, when the cumulative gain or loss is transferred to the income statement. The bank changed its accounting policy on classification and measurement of investment securities with effect from 1 January 2010. Under the new accounting policy, investment securities are accounted for at amortised cost.

21. PROPERTY AND EQUIPMENT

	Leasehold Improvements GH¢000	Furniture & Equipment GH¢000	Computers GH¢000	Motor Vehicles GH¢000	Capital work in progress GH¢000	Total GH¢000
Cost						
At 1/1/10	5,682	5,893	4,987	3,831	1,606	**21,999**
Additions	797	887	529	1,182	814	**4,209**
Transfers	94	108	219	-	(421)	**-**
Disposals	-	(37)	(77)	(486)	-	**(600)**
	--------	--------	--------	--------	--------	---------
At 31/12/10	6,573	6,851	5,658	4,527	1,999	**25,608**
	=====	=====	=====	=====	=====	======
Depreciation						
At 1/1/10	2,225	2,340	2,541	1,790	-	**8,896**
Charge for the year	1,249	1,386	1,344	914	-	**4,893**
Released on disposals	-	(31)	(76)	(393)	-	**(500)**
	--------	--------	--------	--------	--------	---------
At 31/12/10	3,474	3,695	3,809	2,311	-	**13,289**
	=====	=====	=====	=====	=====	======

Carrying amount						
At 31/12/10	3,099	3,156	1,849	2,216	1,999	**12,319**
	=====	=====	=====	=====	=====	======
Cost						
At 1/1/09	3,912	3,470	2,461	2,302	2,651	**14,796**
Additions	1,460	2,072	883	1,382	1,422	**7,219**
Transfers	310	367	1,643	147	(2,467)	**-**
Impairment	-	(16)	-	-	-	**(16)**
	--------	--------	--------	--------	--------	---------
At 31/12/09	5,682	5,893	4,987	3,831	1,606	**21,999**
	=====	=====	=====	=====	=====	======
Depreciation						
At 1/1/09	1,308	1,258	1,361	1,058	-	**4,985**
Charge for the year	917	1,082	1,180	732	-	**3,911**
	--------	--------	--------	--------	--------	--------
At 31/12/09	2,225	2,340	2,541	1,790	-	**8,896**
	=====	=====	=====	=====	=====	=====
Carrying amount						
At 31/12/09	3,457	3,553	2,446	2,041	1,606	**13,103**
	=====	=====	=====	=====	=====	======

(i) Profit on disposal

	2010 GH¢'000	2009 GH¢'000
Cost	**600**	-
Accumulated depreciation	**(500)**	-
	-------	-------
Net book value	**100**	-
Sale proceeds	**114**	-
	-------	-------
Profit on disposal	**14**	-
	====	====

22. LEASEHOLD PROPERTY

Cost		
At 1 January	**890**	890
Additions	**-**	-
	------	-------
At 31 December	**890**	890
	====	====
Amortisation		
At 1 January	**76**	58
Charge for the year	**18**	18
	------	-------
At 31 December	**94**	76
	====	====
Carrying amount	**796**	814
	====	====

23. INTANGIBLE ASSETS

	2010 GH¢'000	2009 GH¢'000
Cost		
At 1 January	22	-
Additions	-	22
	-----	-----
At 31 December	22	22
	===	===
Amortisation		
At 1 January	4	-
Charge for the year	7	4
	-----	-----
At 31 December	11	4
	===	===
Carrying amount	11	18
	===	===

This relates to licensed computer software.

24. OTHER ASSETS

	2010 GH¢'000	2009 GH¢'000
Prepayments	2,106	1,290
Accrued interest receivable	621	62
Receivable from related party	26	202
Other receivables	2,289	1,063
	--------	-------
	5,042	2,617
	=====	=====

25. CUSTOMER DEPOSITS

	2010 GH¢'000	2009 GH¢'000
Current accounts	139,281	180,592
Time deposits	394,258	280,179
Savings deposits	18,656	7,742
	----------	----------
	552,195	468,513
	=======	=======
(i) <u>Analysis by Type of Depositors</u>		
Individuals and other private enterprises	437,741	346,579
Public enterprises	80,796	96,683
Financial institutions	33,658	25,251
	----------	----------
	552,195	468,513
	=======	=======

Ratio of twenty largest depositors to total deposit is 40% (2009: 58%).

