2016 ANNUAL REPORT

ZENITH BANK (GHANA) LIMITED

COMMITTED TO CREATING VALUE FOR OUR SHAREHOLDERS BY GENERATING CONSISTENT AND SUSTAINABLE EARNINGS OVER THE LONG TERM

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Dr. Mary Chinery-Hesse	Chairperson
	Henry Oroh	Managing Director/CEO (Appt'd – 20 May 2016)
	Dr. Henry Benyah	
	Kwame Sarpong	
	Ebenezer Onyeagwu	
	Olusola Oladipo	
	Babatunde Adejuwon	(Resigned - 6 April 2016)
	Daniel Asiedu	(Resigned – 29 February 2016)
	Gabriel Ukpeh	(Appointed - 13 May 2016)

SECRETARY

Michael O. Otu
Daniel Agamah

AUDITORS

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

SOLICITORS

Corporate Legal Concepts
Rehoboth Place
No.1 North Labone Estates
Accra

REGISTERED OFFICE

Premier Towers
Liberia Road
PMB CT 393
Accra
Tel: (+233) 302 611500-29
Fax: (+233) 302 660760
E-mail: info@zenithbank.com.gh
Website: www.zenithbank.com.gh
Swiftcode: ZEBLGHAC

BANKS

Zenith Bank (UK) Limited
Citibank London
Citibank New York
Ghana International Bank Plc.
Bank of Beirut
Standard Chartered Germany
Commerzbank AG
JP Morgan Chase
Sumitomo Mitsui Banking Corporation Europe
Deutche Bank

AT A GLANCE

31% ↑
Customer deposits increased by 31%

19% ↑
Operating income increased by 19%

3% ↑
Loans increased by 3%

76% ↑
Profit before tax increased by 76%

34% ↑
Total assets increased by 34%

69% ↑
Earnings per share increased by 69%

32% ↑
Shareholders' fund increased by 32%

17% ↑
Capital adequacy ratio increased by 17%

5-YEAR FINANCIAL SUMMARY

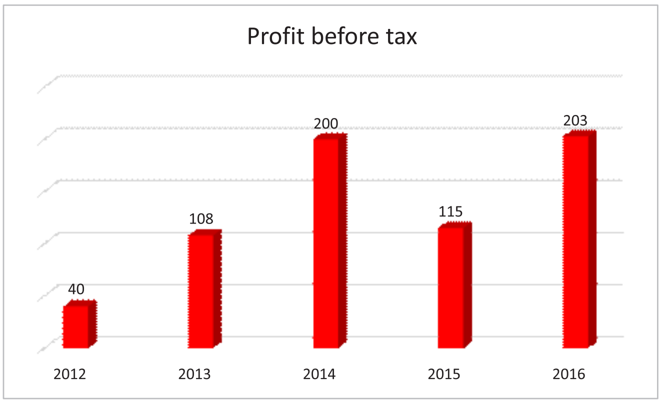
	2012 GH¢'000	2013 GH¢'000	2014 GH¢'000	2015 GH¢'000	2016 GH¢'000
Interest income	79,966	181,419	393,203	447,873	437,250
Operating income	**105,486**	**203,800**	**357,882**	**302,891**	**361,087**
Profit before tax	**40,266**	**107,699**	**200,128**	**115,080**	**202,590**
Profit after tax	30,391	73,611	137,400	83,077	140,265
Loans to customers	326,367	676,783	1,097,357	983,074	1,012,055
Total assets	**949,478**	**1,920,626**	**3,073,359**	**2,549,130**	**3,403,745**
Customer deposits	**780,684**	**1,066,493**	**1,846,745**	**2,010,078**	**2,637,944**
Stated capital	61,221	61,221	61,221	61,221	61,221
Shareholders' fund	**140,433**	**243,586**	**351,444**	**434,520**	**574,786**
Capital adequacy ratio	**17.61%**	**15.74%**	**14.25%**	**18.72%**	**21.98%**

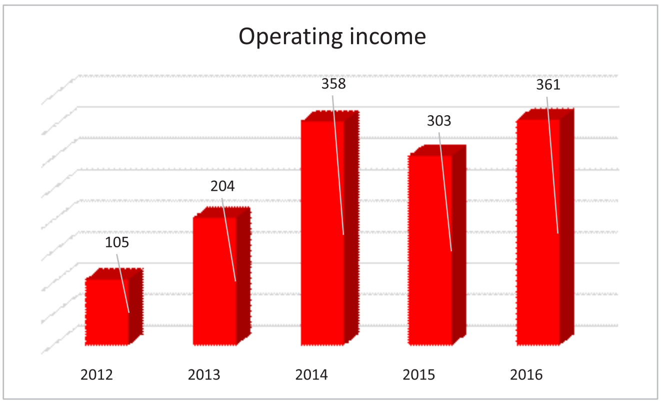
Thank you our cherished customers for helping us maintain our lead.

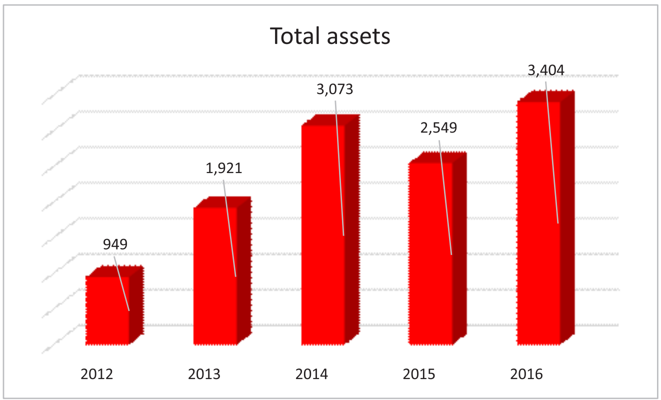
ZENITH BANK
...in your best interest

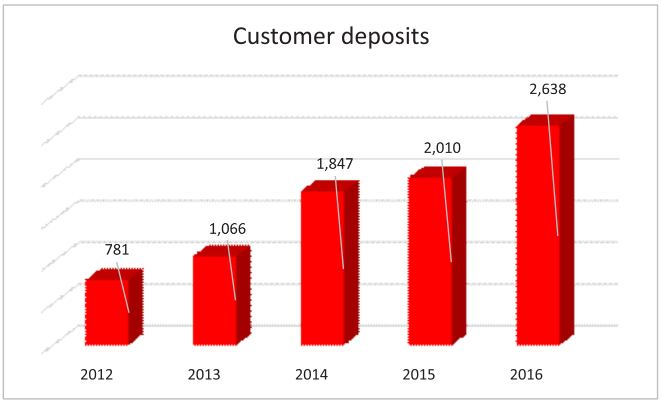
Call us on
0302680884/0302611500
0800 10100 (Toll Free)
www. zenithbank.com.gh
Zenith Bank Ghana Limited

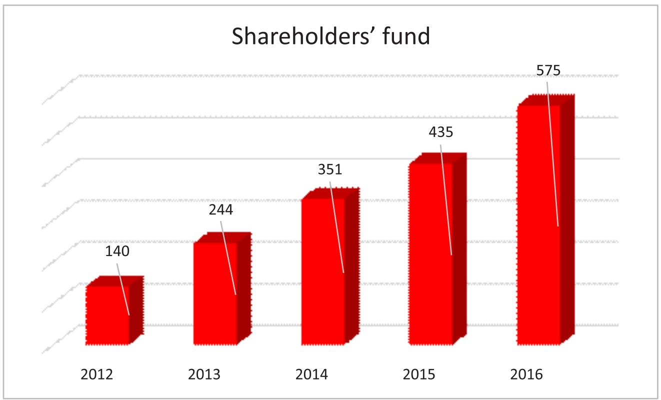
FINANCIAL HIGHLIGHTS

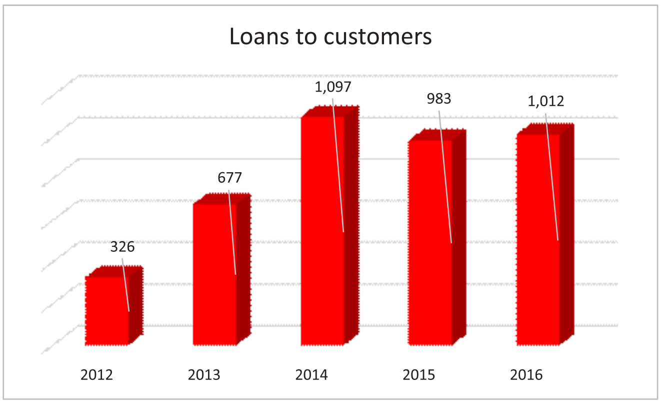












CORPORATE PROFILE & STRATEGY

Historical Background

Zenith Bank (Ghana) Limited, a subsidiary of Zenith Bank Plc, 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. Zenith Bank Plc has remained a Tier 1 bank over the last ten years.

Today, Zenith is undoubtedly, one of the strongest and most profitable banking brands; and one of the largest banks by asset size in Ghana. The Bank's branding has been anchored on continuous investment in people, technology, and excellent customer service.

The bank currently has thirty four (34) business offices (branches and agencies) in Ghana. Other service delivery channels include the numerous ATMs and Point of Sales terminals strategically located in various cities and towns countrywide. The bank also offers mobile and internet banking services which enable customers to access banking services on-the-go. Zenith's main objective for deploying these state-of –the-art delivery channels is to bring banking services closer to its customers while ensuring the service is faster, easier and better than anything customers have ever experienced.

Over the last eleven years, Zenith has improved its capacity, size, market share, and industry rankings in all parameters. The Bank has built financial, structural and technological muscle and have established our presence across the country. 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. Winning bank of the year after three years of operation in Ghana during the 2008 Ghana Banking Awards is just one of the notable recognition of its successes. In 2014 and 2016 the Bank attained global recognition when it was adjudged "Bank of the Year for 2014" and "Best Banking Group, Ghana, 2016" by The Banker magazine and World Finance respectively.

Vision and Strategic Objectives

The vision of the Bank is "to be a reference point in the provision of prompt, flawless and innovative banking services in the Ghanaian banking industry". In pursuance of this vision, the Bank has been set out to distinguish itself in the banking industry through its service quality and drive for the provision of unique customer experience. As a result, the Bank is easily associated with the following attributes:

- Innovation
- Stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of ICT
- Strategic distribution channels
- Good asset quality
- Excellent financial performance

The strategic objective of the Bank includes the continuous improvement of its capacity to meet the customers' increasing and dynamic banking needs as well as sustain high quality growth in a volatile business environment through:

- Investment and deployment of state of the art technology and ICT platform
- Recruitment, motivation and retention of the best human resource
- Investment in training and re-training of our personnel
- Investment in branch network expansion and thus bringing quality banking services to our teaming existing and potential customer base
- Investment in new product development with the aim of addressing customers' changing lifestyles, the need for convenience and improving customer banking experience

Customer Service

Throughout the past decade, Zenith has become customer focused bank which basks in the delight of its customers. Recognising that the Bank is in the business because of the invaluable support and patronage of customers, Zenith has ensured that customer satisfaction is at the centre of its service provision. In pursuance of this objective, the Bank's effort has been recognised as it won "Best Bank in Customer Care" during the 2013 Ghana Banking Awards and "Best Customer Service Bank, 2016" by the Global Banking and Finance Review .

Customer Base

Zenith Bank has re-defined banking on many other fronts. Through immense investments, we have acquired the ability to stay in the forefront of such fast-growing services such as internet banking, mobile banking, electronic payments, Visa payment systems, MasterCard, China Union Payments as well as many other key programs that provide customers with greater speed, accuracy and options. The result has been a nationwide, well-connected bank developed to the specifications of its customers and other stakeholders and thus giving them great value. The bank's service offerings cover most aspects of banking and tailored to the banking needs of our customers with emphasis on the following major market segments and lines of business:

- Energy Sector
- Corporate Banking
- Commercial and Consumer Banking
- Platinum Banking
- Telecoms & Aviation Sector
- Financial Institutions
- Public Sector
- Mining & Construction Sector
- Multilaterals & Other Institutions
- Custodian Services
- Third Party Collaboration Services

Growth Areas and New Product lines

We believe that strategic development and deployment of e-Business products and platforms are key competitive factors in the banking industry. Therefore, our target is to dominate the market by continuously introducing innovative banking products for specific industries/customers. We will continue to focus on the following market and products:

- Corporate Customers
- Retail Customers/SMEs and the Un-banked population
- Z-Web Acquiring Verified by Visa
- Card Services
- Online, mobile and in-shop payment solutions
- Third party collaborations

Our growth and marketing plans will seek to optimize our strengths to maximize available opportunities, minimize identified threats while taking steps to mitigate the effects of observed weaknesses.

