2011
Annual Report

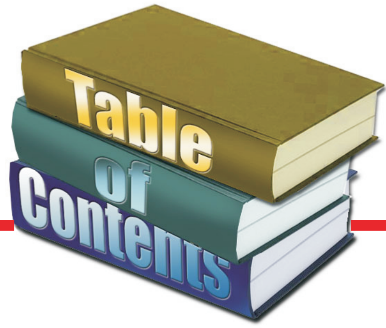
PEOPLE • TECHNOLOGY • SERVICE

ZENITH BANK (GHANA) LIMITED

...in your best interest

"Whiles economic recovery gains momentum, we will remain focused on maintaining the kind of balance sheet quality that can withstand economic downturns and market events."

Contents



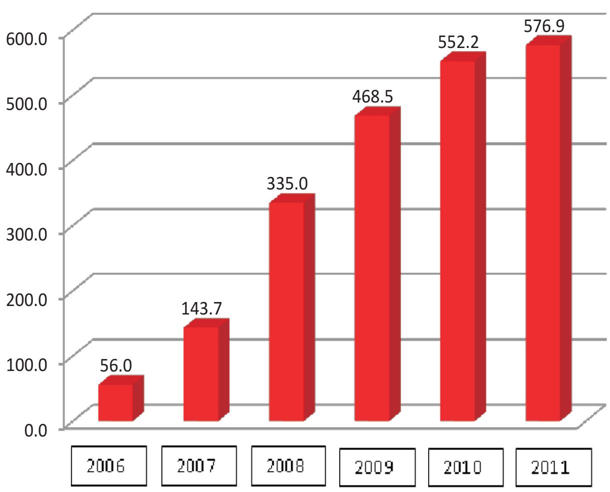
CORPORATE INFORMATION

Directors	Mary Chinery-Hesse (Mrs.)	Board Chairman
	Daniel Asiedu	Managing Director/CEO
	Andy Ojei	
	Henry Benyah	
	Godwin Emefiele	
	Kwame Sarpong	
	Babatunde Adojuwon	(Appointed - 11/2/2011)
	Lawal Sani	(Appointed - 11/2/2011)
Secretary	Mike Otu	
	Daniel Agamah	
Auditors	KPMG 13 Yiyiwa Drive Abelenkpe P.O. Box GP242 Accra	
Solicitors	Corporate Legal Concept Rehoboth Place No.1 North Labone Estates Accra	
Registered office	Premier Towers Liberia Road PMB CT 393 Accra	
Correspondent banks	Citibank London Citibank New York Ghana International Bank Plc HSBC Bank Plc Zenith Bank (UK) Limited Bank of Beirut Standard Chartered Germany Commerzbank AG	

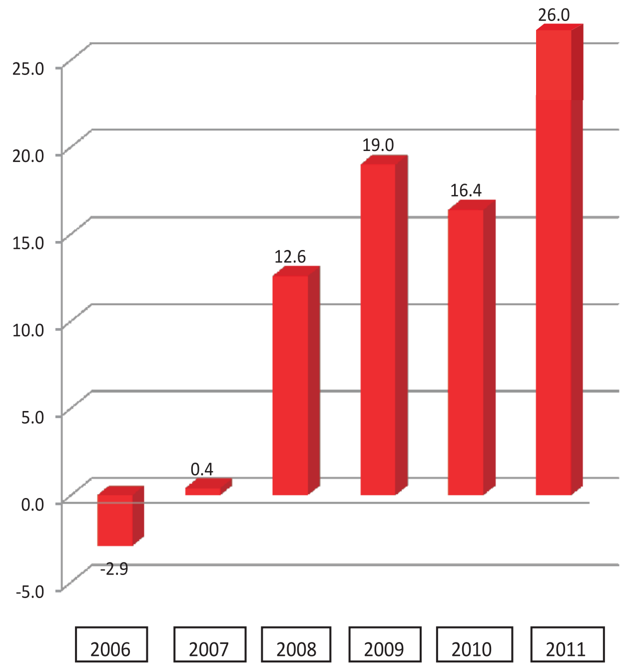
FINANCIAL HIGHLIGHTS

All amounts are in GH¢M

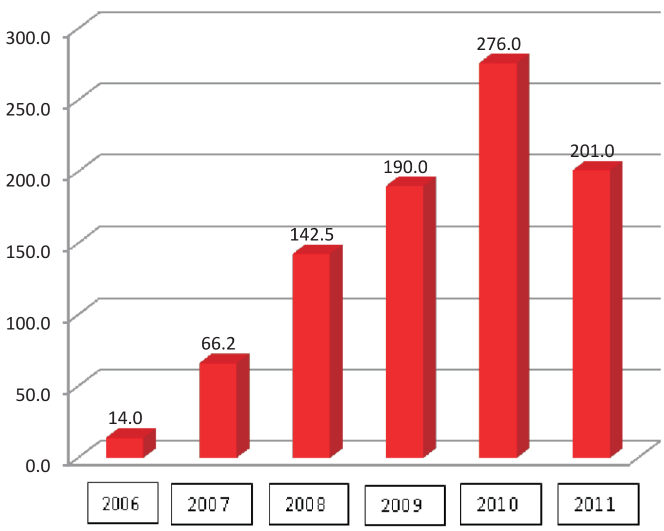
Total Deposits



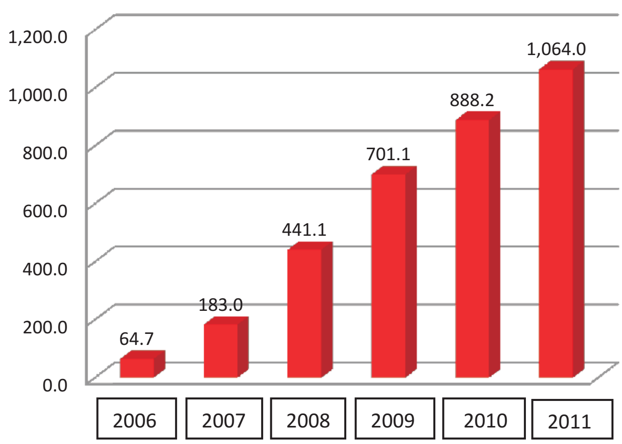
Profit before tax



Total Loans & Advances



Total Assets plus Contingencies



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 S&P credit rating of +B/B (stable) in 2011 revised to a positive outlook in early 2012.

Zenith currently operates nineteen (19) branches and six (6) 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 is 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.

Within these six years of our existence, we have brought dynamism and panache to the Ghanaian banking industry. 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. Today, Zenith Bank (Ghana) Limited is an epitome of a stable and strong organization with a brand and customer service which is the envy of its peers.

Major Milestones Covered

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 has been honoured in numerous ways during the six years of its existence. Among them include:

Tenth (10^{th}) ranked company, Ghana Club 100, 2010

First runner up, Most Socially Responsible Bank, 2010

First runner up, Most Socially Responsible Bank, 2009

Bank of the Year in Ghana 2008

Best Bank in Financial Performance 2008

It is instructive to note that since the bank was adjudged 'Bank of the Year 2008' at the Ghana Banking Awards, not a year has passed without one award or the other. This is a firm statement that the 'Zenith brand' is in Ghana to stay.

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, 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

BRANCH NETWORK

HEAD OFFICE
Premier Towers
Liberia Road
PMB CT 393
Accra
Tel: (+233) 0302 611500/29
Fax: (+233) 0302 660760, 660091
Website: www.zenithbank.com.gh

PATRICE LUMUMBA ROAD BRANCH
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Tel: (+233) 0302 774047, 774090
Fax: (+233) 0302 774345

SPINTEX ROAD BRANCH
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Spintex Road
Batsonaa
Accra
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Fax :(+233) 0302 815593

KOJO THOMPSON ROAD BRANCH
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Kojo Thompson Road
PMB CT 393
Accra
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PMB CT 393
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(+233) 0302 782663

EAST LEGON BRANCH
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PMB CT 393
East Legon
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North Industrial area
Kaneshie
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Tel: (+233) 0302 255156

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Community One
Tema
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Fax: (+233) 0303 201248

TEMA INDUSTRIAL AREA BRANCH
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Heavy Industrial Area
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Tema
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Fax: (+233) 0303 308755

CAPE COAST BRANCH
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Ahodwo Road
Adiebeba
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Fax: (+233) 3220 83282

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Section B
Adum
Tel: (+233) 3220 49512/15
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Plot No. 53, Block A
Tarkwa Makro, Suame, Kumasi
Tel: (+233) 3220 46122
Fax: (+233) 3220 46123

SUNYANI BRANCH
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Plot No. 54
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Fax:(+233) 03520 23016

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Achimota
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TAMALE BRANCH
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Tamale
Tel: (+233) 3720 27420/1
Fax: (+233) 3720 27422

AKOSOMBO BRANCH
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Fax: (+233) 3430 21741

KATAMANTO CASH AGENCY
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Katamanto
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Fax: (+233)302 671874

ABORA CASH AGENCY
Ghana Rubber Estates Limited
Abora
Takoradi
Tel: (+233) 024 406 5073

HO AGENCY
Ho Polytechnic
Ho
Tel: (+233) 3620 25483
Fax: (+233)3620 25676

BUI AGENCY
Bui Dam Project Site

KUMASI POLYTECHNIC AGENCY
Tel: (+233) 3220 48249

KIA AGENCY
Kotoka Int Airport
Arrival hall
Tel: (+233) 307 020193-5
Fax: (+233) 277 803976

PRODUCT 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 on 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
- Web Acquiring
- SMS Solutions
- Reporting tools

Payment/Collection Solutions

School 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 solution - an online service which facilitates 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 System (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

The bank does this in collaboration with Airtel and MTN networks.