26. OTHER LIABILTIES

	2010 GH¢'000	2009 GH¢'000
Other payables	8,595	7,240
Due to parent company	611	731
Deferred income	1,500	1,484
	----------	--------
	10,706	9,455
	======	=====

27. CAPITAL AND RESERVES

(i) Share Capital (Stated Capital)

	2010 No of Shares '000	Proceeds GH¢000	2009 No of Shares '000	Proceeds GH¢000
Authorised				
Ordinary Shares of no par value	1,000,000		1,000,000	
	========		========	
Issued and Fully Paid				
Issued for Cash Consideration	562,221	56,221	562,221	56,221
Transferred from Income Surplus Account	50,000	5,000	50,000	5,000
	-----------	---------	-----------	---------
	612,221	61,221	612,221	61,221
	=======	======	=======	======

There is no share in treasury and no call or instalment unpaid on any share.

(ii) Retained Earnings (Income Surplus Account)

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

(iii) Statutory Reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 29 of the Banking Act, 2004 (Act 673) and guidelines from the Central Bank which gives specific dispensation to all banks for the 2009 and 2010 financial years.

(iv) Credit Risk Reserve

This comprises the following:

	2010 GH¢'000	2009 GH¢'000
Transfers from retained earnings	4,569	-
	=====	===

28. RELATED PARTY TRANSACTIONS

(i) Parent company

The Bank is controlled by Zenith Bank PLC, which owns 98.02% of the issued share capital. 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. The value of transactions during the year and balances outstanding at the year-end are as set out below:

	2010 GH¢'000	2009 GH¢'000
Transactions during the year	528	529
	===	===
Due to Parent company at year end	610	529
	===	===

(ii) Transactions with Directors, Officers and other Employees

The following are loan balances due from officers of the Bank:

	2010 GH¢'000	2009 GH¢'000
Executive Director	739	-
Officers and Other Employees	1,956	2,124
	-------	-------
	2,695	2,124
	=====	=====

Apart from the mandatory general provision of 1% of outstanding balances that has been made, no impairment losses or specific allowances were recorded against balances outstanding from key management personnel.

The following represents deposits and withdrawals by directors during the year:

	2010 GH¢'000	2009 GH¢'000
At 1 January	607	120
(Withdrawals)/deposits during the year	(504)	487
	-----	-----
At 31 December	103	607
	===	===

Key management personnel compensation for the period comprised:

	2010 GH¢'000	2009 GH¢'000
Short-term employee benefits	312	284
Provident fund contributions	36	35
Employer social security contributions	39	35
	-----	-----
	387	354
	===	===

iii. **Associated Companies**

Amounts due from associated companies at the balance date sheet were as follows:

	2010 GH¢'000	2009 GH¢'000
Nostros	2,646	65
Inter Bank advances	26	26
	--------	----
	2,672	91
	=====	===

29. FINANCIAL RISK MANAGEMENT

(i) Introduction and Overview

The Bank is exposed to the following risks from its use of financial instruments:

credit risk
liquidity risk
market risk
operational risk

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.

The banks business involves taking risks in accordance with its risk appetite. Through its risk management structure the Bank seeks to identity and manage efficiently its risk positions and determine capital allocations. The Bank reviews risk management policies and systems regularly to reflect changes in markets, products and emerging best practice. The Risk management unit monitors risk exposures regularly.

The bank aims to achieve the right balance between risk and reward and minimise potential adverse effects on the banks financial performance

The bank defines risk as the possibility of loss arising from both internal and external factors.

The board provides direction for overall risk management, as well as written policies covering specific areas including credit risk, interest rate risk, foreign exchange risk etc. The Board Sub Committee on risk, reviews specific risk areas and monitors the activities of the Banks Asset and Liability Committee (ALCO).

In addition, internal audit is responsible for the independent review of risk management and the control environment.

The financial risks which the bank is exposed to include credit risk, market risk, liquidity risk and operational risk.

Major risk types

The Bank is exposed to the following major risk types:

(a) Credit risk

Credit risk is the risk of financial loss from customer or counterparty default. Credit risk mainly arises from credit facilities such as loans and advances, credit cards and loan commitments arising from such lending activities, but can also arise from financial guarantees and letters of credit.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control is centralised in the credit risk management team, which reports regularly to the Board of Directors through the risk management function.

Credit risk management

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

(I) Collateral

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The bank 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.
- Charges over financial instruments such as debt securities and equities.