Given our commitment to service excellence, robust IT platform, and the resourcefulness of our work force as well as our huge balance sheet size and sound financial ratios, Zenith Bank is in a good position to sustain and consolidate its growth trajectory and market share as well as take advantage of the emerging opportunities in the economy.

We are confident that our overall strategic objectives and envisaged financial growth would be achieved and that Zenith Bank would remain in the forefront amongst banks in the country in terms of profitability, size, assets quality and all other performance parameters.

BRANCH/AGENCY NETWORK

Head Office Branch
Premier Towers, Opposite Pension House,
Liberia Road, Ministries, Accra, Ghana.
Tel: (+233) 302 611500-29
Fax: (+233) 302 660760
E-mail:info@zenithbank.com.gh

Achimota Branch
C26/30 Adjacent Neoplan
Accra - Nsawam Rd, Achimota
Tel: (+233) 307 020178
Fax: (+233) 577 900001

Adum Branch
Plot 176, Old Town, Section B
Bogyawe Road (Opposite Nakani and Hagan)
Adum, Kumasi
Tel: (+233) 322 049512 - 5
Fax: (+233) 322 049511

Akosombo Branch
Church Ridge
Akosombo
Tel: (+233) 343 021742
Fax: (+233) 343 021741

Cape Coast Branch
Casford Street
UCC New Site, near Casford Hall,
P. O. Box UC 182, Cape Coast
Tel: (+233) 332 135644
Fax: (+233) 332 135645

East Legon Branch
Lagos Street
East Legon
Tel: (+233) 302 522170 - 5
Fax: (+233) 302 522172

Graphic Road Branch
Tamakloe House
45 Ring Road Industrial Estates,
South Extension, Accra
Tel: (+233) 302 253376 - 81
Fax: (+233) 302 253385

Kojo Thompson Road Branch
Darmak House,
Accra
Tel: (+233) 302 679812
Fax: (+233) 302 679813

Kumasi Main Branch
Plot No. 22, Block T
Ahojo Road
Adiebeba, Kumasi
Tel: (+233) 322 083281
Fax: (+233) 322 083282

Labone Branch
House No. F166-6, Adjacent Jet Link
North Labone, Accra
Tel: (+233) 302 784179
Fax: (+233) 302 782663

North Industrial Area Branch
32 Kakatsofa Street,
North Industrial Area
Kaneshie, Accra
Tel: (+233) 302 255158 – 60
Fax: (+233) 302 255156

Patrice Lumumba Branch
Plot No. A.229
Patrice Lumumba Road,
Airport Residential Area
Tel: (+233) 302 774090
Fax: (+233) 302 774345

Sakaman Branch
No. H/202
Winneba Road
Sakaman
Accra
Tel: (+233) 302 337737/337754-5
Fax: (+233) 322 048251-52

Spintex Road Branch
18 Ayiku Lane
Accra
Tel: (+233) 302 815595-7
Fax: (+233) 302 815593 – 4

Suame Branch
Plot 53 A
Tarkwa Makro,
Suame
Tel: (+233) 322 046122
Fax: (+233) 322 046123

Sunyani Branch
Sunyani Central
J. A. Adom Building (Old GNTC)
Sunyani.
Tel: (+233) 352 025888
Fax: (+233) 352 023016

Takoradi Branch
Market Circle
Takoradi
Tel: (+233) 312 02124 - 36
Fax: (+233) 312 021142

Takoradi Harbour Branch
No. 49A Nzema Road
Takoradi
Tel: (+233) 31 2023363
Fax: (+233) 31 2021744

Tamale Branch
Central Market
Tamale
Tel: (+233) 372 027420 – 1
Fax: (+233) 372 07127422

Tarkwa Branch
St. Matthew's Roman Catholic Park
Tarkwa – Abosso Road
Tel: (+233) 312 321299
Fax: (+233) 312 332193

Tema Community 1 Branch
Kasapa Building,
Meridian Drive
Community One, Tema
Tel: (+233) 303 201252 - 66
Fax: (+233) 303 201248

Tema Free Zone Branch
Plot A
Tema Export Processing Zone
Kpone
Tema
Tel: (+233) 307 079368
Fax: (+233) 307 079373

Tema Industrial Area Branch
Opp. Maxmart
Tema Oil Refinery (TOR) Rd
Tema Industrial Area
Tel: (+233) 307 010513
Fax: (+233) 303 308755

Tema Metropolitan Assembly Branch
Tema Metropolitan Assembly Work Yard
Opposite Our Lady of Mercy Church
Tema Community 1
Tel: (+233) 303 207044/303 208429
Fax: (+233) 303 207073

Trade Fair Branch
Adjacent Trade Fair Shell Filling Station
Burma Camp Road
La
Tel: (+233) 302 781421
Fax: (+233) 302 781445

Abora Business Centre
Main Building, Ghana Rubber Estate Ltd.
Abora

Bui Business Centre
Bui Dam Project Site
Bui

Ho Business Centre
Ho Polytechnic Campus
Ho
Tel: (+233) 362 025671
Fax: (+233) 3362 025676

Kantamanto Business Centre
Tarzan House
Kantamanto, Accra
Tel: (+233) 289 516792
Fax: (+233) 320 671874

BRANCH/AGENCY NETWORK (cont'd)

Kotoka International Airport Business Centre
Arrival Hall
Kotoka International Airport
Tel: (+233) 307 020193, 020195

Kumasi Polytechnic Business Centre
Kumasi Polytechnic Campus
Kumasi
Tel: (+233) 322 048249 - 50
Fax: (+233) 322 048251-52

Winneba Business Centre
Cooperative Credit Union Complex
North Campus
University Of Education Winneba
Winneba
Tel: (+233) 337 010056
Tel: (+233) 337 010057

Tamale Polytechnic Business Centre
GETFUND Hostel-Tamale Polytechnic
Tamale
Tel: (+233) 577 690894

UDS Business Centre
G035 Block C
UDS International Conference Centre
Tamale
Tel: (+233) 577 690893

PRODUCTS & SERVICES

Z-Web Acquiring Verified by Visa

Z-Web Acquiring Verified by Visa, the first of its kind in West Africa, is a platform that connects merchants, cardholders, and financial institutions with Visa's advanced network. It allows merchants to accept card payments from customers who desire to do online purchases using their Visa cards. It offers secured transactions and online-real time payment processing.

Zenith Children's Account Plus (ZECA Plus)

ZECA Plus is a specialized top of the range savings product for children between 0-12 years. With ZECA Plus, you earn high interest and enjoy fantastic benefits.

Zenith Investment Plan Account (Z-IPA)

ZIPA is an investment instrument designed to build up adequate financial resources for future uses. It has been packaged for corporate bodies, associations, fund managers and investment clubs. ZIPA is ideal for managed funds and welfare funds.

Visa Cards

The Bank has four (4) VISA cards to make business transactions easier, timely and safer:

- Zenith Platinum Debit Visa Card
- Zenith Classic Credit Visa Card
- Zenith Classic Debit Visa Card
- Zenith Classic Prepaid Visa Card

Zenith Society Account (Z-Society)

An investment account designed for clubs, societies, associations and social organizations to offer funds management services at very attractive interest rates.

Cruz Card

This is a multipurpose card issued to staff and students of academic institutions. While it serves as a photo ID and access control card, it is also a Visa-enabled stored value card. It is globally accepted on any Visa channel, which adds to its convenience and ease of use.

GlobalPay

GlobalPay is an on-line market place/ platform where merchants can display or advertise their products or merchandise and customers can make purchases directly. It is secured by world class security software and enables customers to pay directly into merchants account.

Some of its key benefits include, on line real time access to all transactions, increase in sales and cashless transactions, no queues at customers' shops/offices and the opportunity to conduct an audit trail of all transactions.

GlobalPay essentially facilitates merchants to accept card payments for goods or services online (on the internet). It allows merchants who sign up and has Visa and Master cards, to use their cards to make payments for goods and services displayed on the merchants website or the bank's storefront. The cardholders may either be a Zenith Bank customer (on-us cardholder) or from a domestic or foreign bank (not-on-us cardholder).

GlobalPay is made up of two modules:

- Where a merchant has a website already developed, the bank will facilitate the acceptance of card payments on the merchant's website by providing a payment platform
- Where the merchant has no website, the bank provides the merchant with an online storefront where the merchant's products will be displayed and payments made online

Global Travel Wallet

This is an instant Visa prepaid foreign currency denominated card, issued to travellers by Zenith Bank in partnership with participating foreign exchange bureaux. Among other benefits, the card eliminates the risk of exchange rate fluctuations.

Automatic Direct Payment System (ADPS)

This is an online real-time banking service for corporate customers. ADPS allows customers to process transactions via the internet through a secured banking portal. The service allows various signatories of an account to approve transactions no matter their location. Our aim for this service is to facilitate transactions of our customers in a more conducive and secured way without interrupting their busy schedules. Benefits of this product include:

PRODUCTS & SERVICES (cont'd)

- View Real Time Online Account Balances
- View, download and consolidate account statements
- Receive email & mobile phone notifications of all transactions
- Eliminates errors associated with generating manual cheques
- Limitless transfers
- 24-hour Access

Custodian Services
Our Custodian Service is run in line with global best practice with the aim of being the benchmark for excellence in the C ustodial Services industry in Ghana. Services provided include:
- Safekeeping
- Settlement
- Cash Management
- Pensions
- Mutual Funds

OTHER BANKING SERVICES

Domestic Account
Current Account
Savings Account
Clubs/Public/Partnership Current Account
Sole proprietor-ship Current Account

Foreign Account
Foreign Currency Account
Foreign Exchange Account

Treasury
Treasury Bills Investment
Zenith Investment Savings Account (ZISA)
Zenith Investment Plan Account (Z-IPA)
Zenith Investment Retirement Account (ZIRA)
Commercial Paper (CP)
Bankers Acceptance (BA)

Point of Sale Terminal (POS)
Our point of sale terminal (POS) allows our corporate customers to process card transactions electronically on real-time basis. It allows for verifying transactions either by biometric or PIN/signature-verified. Some of the benefits of this product include:
- Real- time settlement
- VISA, MasterCard & Zenith Proprietary card enabled
- Euro Master Visa (EMV) Card compliant
- Reduction in cost of handling cash
- 24/7 availability with uninterrupted back- up power source

Platinum Banking
This service is a one-stop shop, personalised financial solution to the complex banking demands of high net-worth individuals.

Trade
Letters Of Credit
Bills for Collection
Export Finance
Structured Short Term Loans
Guarantees & Bonds

"Bank Direct"
A product that enables visa card holders to receive and send money into their bank accounts instantly.

MasterCard
The bank has three MasterCards to make business transactions easier, timely and safer:
- MasterCard Debit Card
- MasterCard Credit Card
- MasterCard Prepaid Card

Other e-business Products
Automated Cheque Writing Solution (ACWS)
Sal-Pay
Z-Prompt (Transaction Notification)
Z-mobile
EazyPay & ATM Services (EazyCash)
Collection Solution (Schools, Airlines etc)
Reconciliation Tool
E-ticketing
Draft Issuance Service (DIS)

Diversity and Inclusion

As an organisation with the aim of hiring, training, motivating and retaining the best human capital in the industry, diversity and inclusion are key to achieving these objectives. Our highly motivated and skilled staff come from diverse religious, ethnic and racial backgrounds and we believe this will enable us meet the requirements of our valued customers.