Web Pay - allows individuals and corporate institutions to carry out payment for services on the web using their cards (e-tranzact and Visa cards).

Z. Com powered by Google - a product targeted at Small and Medium sale Businesses (SMBs) in the country without websites or an online presence. Zenith will provide a free website and e-business tools to enhance their online experience. It is collaboration between Zenith and Google.

Card Solutions

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

Zenith Visa 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 speed 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 - 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.

Web Acquiring

Z-Web Acquiring (Verified by Visa) - a tool that provides enhanced security platforms for VISA online transactions. It has almost the same level of security protection as that which exists in the face-to-face business transactions.

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 Services
- 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

TREASURY AND FUND MANAGEMENT

- Treasury bills and other government securities
- Fixed deposits
- Call deposits
- Foreign exchange sale and purchases

TRADE FINANCE AND OTHER FOREIGN TRANSACTIONS

- Funds transfer
- Documentary collections
- Export Finance
- Letters of Credit
- Correspondent bank services

CREDIT PRODUCTS

Credit Facilities

- Term loans
- Overdrafts
- Finance Lease
- Bid and Performance Bonds
- Advance Payment Guarantee

Auto Loan

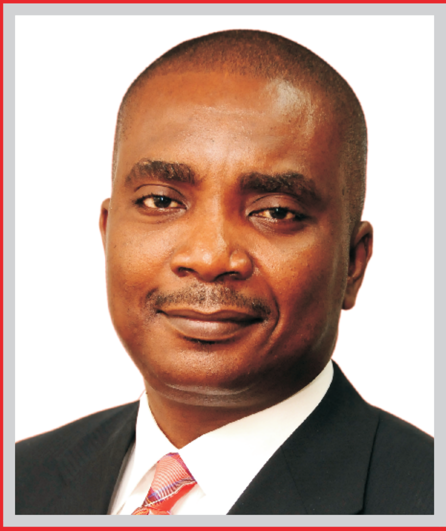
In collaboration with a number of auto companies, Zenith provides finance to its customers for the purchase of automobiles.

Partner companies include:

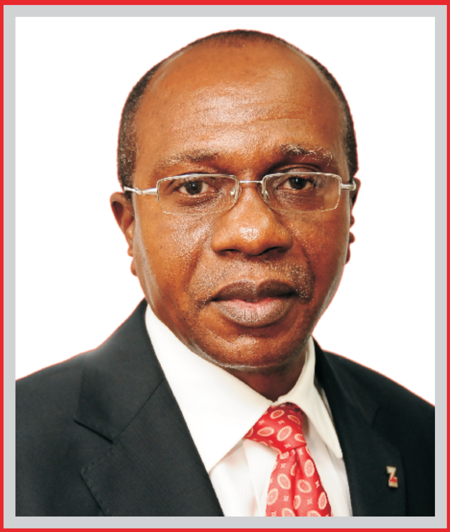
- Toyota Ghana Limited
- Stallion Investments
- PHC Motors
- Rana Motors

BOARD OF DIRECTORS

Mary Chinery-Hesse –Chairman



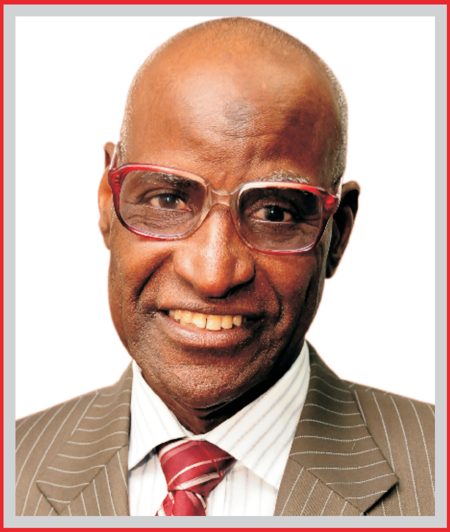
Daniel Asiedu –Managing Director/CEO



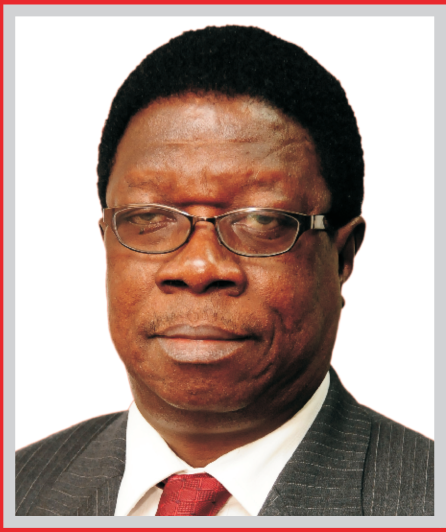
Godwin Emefiele – Director

Kwame Sarpong – Director

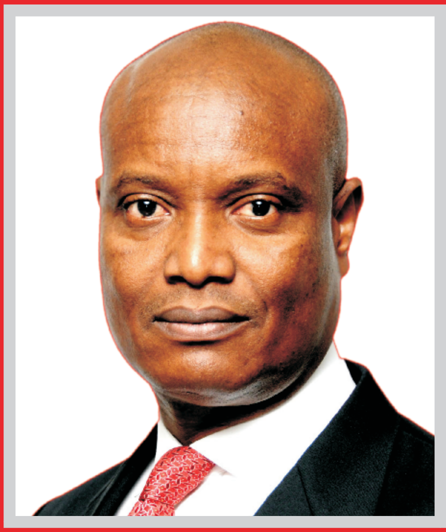
Henry Benyah – Director



Alhaji Lawal – Director



Babatunde Adejuwon – Director



Andy Ojei –Director

REPORT OF THE DIRECTORS

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

Directors Responsibility Statement

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

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

Principal activity

The principal activity of the Bank is to provide banking and related services.

Parent company

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

Financial Report and Dividend

	2011 GH¢	2010 GH¢
Profit before taxation for the year ended is	26,024,680	16,420,119
from which is deducted taxation of	(2,574,604)	(5,515,731)
giving a profit after taxation for the year	23,450,076	10,904,388
less net transfer to statutory reserve fund and other reserves of	(7,156,048)	(10,021,184)
leaving a balance	16,294,028	883,204
when added to the balance brought forward on retained earnings of	3,573,219	2,690,015
gives a balance of	19,867,247	3,573,219

In accordance with Section 29(c) of the Banking Act, 2004 (Act 673) as amended, an amount of GH¢11,725,038 was transferred to the statutory reserve fund from retained earnings (income surplus), bringing the cumulative balance on the statutory reserve fund to GH¢ 28,953,282 at the year end.

The Directors do not recommend the payment of dividend.

Auditor

The auditor, KPMG, will continue in office in accordance with Section 134 (5) of the Companies Code, 1963 (Act 179).

BY ORDER OF THE BOARD:

Signed
Mary Chinery-Hesse
(Chairman)

Signed
Daniel Asiedu
(Managing Director/CEO)

Date: February 16, 2012

"The board continues to be committed to representing the best interests of shareholders through a strong focus on good corporate governance."

Mary Chinery-Hesse, Board Chairman

CHAIRMAN'S MESSAGE

The year 2011 was characterized by several developments in the world economy. The global economy showed increasing signs of recovery. Growth momentum came primarily from the emerging markets in Asia and Latin America. By contrast, recovery in most of the industrial countries has been slower. The U. S. economy is still weighed down by the need for real estate market corrections and high levels of indebtedness. The Euro-zone was marked by significant imbalances: while some of Europe's states face economic problems, others like Germany showed strong economic growth.

The Domestic Economy

The International Monetary Fund and the World Bank in their recent assessment painted a positive outlook for the Ghanaian economy but at a slow pace, albeit improving after coming from a difficult stage of macro-imbalance.

As a bank, we have continuously strived to position itself to capitalize on the opportunities, arising out of the country's economic development. As a result, we believe that we are well positioned to benefit from the long-term economic development of Ghana.

Growing in Challenging times

The bank's pre-tax profit for the financial year ending December 2011 was GH¢26m representing an increase of 58 percent over prior year. The balance sheet grew marginally by 7 percent i.e. from GH¢655m as at December 31, 2010 to GH¢700m as at December 2011, funded mainly by deposits.

At the beginning of the year, we challenged our management team to be creative in delivering quality service with the resources on hand. They responded and we achieved return on assets of 3.6 percent and return on equity of 20.6 percent. Our Core Tier 1 capital stands at GH¢109m with the Tier 1 capital ratio being 16.86 percent.

Risk and Corporate Governance

The board continues to be committed to representing the best interests of shareholders through a strong focus on good corporate governance. As a board we will continue to organize our meetings to ensure quality time is devoted to executive leadership and strategic issues that impact the long-term value of the bank.

In 2012, we intend to entrench our risk appetite statement which is the basic yardstick against which we measure how much risk we are willing to take in order to generate value for our shareholders.