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

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.
Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorising a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralised and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

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

(ii) Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment (see Note 3 (e)).

The impairment allowance shown in the statement of financial position at year-end is derived from each of the four internal rating grades. However, the largest component of the impairment allowance comes from the special monitoring grades.

The table below shows the percentage of the bank's on- and off-balance sheet items, like financial guarantees, loan commitments and other credit related obligations, relating to loans and advances and the associated impairment allowance for each of the rating categories.

Maximum exposure to credit risk before collateral held

Credit risk relating to on balance sheet assets are as follows:

	2010 GH¢'000	2009 GH¢'000
Balances with Bank of Ghana	177,103	136,614
Other assets	4,933	1,326
Investment securities	105,744	81,121
Due from other banks	77,049	131,811
Loans and advances to customers	269,893	187,857
Advances under finance lease	6,084	2,149
	640,806	540,878
Credit risk exposures relating to off-balance sheet items are as follows:		
Guarantees	62,279	80,587
Letters of credit outstanding	171,903	63,933
	874,988	685,398

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

As shown above, 30.8% of the total maximum exposure is derived from loans and advances to banks and customers (2009: 26.6%). 12.08% represents investments in debt securities (2009: 11.5%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- the Bank exercises stringent controls over the granting of new loans
- 88% of the loans and advances portfolio are neither past due nor impaired
- 100% of the investments in debt securities are held in government securities.

Loans and advances are summarised as follows:

	2010 GH¢'000	2009 GH¢'000
Neither past due nor impaired	257,500	183,888
Past due but not impaired	99	379
Impaired	33,480	16,287
Gross loans and advances	291,079	200,554
Less: allowance for impairment	(21,186)	(12,697)
Net loans and advances	269,893	187,857

No other financial assets are either past due or impaired.

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2010 GH¢'000	2009 GH¢'000
Past due 31 – 60 days	99	43
Past due 61 – 90 days	-	336
	99	379

Loans and advances individually impaired

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

	Loans		Overdrafts	
	2010 GH¢'000	2009 GH¢'000	2010 GH¢'000	2009 GH¢'000
Individually assessed impaired loans and advances				
- corporate	4,699	7,097	21,012	6,049
- retail	2,353	117	5,416	3,024
	7,052	7,214	26,428	9,073
Fair value of collateral	3,635	7,690	14,084	915,023

(iii) Concentration of risk

The following table breaks down the Bank's credit exposure as categorised by the industry sectors of the Bank's counterparties:

Analysis by business segments

	2010 GH¢	2009 GH¢
Financial Institutions	12,738	7,255
Manufacturing	22,597	23,919
Public Sector	-	7,890
Retail & Consumer Goods	28,047	11,913
Energy	81,268	68,587
Staff	2,965	2,124
Telecoms	49,428	10,122
Mining & Construction	3,519	5,568
Others	90,517	63,176
Gross loans and advances	291,079	200,554
Provision for bad and doubtful debts	(21,186)	(12,697)
	269,893	187,857

(b) Market risk

Market risk is the risk of loss arising from adverse changes in market prices (interest rates, foreign exchange rates, equity prices). Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Banks exposure to market risk principally arises from the non-trading book.

The market risks arising from non-trading activities are monitored regularly and regular reports are submitted to the Board of Directors.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange risks.

(I) Foreign exchange risk

Foreign exchange risk is the risk to earnings and capital arising from sudden changes in the relative prices of different currencies. It can arise directly through making loans in a currency other than the local currency of the obligor or buying foreign issued securities. It can also arise when assets and liabilities are denominated in foreign (as well as domestic) currencies. The Bank is also exposed to foreign exchange risk arising from adverse changes in currency exchange rates used to translate carrying values and income streams in foreign currencies to the Ghana Cedi, the Bank's reporting currency.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table following summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2010. Included in the table are the Bank's assets, liabilities and off balance sheet items at carrying amounts categorised by currency. The amounts stated in the table are the Ghana Cedi equivalent of the foreign currencies.