CORRESPONDENT BANKS

Zenith Bank (UK) Limited
London, EC3V 3NU
Email: info@zenith-bank.co.uk
39 Cornhill Road

Citibank N.A, London
Citigroup Center
25 Canada Square
Canary Wharf
London E14 5LB

Citibank N.Y.
111 Wall Street
New York, N.Y. 10005
Swift: CITIUS33

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London EC2N 2DB
Tel: +44 (0) 20 75477946
Email: gary.pickard@db.com

Bank of Beirut (UK) Limited
17A Curzon Street
London (West End) W1J 5HS
England, UK

JP Morgan Chase Bank NA
Global Implementation Project Management
1 Chaseside
Bournemouth
Dorset
Bh7 7DA
UK

Commerz Bank
Aktiengesellschaft,
60261
Frankfurt am Main
Germany

Sumitomo Mitsui Banking Corporation Europe Ltd.
99 Queen Victoria St,
London EC4V 4EH
United Kindom

Ghana International Bank
69 Cheapside
P.O. Box 77
London EC2P
Swift: GHIBGB2L

Standard Chartered Bank-Germany
2nd floor, Standard Chartered Building
6, JEA Mills High Street, Accra, Ghana
Tel: +233 504 698 588
Email: Jerry.Gavu@sc.com

BOARD OF DIRECTORS

MARY CHINERY-HESSE (DR.)
CHAIRMAN

HENRY OROH
MANAGING DIRECTOR/CEO

EBENEZER ONYEAGWU
DIRECTOR

HENRY BENYAH (DR.)
DIRECTOR

OLUSOLA OLADIPO
DIRECTOR

KWAME SARPONG
DIRECTOR

GABRIEL UKPEH
DIRECTOR

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

Report of the Directors

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2016 report as follows:

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Zenith Bank (Ghana) Limited, comprising the statement of financial position at 31 December 2016, and the statements 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, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738). In addition, the directors are responsible for the preparation of directors' report.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

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.
The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Financial Report and Dividend

The financial results of the Bank for the year ended 31 December 2016 are set out in the attached financial statements, highlights of which are as follows:

31 December	2016 GH¢	2015 GH¢
Profit before taxation is	202,589,554	115,080,140
from which is deducted taxation of	(62,324,342)	(32,003,197)
giving a profit after taxation for the year of	140,265,212	83,076,943
less net transfer to statutory reserve fund and other reserves of	(21,019,731)	(5,849,373)
leaving a balance of	119,245,481	77,227,570
when added to a balance brought forward on retained earnings of	260,352,620	183,125,050
gives a balance of	379,598,101	260,352,620

In accordance with Section 29(c) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738), an amount of GH¢ 17,533,152 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 107,644,078 at the year end.

The Directors do not recommend the payment of dividend (2015: Nil).

REPORT OF THE DIRECTORS TO THE MEMBERS OF ZENITH BANK (GHANA) LIMITED (cont'd)

Nature of Business

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

Holding Company

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

Auditor

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

Review of Exposure Limits

Section 42 (1 and 2) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non secured facilities should not exceed 25% and 10% of the company's net worth respectively. The Bank has granted two (2) facilities that had balances exceeding the prescribed exposure limits at the end of the period under review.

Approval of the Financial Statements

The financial statements of the Bank, as identified in the first paragraph, were approved by the board of directors on **27 January 2017** and were signed on their behalf by:

Mary Chinery Hesse

Dr. Mary Chinery-Hesse
(Chairman)

Henry Oroh
(Managing Director/CEO)

CORPORATE PROFILE

DIRECTORS' REPORTS

CORPORATE GOVERNANCE

AUDITOR'S REPORT

FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

Dr. Mary Chinery-Hesse - Chairman

On behalf of the board, it gives me great pleasure to present the Bank's 2016 Annual Report, the eleventh since the Bank's inception.

CORPORATE GOVERNANCE VALUES

The Bank continued to conduct its business in line with relevant statutes, regulatory policies and directives during the year under review. The Board's commitment to sound corporate governance practices is reflected in the commissioning of PricewaterhouseCoopers (PwC) to undertake an independent evaluation of the Board's activities during the year. Similarly, the Board has already commenced discussions with Management towards ensuring compliance with IFRS 9 (an accounting standard that addresses the recognition, measurement, impairment, derecognition and disclosure of financial instruments), Basel II/III and a possible increase in the minimum capital of commercial banks by the Bank of Ghana.

FINANCIAL PERFORMANCE

In 2016, the Bank's shareholders' funds grew by 32 percent, from GH¢435 million in 2015 to GH¢ 575 million as a result of a 76 percent growth in profit before tax from GH¢115 million in 2015 to GH¢203 million in 2016. This growth resulted in a return on assets and equity of 7 percent and 28 percent respectively. The Bank's performance in 2016 is its best since inception in terms of profit before tax, customer deposits, asset size and shareholders' funds. We could not have achieved this feat without the continued support and patronage of our cherished customers, who have remained loyal to the Zenith brand since we commenced operations over eleven years ago. Kindly accept the assurances of our highest consideration. We will continue to conduct our business with you in mind.

OTHERS

In the course of 2016, Mr. Babatunde Adejuwon and Mr. Daniel Asiedu retired from the Board, while Mr. Gabriel Ukpeh was appointed as a Non-executive Director. Mr. Henry Oroh, an Executive Director, was elevated to the position of Managing Director and Chief Executive Officer.

On behalf of the Board, I would like to thank the MD/CEO and his Management team for an impressive performance in 2016. I will also like to thank the entire staff for their commitment, loyalty and hard work, which resulted in the Bank's successful operations and finally, to my colleague Board members for their support, leadership and invaluable contribution during the year.

2017 AND BEYOND

Ghana's economic outlook for 2017 and beyond is positive. The new administration promised to roll out policies that will stimulate economic growth. In 2017, the Bank will continue to consolidate the gains made in 2016 and build on that momentum to deliver value to all stakeholders in an environment of effective risk management.

LIVE
THE
ZENITH
LIFE

Zenith Point of Sale Terminal (POS)

Accepts the following cards:

VISA
MasterCard
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EXECUTIVE MANAGEMENT

HENRY OROH
MANAGING DIRECTOR/CEO

MAEBELLE NORTEY
DIVISIONAL HEAD (MARKETING)

ABIODUN DUROSINMI
GENERAL MANAGER (OPERATIONS)

DANIEL AGAMAH
COMPANY SECRETARY/GROUP HEAD (BUSINESS SUPPORT SERVICES)

GEORGE BLAVO
DIVISIONAL HEAD (MARKETING)

CHIEF EXECUTIVE OFFICER'S REVIEW

Henry Oroh - Managing Director/CEO

The year 2016 was a challenging but successful year for the bank, culminating in significant returns for our shareholders.

ECONOMIC AND MARKET ENVIRONMENT

Global Economy

According to the October 2016 edition of the World Economic Outlook (WEO), the global economy was projected to grow at 3.1 percent in 2016 as a result of subdued outlook for developed economies following Brexit and weaker-than-expected growth in the United States. Emerging markets and developing economies were expected to grow by about 4.2 percent in 2016, which will account for more than three-quarters of projected world growth for 2016. Nigeria, South Africa and Angola, the largest economies in sub-Saharan Africa are experiencing sharp recessions as a result of lower commodity prices, drop in oil prices and challenging local political and economic conditions. Global growth is, however, projected to recover to 3.4 percent in 2017 by WEO projections.

Domestic Economy

Government's macroeconomic programme for 2016 was aimed at achieving and sustaining macroeconomic stability and strong economic growth whiles creating jobs and protecting social spending. In line with this programme, the country's overall gross domestic product (GDP) growth was projected at 4.1 percent. However, economic growth in 2016 has largely been subdued due to declining prices of commodities and tight credit stance to the private sector as per the government's mid-year economic review in July 2016. According to data released by the Ghana Statistical Service, provisional GDP growth for 2016 was 3.6 percent as against the projected 4.1 percent.

Most economic indicators were fairly stable in 2016. For instance, data from the Bank of Ghana revealed that the Cedi depreciated, cumulatively, by 9.6 percent against the US Dollar in 2016, compared with 15.7 percent in 2015 mainly as a result of inflows from the pre-export finance facility of US$1.8 billion for cocoa, funds from the International Monetary Fund under the three-year Extended Credit Facility, funds from the USD750 million Eurobond as well as government's tight fiscal and monetary policies.

Inflation declined from 17.7 percent in December

2015 to 15.4 percent in December 2016 percent due to policy tightness and continued stability of the exchange rate. Similarly, interest rates on the 91-Day and 182-Day Treasury Bills declined from 23.10 percent and 24.40 percent in December 2015 to 16.8 percent and 18.5 percent in December 2016 respectively. The Monetary Policy Committee of the Bank of Ghana also reduced its policy rate from 26 percent to 25.5 percent in response to the declining trend in the inflation rate.

Economic Outlook

With the conduct of a successful election and a peaceful transfer of power, the economy is expected to generate some excitement this year as the new administration has started assembling its team. A summary of the country's economic outlook, based on policies and programmes contained in the manifesto of the new administration, is outlined below:

- The new administration has indicated its resolve to stimulate growth in the private sector by reducing interest rates and taxes.
- Tweneboa, Enyenra and Ntomme (TEN) as well as Sankofa-Gye Nyame are projects that will provide substantial savings in foreign exchange reserves and stability in power supply in Ghana. These projects are major positives to the economy.
- No aggressive growth is expected from the commodity sector given the swings experienced in market demand in recent times.
- Forex savings arising from the opportunities in the gas sector is expected to create stability for the Cedi in the short and medium term.
- Single digit inflation target will remain an objective in 2017 and the government will continue to pursue it.
- Ghana's sovereign debt of US$29.2 billion at the end of December 2016 is high at 72.5 percent of gross domestic products (GDP). This impacts on sovereign risk rating and ability to refinance debts.

Overall, the economic outlook remains positive in the short to medium term.

OVERVIEW OF THE GHANAIAN BANKING INDUSTRY

In 2016, the banking industry in Ghana witnessed steady growth in both assets and profitability, according to data from the Bank of Ghana. Total assets grew by 27.6 percent from GH¢63.4 billion as at December 31, 2015 to GH80.9 billion as at December 31, 2016. The growth in total assets was funded principally by 24.5 percent growth in deposits from GH¢41.3 billion as at December 31, 2015 to GH¢51.4 billion as at December 31, 2016.

Most financial soundness indicators remained strong in 2016, although some of them deteriorated in the course of the year. Specifically, the Capital Adequacy Ratio (CAR) declined from 17.8 percent in December 2015 to 17.6 percent at the end of December 2016. Industry Non-Performing Loans (NPL) ratio also worsened from 14.7 percent in December 2015 to 17.4 percent at the end of last year. Total industry NPL grew from GH¢4.4 billion in December 2015 to GH¢6.2 billion in December 2016.

The Bank of Ghana setup a technical committee to review and recommend a new minimum capital for commercial banks in the country. This is to enable banks become more resilient and be better positioned to take on big ticket transactions locally and internationally. This recommendation is still undergoing review.

Government also restructured the Volta River Authority (VRA) debts of GH¢776 million and US$358 million into a five year facility at 22 percent and 8.5 percent for the Ghana Cedi and Dollar components respectively, with an option to accelerate repayment within 3 years. A similar arrangement is being made to clear the debts owed to the Bulk Distribution Companies, which stood at US$321 million (both audited and unaudited) at the end of December 2016, with the issuance of a five year Bank of Ghana bond of GH¢900 million as initial payment.

ZENITH BANK'S PERFORMANCE

Financial Performance

The bank's financial performance in 2016 was very impressive with total assets growing by an average of 34 percent from GH¢2,549 million in December 2015 to GH¢3,403 million in December 2016. This was funded mainly by deposits, which increased from GH¢2,044 million in December 2015 to GH¢2,671 million in December 2016. Over the same period, profit before tax increased by an average of 76 percent from GH¢115 million to GH¢203 million.

Awards

In recognition of the bank's superior performance and exceptional service delivery, the bank won seven awards in 2016 as follows:

- Best Banking Group, Ghana, 2016 - World Finance Magazine
- Best Corporate Bank Ghana, 2016 - Global Banking and Finance Review
- Best Customer Service Bank, 2016 - Global Banking and Finance Review
- Best e-Commerce Bank, 2016 - Global Banking and Finance Review
- Most Cashless Bank, Ghana Banking Awards 2015
- 2015 Ghana Club 100. No. 7 Ranking
- Best Trade Finance Bank, Ghana, 2016 – Global Finance Magazine

Branch/Agency Network

The bank added one branch (Sakaman) and two agencies (University for Development Studies and Tamale Polytechnic), to its branch network during the year. The bank will continue to identify strategic locations for setting up branches in 2017.

Products/Services

In collaboration with ExpressPay and Visa Inc., the bank launched "Bank Direct", a product that enables Visa cardholders to receive and send money into their bank accounts instantly. The bank also launched its bouquet of MasterCard Debit, Credit and Prepaid cards. These are electronic chip-based cards that enable cardholders pay for goods and services or withdraw cash worldwide.

Others

In line with the bank's continuous investment in a healthy lifestyle of its staff and customers, the bank organised two health walks in April and October 2016. A Corporate Fun Day, which brought together staff from all the branches to socialise and network, was held in November 2016.