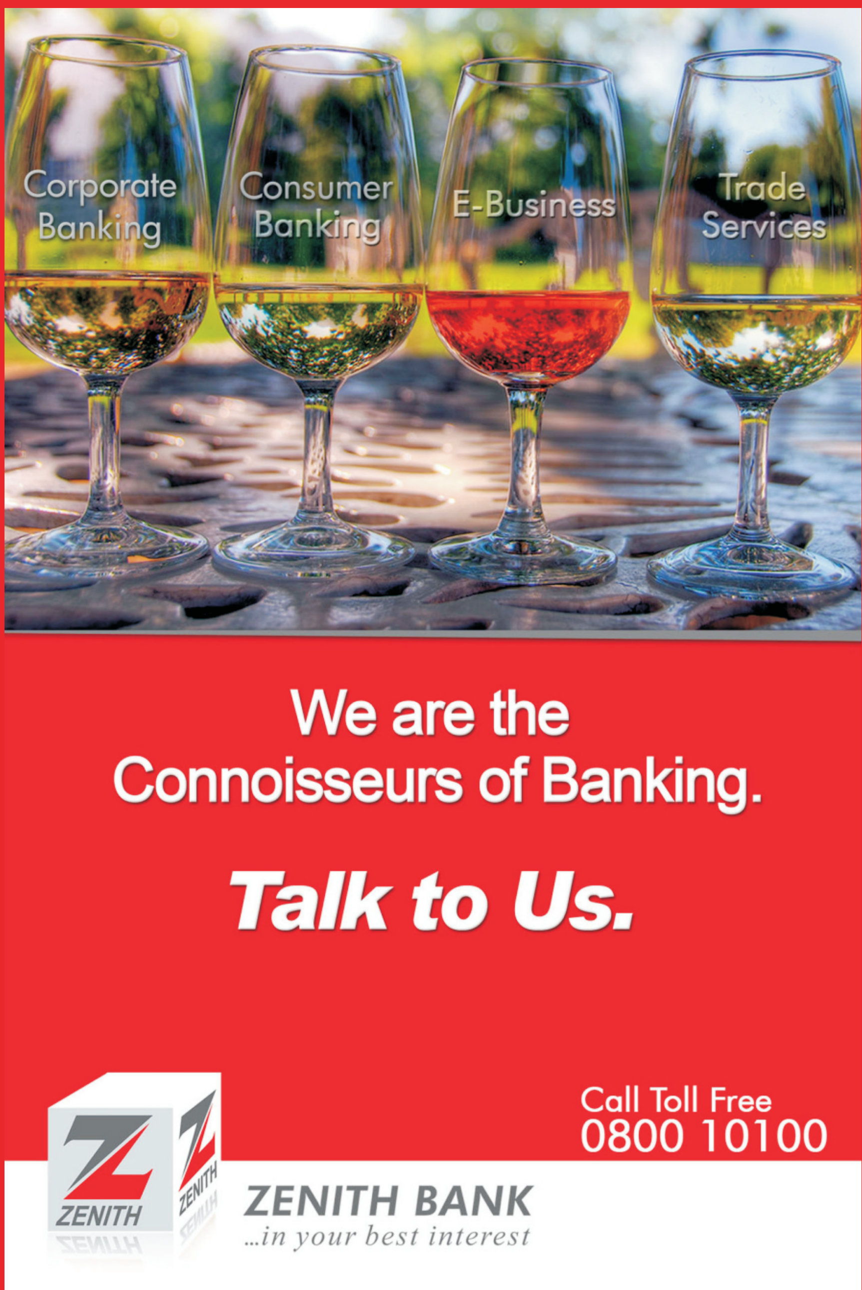
We want all staff in the bank to be knowledgeable about the risks they take in their day-to-day activities. This is very important because adhering to the bank's strategy and risk appetite allows us to grow profitability without going out of the risk curve. Of equal importance is the implementation of Basel II by the Central Bank in 2012, new standards expected to minimize the level of risk depositors' funds are exposed to.

Outlook

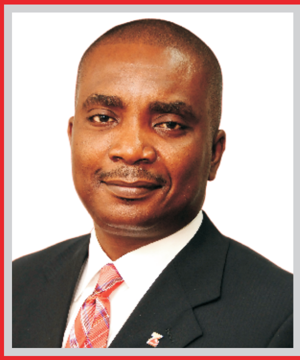
Our 2011 impressive financial performance notwithstanding, we cannot afford to be complacent in the face of a rapidly changing domestic and global competitive environment. We have to be increasingly innovative and dexterous if we are to take advantage of the promising future and continue on this path of growth.

While challenges and uncertainties are inevitable, we've clearly shown we're a resilient, integrated and customer-focused bank with momentum on our side. We do not plan to significantly alter our strategic plan or focus. We will work with the same sense of urgency as we carefully execute our strategic plans. We are confident that our strategy of producing long-term profitable growth by changing our deposit mix and delivering value to our customers, shareholders and communities would enable us to continue to grow in 2012 and beyond.

It is my sincere pleasure to thank our team for living our core values as we fulfill our vision, and to thank you, our customers and shareholders, for continued loyal support.



EXECUTIVE MANAGEMENT



Daniel Asiedu
Managing Director/CEO

Abiola Bawuah
General Manager

Daniel Agamah
Head, Business Support

Eva Richter-Addo
Head, Corporate Services

Albert Incoom
Group Head, Marketing

George Tsidi Blavo
Group Head, Marketing

Kwame Asa Adadey
Head, Business Services

Johnson Olakunmi
Head, Internal Control & Audit

Charlotte Yawa Impraim
Head, Credit Risk Management

Joseph Nii Adjei
Financial Controller

> *"We instituted a three Cs strategy of current account deposit growth..., cost control and credit quality improvement to position the bank for the next phase of growth."*

Daniel Asiedu Managing Director/CEO

CHIEF EXECUTIVE OFFICER'S REVIEW

Operating Environment

The reduction of GDP growth in the U.S. and the succession of sovereign debt crises in the European Union raised concerns over the sustainability of the global economic recovery. The International Monetary Fund (IMF) forecasts world GDP growth of 4.2 percent in 2011, down from 2010's 4.8 percent yet sufficiently robust to validate hopes for a rebound from the deepest economic contraction since the 1930s.

Domestic Economic Developments

In Ghana, growth prospects remained strong during the year with GDP projected to grow at 13.6 per cent, up from 7.7 per cent in 2010.

Inflation remained within single-digits during the year. From 9.1 per cent in January, it declined to 8.4 per cent at the end of the third quarter but has since inched up to 8.6 per cent in November.

The Banking Industry

The banking industry continued to show steady growth in assets and profitability, although at a relatively slower pace than the previous year. Total assets of the banking industry grew by 26.8 percent i.e. from GH¢ 17.3 billion as at December 31, 2010 to GH¢22.1 billion as at December 31, 2011. The growth in assets was funded mainly by deposits which grew by 33.8 per cent to GH¢16 billion as at December 31, 2011 from GH¢12 billion as at December 31, 2010. The financial soundness indicators i.e. earnings, liquidity and capital adequacy remained strong.

Although there was a decline in the industry's Capital Adequacy Ratio (CAR) by 3.1 percent i.e. from 20.2 percent in the previous year to 17.1 percent, the CAR was well above the 10 percent benchmark. Non-performing loans at the industry level remained high, although declining. The NPL ratio improved to 15.3 percent from 16.9 percent during the same period in the prior year.

Zenith Developments

The first stage of our 5 years strategic plan set in the year 2010 was to reposition the balance sheet for the next phase of growth. To this end, we focused on rebalancing our liability mix, improving on cost efficiency and reducing credit costs, while maintaining a strong capital position. Based on this progress, we will articulate our move to the next stage of our strategy.

Financial Performance

We instituted a three Cs strategy of current account deposit growth (to achieve a mix of 70 percent current and savings account and 30 percent time deposits), cost control and credit quality improvement to position the bank for the next phase of growth. It is with pleasure that I inform you of considerable success in the execution of this strategy. Our demand deposit to total deposit ratio has increased from 38 percent as at December 31, 2010 to 66.57 percent as at December 31, 2011, resulting in a significantly enhanced stable low cost deposit base.

We have also achieved considerable success in improving the quality of our credit portfolio. Impairment charge was GH¢4m compared to GH¢13m for the period ended December 31, 2010.

This was made possible through aggressive management of credit quality without impairing tangible book value or regulatory capital ratios and some significant recovery of advances previously classified. The bank will continue to focus on recoveries in 2012 so as to improve profitability. There was an expected marginal growth of 4 percent in deposits due to the strategy of changing the liability mix.

As a result of our focus on improving operating efficiencies, pretax profit for the year ended December 31, 2011 increased by 58 percent when compared to the prior year from GH¢16.42m to GH¢26.04m.

Other Development

The Bank opened two branches at Sunyani in the Brong Ahafo Region and Achimota in the Greater Accra Region in addition to an Agency at the Kotoka International Airport. As already mentioned, the bank has acquired the Visa Internet Acquirer License which will enable us tap into the emerging opportunities in online payments.

In collaboration with Google, the bank launched the Google Z.com which targets mostly SMEs.

The year 2012

Our strategy for 2012 is to continue growth by capitalizing on the emerging opportunities in the Ghanaian economy, while maintaining and enhancing the more efficient balance sheet structure that we achieved in 2011. We will leverage heavily on the Visa Internet Acquiring to make significant inroads into both the corporate and retail markets.