At 31 December 2010	USD	GBP	EURO	GHANA CEDIS	TOTAL
Assets					
Cash and balances with Bank of Ghana	45,804	2,818	6,435	122,046	**177,103**
Investment securities	-	-	-	105,744	**105,744**
Due from other banks	-	-	-	77,049	**77,049**
Loans and advances to customers	138,117	64	2,440	129,272	**269,893**
Advances under finance lease	1,034	34	2,308	2,708	**6,084**
Other assets	-	-	-	4,933	**4,933**
Total assets	**184,955**	**2,916**	**11,183**	**441,752**	**640,806**
Liabilities					
Customer deposits	156,723	3,530	12,571	379,371	**552,195**
Other liabilities	-	-	-	9,455	**9,455**
Total liabilities	**156,723**	**3,530**	**12,571**	**388,826**	**561,650**
Net on balance sheet position	**28,232**	**(614)**	**(1,388)**	**52,926**	**79,156**
Net off balance sheet position	127,315	1,202	17,611	88,738	234,866
At 31 December 2009					
Total assets	244,148	7,954	25,642	260,860	538,604
Total liabilities	136,490	1,981	15,937	324,697	479,105
Net on balance sheet position	107,658	5,973	9,705	(63,837)	59,499
Net off balance sheet position	31,003	33	1,163	20,919	53,118
Overall open position	47,393	209	2,325	42,235	92,162

(ii) Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including differences between the timing of market interest rate changes and the timing of cash flows; changes in the shape of market interest rate curves producing different effects on yields on similar instruments with different maturity dates; changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics; interest-related options embedded in contracts with customers, such as the right for borrowers to prepay their loans or for depositors to withdraw funds at any time.

The Bank's interest rate exposures comprise mainly non-trading interest rate exposures. Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities.

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

At 31 December 2010	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Assets					
Investment securities	30,546	19,849	18,519	36,830	105744
Due from other banks and financial institutions	77,049	-	-	-	77,049
Loans and advances to customers	178,326	8,365	17,787	65,415	269,893
Advances under finance lease	-	-	2,873	3,211	6,084
Total financial assets	285,921	28,214	39,179	105,456	458,770
Liabilities					
Customer deposits	296,618	80,277	175,300	-	552,195
Total financial liabilities	296,618	80,277	175,300	-	552,195
Total interest repricing gap	(10,697)	(52,063)	(136,121)	105,456	(93,425)
At 31 December 2009					
Total assets	367,333	83,843	34,268	53,160	578,605
Total financial liabilities	317,120	47,890	114,095	-	479,106
Total inter est repricing gap	50,213	35,953	(79,827)	53,160	99,499

(c) Liquidity risk

Liquidity risk is the risk that the bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. It is the policy of the Bank to maintain adequate liquidity at all times for all currencies. Hence the Bank aims to be in a position to meet all obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments made.

Liquidity risk management process

Liquidity risk management is governed by the Asset and Liability Committee (ALCO) and is responsible for both statutory and prudential liquidity. These responsibilities are managed through various policies and procedures.

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;
-
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the consolidated statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

The table below presents the cash inflows receivable by the bank under financial assets by remaining contractual maturities at the balance sheet date. All figures are in Ghana Cedis.

At 31 December 2010	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Assets					
Cash and balances with Bank of Ghana	177,103	-	-	-	177,103
Investment securities	30,546	19,849	18,519	36,830	105,744
Due from other banks and financial institutions	77,049	-	-	-	77,049
Loans and advances to customers	178,326	8,365	17,787	65,415	269,893
Advances under finance lease	-	-	2,873	3,211	6,084
Other assets	2,253	624	338	1,718	4,933
Total assets	465,277	28,838	39,517	107,174	640,806
Liabilities					
Customer deposits	296,618	80,277	175,300	-	552,195
Other liabilities	9,206	1,500	-	-	10,706
Total financial liabilities (contractual maturity dates)	305,824	81,777	175,300	-	562,901

At 31 December 2009	Up to 3 months	3-6 months	6-12 months	Over 1 year	Total
Assets					
Cash and balances with Bank of Ghana	136,614	-	-	-	136,614
Investment securities	30,115	35,620	2	15,384	81,121
Due from other banks and financial institutions	131,811	-	-	-	131,811
Loans and advances to customers	67,684	48,006	34,266	37,901	187,857
Advances under finance lease	-	-	-	2,149	2,149
Other assets	1,109	217	-	-	1,326
Total assets	367,333	83,843	34,268	55,434	540,878
Liabilities					
Customer deposits	315,565	43,166	109,782	-	468,513
Other liabilities	1,555	4,724	3,175	-	9,455
Total financial liabilities (contractual maturity dates)	317,120	47,890	112,957	-	477,968

Assets held for managing liquidity risk

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

- Cash and balances with central banks;
- Government bonds and other securities that are readily realisable with the central bank; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank's portfolios.