Our Focus in 2017

Our focus in 2017 is to consolidate the gains made in 2016. The bank's current balance sheet size and customer deposit position provide it with a platform to take advantage of strategic business opportunities in 2017. The bank will continue to prioritise excellent customer service while upholding its core values of Belief in God, Integrity and Keeping the Service Promise. In doing this, our staff will remain pivotal and management will continue to put in place measures aimed at retaining and developing a formidable workforce to drive the bank's business.

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.

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 Belief 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, five (5) Non-Executive Directors and one (1) Executive Director.

The Board comprises of persons of mixed skills with experience in different fields of human endeavour. 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 the Bank's business.

The Board meets at least once every quarter, but may hold extraordinary sessions as the 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 extraordinary meetings to address urgent issues that may arise.

The following are the Standing Committees of the Board:

Board Credit Committee

The Committee comprises a Chairman who is a Non-Executive Director, two (2) other Non-Executive Directors and one (1) 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
Mr Ebenezer Onyeagwu	Chairman
Mr Kwame Sarpong	Member
Mr Henry Oroh	Member
Mr Olusola Oladipo	Member

Board Audit Committee

The Committee is made up of a Non-Executive Chairman and three (3) other Non-Executive Directors. The Audit Committee has oversight responsibility for the overall internal audit function and creates a comprehensive approach to anticipate, identify, prioritize and manage material risks to the Bank's business objectives. The Bank recognizes the Committee as the "guardian of public interest", and reflects this both in the composition and caliber of its membership. The Head of Internal Control and the Chief Compliance Officer have access to this Committee and make quarterly presentations for the consideration of the Committee.

Members of the Committee include:

Name of Director	Position
Dr Henry Benyah	Chairman
Mr Kwame Sarpong	Member
Mr Gabriel Ukpeh	Member
Mr Olusola Oladipo	Member

Board Risk Management Committee

The Committee is made up of a Non-Executive Chairman, two (2) other Non-Executive Directors and one (1) Executive Director. The Risk Management Committee has oversight responsibility for the overall risk function of the business of the Bank and encompassess strategic, operational, financial and compliance risk. The Chief Risk Officer has access to this Committee and makes quarterly presentations for the consideration of the Committee.

Members of the Committee are as follows:

Name of Director	Position
Mr Kwame Sarpong	Chairman
Mr Ebenezer Onyeagwu	Member
Mr Gabriel Ukpeh	Member
Mr Henry Oroh	Member

Board Governance, Nominations and Remuneration Committee

The purpose is to seek and nominate qualified candidates for appointment to Zenith's Board of Directors. The Committee is made up of a Non-Executive Chairman and two (2) other Non-Executive Directors. 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
Mr Ebenezer Onyeagwu	Chairman
Dr. Henry Benyah	Member
Mr Gabriel Ukpeh	Member

Board Finance and General Purpose Committee

The Committee is made up of a Non-Executive Chairman, one (1) other Non-Executive Director and one (1) Executive Director. 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
Mr Olusola Oladipo	Chairman
Mr Henry Oroh	Member
Dr Henry Benyah	Member

Schedule of attendance at Board Meetings

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

Directors	BC	FGPC	CC	GNRC	AC	RC
Mrs Mary Chinery - Hesse	4	N/A	N/A	N/A	N/A	N/A
Mr Daniel Asiedu	1	1	1	N/A	N/A	N/A
Mr Kwame Sarpong	4	1	3	2	3	3
Dr Henry Benyah	4	2	N/A	4	3	N/A
Mr Babatunde Adejuwon	1	1	N/A	1	1	1
Mr Henry Oroh	4	3	3	N/A	N/A	2
Mr Ebenezer Onyeagu	4	1	3	4	N/A	3
Mr Olusola Oladipo	4	2	3	2	3	N/A
Mr Gabriel Ukpeh	1	N/A	N/A	1	1	1

*Board Committee (BC), Finance and General Purpose Committee (FGPC), Credit Committee (CC), Governance, Nominations and Remuneration Committee (GNRC), Audit Committee (AC), Risk Committee (RC)
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 Member	Position
Mr Henry Oroh	Chairman
Mrs Maebelle Nortey	Member
Mr Abiodun Durosinmi	Member
Mr Daniel Agamah	Member
Mr George Blavo	Member

CORPORATE GOVERNANCE (cont'd)

Asset and Liability Committee (ALCO)

The purposes of ALCO are formation of an optimal structure of the Bank's balance sheet to provide the maximum profitability, limiting the possible risk level; control over the capital adequacy and risk diversification; execution of the uniform interest policy; determination of the Bank's liquidity management policy; control over the state of the current liquidity ratio and resources of the Bank. The Committee is chaired by the MD/CEO and consists of all the members of EXCO in addition to other senior staff members. This Committee meets every week.

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 a 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 these principles so as to eliminate the potential for illegal practices.

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

Opinion

We have audited the financial statements of Zenith Bank (Ghana) Limited ("the Bank"), which comprise the statement of financial position at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 89.

In our opinion, these financial statements give a true and fair view of the financial position of Zenith Bank (Ghana) Limited at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises Corporate Governance information included in the financial statements and the Directors' Report as required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it

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

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

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

Non-compliance with a section of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738)

The Bank's transactions were within its powers and except as indicated in Note 37, the Bank generally complied with the relevant provisions of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738).

The engagement partner on the audit resulting in this independent auditor's report is Nathaniel D. Harlley (ICAG/P/1056).

....

For and on behalf of:

KPMG: (ICAG/F/2017/038)

CHARTERED ACCOUNTANTS

13 YIYIWA DRIVE, ABELENKPE

P O BOX GP 242

ACCRA

27 January 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2016 GH¢	2015 GH¢
Assets			
Cash and cash equivalents	16	808,017,805	691,726,903
Investments	18	1,080,681,114	721,261,329
Investments (other than securities)	17	292,677,000	-
Loans and advances to customers	19	1,012,054,694	983,074,431
Current tax assets	14 (a)	855,185	6,174,204
Property and equipment	20	130,061,809	91,924,899
Intangible assets	21	1,558,728	2,079,247
Deferred tax assets	22	4,228,181	8,049,180
Other assets	23	73,610,251	44,839,864
Total assets		3,403,744,767	2,549,130,057
Liabilities			
Borrowings	25	110,151,330	25,125,634
Deposits from customers	24	2,637,944,348	2,010,077,972
Deposits from banks and non -bank financial institutions	24	33,320,240	34,564,038
Other liabilities	26	47,543,160	44,841,936
Total liabilities		2,828,959,078	2,114,609,580
Equity			
Stated capital	27 (a)	61,221,496	61,221,496
Statutory reserve	27 (b)	107,644,078	90,110,926
Credit risk reserve	27 (b)	26,322,014	22,835,435
Retained earnings	27 (b)	379,598,101	260,352,620
Total equity		574,785,689	434,520,477
Total equity and liabilities		3,403,744,767	2,549,130,057

Dr. Mary Chinery-Hesse
(Chairman)

Henry Oroh
(Managing Director/CEO)

The financial statements of the Bank were approved by the board of directors on **27 January 2017.**

The notes on pages 36 - 89 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Note	2016 GH¢	2015 GH¢
Interest income	7	437,250,172	447,872,621
Interest expense	7	(174,413,831)	(171,685,023)
Net interest income		262,836,341	276,187,598
Fees and commission	8	63,674,640	64,859,675
Net trading income/(loss)	9	31,371,716	(40,842,007)
Other income	10	3,204,058	2,685,823
Net trading and other income		98,250,414	26,703,491
Revenue		361,086,755	302,891,089
Impairment loss on financial assets	11	(13,026,463)	(54,517,824)
Personnel expenses	12	(61,270,606)	(58,233,265)
Depreciation and amortization	20(a)	(8,835,470)	(6,771,294)
Other expenses	13	(75,364,662)	(68,288,566)
Profit before income tax		202,589,554	115,080,140
Income tax expense	14	(62,324,342)	(32,003,197)
Profit after tax attributable to equity holders of the Bank		140,265,212	83,076,943
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to equity holders of the Bank		140,265,212	83,076,943

The notes on pages 36 - 89 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Stated Capital GH¢	Statutory Reserve GH¢	Credit risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as at 1 January 2015	61,221,496	79,726,308	27,370,680	183,125,050	351,443,534
Profit for the year	-	-	-	83,076,943	83,076,943
Other comprehensive income, net of tax	-	-	-	-	-
Regulatory and other reserves transfers					
Transfer from credit risk reserve	-	-	(4,535,245)	4,535,245	-
Transfer to statutory reserve	-	10,384,618	-	(10,384,618)	-
Net transfers to/(from) reserves	-	10,384,618	(4,535,245)	(5,849,373)	-
Balance at 31 December 2015	61,221,496	90,110,926	22,835,435	260,352,620	434,520,477
Balance at 1 January 2016	61,221,496	90,110,926	22,835,435	260,352,620	434,520,477
Profit for the year	-	-	-	140,265,212	140,265,212
Other comprehensive income, net of tax	-	-	-	-	-
Regulatory and other reserves transfers					
Transfer to credit risk reserve	-	-	3,486,579	(3,486,579)	-
Transfer to statutory reserve	-	17,533,152	-	(17,533,152)	-
Net transfers to reserves	-	17,533,152	3,486,579	(21,019,731)	-
Balance at 31 December 2016	61,221,496	107,644,078	26,322,014	379,598,101	574,785,689

The notes on pages 36 - 89 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Note	2016 GH¢	2015 GH¢
Profit after tax		140,265,212	83,076,943
Adjustments for:			
Depreciation and amortization	20(a)	8,835,470	6,771,294
Net impairment loss on financial assets	11	13,026,463	54,517,824
Net interest income	7	(262,836,341)	(276,187,598)
Profit on disposal of property and equipment	20(b)	(904,229)	(188,498)
Asset write -off	20	78,815	-
Tax expense	14	62,324,342	32,003,197
		(39,210,268)	(100,006,838)
Changes in:			
Investments (Other than securities)		(292,677,000)	-
Investments		69,959,575	799,910,748
Loans and advances to customers		(32,931,674)	59,765,101
Other assets		(28,770,388)	12,238,202
Borrowings		85,025,696	(794,948,016)
Customer deposits		627,866,376	163,332,813
Other liabilities		2,701,224	16,577,760
		391,963,541	156,869,770
Interest received	7	437,250,172	447,872,621
Interest paid	7	(174,413,831)	(171,685,023)
Taxes paid	14(a)	(53,184,324)	(70,896,831)
Net cash flow from operating activities		601,615,558	362,160,537
Cash flow from investing activities			
Acquisition of property and equipment	20	(46,228,553)	(79,555,633)
Proceeds from disposal of property and equipment	20(b)	1,627,142	245,480
Acquisition of intangible assets	21	(1,025,036)	(1,175,650)
Net cash flow used in investing activities		(45,626,447)	(80,485,803)
Net increase in cash and cash equivalents		555,989,111	281,674,734
Balance at beginning		1,293,661,182	977,422,409
Cash and cash equivalents at 31 December		1,849,650,293	1,259,097,143
Effect of exchange rate fluctuations on cash and cash equivalents held		(10,318,849)	34,564,039
Cash and bank balances		1,839,331,444	1,293,661,182
Cash balances	16	808,017,805	691,726,903
Short-term investments		1,031,313,639	601,934,279
Cash and cash equivalents at 31 December		1,839,331,444	1,293,661,182

The notes on pages 36 - 89 are an integral part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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 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 accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738). They were authorised for issue by the board of directors on **27 January 2017**.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

Details of the Bank's accounting policies are included in Note: 35.

3. Functional and presentation currency

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

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's 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 estimates are recognised prospectively.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 6 – determination of fair value of financial instruments with significant unobservable inputs;
- Notes 22 (a) – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used; and
- Note 30 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in Notes 35 (i)(vii).

4. Use of judgements and estimates (cont'd)

(a) Assumptions and estimation uncertainties (cont'd)

Impairment of financial instruments (cont'd)

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on 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 debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits. A collective component of the total allowance is established for groups of homogeneous loans that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as a formula approach based on historical loss rate experience. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and the industry at the reporting date.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

5. Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

For information on the Bank's financial risk management framework, See Note 33.

5. Financial risk review (cont'd)

(a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, See Note 33

(b).