Whiles economic recovery gains momentum, we will remain focused on restoring the kind of balance sheet quality that can withstand economic downturns and market events. We have invested, and will continue to invest, significant resources in credit administration to find the equilibrium that allows for loan growth and market expansion, while protecting quality of loans and our shareholders' capital. A lot of hard work is ahead of us but our passion for excellence, mental attitude and discipline will drive us to constantly re-invent our delivery systems and practices.

Our theme for the year is “**There is no *“I”* in Team**” and with that sense of unity amongst staff, we will certainly exceed our expectations for 2012.

We look forward to your continued encouragement and support in this endeavor.

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.

Increase 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.

The Board and Board Committees

The Board of Directors is made up of a Non-Executive Chairman, six (6) 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. The roles of Chairman and Managing Director are separate with a clear division of responsibilities between them.

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; and
- 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, three (3) 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
Godwin Emefiele	Chairman
Daniel Asiedu	Member
Andy Ojei	Member
Kwame Sarpong	Member
Lawal Sani	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
Babatunde Adejuwon	Member
Henry Benyah	Member
Daniel Asiedu	Member
Andy Ojei	Member

Board Audit Committee

The Committee is made up of a Non-Executive Chairman and three (3) other Non-Executive Directors. 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.

Name of Director	Position
Henry Benyah	Chairman
Andy Ojei	Member
Lawal Sani	Member
Babatunde Adejuwon	Member

Board Nomination Committee

The Committee is made up of a Non-Executive Chairman, three (3) 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
Babatunde Adejuwon	Member

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

Directors	BC	CC	RMC	NC	AC
Mary Chinery - Hesse	4	N/A	N/A	N/A	N/A
Daniel Asiedu	4	4	4	1	3
Andy Ojei	3	3	3	1	3
Godwin Emefiele	1	1	N/A	-	N/A
Kwame Sarpong	4	4	4	1	N/A
Henry Benyah	4	N/A	4	1	4
Babatunde Adojuwon	2	N/A	2	-	2
Lawal Sani	3	3	N/A	1	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 include 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 of Director	Position
Daniel Asiedu	Chairman
Abiola Bawuah	Member
Daniel Agamah	Member
Eva Richter - Addo	Member
George Tsidi Blavo	Member
Albert Inkoom	Member
Kwame Asa Adadey	Member
Charlotte Yawa Impraim	Member
Johnson Olakunmi	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.

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 as at 31 December 2011, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 65.

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), the Banking Act, 2004 (Act 673) (As Amended) 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zenith Bank (Ghana) Limited at 31 December 2011 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), the Banking Act, 2004 (Act 673) (As Amended).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 and fifth Schedule of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) (As Amended).

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, comprehensive income and changes in equity 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).

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CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P. O. BOX GP 242
ACCRA, GHANA

February 16, 2012

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2011 GH¢	2010 GH¢
Assets			
Cash and cash equivalents	16	308,100,349	254,152,248
Pledged assets	17	28,896,003	-
Non-pledged assets	17	143,857,912	105,744,209
Loans and advances to customers	18	200,554,868	275,977,643
Property and equipment	19	11,724,496	12,318, 999
Leasehold property	20	978,382	796,182
Intangible assets	21	111,030	11,028
Deferred tax assets	22	782,432	1,140,078
Other assets	23	4,790,127	5,041,764
Total Assets		699,795,599	655,182,151
Liabilities			
Customer deposits	24	576,852,223	552,195,799
Current tax liabilities	14a	3,300,117	870,597
Deferred tax liabilities	22	-	4,817,645
Other liabilities	25	9,601,234	10,706,161
Total liabilities		589,753,574	568,590,202
Shareholders' equity			
Stated capital	26a	61,221,496	61,221,496
Retained earnings	26b	19,867,247	3,573,219
Statutory reserve account	26c	28,953,282	17,228,244
Credit risk reserve	26d	-	4,568,990
Total shareholders' equity		110,042,025	86,591,949
Total liabilities and shareholders' equity		699,795,599	655,182,151

The financial statements on pages **24 to 65** were approved by the Board of Directors on February 16, 2012 and were signed on its behalf by:

Signed
Mary Chinery - Hesse (Chairman)

Signed
Daniel Asiedu (Managing Director/CEO)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2011 GH¢	2010 GH¢
Interest and similar income	7	58,801,645	59,789,808
Interest and similar expense	7	(37,307,657)	(26,648,341)
Net interest income		21,493,988	33,141,467
Fee and commission income	8	31,374,446	21,520,245
Fee and commission expense	8	-	(60,000)
Net Fee and commission income		31,374,446	21,460,245
Net trading income	9	14,800,578	2,900,626
Other operating income	10	6,593,186	5,60 2,532
Net income		74,262,198	63,104,870
Net impairment loss on financial assets	11,18	(4,282,900)	(9,028,160)
Personnel expenses	12	(16,034,040)	(13,985,186)
Depreciation and amortization	19,20,21	(5,247,734)	(4,917,955)
Other expenses	13	(22,672,844)	(18,753,450)
Profit before tax		26,024,680	16,420,119
Income tax expense	14a	(2,574,604)	(5,515,731)
Profit after tax		23,450 ,076	10,904 , 388
Other comprehensive income		-	-
Profit attributable to: Equity holders of the Bank		23,450,076	10,904,388
Total comprehensive income attributable to: Equity holders of the Bank	15	23,450,076	10,904,388
Basic and diluted earnings per share (Ghana Cedis)		0.04	0.02

STATEMENT OF CHANGES IN EQUITY

	Stated capital GH¢	Statutory reserve GH¢	Credit risk reserve GH¢	Retained earnings GH¢	Total GH¢
Balance as at 1 January 2011					
At start of year	61,221,496	17,228,244	4,568,990	3,573,219	**86,591,949**
Profit for the year	-	-	-	23,450,076	**23,450,076**
Transfer to statutory reserve	-	11,725,038	-	(11,725,038)	**-**
Transfer from credit risk reserve	-	-	(4,568 ,990)	4,568,990	-
Balance as at 31 December 2011	**61,221,496**	**28,953,282**	**-**	**19,867,247**	**110,042,025**
Balance as at 1 January 2010					
At start of year	61,221,496	11,776,050	-	2,690,015	75,687,561
Profit for the year	-	-	-	10,9 04,388	10,904,388
Transfer to statutory reserve	-	5,452,194	-	(5,452,194)	-
Transfer to credit risk reserve	-	-	4,568,990	(4,568,990)	-
Balance as at 31 December 2010	61,221,496	17,228,244	4,568,990	3,5 73,219	86,591 ,949

STATEMENT OF CASH FLOWS

Year ended 31 December	Note	2011 GH¢	2010 GH¢
Cash flows from operating activities			
Profit before tax		**26,024,680**	16,420,119
Depreciation and amortisation	**19, 20, 21**	**5,247,734**	4,917,955
Charge for impairment loss on loans and advances	**11**	**4,282,900**	9,028 ,160
Profit on sale of property and equipment	**19a**	**(23,298)**	(13,601)
National Stabilisation levy paid	**14a**	**(804,900)**	(416,000)
Taxes paid	**14a**	**(3,800,616)**	(3,000,000)
Opening balance adjustment to impairment loss on loans and advances		**-**	(501,900)
Cash generated from operating activities before changes in operating assets and liabilities		**30,926,500**	26,434,733
Changes in operating assets and liabilities			
Increase in pledged and non - pledged assets	**17**	**(67,009,706)**	(24,623,000)
Decrease/(increase) in loans and advances	**18**	**71,223,893**	(94,498,000)
Decrease/(increase) in other assets	**23**	**251,637**	(2,425,000)
Increase in customer deposits	**24**	**24,656,424**	83,682,000
(Decrease)/Increase in other liabilities	**25**	**(1,104,927)**	1,251,000
Net cash generated / (used) from operating activities		**58,943,821**	(10,178,267)
Cash flows used in investing activities			
Purchase of property and equipment	**19, 20**	**(4,760,074)**	(4,209,590)
Proceeds from the sale of property and equipment	**19a**	**90,000**	114, 000
Purchase of leasehold property	**20**	**(200,000)**	-
Purchase of intangible asset	**21**	**(125,646)**	-
Net cash used in investing activities		**(4,995,720)**	(4,095,590)
Net Cash flows from financing activities		**-**	-
Net increase /(decrease) in cash and cash equivalents		**53,948,101**	(14,273,857)
Cash and cash equivalents at beginning of year		**254,152,248**	268,426,105
Cash and cash equivalents at end of year	**16**	**308,100,349**	254,152,248

NOTES

1. Reporting entity

Zenith Bank (Ghana) Limited (the Bank) is a bank incorporated in Ghana. The address of the Bank's registered office is Premier Towers, Liberia Road, PMB CT 393, Accra. The financial statements of the Bank as at, and for the year ended 31 December 2011 are as stated in this report. The Bank is a subsidiary of Zenith Bank Plc of Nigeria. The Bank operates with a universal banking license that allows it to undertake all banking and related services.

2. Basis of preparation

a) Statement of compliance

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

The financial statements were authorised for issue by the board of directors on 16 February 2012.

b) Functional and presentation currency

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

c) Basis of measurement

These financial statements are prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value; and
- available-for-sale financial assets are measured at fair value.

d) Use of accounting estimates and judgments

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

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

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

3. Significant accounting policies

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

a) Property and equipment

i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of selfconstructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

ii) Subsequent costs:

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

ii) Depreciation

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

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

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

b) Computer 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 five years.