5. Capital management

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

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

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

(a) hold the minimum level of regulatory capital of GH¢60 million beginning 2009;
(b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%;
(c) maintain core capital of not less than 10% of total deposit liabilities; and
(d) maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

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

- Tier 1 capital (core capital): stated capital plus general bank reserve, statutory reserve, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments.
  Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

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

	2010 GH¢	2009 GH¢
Tier 1 capital		
Stated capital	61,221	61,221
Statutory reserve	17,228	11,776
Credit Risk Reserve	4,569	-
Income surplus/ (deficit) account	3,573	2,690
Total qualifying tier 1 capital	86,591	75,687
Tier 2 capital		
Bonds qualifying as tier 2 capital	-	-
Total qualifying tier 2 capital	-	-
Total regulatory capital	86,591	75,687
Risk weighted assets		
- on balance sheet	349,444	232,903
- off balance sheet	234,181	48,083
Total risk weighted assets	583,625	280,986
Capital adequacy ratio	18.18%	27.06%

30. CONCENTRATION OF GHANA CEDI EQUIVALENT OF FOREIGN CURRENCY DENOMINATED ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

	USD GH¢000	GBP GH¢000	EUR GH¢000	ZAR GH¢	2010 GH¢000	2009 GH¢000
Assets						
Cash and cash equivalents	113,888	13,273	19,319	-	107,492	268,425
Loans and advances	138,117	65	2,440	-	129,271	187,857
Advances under finance lease	1,034	33	2,309	-	2,706	2,149
Other assets	212	-	-	-	4,830	2,617
Total assets	253,251	13,371	24,068	-	244,299	461,048
Liabilities						
Customer deposits	156,723	3,530	12,571	-	379,370	468,513
Other liabilities	36	-	-	-	10,670	10,706
Total liabilities	156,759	3,530	12,571	-	390,040	479,219
Net-on balance sheet position	96,492	9,841	11,497	-	(145,741)	(18,171)
Off-balance sheet credits and commitments	126,629	1,203	17,611	-	88,739	144,520
At 31 December 2009						
Total assets	240,598	7,940	25,781	35	186,694	461,048
Total liabilities	(136,491)	(1,981)	(15,937)	-	(324,811)	(479,220)
Net-on balance sheet position	104,107	5,959	9,844	35	(138,117)	(18,172)
Off-balance sheet credits and commitments	95,414	243	21,701	-	27,132	144,520

31. NUMBER OF SHARES IN ISSUE

(I) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2010 was based on profits for the year attributable to ordinary shareholders of GH¢10,904,000 (2009: GH¢13,399,000) and on 612,221,000 (2009: 612,221,000) shares in issue.

32. EMPLOYEE BENEFITS

Defined Contribution Plans

(a) Social Security

Under the national pension scheme, the Bank contributes 13% of employee's basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. The Bank's obligation is limited to the relevant contributions, and these have been recognised in the financial statements. The pension liabilities and obligations, however, rest with SSNIT.

(b) Provident Fund

The Bank has a provident fund scheme for staff under which the Bank contributes 12.5% of each staff's basic salary. The Bank's obligation under the plan is limited to the relevant contributions, which have been recognised in the financial statements.

33. COMPARATIVE INFORMATION

Comparative financial information, where considered necessary, have been reclassified to achieve consistency with presentation of current year figures.

34. RESTATEMENT OF 2008 AND 2009 COMPARATIVES

The 2008 and 2009 comparative figures were restated for the following reasons:

(I) Change in accounting policy

The company changed its accounting policy on classification and measurement of investment securities and early adopted the classification and measurement criteria set out in IFRS 9. Previously investment securities were accounted for as available-for-sale financial assets. Under the new policy, investment securities are now measured at amortised costs. The effect of the change in accounting policy resulted in retrospective changes to the following items:

Reversal of deferred tax recognised on gains arising from changes in fair values of investment securities recognised in equity
Reversal of gains arising from fair value of investment securities adjustments recognised in equity
Reclassification of interest receivable from other assets to investments securities

(ii) Prior year adjustments

The 2008 comparative figures for other liabilities and retained earnings were restated to reflect the corresponding adjustments of GH¢804,479 required between unearned lease rental income and retained earnings.

Note

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