(i) Analysis of credit quality

The tab les below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

Maximum exposure to credit risk	Note	2016 GH¢	2015 GH¢
Carrying amount	19	1,012,054,694	983,074,431
Amount committed/guaranteed		856,440,423	690,917,970
Grade 1–3: Low–fair risk		816,054,348	973,594,799
Grade 4–5: Low–watch list		185,613,588	173,665
Grade 6: Substandard		5,452,569	6,408,161
Grade 7: Doubtful		57,062,035	297,180
Grade 8: Loss		56,561,706	107,338,767
Total gross amount		1,120,744,246	1,087,812,572
Allowance for impairment (individual and collective)		(108,689,552)	(104,738,141)
Net carrying amount		1,012,054,694	983,074,431
Off balance sheet - Maximum exposure			
Lending commitments - Grade 1–3: Low–fair risk		320,566,139	140,309,823
Financial guarantees - Grade 1–3: Low–fair risk		535,874,284	550,608,147
Total exposure		856,440,423	690,917,970
Loans with renegotiated terms			
Gross carrying amount		244,442,118	90,509,948
Allowance for impairment		(4,014,420)	-
Net carrying amount		240,427,698	90,509,948
Neither past due nor impaired			
Grade 1–3: Low–fair risk		816,054,348	973,594,799
Past due but not impaired			
Grade 4-5: Watch list		185,613,588	173,665
Grade 6–8: Loss		21,385,588	16,078,092
		(62,126,739)	(59,061,250)

5. Financial risk review (cont'd)

(a) Credit risk (cont'd)

(i) Analysis of credit quality (cont'd)

	2016 GH¢	2015 GH¢
Past due		
30–60 days	185,613,588	173,665
60–90 days	5,452,569	6,408,161
90–180 days	57,062,035	297,180
180 days+	56,561,706	107,338,767
	304,689,898	114,217,773
Individually impaired		
Grade 6: Substandard	5,452,569	6,408,161
Grade 7: Doubtful	57,062,035	297,180
Grade 8: Loss	56,561,706	107,338,767
	119,076,310	114,044,108
Allowance for impairment		
Individual	(94,872,259)	(87,605,552)
Collective	(13,817,293)	(17,132,589)
Total allowance for impairment	(108,689,552)	(104,738,141)

Impaired Loans

See accounting policy in Notes 35 (i) (vii).

The Bank regards a loan and advances as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loans that are subject to a collective IBNR provision are not considered impaired.

Impaired loans and advances are graded 6 to 8 in the Bank's internal credit risk grading system See Notes 4 (a) and 33 (b).

Loans that are past due but not impaired

Loans that are 'past due but not impaired' 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 or collateral available and/or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms and the Bank's forbearance policy

See accounting policy in Notes 35 (i) (vii).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Notes 35 (i) (vii).

5. Financial risk review (cont'd)

(a) Credit risk (cont'd)

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.
The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Cash and cash equivalents

The Bank held cash and cash equivalents of GH¢ 808,017,805 at 31 December 2016 (2015: GH¢ 691,726,903). The cash and cash equivalents are held with central banks and financial institution counterparties.

(ii) Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	2016 GH¢	2015 GH¢	Principal type of collateral held
Loans and advances to customers	903,590,611	570,237,893	Residential property and other forms of security. Out of the total collateral held, only GH¢ 215,221,808 had been perfected at the reporting date.

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 33 (b)). However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all assets and other liens and guarantees.

Because of the Bank's focus on customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For impaired loans, the Bank obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(a) Credit risk (cont'd)

At 31 December 2016, the net carrying amount of impaired loans and advances to customers amounted to GH¢ 24,204,051 (2015: GH¢ 27,615,396) and the value of identifiable collateral held against those loans and advances amounted to GH¢ 53,239,331 (2015: GH¢ 47,408,679).

Other types of collateral and credit enhancements

In addition to the collateral obtained for loans, the Bank also holds other types of collateral and credit enhancements such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.

(iii) Offsetting financial assets and financial liabilities

The Bank holds financial assets and financial liabilities that are subject to an enforceable netting arrangement irrespective of whether they are offset in the statement of financial position.
At the reporting date, an amount of GH¢ 30,473,310 (2015: GH¢ 149,184,063) was held in customer deposits as lien over loans and advances granted to a number of customers.

(iv) Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities is shown below.

	Loans and advances to customers	
	2016	2015
	GH¢	GH¢
Carrying amount	1,012,054,694	983,074,431
Concentration by product:		
Overdrafts	453,637,685	584,055,645
Term loans	651,958,766	484,868,552
Staff loans	12,844,755	12,348,621
Finance leases	2,303,039	6,539,755
Gross loans and advances	1,120,744,245	1,087,812,573
Less: Impairment	(108,689,552)	(104,738,141)
	1,012,054,693	983,074,432
Concentration by industry:		
Financial institutions	5,869,608	10,762,547
Manufacturing	386,414,461	287,179,443
Public sector	-	213,375
Retail and consumer	160,206,016	393,224,673
Energy	394,631,274	304,988,162
Telecom	25,208,418	36,909,016
Mining and construction	125,213,564	39,243,240
Others	23,200,904	15,292,116
Gross loans and advances	1,120,744,245	1,087,812,572
Less: allowance for impairment	(108,689,552)	(104,738,141)
Net loans and advances	1,012,054,693	983,074,431

5. Financial risk review (cont'd)

(a) Credit risk (cont'd)

(v) Impaired loans and advances

For the definition of 'impaired financial asset', See Note 5(a).

For details of impairment allowance for loans and advances to customer, See Note19.

Set out below is an analysis of the gross and net (of allowance for impairmen t) amounts of individually impaired loans and advances by risk grade.

	Gross	Net
Loans and advances to customers	**GH¢**	**GH¢**
31 December 2016		
Grade 6: Individually Impaired	5,452,569	-
Grade 7: Individually Impaired	57,062,035	1,919,030
Grade 8: Individually Impaired	56,561,706	22,285,021
Gross amount	119,076,310	24,204,051
31 December 2015		
Grade 6: Individually Impaired	6,408,161	-
Grade 7: Individually Impaired	297,180	101,357
Grade 8: Individually Impaired	107,338,767	27,514,039
Gross amount	114,044,108	27,615,396

Key ratios on loans and advances

Loan loss provision ratio is 9.70% (2015: 9.63%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 10.62% (2015: 10.48%).

Ratio of fifty (50) largest exposure (gross funded) to total exposure is 95% (2015: 87%).

5. Financial risk review (cont'd)

(b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, See Notes 33 (c).

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to volatile liabilties.

For this purpose, 'liquid assets' includes cash, cash reserve ratio balances with the Central Bank, balances with banks, bills purchased/discounted up to 1 year, investments up to one year, swap funds (sell/ buy) up to one year and tradable Government notes and bonds. 'Volatile liabilities' includes demand deposits, District Assembly Common Funds (DACF) and all Governments instruments which could be called at short notice, etc.

Details of the reported Bank ratio of liquid assets to volatile liabilities at the reporting date and during the reporting period were as follows.

	2016 %	2015 %
At period end	146	112
Average for the year	117	96
Maximum for the year	146	124
Minimum for the year	102	79

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis for financial liabilities

The tables below set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Note	Carrying amount GH¢	Contractual amount GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢	1- 5 years GH¢	More than 5 years GH¢
31 December 2016								
Financial liability by type								
Borrowings	25	(110,151,330)	(110,151,330)	(17,529,330)	(9,000,000)	(83,622,000)	-	-
Deposits from customers	24	(2,637,944,348)	(2,637,944,348)	(2,239,839,694)	(321,384,081)	(101,297,625)	(7,222,096)	(1,521,092)
Other liabilities	26	(31,857,665)	(31,857,665)	(31,857,665)	-	-	-	-
Due to parent company	26	(10,512,446)	(10,512,446)	(10,512,446)	-	-	-	-
		(2,790,465,789)	(2,790,465,789)	(2,299,739,135)	(330,384,081)	(184,919,625)	(7,222,096)	(1,521,092)
Financial asset by type								
Non-derivative assets								
Cash and cash equivalents	16	808,017,805	808,017,805	808,017,805	-	-	-	-
Investments (Other than securities)	17	292,677,000	292,677,000	-	-	292,677,000	-	-
Investments	18	1,080,681,114	1,090,369,824	1,035,147,284	5,187,832	50,034,708	-	-
Loans and adv's to customers	19	1,012,054,694	1,195,572,104	696,811,289	38,942,036	75,183,394	305,125,596	79,509,789
		3,193,430,613	3,386,636,733	2,539,976,378	44,129,868	417,895,102	305,125,596	79,509,789

5. Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis for financial liabilities

31 December 2015 Financial liability by type	Note	Carrying amount GH¢	Contractual amount GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢	1- 5 years GH¢
Non-derivative liabilities							
Borrowings	25	(25,125,634)	(25,125,634)	(16,125,634)	(9,000,000)	-	-
Deposits from customers	24	(2,010,077,972)	(2,010,077,972)	(1,282,197,042)	(96,834,734)	(665,610,234)	-
Other liabilities	26	(26,566,314)	(26,566,314)	(26,566,314)	-	-	-
Due to parent company	26	(12,613,278)	(12,613,278)	(12,613,278)	-	-	-
		(2,074,383,198)	(2,074,383,198)	(1,337,502,268)	(105,834,734)	(665,610,234)	-
Financial asset by type							
Non-derivative assets							
Cash and cash equivalents	16	691,726,903	691,726,903	691,726,903	-	-	-
Investments	18	721,261,329	737,254,367	545,590,695	56,343,584	135,320,088	-
Loans and advances to customers	19	983,074,431	1,142,018,005	159,343,574	539,695,962	314,338,080	128,640,389
		2,396,062,663	2,570,999,275	1,396,661,172	596,039,546	449,658,168	128,640,389

5. Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with the Central Bank (these amounts are referred to as the 'Bank's liquidity reserves').

The table below sets out the components of the Bank's liquidity reserves.

	Carrying amount 2016 GH¢	Fair value 2016 GH¢	Carrying amount 2015 GH¢	Fair value 2015 GH¢
Balances with Central Bank	101,186,051	101,186,051	126,844,118	126,844,118
Cash and balances with other banks	202,037,061	202,037,061	267,119,200	267,119,200
Other cash and cash equivalents	237,668,234	237,668,234	93,299,384	93,299,384
Total liquidity reserves	540,891,346	540,891,346	487,262,702	487,262,702

The table below sets out the availability of the Bank s financial assets to support future funding.'

	Note	Encumbered		Unencumbered		
31 December 2016		Pledged as collateral GH¢	Other* GH¢	Available as collateral GH¢	Other GH¢	Total GH¢
Cash and cash equivalents	16	8,386,810	267,126,459	532,504,536	-	808,017,805
Investments	18	38,776,817	-	1,041,904,297	-	1,080,681,114
		47,163,627	267,126,459	1,574,408,833	-	1,888,698,919
31 December 2015						
Cash and cash equivalents	16	7,614,906	204,464,201	479,647,796	-	691,726,903
Investments	18	13,970,000	-	707,291,329	-	721,261,329
		21,584,906	204,464,201	1,186,939,125	-	1,412,988,232

* Mandatory reserve deposits with the Central Bank See Note 16.

5. Financial risk review (cont'd)

(b) Liquidity risk (cont'd)

Financial assets pledged as collateral

The total financial assets that had been pledged as collateral for liabilities at 31 December 2016 is shown in the preceding table.

Financial assets are pledged as collateral as part of securitisation transactions under terms that are usual and customary for such activities.

(c) Market risk

For the definition of market risk and information on the metrics (and their limitations) used by the Bank to manage the market risks of non-trading portfolios, See Notes 33 (d).

The table below sets out the allocation of assets and liabilities subject to market risk.

	Note	Carrying amount	Market risk measure Non-trading portfolios
31 December 2016			
Assets subject to market risk		**GH¢**	**GH¢**
Cash and cash equivalents	16	808,017,805	532,504,536
Investments	18	1,080,681,114	1,080,681,114
Investments (Other than securities)	17	292,677,000	292,677,000
Loans and advances to customers	19	1,012,054,694	1,195,572,104
Liabilities subject to market risk			
Borrowings	25	110,151,330	107,255,850
Deposits from customers	24	2,637,944,348	1,134,763,635
31 December 2015			
Assets subject to market risk			
Cash and cash equivalents	16	691,726,903	479,647,796
Investments	18	721,261,329	721,261,329
Loans and advances to customers	19	983,074,431	1,142,018,005
Liabilities subject to market risk			
Borrowings	25	25,125,634	9,000,000
Deposits from customers	24	2,010,077,972	740,153,726


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5. Financial risk review (cont'd)

(c)Market risk (cont'd)

Exposure to interest rate risk– non-trading portfolios

The following is a summary of the Bank's interest rate gap position on non -trading portfolios.