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

c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale financial instruments.

d) Income tax expense

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

e) Cash and cash equivalents

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

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

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

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them.

f) Financial assets and liabilities continued

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.
The Bank also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

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.

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.

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.

f) Financial assets and liabilities continued

vii) 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 accounting standards, or for gains and losses arising from a group of similar transactions.

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 amortization 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.

f) Financial assets and liabilities continued

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 berelated 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) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.
Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis; and
- Fair value changes on other financial assets and liabilities carried at fair value through income statement, are presented in trading income in the income statement.

h) Fee and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

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

i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

j) 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 categorized as financial assets measured at amortised cost.

k) Leased assets – lessee

Leases in which the Bank assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognised on the Bank's statement of financial position.

l) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

m) Deposits and debt securities issued

Deposits and debt securities issued are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

n) Provisions

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

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

o) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

p) Employee benefits

i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or areduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

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. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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.

q) Share capital and reserves

Share issue costs

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

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

r) Earnings per share

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

s) Dividend on ordinary shares

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

t) Net trading income

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

u) Dividends

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

v) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

w) New Standards and Interpretations not yet adopted

At the date of authorisation of the financial statements of the Bank for the year ended 31 December 2011, the following Standards and Interpretations were in issue but not yet effective:

Standard	Interpretation
IAS 1 amendment	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* The Bank will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately. This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements. This amendment is effective for annual periods beginning on or after 1 July 2012 and is expected to be applied retrospectively.
IAS 12 amendment	*Deferred tax: Recovery of Underlying Assets* As a result of this amendment to IAS 12, the Bank will change the rate applied for measuring its investment property measured using the fair value model, in accordance with IAS 40 *Investment Property*. Previously the Company used a blended rate; however in terms of the amendment a sale rate will be applied. This is effective for annual periods beginning on or after 1 January 2013 and is not expected to have any impact on the Bank's financial statements.
IAS 19 amendments	*Employee Benefits: Defined benefit plans* Key changes in terms of the amendments are: Actuarial gains and losses are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss is no longer permitted. Past service costs as well as gains and losses on curtailments / settlements are recognised in profit or loss. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. This is effective for annual periods beginning on or after 1 January 2013 and is not expected to have any significant impact on the Bank's financial statements.

w) New Standards and Interpretations not yet adopted (continue)

Standard	Interpretation
IAS 27	*Separate Financial Statements (2011)* IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of IAS 27 (2011) will not have a significant impact on the Bank's separate financial statements and is effective for annual periods beginning on or after 1 January 2013.
IAS 28	*Investments in Associates and Joint Ventures (2011)* IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include: IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest. This amendment is effective for annual periods beginning on or after 1 January 2013 and its adoption will not have a significant impact on the Bank's financial statements.
IFRS 1 amendment	*Severe Hyperinflation and Removal of Fixed Dates for First time Adopters* This is effective on annual periods beginning on or after 1 July 2011 and is not expected to have any impact on the Bank's financial statements.
IFRS 7 amendment	Disclosures - Transfers of Financial Assets In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are: not derecognised in their entirety; and derecognised in their entirety but for which the xxx retains continuing involvement. The adoption of this standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 July 2011.
IFRS 9 (2009)	*Financial Instruments* IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The Bank early adopted this standard in its financial statements year ended 31 December 2010 and the impact has been reflected in these financial statements.

w) New Standards and Interpretations not yet adopted (continue)

Standard	Interpretation
IFRS 9 (2010)	*Financial Instruments* IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects: Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed. Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The above standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual period annual periods beginning on or after 1 January 2015.
IFRS 10	*Consolidated Financial Statements* IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists: Identify how decisions about the relevant activities are made, Assess whether the entity has power over the relevant activities by considering only the entity' s substantive rights, Assess whether the entity is exposed to variability in returns, and Assess whether the entity is able to use its power over the investee to affect returns for its own benefit. Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change. The above standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.
	Joint Arrangements IFRS 11 establishes that classification of the joint arrangement depends on whether parties have rights to and obligations for the underlying assets and liabilities.

w) New Standards and Interpretations not yet adopted (continue)

Standard	Interpretation
IFRS 1	According to IFRS 11, joint arrangements are divided into two types, each having its own accounting model. Joint operations whereby the jointly controlling parties, known as joint operators, have rights to assets and obligations for the liabilities, relating to the arrangement. Joint ventures whereby the joint controlling parties, known as joint venturers, have rights to the net assets of the arrangement. In terms of IFRS 11, all joint ventures will have to be equity accounted. The above standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.
IFRS 12	*Disclosure of Interests in Other Entities* IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable user to evaluate: The nature of, and risks associated with, an entity's interests in other entities; and The effects of those interests on the entity's financial position, financial performance and cash flows. This standard is not expected to have any significant impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.
IFRS 13	*Fair Value Measurement* IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in IFRS 13 are as follows: Fair value is an exit price; Measurement considers characteristics of the asset or liability and not entity-specific characteristics; Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants; Price is not adjusted for transaction costs; Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs; and The three-level fair value hierarchy is extended to all fair value measurements. This is effective for annual periods beginning on or after 1 January 2013 and the impact on these financial statements for can not be reasonably estimated as at the reporting date.
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* This standard is not expected to have any impact on the Bank's financial statements and is effective for annual periods beginning on or after 1 January 2013.

4. Financial risk management

Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

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

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 risks, and the Bank's management of capital.

Risk Management Framework

The bank's 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 Bank's financial performance. The Bank defines risk as the possibility of a 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 Bank's Asset and Liability Committee (ALCO).

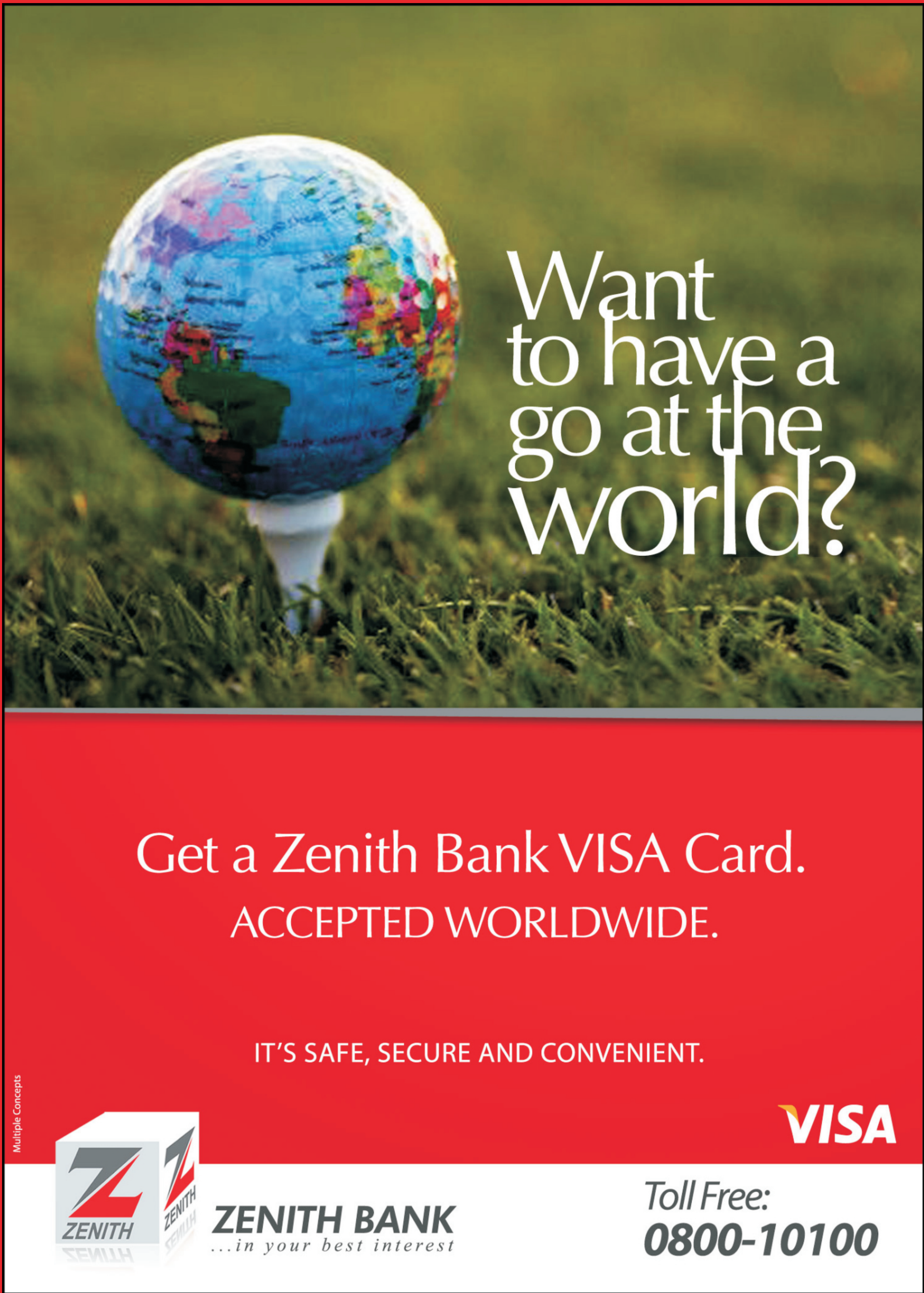
a) Credit risk

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

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.