31 December 2016	Note	Carrying amount GH¢	Less than 3 months GH¢	3-6 months GH¢	6-12 months GH¢	1-5 years GH¢	Over 5 years GH¢
Cash and cash equivalent	16	808,017,805	808,017,805	-	-	-	-
Investments (Other than securities)	17	292,677,000	-	-	292,677,000	-	-
Investments	18	1,080,681,114	1,030,646,406	50,018,809	15,899	-	-
Loans and advances to customers	19	1,012,054,694	552,115,080	47,401,341	27,902,888	305,125,596	79,509,789
		3,193,430,613	2,390,779,291	97,420,150	320,595,787	305,125,596	79,509,789
Borrowings	25	(110,151,330)	(26,529,330)	-	(83,622,000)	-	-
Deposits from customers	24	(2,637,944,348)	(2,561,223,775)	(89,514,455)	(11,783,170)	(7,222,096)	31,799,148
		(2,748,095,678)	(2,587,753,105)	(89,514,455)	(95,405,170)	(7,222,096)	31,799,148
Total interest repricing gap		445,334,935	(196,973,814)	7,905,695	225,190,617	297,903,500	(111,308,937)
31 December 2015							
Cash and cash equivalent	16	691,726,903	691,726,903	-	-	-	-
Investments	18	721,261,329	601,934,279	114,026,444	5,300,606	-	-
Loans and advances to customers	19	983,074,431	540,095,962	108,649,058	205,689,022	128,640,389	-
		2,396,062,663	1,833,757,144	222,675,502	210,989,628	128,640,389	-
Borrowings	25	(25,125,634)	(25,125,634)	-	-	-	-
Deposits from customers	24	(2,010,077,972)	(1,379,031,776)	(120,899,303)	(544,710,931)	-	(34,564,038)
Total liabilities		(2,035,203,606)	(1,404,157,410)	(120,899,303)	(544,710,931)	-	(34,564,038)
Total interest repricing gap		360,859,057	429,599,734	101,776,199	(333,721,303)	128,640,389	-

5. Financial risk review (cont'd)

(c) Market risk (cont'd)

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (bp) parallel fall or rise in market interest rates.

An increase of a 50 basis points in interest rates at the reporting date would have impacted equity and profit / (loss) by the amounts shown below:

Sensitivity of projected net interest income	2016 GH¢	2015 GH¢
At 31 December	2,226,675	1,804,295
Sensitivity of reported equity to interest rate movements		
At 31 December	1,670,006	1,353,221

Interest rate movements affect reported equity in the following ways:

- retained earnings – increases or decreases in net interest income and in fair values of derivatives reported in profit or loss;

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Bank's non-trading activities. A decrease of a 50 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.

Exposure to currency risk – non-trading portfolios

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

	USD GH¢	GBP GH¢	EURO GH¢	Others GH¢	Total GH¢
31 December 2016					
Net foreign currency exposure:					
Assets	473,417,390	32,031,326	45,022,632	1,164,982	551,636,330
Liabilities	(784,432,570)	(23,162,267)	(30,070,915)	-	(837,665,752)
Net on balance sheet position	(311,015,180)	8,869,059	14,951,717	1,164,982	(286,029,422)
Line facilities for LCs and Bonds and Guarantees	(352,127,076)	(2,172,831)	(13,640,323)	(3,885,130)	(371,825,360)

5. Financial risk review (cont'd)

(c) Market risk (cont'd)

31 December 2015
Net foreign currency exposure:

	USD GH¢	GBP GH¢	EURO GH¢	Others GH¢	Total GH¢
Assets	251,612,153	13,813,323	68,879,464	799,750	335,104,690
Liabilities	(576,402,874)	(17,622,653)	(52,114,884)	-	(646,140,411)
Net on balance sheet position	(324,790,721)	(3,809,330)	16,764,580	799,750	(311,035,721)
Line facilities for LCs and Bonds and Guarantees	(550,852,533)	(18,170,020)	(2,451,819)	(359,834)	(571,834,206)

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

	Average rate		Reporting rate	
GH¢ to	2016	2015	2016	2015
USD 1	3.9234	3.7021	4.1811	3.7944
GBP 1	5.2741	5.7025	5.1154	5.6265
EURO 1	4.3237	4.1383	4.3813	4.1514

A 5% weakening of the cedi against foreign currencies at 31 December 2016 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 2015.

	Assets	Liabilities	2016 Total	Assets	Liabilities	2015 Total
Profit/(Loss)	27,581,817	(60,474,556)	(32,892,739)	16,755,235	(60,898,731)	(44,143,496)

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

(d) 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.

5. Financial risk review (cont'd)

(d) Capital management (cont'd)

Regulatory capital (cont'd)

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 non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.
- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

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

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

The 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.

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

5. Financial risk review (cont'd)

(d) Capital management (cont'd)

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.

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

	Note	2016 GH¢	2015 GH¢
Tier 1 capital			
Ordinary share capital	27(a)	61,221,496	61,221,496
Disclosed reserve			
Statutory reserve	27 (b)	107,644,078	90,110,926
Retained earnings	27 (b)	379,598,101	260,352,620
Total disclosed reserve		487,242,179	350,463,546
Total qualifying tier 1 capital		548,463,675	411,685,042
Less:			
Intangibles (prepayments)	23	7,392,240	6,462,093
Net tier 1 capital		541,071,435	405,222,949
Tier 2 capital		-	-
Total adjusted regulatory capital base		541,071,435	405,222,949
Total assets (less contra items)		3,403,744,768	2,549,130,057
Less:			
Cash on hand (cedis)		28,725,285	31,093,019
Cash on hand (forex)		41,606,868	90,006,907
Claims on Bank of Ghana:			
i Cedi clearing account balance		289,596,438	230,958,122
ii Forex account balance		78,716,072	100,350,197
Total claims on Bank of Ghana	16	368,312,510	331,308,319

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

5. Financial risk review (cont'd)
(d) Capital management (cont'd)

Capital adequacy ratio (cont'd)

	Note	2016 GH¢	2015 GH¢
Claims on Government:			
i Treasury securities (bills and bonds)		1,080,681,114	721,261,329
80% of cheques drawn on other banks		63,734,587	42,639,476
Goodwill / Intangibles	23	7,392,240	6,462,093
80% of claims on Other Banks in cedis/forex		465,905,526	148,815,451
80% of loans guaranteed by government		92,975,250	-
50% of residential mortgage loans		1,023,841	1,480,476
Adjusted total assets		1,253,387,547	1,176,062,987
Add: Contingent liabilities			
Commercial letters of credit outstanding		320,566,139	140,309,823
Guarantees/indemnities		535,874,284	550,608,147
Total contingent liabilities	30(b)	856,440,423	690,917,970
Net contingent liabilities		856,440,423	690,917,970
Add:			
50% of net open position (NOP)		11,754,448	9,194,075
100% of 3yrs average annual gross income		340,619,820	288,190,995
Total risk weighted assets base		**2,462,202,238**	**2,164,366,027**
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)		21.98%	18.72%
Capital surplus (adjusted regulatory capital base less total risk weighted assets base * 10%)		294,851,211	188,786,346

5. Financial risk review (cont'd)

(d) Capital management (cont'd)

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.

6. Fair values of financial instruments

See accounting policy in Notes 35 (i) (vi).

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

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.

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6. Fair values of financial instruments (cont'd)

(a) Valuation models (cont'd)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining 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.

(b) Financial instruments measured at fair value – fair value hierarchy

At the reporting date, the Bank did not carry financial instruments that are measured at fair value.

Derivative assets held for risk management - Discounted cash flow using forex spot rates curves.

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2016	Note	Level 2
Assets		
Cash and cash equivalents	16	808,017,805
Investments (Other than securities)	17	292,677,000
Investments	18	1,080,681,114
Loans and advances to customers	19	1,012,054,694
		3,193,430,613
Liabilities		
Borrowings	25	110,151,330
Deposits from customers	24	2,637,944,348
		2,748,095,678

7. Net interest income

See accounting policy in Notes 35 (b).

	2016 GH¢	2015 GH¢
Interest income		
Loans and advances to customers	193,589,642	178,803,910
Placement with other banks	12,709,933	4,007,918
Investments securities	230,950,597	265,060,793
Total interest income	437,250,172	447,872,621
Interest expense		
Current accounts	3,255,810	1,405,960
Time and other deposits	141,433,096	147,554,732
Overnight and call accounts	29,724,925	22,724,331
Total interest expense	174,413,831	171,685,023
Net interest income	262,836,341	276,187,598

Included within various line items under interest income for the year ended 31 December 2016 is a total of GH¢ Nil (2015: GH¢ Nil) relating to impaired financial assets.

8. Fees and commission income

See accounting policy in Notes 35 (c).

	2016 GH¢	2015 GH¢
Fees on loans and advances	9,207,548	16,156,049
Customer account servicing fees	24,147,808	21,646,590
Letters of credit issued	10,264,838	9,233,074
Other fees	20,054,446	17,823,962
	63,674,640	64,859,675

9. Net trading income/(loss)

See accounting policy in Notes 35 (d).

	2016 GH¢	2015 GH¢
Foreign exchange gain/(loss), net	31,371,716	(40,842,007)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

10. Other income

See accounting policy in Notes 35 (a), (i) (iii).

	2016 GH¢	2015 GH¢
Profit on disposal of property and equipment Notes 20 (b)	904,255	188,498
Sundry income	2,299,803	2,497,325
	3,204,058	2,685,823

Sundry income comprises mainly of brokerage commission on treasury bills.

11. Net impairment losses on financial assets

See accounting policy in Notes 35 (k).

	2016 GH¢	2015 GH¢
Specific impairment loss	15,439,585	52,404,975
Collective impairment loss	(3,315,296)	2,112,849
Direct write off	902,174	-
Net impairment loss on financial assets	13,026,463	54,517,824

12. Personnel expenses

See accounting policy in Note 35 (s).

	2016 GH¢	2015 GH¢
Wages and salaries	51,916,132	48,683,420
Compulsory social security obligations	2,330,987	2,131,056
Contribution to defined contribution plan	2,243,156	2,048,882
Other staff cost	4,780,331	5,369,907
	61,270,606	58,233,265

The number of persons employed by the Bank at the end of the year was 672 (2015: 670).

13. Other expenses

See accounting policy in Note 35.

	2016 GH¢	2015 GH¢
Advertising and marketing expenses	1,184,337	1,528,276
Administrative expenses	63,480,279	57,203,400
Director's emoluments	856,133	827,985
Auditor's remuneration	600,000	501,543
Operating lease rentals on office premises	9,190,528	8,171,012
Donations and sponsorship	53,385	56,350
	75,364,662	68,288,566

An amount of GH¢53,385 (2015: GH¢56,350) was spent as part of social responsibility of the Bank.

14. Income tax expense

See accounting policy in Notes 35 (h) .

Amounts recognised in profit or loss	2016 GH¢	2015 GH¢
Current year income tax - See Note (a) below	58,503,343	37,889,930
Deferred tax - See Notes 22 (a)	3,820,999	(5,886,733)
	62,324,342	32,003,197

(a) Income tax

See accounting policy in Notes 35 (h).

	Balance at 1/1/2016 GH¢	Payments during the year GH¢	Charge for the year GH¢	Balance at 31/12/2016 GH¢
Income tax				
2015	(4,966,001)	4,966,001	-	-
2016	-	(49,858,528)	48,373,824	(1,484,704)
	(4,966,001)	(44,892,527)	48,373,824	(1,484,704)
National stabilisation levy				
2015	(1,208,203)	1,208,203	-	-
2016	-	(9,500,000)	10,129,519	629,519
	(1,208,203)	(8,291,797)	10,129,519	629,519
Total	(6,174,204)	(53,184,324)	58,503,343	(855,185)

(b) Reconciliation of effective tax rate

	2016 %	2016 GH¢	2015 %	2015 GH¢
Profit before tax		202,589,554		115,080,140
Income tax using domestic tax rate	25.00	50,647,389	25.00	28,770,035
National stablisation levy	5.00	10,129,478	5.00	5,754,007
Non-deductible expenses	(1.12)	(2,273,768)	4.65	5,348,186
Tax incentives	-	-	0.03	34,443
Origination and reversal of temporary differences	1.89	3,820,999	(5.12)	(5,886,733)
Under/(over) provided in prior years	-	-	(1.75)	(2,016,741)
Tax expenses	30.77	62,324,098	27.81	32,003,197

15. Classification of financial assets and financial liabilities

See accounting policy in Notes 35 (i) (ii), (i) (iii).

	Note	Trading GH¢	Design'd at fair value GH¢	Held-to-maturity GH¢	Loans and receivables GH¢	Other amort'd cost GH¢	Total carrying amount GH¢	Fair value GH¢
31 December 2016								
Cash and cash equivalents	16	-	-	-	808,017,805	-	808,017,805	808,017,805
Investments	18	-	-	1,080,681,114	-	-	1,080,681,114	1,082,544,232
Investments (Other than securities)	17	-	-	-	292,677,000	-	292,677,000	292,677,000
Accrued interest receivable	23	-	-	-	56,860,849	-	56,860,849	56,860,849
Loans and advances to customers	19	-	-	-	1,012,054,694	-	1,012,054,694	774,997,632
Total assets		-	-	1,080,681,114	2,169,610,348	-	3,250,291,462	3,015,097,518
Borrowings	25	-	-	-	-	110,151,330	110,151,330	110,151,330
Deposits from customers	24	-	-	-	-	2,637,944,348	2,637,944,348	2,637,944,348
Other payables		-	-	-	-	18,345,771	18,345,771	18,345,771
Total liabilities		-	-	-	-	2,766,441,449	2,766,441,449	2,766,441,449
31 December 2015								
Cash and cash equivalents	16	-	-	-	691,726,903	-	691,726,903	691,726,903
Investments	18	-	-	721,261,329	-	-	721,261,329	710,391,621
Accrued interest receivable	23	-	-	-	33,121,056	-	33,121,056	33,121,056
Loans and adv'ces to customers	19	-	-	-	983,074,431	-	983,074,431	752,805,517
Total assets		-	-	721,261,329	1,707,922,390	-	2,429,183,719	2,188,045,097
Borrowings	25	-	-	-	-	25,125,634	25,125,634	25,125,634
Deposits from customers	24	-	-	-	-	2,010,077,972	2,010,077,972	2,010,077,972
Other payables		-	-	-	-	13,313,121	13,313,121	13,313,121
Total liabilities		-	-	-	-	2,048,516,727	2,048,516,727	2,048,516,727

16. Cash and cash equivalents

See accounting policy in Notes 35 (j).

	2016 GH¢	2015 GH¢
Cash on hand	70,332,153	121,099,926
Balances with Bank of Ghana	368,312,510	331,308,319
Balances with other local Banks	3,198,248	1,641,183
Balances with other foreign Banks	128,506,660	144,378,091
Items in course of collection	79,668,234	53,299,345
Money market placements	158,000,000	40,000,039
	808,017,805	691,726,903

Included in balances with Bank of Ghana above is an amount of GH¢ 267,126,459 (2015:GH¢ 204,464,201) mandatory reserve deposits representing 10% (2015: 10%) of the Bank's total deposits and is not available for use in the Bank's day to day operations. Cash in hand, items in course of collection and balances with Bank of Ghana are non-interest-bearing.

17. Investments (other than securities)

See accounting policy in Notes 35 (k).
This represents placement of GH¢ 292,677,000 (2015: GH¢ Nil), being an equivalent amount of US$ 70M, with Zenith Bank Plc at an interest rate of 8.5% pa. An amount of US$ 40M matures on 8 August 2017 and the remaining amount of US$ 30M matures on 24 August 2017.

18. Investments

See accounting policy in Notes 35 (l).

	Pledged 2016 GH¢	Non-pledged 2016 GH¢	Total 2016 GH¢	Pledged 2015 GH¢	Non-pledged 2015 GH¢	Total 2015 GH¢
Government bonds	-	-	-	2,300,000	3,053,664	5,353,664
Treasury bills	38,776,817	1,041,904,297	1,080,681,114	11,670,000	704,237,665	715,907,665
Total trading assets	38,776,817	1,041,904,297	1,080,681,114	13,970,000	707,291,329	721,261,329

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

(a) Collateral accepted as security for assets

At 31 December 2016, the value of investments accepted as collateral that the Bank is permitted to sell or repledge in the absence of default was GH¢ 82,059,610(2015: GH¢ 40,112,000).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

19. Loans and advances to customers

See accounting policy in Notes 35 (k).

	2016 GH¢	2015 GH¢
Loans and advances to customers at amortised cost	1,118,441,196	1,081,272,817
Finance leases	2,303,050	6,539,755
	1,120,744,246	1,087,812,572
Less allowance for impairment	(108,689,552)	(104,738,141)
Loans and advances to customers at amortised cost	1,012,054,694	983,074,431

(a) Loans and advances to customers at amortised cost

	Gross amount 2016 GH¢	Impairment allowance 2016 GH¢	Carrying amount 2016 GH¢	Gross amount 2015 GH¢	Impairment allowance 2015 GH¢	Carrying amount 2015 GH¢
Individual customers	18,326,655	(540,678)	17,785,977	15,859,755	(327,231)	15,532,524
Corporate customers	1,102,417,591	(108,148,874)	994,268,717	1,071,952,817	(104,410,910)	967,541,907
Total loans and advances to customers	1,120,744,246	(108,689,552)	1,012,054,694	1,087,812,572	(104,738,141)	983,074,431

19. Loans and advances to customers (cont'd)

(b) Allowances for impairment

	2016 GH¢	2015 GH¢
Specific allowances for impairment		
Balance at the beginning of the reporting year	87,605,552	35,200,577
Write offs	(8,172,878)	-
	79,432,674	35,200,577
Charge for the year	15,439,585	52,404,975
Balance at 31 December	94,872,259	87,605,552
Collective allowances for impairment		
Balance at the beginning of the reporting year	17,132,589	15,019,740
Charge for the year	(3,315,296)	2,112,849
Balance at 31 December	13,817,293	17,132,589
Total allowances for impairment	108,689,552	104,738,141

(c) Finance lease receivables

The table below provides an analysis of finance lease receivables for leases of certain property and equipment in which the Bank is the lessor:

	2016 GH¢	2015 GH¢
Gross investment in finance leases, receivable:		
Less than one year	2,484,176	5,501,230
Between one and five years	32,017	2,502,981
	2,516,193	8,004,211
Unearned finance income	(213,143)	(1,464,456)
Net investment in finance lease	2,303,050	6,539,755
Net investment in finance leases, receivable:		
Less than one year	2,273,943	4,245,841
Between one and five years	29,107	2,293,914
	2,303,050	6,539,755

20. Property and equipment

See accounting policy in Notes 35 (m) and Notes 35 (n).

	Leasehold Property GH¢	Leasehold improv'ts GH¢	Furniture & equipment GH¢	Computers GH¢	Motor vehicles GH¢	Capital work in progress GH¢	Total GH¢
Cost							
Balances at 1 January 2015	5,039,270	10,569,333	11,070,120	11,280,565	10,020,883	2,900,265	50,880,436
Acquisitions	-	710,309	2,701,388	1,741,961	2,833,945	71,568,030	79,555,633
Transfers	-	61,819	750	1,226,679	-	(1,289,248)	-
Disposals	-	-	(210,358)	-	(638,078)	-	(848,436)
Balance at 31 December 2015	5,039,270	11,341,461	13,561,900	14,249,205	12,216,750	73,179,047	129,587,633
Balance at 1 January 2016	5,039,270	11,341,461	13,561,900	14,249,205	12,216,750	73,179,047	129,587,633
Acquisitions	-	416,873	1,507,432	722,864	4,504,846	39,076,538	46,228,553
Transfers	-	1,440,348	678,533	817,946	96,275	(3,033,102)	-
Write offs	-	-	-	-	-	(78,815)	(78,815)
Disposals	-	-	(18,479)	(9,183)	(1,698,319)	-	(1,725,981)
Balance at 31 December 2016	5,039,270	13,198,682	15,729,386	15,780,832	15,119,552	109,143,668	174,011,390
Depreciation							
Balances at 1 January 2015	293,848	8,253,968	8,829,531	9,511,865	6,169,331	-	33,058,543
Depreciation for the year	96,785	890,076	1,152,043	1,335,826	1,920,915	-	5,395,645
Disposals	-	-	(209,871)	-	(581,583)	-	(791,454)
Balance at 31 December 2015	390,633	9,144,044	9,771,703	10,847,691	7,508,663	-	37,662,734
Balance at 1 January 2016	390,633	9,144,044	9,771,703	10,847,691	7,508,663	-	37,662,734
Depreciation for the year	100,452	1,137,759	1,591,719	2,056,227	2,468,908	-	7,355,065
Disposal	-	-	(16,359)	(6,886)	(1,044,973)	-	(1,068,218)
Balance at 31 December 2016	491,085	10,281,803	11,347,063	12,897,032	8,932,598	-	43,949,581
Carrying amounts							
Balances at 1 January 2015	4,745,422	2,315,365	2,240,589	1,768,700	3,851,552	2,900,265	17,821,893
Balance at 31 December 2015	4,648,637	2,197,417	3,790,197	3,401,514	4,708,087	73,179,047	91,924,899
Balance at 31 December 2016	4,548,185	2,916,879	4,382,323	2,883,800	6,186,954	109,143,668	130,061,809

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2015: Nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

(a) Depreciation and amortisation expense

		2016 GH¢	2015 GH¢
Property and equipment	(Note 20)	7,355,065	5,395,645
Intangible asset	(Note 21)	1,480,405	1,375,649
		8,835,470	6,771,294

(b) Profit on disposal

	2016 GH¢	2015 GH¢
Cost	2,311,871	848,436
Accumulated depreciation	(1,588,958)	(791,454)
Carrying amount	722,913	56,982
Proceeds from disposal	(1,627,142)	(245,480)
Profit on disposal	(904,229)	(188,498)

21 Intangible assets

See accounting policy in Notes 35 (o).

	2016 GH¢	2015 GH¢
Cost		
Balance at 1 January	4,185,814	3,010,164
Acquisitions	1,025,036	1,175,650
Disposal	(585,890)	-
Balance at 31 December	4,624,960	4,185,814
Amortisation		
Balance at 1 January	2,106,567	730,918
Amortisation for the year	1,480,405	1,375,649
Disposal	(520,740)	-
Balance at 31 December	3,066,232	2,106,567
Carrying amount		
Balance at 1 January	2,079,247	2,279,246
Balance at 31 December	1,558,728	2,079,247

There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2015: Nil).

22. Deferred tax assets and liabilities

See accounting policy in Notes 35 (h).

Deferred tax assets and liabilities are attributable to the following:

	Assets GH¢	Liabilities GH¢	2016 Net GH¢	Assets GH¢	Liabilities GH¢	2015 Net GH¢
Property, equipment and software	-	(1,110,962)	(1,110,962)	959,301	-	959,301
Allowances for loan losses	3,454,323	-	3,454,323	4,283,147	-	4,283,147
Contingency	1,884,820	-	1,884,820	2,806,732	-	2,806,732
Net tax assets/(liabilities)	5,339,143	(1,110,962)	4,228,181	8,049,180	-	8,049,180

(a) Movements in temporary differences during the year

	Balance at 1 January GH¢	Recognised in profit and loss GH¢	Recognised in other comprehensive income GH¢	Balance at 31 December GH¢
For the year ended 31 December 2016				
Property, equipment and software	959,301	(2,070,263)	-	(1,110,962)
Allowances for loan losses	4,283,147	(828,824)	-	3,454,323
Contingency	2,806,732	(921,912)	-	1,884,820
	8,049,180	(3,820,999)	-	4,228,181
For the year ended 31 December 2015				
Property, equipment and software	(433,840)	1,393,141	-	959,301
Allowances for loan losses	3,754,935	528,212	-	4,283,147
Valuation gains on currency swap	(2,137,220)	2,137,220	-	-
Contingency	978,572	1,828,160	-	2,806,732
	2,162,447	5,886,733	-	8,049,180

Recognised and unrecognised deferred tax assets

Recognition of deferred tax assets of GH¢ 5,339,143 (2015: GH¢ 8,049,180) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

23. Other assets

	2016 GH¢	2015 GH¢
Prepayments	7,392,240	6,462,093
Accrued interest receivable	56,860,849	33,121,056
Others	9,357,162	5,256,715
	73,610,251	44,839,864

24. Customer deposits

See accounting policy in Notes 35 (q).