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; and
- Charges over financial instruments such as debt securities and equities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4. Financial risk management (continued)

Exposure to credit risk

	Note	Loans and advances to customers 2011 GH¢	2010 GH¢
Carrying amount	18	200,554,868	275,977,643
Assets at amortised cost			
Individually impaired:			
Grade 6: Impaired		1,145,874	927,380
Grade 7: Impaired		7,441,502	17,157,978
Grade 8: Impaired		16,652,901	15,395,594
Gross amount		25,240,277	33,480,952
Allowance for impairment		(21,210,679)	(17,486,232)
Carrying amount		4,029,598	15,994,720

	2011 GH¢	2010 GH¢
Collectively impaired:		
Grade 1-3: Low fair risk	194,520,843	254,102,393
Grade 4-5: Watch list	6,263,136	9,580,786
Gross amount	200,783,979	263,683,179
Allowance for impairment	(4,258,709)	(3,700,256)
Carrying amount	196,525,270	259,982,923
Past due but not impaired:		
Grade 1-3: Low fair risk	2,937,454	7,644,427
Grade 4-5: Watch list	3,325,682	1,936,359
Gross amount	6,263,136	9,580,786
Past due :		
30-60 days	2,937,454	7,644,427
60-90 days	3,325,682	1,936,359
90-180 days	1,145,874	927,380
180 days +	26,139,990	30,493,468
Carrying amount	33,549,000	41,001,634
Carrying amount- amortised cost	200,554,868	275,977,643

4. Financial risk management (continued)

Impaired loans

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

Past due but not impaired loans

Past due but not impaired loans, are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of
security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowances for impairment

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

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

	Loans and advances to customer	
	Gross	Net
31 December 2011	GH¢	GH¢
Grade 6: Individually Impaired	1,145,874	292,854
Grade 7: Individually Impaired	7,441,502	2,704,225
Grade 8: Individually Impaired	16,652,901	1,032,519
Gross amount	**25,240,277**	4,029,598
31 December 2010		
Grade 6: Individually Impaired	927,380	578,367
Grade 7: Individually Impaired	17,157,978	10,404,462
Grade 8: Individually Impaired	15,395,594	5,011,891
Gross amount	**33,480,952**	15,994,720

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.
Collateral usually is not held against investment securities, and no such collateral was held at
31 December 2011 (2010: no collateral held).

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

4. Financial risk management (continued)

	Loans and advances to customer	
	2011	2010
Against Individually impaired:	**GH¢**	GH¢
Property	**3,563,047**	14,475,541
Others	**102,884**	102,884
Against collectively impaired:		
Property	**91,812346**	59,579,738
Others	**57,739,390**	76,300,720
Against past due but not impaired:		
Property	**3,069,320**	8,354,643
Others	**-**	-
	156,286,987	158,813,526

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

	2011	2010
	GH¢	GH¢
Property	**98,444,713**	82,409,922
Others	**57,842,274**	76,403,604
	156,286,987	158,813,526

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

Concentration of credit risk

The Bank monitors concentrations of credit risk by product, by industry and by customer. An analysis of concentrations of credit risk at the reporting date is shown below:

Loans and advances to customer	**2011**	2010
	GH¢	GH¢
Carrying amount	**200,554,868**	275,977,643
Concentration by product:		
Overdrafts	**124,428,293**	194,477,398
Term loans	**88,097,743**	88,637,000
Commercial paper	**-**	5,000,000
Staff loans	**3,329,525**	2,965,299
Finance leases	**10,168,695**	6,084,434
Gross loans and advances	**226,024,256**	297,164,131
Less: Allowance for Impairment	**(25,469,388)**	(21,186,488)
Net loans and advances	**200,554,868**	275,9 77,643

4. Financial risk management (continued)

Concentration by industry:

	2011 GH¢	2010 GH¢
Financial institutions	14,534,831	12,738,031
Agriculture	5,814,000	-
Manufacturing	23,526,774	22,597,054
Publ ic sector	2,900,070	7,629,320
Retail and consumer	27,041,414	28,047,067
Energy	79,884,769	81,268,194
Staff	3,275,311	2,965,007
Telecom	34,738,714	41,798,798
Mining and construction	6,334,289	3,519,008
Others	2 7,974,084	96,601,652
Gross loans and advances	226,024,256	297,164,131
Less: allowance for impairment	(25,469,388)	(21,186,488)
Net loans and advances	200,554,868	275,977,643

Concentration by customer:

	Loans and advances to customer	
Individuals	4,077,581	3,278,400
Private enterprise	221,946,675	293,885,731
	226,024,256	297,164,131
Less: Allowance for impairment	(25,469,388)	(21,186,488)
Net loans and advances	200,554,868	275,977,643

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

Settlement risk

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

Key ratios on loans and advances

Loan loss provision ratio is 6.4% (2010: 6%). Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 10.6% (2010: 11%).

Ratio of fifty (50) largest exposure (gross funded and non-funded) to total exposure is 67% (2010: 75%).

4. Financial risk management (continued)

b) Liquidity risk

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

Management of liquidity risk

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

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

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

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

Measurement of liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market less any deposits from banks. The Bank also uses gap analysis to determine the liquidity position of the bank and where necessary, recommend remedial action.

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

	2011 %	2010 %
At 31 December	105.99	116.81
Average for the year	119.71	129.94
Maximum for the year	142.99	159.25
Minimum for the year	105.99	105.95

	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢
At 31 December 2011					
Non -derivative liabilities					
Deposits from customers	576,852,223	576,852,223	393,422,803	46,712,738	136,716,682
Due to parent company	617,141	617,141	617,141	-	-
	577,469,364	577,469,364	394,039,944	46,712,738	136,716,682
At 31 December 2010					
Non -derivative liabilities					
Deposits from customers	552,195,799	552,195,799	387,181,004	34,141,801	130,872,994
Due to parent company	610,616	610,616	610,616	-	-
	552,806,415	552,806,415	387,791,620	34,141,801	130,872,994

4. Financial risk management (continued)

The above table shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

c) Market risks

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

Management of market risks

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

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

Exposure to interest rate risk – Non-trading portfolios

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

Sensitivity analysis

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

	2011 GH¢	2010 GH¢
Interest income impact	22,602	29,716
Interest expense impact	(57,685)	(55,220)
Net impact on loss	(35,083)	(25,504)

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

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4. Financial risk management (continued)

At 31 December 2011	Notes	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢
Cash and cash equivalent	16	308,100,349	308,100,349	-	-	-
Pledged assets	17	28,896,003	28,896,003	-	-	-
Non pledged assets	17	143,857,912	36,477,740	82,476,5 20	11,577,615	13,326,0 37
Loans and advances to customers	18	200,554,868	78,018,920	14,104,670	75,967,835	32,463,443
Total financial assets		681,409,132	451,493,012	96,581,190	87,545,450	45,789,480
Deposits from customers	24	576,852,223	440,1 35,541	89,046,0 20	47,670,662	-
Due from parent company	30	617,141	617,141	-	-	-
Total financial liabilities		577,469,364	440,752,682	89,046,020	47,670,662	-
Total interest repricing gap		103,939,768	10,740,330	7,535,1 70	39,874,788	45,789,480

At 31 December 2010	Notes	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢
Cash and cash equivalent	16	254,152,248	254,152,248	-	-	-
Non pledged assets	17	105,744,209	26,816,731	60,623, 155	8,512,409	9,791, 914
Loans and advances to customers	18	200,554,868	78,018,920	19,401,228	58,453,939	44,680,781
Total financial assets		560,451,325	358,987,899	80,024,38 3	66,966,348	54,472,695
Deposits from customers	24	522,195 ,799	421,933,421	85,239,92 1	15,633,073	-
Due from parent company	30	610,616	610,616	-	-	-
Total financial liabilities		522,806,415	421 ,933 ,421	85,239,92 1	15,633,073	-
Total interest repricing gap		37,644,912	(62,945,522)	(5,215,538)	51,333,275	54,472,695

4. Financial risk management (continued)

Exposure to other market risks-Non-trading portfolios

Foreign exchange exposure

The Bank's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures a re principally derived from customer driven transactions. As at the reporting date net currency exposures for major currencies of the Bank are as follows:

At 31 December 2011	**USD**	**GBP**	**EURO**	**GH¢**
Net foreign currency exposure:				TOTAL
Assets	202,940,648	5,287,988	22,627,300	230,855,936
Lliabilities	(232,652,171)	(3,993,970)	(17,532,699)	(254,178,840)
Net on balance sheet position	**(29,711,523)**	**1,294,018**	**5,094,601**	**(23,322,904)**
Line facilities for LCS	**246,782,144**	**717,977**	**17,564,641**	**265,064,763**

At 31 December 2010	**USD**	**GBP**	**EURO**	**GH¢**
Net foreign currency exposure:				TOTAL
Assets	252,618,702	13,550,686	24,068,446	290,237,834
Liabilities	(156,895,073)	(3,529,916)	(12,570,692)	(172,995,681)
Net on balance sheet position	95,723,629	10,020,700	11,497,754	117,242,083
Line facilities for LCS	127,315,410	1,202,680	17,611,111	146,129,201

Sensitivity analysis

A 5% weakening of the cedi against foreign currencies at 31 December 2011 would have impacted equity and profit / (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

		2011			2010	
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	GH¢	**GH¢**	**GH¢**	GH¢	GH¢	GH¢
Profit/(loss)	**11,542,797**	**(25,962,180)**	**(14,419,383)**	14,511,892	(15,956,244)	(1,444,352)

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

4. Financial risk management continued

d) Operational risk

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

This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

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

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit (IA) unit The results of IA reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

e) Capital management

Regulatory capital

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole.