	2016 GH¢	2015 GH¢
Demand deposits	1,503,180,713	1,269,924,246
Term deposits	1,035,421,275	677,883,030
Savings deposits	132,662,600	96,834,734
	2,671,264,588	2,044,642,010
Analysis by type of depositors		
Financial institutions (regulated)	33,320,240	34,564,038
Individual and other private enterprises	2,494,832,405	1,928,917,580
Public enterprises	143,111,943	81,160,392
	2,637,944,348	2,010,077,972
	2,671,264,588	2,044,642,010
Ratio of 20 largest depositors to total deposits	22%	28%

25. Borrowings

	2016 GH¢	2015 GH¢
Balances with other banks	110,151,330	25,125,634

In 2016, the Bank obtained an amount of US$ 20M from Zenith Bank (UK) at an interest rate of 6% pa. The facility expires on 21 August 2017. This amount was on-lended to Zenith Bank Plc at agreed terms noted in Note 17.

26. Other liabilities

See accounting policy in Note 35 (s).

	2016 GH¢	2015 GH¢
Due to parent company	10,512,446	12,613,278
Payables	31,857,665	26,566,314
Deferred income	5,173,049	5,662,344
	47,543,160	44,841,936

27. Capital and reserves

See accounting policy in Notes 35 (t)

(a) Share capital	2016 No. of Shares	2016 Proceeds GH¢	2015 No. of Shares	2015 Proceeds GH¢
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	612,221,496	61,221,496

There were no calls or installments unpaid at the balance sheet date. There were no shares held in treasury at year-end.

(b) Nature and purpose of reserves

Retained earnings

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

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 by the Banking Amendment Act, 2007 (Act 738) and guidelines from the Central Bank.

Credit risk reserve

This reserve represents the cumulative balance of amounts transferred from/to retained earnings to meet gaps in impairment allowances based on Bank of Ghana's provisioning guidelines and IFRS. The balance include 1% provision on contingent liabilities amounting to GH¢ 8,564,404 (2015: 6,909,180) at the reporting period.

28. Dividends

The Bank did not declare dividend for the financial year ended 31 December 2016 (2015: Nil).

29. Leasing

The Bank leases various offices, branches and other premises under non cancelable 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 cancelable operating lease rentals are as follows:

	2016 GH¢	2015 GH¢
Less than one year	4,524,015	4,239,427
Between one and five years	2,417,137	2,072,663
More than five years	451,088	150,003
	7,392,240	6,462,093

30. Contingencies

(a) Claims and litigation

There were no litigation and claims involving the Bank as at 31 December 2016 (2015: Nil).

(b) Contingent liabilities and commitments

As 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:

	2016 GH¢	2015 GH¢
Contingent liabilities: Bonds and guarantees	535,874,284	550,608,147
Commitments: Clean line facilities for letters of credit	320,566,139	140,309,823
	856,440,423	690,917,970

(c) Commitments for capital expenditure

At 31 December 2016, the Bank's commitment for capital expenditure was GH¢ Nil (2015: GH¢ 1,657,812). This is in respect of the Bank's head office construction whose costs are included in capital work-in-progress in property and equipment.

31. 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, key management personnel and the close members of their family.

(a) 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 2016, the bank transacted the following business with the parent bank:

	Note	2016 GH¢	2015 GH¢
Transaction during the year		(1,636,151)	5,783,767
Due to Parent company at year end	26	10,512,446	12,613,278

The Bank also has the following placement with the parent company as detailed out Note 17.

	2016 GH¢	2015 GH¢
Due from Zenith Bank Plc	292,677,000	-

An amount of GH¢ 9,534,149 representing interest receivables from the placements with Zenith Bank Plc has been included in other assets in Note 23.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

31. Related parties (cont'd)

(b) 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:

	2016 GH¢	2015 GH¢
Executive Director	1,245,432	1,931,452
Officers and other employees	11,599,323	10,417,169
	12,844,755	12,348,621

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

(c) Associated companies

Balances with associated companies as at reporting period were:	2016 GH¢	2015 GH¢
Bank balances with Zenith Bank (UK) (Nostros)	33,818,075	51,391,993
Balance due to Zenith Bank (UK)	84,215,298	-

(d) Shareholders

No	Name	2016 No. of shareholding	2016 Percentage shareholding	2015 No. of shareholding	2015Percentage shareholding
1.	Zenith Bank PLC	600,418,964	98.07%	600,418,964	98.07%
2.	Meridian Cross Acquisitions	5,901,266	0.96%	5,901,266	0.96%
3.	Equatorial Cross Acquisitions	3,540,760	0.58%	3,540,760	0.58%
4.	Mak young Investment	2,360,506	0.39%	2,360,506	0.39%
	Total	612,221,496	100.00%	612,221,496	100.00%

32. Subsequent events

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events at the reporting date and at 31 December 2015.

33. Financial risk management

(a) Introduction and overview

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

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

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

Risk management framework

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

The Bank's risk management policies are established to identify and analyze risks faced by the Bank, set appropriate risks limits and controls and monitor risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training and setting of standards and procedures, the Bank has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations.

The Bank's Risk Management Committee of the Board is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank.

(b) 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.

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.

Management of credit risk

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 and industry sector are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

The 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.

(c) Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

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 Bank aims to be in a position to meet all obligations, repay depositors, fulfill commitments to lend and meet any other commitments.

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

All liquidity policies and procedures are subject to review and approval by 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.

(d) Market risks

'Market risk' is the risk that changes in market prices – such as interest rates, 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 the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

Management of market risks

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

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

Exposure to other market risks – Non-trading portfolios

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

33. Financial risk management (cont'd)

(e) 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.

The Bank's Compliance Unit is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. 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.

34. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items.

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships	Amortised cost adjusted for changes in fair value attributable to the risk being hedged

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

35. Summary of significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these
financial statements.
Set out below is an index of the significant accounting policies, the details of which are available on the
pages that follow.

(a) Foreign currency transaction

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

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

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

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

35. Summary of significant accounting policies (cont'd)

(b) Interest income and expense

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

(c) Fee and commission income

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

(d) Net trading income

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

(e) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to nontrading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(f) Dividend income

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

(g) Leases

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

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

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

(h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI.
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

35. Summary of significant accounting policies (cont'd)

(h) Income tax (cont'd)

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.

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(i) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments including regular-way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held to maturity, available-for-sale or at fair value through profit or loss within the category of held for trading or designated at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition See Notes (i), (j), (k) and (l).

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss See Notes (q) and (r).

(iii) De-recognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

35. Summary significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

Financial liabilities

Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset 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 it intends either to settle them 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 under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Amortised cost measurement

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

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.
Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

35. Summary of significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(vii) Identification and measurement of impairment

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

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

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.
Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

The impairment loss before an expected restructuring is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

35. Summary of significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(vii) Identification and measurement of impairment (cont'd)

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Bank Credit determines that there is no realistic prospect of recovery and approval for write-off granted by the Central Bank.

(viii) Designation at fair value through profit or loss

The Bank has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.
-

Note 15 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(j) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an 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.

35. Summary of significant accounting policies (cont'd)

(k) 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. Loans and advances to banks are classified as loans and receivables.

Loans and advances to customers include:

- those classified as loans and receivables; and
- finance lease receivables.

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. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss as described in (i) (vii). they are measured at fair value with face value changes recognised immediately in profit or loss.

Loans and advances also include finance lease receivables in which the Bank is the lessor (See Note: (g)).

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

(l) Investments

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

(i) Held to maturity

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

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (See Notes (i)(vii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
  sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated

(ii) Fair value through profit or loss

The Bank designates some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in ((i)(viii)).

(iii) Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend (See Note: (f)). Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss (See Note: (a)). Impairment losses are recognised in profit or loss (See Notes (i)(vii)).

35. Summary of significant accounting policies (cont'd)

(l) Investments (cont'd)

Other fair value changes, other than impairment losses (See Notes (i)(vii)), are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.
A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(m) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the 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.

(iii) Depreciation

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

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

(n) Leasehold property

Leasehold property is initially recognised at cost. Subsequent to initial recognition, leasehold property is amortised over the lease term of the property. The amortisation is recognised in profit or loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

35. Summary of significant accounting policies (cont'd)

(m) Property and equipment (cont'd)

(o) Intangible assets

Computer software

Software acquired by the Bank is measured 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.

Intangible assets with indefinite useful lives are not amortized. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years.

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

(p) 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.

(q) Deposits and borrowings

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

(r) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

35. Summary of significant accounting policies (cont'd)

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Provident fund

The Bank has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 5% of their basic salary to the Fund whilst the Bank contributes 12.5%. Obligations under the plan are limited to the relevant contributions, which are settled on due dates to the fund manager.

(t) Stated capital and reserves

(i) Share capital

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

(ii) Share issue costs

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

(iii) Dividend on ordinary shares

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

36. 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 2016, the following Standards and Interpretations were in issue but not yet effective and may have an impact on future financial statements:

Standard	Interpretation
IFRS 9 Financial Instruments	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Bank. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.
IFRS 16 - Leases	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.
Disclosure Initiative (Amendments to IAS 7)	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. The Bank will not early adopt this amendment. The potential impact of the amendment on the Bank's financial statements will be assessed for implementation.

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

Recognition of Deferred Tax Assets for Unrealised Losses (IFRS 12)	The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.
Revenue from contracts with customers (IFRS 15)	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This new standard will not likely have a significant impact on the Bank.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas: Measurement of cash-settled share-based payments –The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement. Classification of share-based payments settled net of tax withholdings –The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met. Accounting for a modification of a share-based payment from cash-settled to equity-settled –. The amendments clarify the approach that companies are to apply. The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for annual periods commencing on or after 1 January 2018.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)

37. Non-compliance with a section of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738)

Section 42 (1 and 2) of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non secured facilities should not exceed 25% and 10% of the company's net worth respectively. The Bank has granted two (2) facilities that had balances exceeding the prescribed exposure limits at the end of the period under review. Both were unsecured facilities that exceeded the 10% single obligor exposure limit.

APPENDIX

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2016 GH¢	2015 GH¢
Interest earned and other operating income		532,296,528	471,890,289
Direct cost of services and other costs		(248,922,360)	(239,145,604)
Value added by banking services		283,374,168	232,744,685
Non-banking income		3,204,058	2,685,823
Impairments	11	(13,026,463)	(54,517,824)
Value added		**273,551,763**	**180,912,684**
Distributed as follows:			
To employees			
Directors (without executives)	13	(856,133)	(827,985)
Executive directors		(868,970)	(1,667,295)
Other employees		(60,401,636)	(56,565,970)
Total		(62,126,739)	(59,061,250)
To Government			
Income tax	14	(62,324,342)	(32,003,197)
To providers of capital			
Dividends to shareholders		-	-
To expansion and growth			
Depreciation and amortization	20(a)	(8,835,470)	(6,771,294)
Retained earnings		(140,265,212)	(83,076,943)

Zenith Bank Staff adopt
Odumase-Amanfro MA ‘1’ Primary School

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ZENITH BANK STAFF CELEBRATE EASTER WITH CHILDREN ACROSS THE COUNTRY


Angels of Hope Centre, Tarkwa


Teshie Children's Home, Teshie


Twin City Special School, Inchaban


Madamfo Ghana Children's Shelter, Ho


Nyohini Chidren's Home, Tamale


Trinity Baptist Foundation, Hope Centre, Cape Coast


Don Bosco Orphanage, Tema Newtown


Foster Home Orphanage, Adenta


Komfo Anokye Hospital - Children's Ward, Kumasi


Nectar Foundation, Nuaso


Compassion Is Love In Action Chidren's Home, Sunyani

Staff of Zenith Bank (Ghana) Limited on Saturday March 26 2016, embarked on their annual Easter donations dubbed "A Walk in My Shoes" to reflect their commitment to give back to society.

The Bank's staff visited ten orphanages and the Children's Ward of the Komfo Anokye Teaching Hospital in Kumasi to put smiles on the faces of the children.

The donations, which included clothing, toiletries, food items and cash sums were to support the efforts being made to provide homes and a secure future for the underprivileged children.

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Contact us on
0302611500/0302680884
0800 10100(Toll Free)
www.zenithbank.com.gh
info@zenithbank.com.gh
Zenith Bank Ghana Limited

Premier Towers, Liberia Road
PMB CT 393, Accra
Tel: (+233) 302 611500-29   Fax: (+233) 302 660760
E-mail: info@zenithbank.com.gh
Website: www.zenithbank.com.gh
Swiftcode: ZEBLGHAC