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

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

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

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

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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

4. Financial risk management continued

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

Capital adequacy ratio

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

	2011 GH¢	2010 GH¢
Tier 1 capital		
Ordinary share capital	61,221,496	61,221,496
Disclosed reserve	28,953,282	17,228,244
Shareholders' fund	19,867,247	3,573,219
Total qualifying tier 1 capital	110,042,025	82,022,959
Total qualifying tier 2 capital	-	-
Total regulatory capital	110,042,025	82,022,959
Risk weighted assets		
Adjusted risk - weighted assets	225,107,834	349,443,951
Risk weighted contingent liabilities	364,765,894	9 8,407,104
Risk adjusted net open position	5,203	13,083,012
Total risk weighted assets	589,878,931	460,934,067
Capital adequacy ratio	18.65	17.79

Capital allocation

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

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

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

5. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 4).

a) Key Sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(a).

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

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

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation where the individual impaired items cannot yet be identified.

A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled as described in accounting policy 4(a).

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

Critical accounting judgments in applying the Bank's accounting policies

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

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in accounting policy 4(a)

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Details of the Bank's classification of financial assets and liabilities are given in note 4.

6. Segment Reporting

The Bank's current operation is not segregated to show divisional performance and as such does not lend itself to segmental reporting; hence management has not provided information on segmental reporting.


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		2011 GH¢	2010 GH¢
7.	**Interest income**		
	Loans and advances to customers	37,376,799	45,202,194
	Placement with other banks	658,589	248,149
	Investments securities	20,766,257	14,339,465
		58,801,645	59,789,808
	Interest expense		
	Current accounts	363,361	327,481
	Time and other deposits	35,157,725	24,755,028
	Overnight and call accounts	1,786,571	1,565,832
		37,307,657	26,648,341
	Net interest income	21,493,988	33,141,467
8.	**Net fees and commission income**		
	Fees and commission income		
	Fees on loans and advances	3,778,527	3,317,001
	Customer account servicing fees	10,113,488	6,833,000
	Letters of credit issued	6,018,784	5,932,291
	Other fees	11,463,647	5,437,953
		31,374,446	21,520,245
	Fees and commission expense		
	Inter-bank transaction fees	-	(60,000)
	Net fees and commission income	31,374,446	21,460,245
9.	**Net trading income**		
	Foreign exchange	14,800,578	2,900,626
10.	**Other operating income**		
	Foreign exchange	6,044,245	5,385,803
	Profit on disposal of equipment	23,298	13,358
	Sundry income	525,643	203,371
		6,593,186	5,602,532
11.	**Net Impairment losses on financial assets**		
	Specific impairments	3,724,447	7,437,796
	Loans and advances	558,453	1,590,364
	Net impairment loss on financial assets	4,282,900	9,028,160
12.	**Personnel expenses**		
	Wages and salaries	14,138,742	10,663,193
	Compulsory social security obligations	479,984	417,332
	Contribution to defined contribution plan	464,764	403,460
	Other staff cost	950,550	2,501,201
	Total personnel expenses	16,034,040	13,985,186

The number of persons employed by the Bank at the end of the year was 598 (2010: 558).

13. Other expenses

	2011 GH¢	2010 GH¢
Advertising and marketing expenses	1,463 ,895	1,221,880
Administrative expenses	16,179,155	13,360,257
Directors' emoluments	172,941	148,341
Auditor's remuneration	120,000	105,000
Operating lease rentals on office premises	4,725,953	3,916,272
Donations and sponsorship	10,900	1,700
	22,672,844	18,753,450

An amount of GH¢10,900 (2010: GH¢1,700) was spent as part of social responsibility of the Bank.

14. Income tax expense

	2011 GH¢	2010 GH¢
Current year income tax	7,035,036	4,783,731
Deferred income tax	(4,460,432)	732,000
	2,574,604	5,515,731

Tax expense

Income tax	Balance at 1/1/2011 GH¢	Payments during the year GH¢	Charge for the year GH¢	Balance at 31/12/2011 GH¢
2009	(830,785)	-	-	(830,785)
2010	962,730	(50,616)	-	912,114
2011	-	(3,750,000)	5,733,802	1,983,802
	131,945	(3,800,616)	5,733,802	2,065,131
National stabilisation levy				
2010	738,652	(54,900)	-	683,752
2011	-	(750,000)	1,301,234	551,234
	738,652	(804,900)	1,301,234	1,234,986
Total	870,597	(4,605,516)	7,035,036	3,300,117

Reconciliation of effective tax rate

	2011 %	2011 GH¢	2010 %	2010 GH¢
Profit before tax		26,024,680		16,420,119
Income tax using the domestic tax rate	25.00	6,506,170	25.00	4,105,030
National stabilisation levy	5.00	1,301,234	5.00	821,006
Non -deductible expenses	(1.99)	(518,510)	(0.61)	(100,451)
Tax incentives	(0.98)	(253,859)	(0.25)	(41,361)
Effect of movement in deferred tax	(17.14)	(4,460,432)	4.45	731,507
Tax expense	9.89	2,574,603	33.59	5,515,731

The effective tax rate for the year is lower than the combined effect of standard corporate income tax rate of 25% and national stabilization levy of 5% because of the effect of deferred tax movement.

15. Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of GH¢ 23,450,076 (2010: GH¢ 10,904,388) and a weighted average number of ordinary shares outstanding of 612,221,960 (2010: 612,221,960), calculated as follows:

	2011 GH¢	2010 GH¢
Net profit for the year attributable to equity holders of the Bank	23,450,076	10,904,388
Weighted average number of ordinary shares	612,221,960	612,221,960
Basic and diluted earnings per share (GH¢)	0.04	0.02

16. Cash and balances with Bank of Ghana

	2011 GH¢	2010 GH¢
Cash and balances with banks	112,548,864	109,876,136
Unrestricted balances with Bank of Ghana	85,397,721	67,227,248
Money market placements	110,153,764	77,048,864
	308,100,349	254,152,248

Included in the above cash and balances with banks is an amount of GH¢ 52million restricted balance with Bank of Ghana.

17. Financial assets

	Pledged assets 2011 GH¢	Non - pledged assets 2011 GH¢	Total assets 2011 GH¢	Pledged assets 2010 GH¢	Non-pledged assets 2010 GH¢	Total assets 2010 GH¢
Government bonds	28,896,003	75,548,628	104,444,631	-	37,947,007	37,947,007
Treasury bills	-	68,309,284	68,309,284	-	67,797,202	67,797,202
Total	28,896,003	143,857,912	172,753,915	-	105,744,209	105,744,209

18. Loans and advances to customers

	2011 GH¢	2010 GH¢
Loans and advances to customers at amortised cost	200,554,868	275,977,643

18. Loans and advances to customers at amortised cost

	Gross amount 2011 GH¢	Impairment allowance 2011 GH¢	Carrying amount 2011 GH¢	Gross amount 2010 GH¢	Impairment allowance 2010 GH¢	Carrying amount 2010 GH¢
Overdrafts	124,428,293	(18,002,429)	106,425,864	194,477,398	(12,264,889)	182,212,509
Term loans	89,022,194	(6,542,508)	82,479,686	88,637,000	(8,860,140)	79,776,860
Commercial papers	-	-	-	5,000,000	-	5,000,000
Staff loans	3,329,525	-	3,329,525	2,965,299	-	2,965,299
Finance leases	9,244,244	(924,451)	8,319,793	6,084,434	(61,459)	6,022,975
Total	226,024,256	(25,469,388)	200,554,868	297,164,131	(21,186,488)	275,977,643

Allowances for impairment

	2011 GH¢	2010 GH¢
Specific allowances for impairment		
Balance at the beginning of the reporting year	17,486,232	10,048,436
Ch arge for the year	3,724,447	7,437,796
Balance at 31 December	21,210,679	17,486,232
Collective allowances for impairment		
Balance at the beginning of the reporting year	3,700,256	2,109,892
Charge for the year	558,453	1,590,364
Balance at 31 December	4,258,709	3,700,256
Total allowances for impairment	25,469,388	21,186,488

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

	2011 GH¢	2010 GH¢
Finance lease receivables		
Gross investment in finance leases, receivable:		
Less than one year	7,328,998	3,788,458
Between one and five years	3,187,803	3,795,944
More than five years	-	-
	10,516,801	7,584,402
Unearned finance income	(1,272,557)	(1,438,509)
Net investment in finance leases	9,244,244	6,145,893
Net investment in finance leases, receivable:		
Less than one year	6,367,095	2,873,325
Between one and five years	2,877,149	3,272,568
More than five years	-	-
	9,244,244	6,145,893

19. Property and equipment

	Leasehold improv'ts	Furniture and equipment	Computers	Motor vehicles	Capital work in progress	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cost						
Bal at 1 Jan. 2010	5,682,179	5,892,707	4,987,165	3,831,731	1,605,758	21,999,540
Acquisitions	797,239	887,075	529,349	1,181,742	814,185	4,209,590
Transfers	93,845	108,384	218,608	-	(420,837)	-
Disposals	-	(37,530)	(76,970)	(486,239)	-	(600,739)
Bal at 31 Dec. 2010	6,573,263	6,850,636	5,658,152	4,527,234	1,999,106	25,608,391
Bal at 1 Jan. 2011	6,573,263	6,850,636	5,658,152	4,527,234	1,999,106	25,608,391
Acquisitions	744,977	464,338	338,329	616,899	2,595,531	4,760,074
Transfers	371,182	778,760	1,431,924	433,375	(3,015,241)	-
Disposals	-	-	-	(118, 581)	-	(118,581)
Write offs	-	-	-	-	(83,585)	(83,585)
Bal at 31 Dec. 2011	**7,689,422**	**8,093,734**	**7,428,405**	**5,458,927**	**1,495,811**	**30,166,299**
Depreciation						
Bal at 1 Jan. 2010	2,224,864	2,339,722	2,541,000	1,790,509	-	8,896,095
Depreciation for the year	1,248,840	1,385,812	1,344,985	914,000	-	4,893,637
Disposals	-	(30,617)	(76,330)	(393,393)	-	(500,340)
Bal at 31 Dec. 2010	3,473,704	3,694,917	3,809,655	2,311,116	-	13,289,392
Bal at 1 Jan. 2011	3,473,704	3,694,917	3,809,655	2,311,116	-	13,289,392
Depreciation for the year	1,288,486	1,402,684	1,524,915	988,205	-	5,204,290
Disposals	-	-	-	(51,879)	-	(51,879)
Bal at 31 Dec. 2011	**4,762,190**	**5,097,601**	**5,334,570**	**3,247,442**	-	**18,441,803**
Carrying amounts						
Bal at 1 Jan. 2010	3,457,315	3,552,985	2,446,165	2,041,222	1,605,758	13,103,445
Bal at 31 Dec. 2010	3,099,559	3,155,719	1,848,4 97	2,216,118	1,999,106	12,318,999
Bal at 31 Dec. 2011	**2,927,232**	**2,996,133**	**2,093,835**	**2,211,485**	**1,495,811**	**11,724,496**

19a. Profit on disposal

	2011	2010
	GH¢	GH¢
Cost	**118,581**	600,739
Accummulated depreciation	**(51,879)**	(500,340)
Carrying amount	**66,702**	100,399
Proceeds from disposal	**(90,000)**	(114,000)
Profit on disposal	**(23,298)**	(13,601)

20. Leasehold property

	2011	2010
Cost	GH¢	GH¢
Balance at 1 Jan.	889,970	889,970
Acquisitions	200,000	-
Balance at 31 Dec.	1,089,970	889,970
Amortisation		
Balance at 1 Jan.	93,788	75,988
Amortisation for the year	17,800	17,800
Balance at 31 Dec.	111,588	93,788
Carrying amount		
Balance at 1 Jan.	796,182	813,982
Balance at 31 Dec.	978,382	796,182

21. Intangible asset

	2011	2010
Cost	GH¢	GH¢
Balance at 1 Jan.	22,053	22,053
Acquisitions	125,646	-
Balance at 31 Dec.	147,699	22,053
Amortisation		
Balance at 1 Jan.	11,025	3,675
Amortisation for the year	25,644	7,350
Balance at 31 Dec.	36,669	11,025
Carrying amount		
Balance at 1 Jan.	11,028	18,378
Balance at 31 Dec.	111,030	11,028

22. Deferred assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2011 GH¢	**Liabilities 2011 GH¢**	**Net 2011 GH¢**	Assets 2010 GH¢	Liabilities 2010 GH¢	Net 2010 GH¢
Property and equipment, and software	182,976	-	182,976	199,650	-	199,650
Allowances for loan losses	139,613	-	139,613	940,428	-	940,428
Exchange differences	-	-	-	-	(4,817,645)	(4,817,645)
Contingency	459,843	-	459,843	-	-	-
Net tax assets/(liabilities)	782,432	-	782,432	1,140,078	(4,817,645)	(3,677,567)

22.a) Movements in temporary differences during the year

	Bal. at 1 Jan.	Recognised in profit or loss	Recognised in other comprehensive income	Bal. at 31 Dec.
For the year ended 31 Dec. 2011	GH¢	GH¢	GH¢	GH¢
Property and equipment, and software	199,650	(17,023)	-	182,627
Allowances for loan losses	940,428	(800,815)	-	139,613
Exchange differences	(4,817,645)	4,817,645	-	-
Contingency	-	459,843	-	459,843
	(3,677,567)	4,459,650	-	782,083
For the year ended 31 Dec. 2010				
Property and equipment, and software	(37,000)	236,650	-	199,650
Allowances for loan losses	570,000	370,428	-	940,428
Exchange differences	(3,479,000)	(1,338,645)	-	(4,817,645)
	(2,946,000)	(731,567)	-	(3,677,567)

23. Other assets

	2011 GH¢	2010 GH¢
P repayments	2,142,578	2,105,119
Accrued Interest receivable	1,248,531	620,906
Receivable from related party	26,351	26,351
Others	1,372,667	2,289,388
	4,790,127	5,041,764

24. Customer deposits

	2011 GH¢	2010 GH¢
Demand deposits	359,103,563	285,384,915
Term deposits	191,978,445	238,639,548
Savings deposits	22,215,315	18,656,056
	576,852,223	552,195,799

Analysis by type of depositors

	2011 GH¢	2010 GH¢
Financial institutions	13,093,008	33,658,049
Individual and other private enterprises	503,889,166	437,741,634
Public enterprises	59,870,049	80,796,116
	576,852,223	552,195,799
Ratio of 20 largest depositors to total deposits	58%	52%

25. Other liabilities

	2011 GH¢	2011 GH¢
Due to parent company	617,141	610,616
Creditors and accruals	7,500,366	8,595,392
Deferred income	1,483,727	1,500,153
	9,601,234	10,706,161

26. Capital and reserves

a) Share capital

	2011 No. of shares	2011 GH¢ Proceeds	2010 No. of shares	2010 GH¢ Proceeds
Authorised				
Ordinary shares of no par value	1,000,000,000	-	1,000,000,000	-
Issued and fully paid				
Issued for cash consideration	612,221,496	61,221,496	562,221,496	56,221,496
Transfer from income surplus account	-	-	50,000,000	5,000,000
	612,221,496	61,221,496	612,221,496	61,221,496

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

b) Retained earnings

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

c) 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) (As amended) and guidelines from the Central Bank.

d) Credit risk reserve

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

27. Dividends

The Bank did not declare dividend for the financial year ended 31 December 2011 (2010: Nil).

28. Leasing

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

Non cancellable operating lease rentals are payable as follows:

	2011 GH¢	2010 GH¢
Less than one year	305,341	406,082
Between one and five years	646,607	663,981
More than five years	339,610	252,286
	1,291,558	1,322,349

29. Contingencies

i) Claims and litigation

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

ii) Contingent liabilities and commitments

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

Nature of Instruments

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

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

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

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

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

	2011 GH¢	2010 GH¢
Contingent liabilities:		
Bonds and guarantees	196,380,537	171,902,630
Commitments:		
Clean line facilities for letters of credit	168,421,088	62,278,946
	364,801,625	234,181,576

iii) Commitments for capital expenditure

The Bank had commitment for capital expenditure amounting to approximately GH¢0 as at 31 December 2011 (2010: Gh¢0).

30. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes members of the Zenith Bank Group.

i) Parent

The parent company, which is also the ultimate parent company, is Zenith Bank Plc.
Transactions between Zenith Bank Plc. and the subsidiaries also meet the definition of related party transactions.

The parent company incurred expenditures in the normal course of business, mainly in the form of salary payments to seconded staff from Nigeria and licence fees, which were recharged to the Bank at cost.

During the year ended 31 December 2011, the bank transacted the following business with the parent Bank:

	2011 GH¢	2010 GH¢
Transactions during the year	6,525	528,804
Due to Parent company at year end	617,141	610,616

ii) Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Zenith Bank Plc.

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

	2011 GH¢	2010 GH¢
Executive Director	701,791	739,000
Officers and other employees	2,627,734	2,226,299
	3,329,525	2,965,299

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

iii) Associated companies

Balances with associated companies as at reporting period were:

	2011 GH¢	2010 GH¢
Nostros	5,673,260	2,646,092
Inter Bank advances	26,351	26,351
	5,699,611	2,672,443

31. Employee benefits

Defined contribution plans

a) Social security

Under the national pension scheme, the Bank contributes l3%, 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 recognized 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.

32. Subsequent events

There were no adjusting post balance sheet events.

33.Comparative information

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

Zenith Staff welcome the latest addition
to the branch network

Building the capacity of our clientele is a priority…
MD/CEO leads a workshop of a select customer group

In Zenith, we create and share…
Another donation to support education

The Police get their fair share of the Bank's CSR drive

MD/CEO serves @ Zenith's 5th Anniversary…
The greatest leader is indeed the greatest servant!

Mr Afari Yeboah of "What Do You Know" fame seem thrilled
by the sheer brilliance of the contestants

In Zenith Bank, education is a process not an event…
Meet the finalists of "The Battle of the Minds"

Brilliant staff + Healthy lifestyle = Excellence…
The Zenith formula!

Zenith Bank is not a company we work for but a
family we share in…Our end of year party

Zenith shares the spoils with the society

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