The future is pan-African Ecobank Ghana Ltd Annual Report 2012







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# Building a World-Class Pan-African Bank

Ecobank is a full-service bank focused on sub-Saharan Africa. We provide a broad range of products and services to governments, financial institutions, multinationals, international organizations, small and medium enterprises, micro businesses and individuals.



#### Mission and Vision

Ecobank's dual objective is to build a world-class pan-African bank and to contribute to the economic development and financial integration of the African continent.

We seek to provide our customers with convenient and reliable banking and financial products and services both locally and regionally.

#### **Unrivalled Pan-African network**

Ecobank is the leading Pan-African bank with operations in 33 countries across the continent, more than any other bank in the world. Ecobank has representative offices in London (UK), Luanda (Angola), Dubai (UAE), Johannesburg (South Africa) and Beijing (China) with a subsidiary in Paris (France). Ecobank has also signed strategic alliances with the Bank of China, Accion International, Nedbank and Old Mutual of South Africa.



NOTICE IS HEREBY GIVEN that the Annual General Meeting (AGM) of Ecobank Ghana Limited will be held at the College of Physicians and Surgeons, 54, Independence Avenue, Accra on Friday April 19, 2013 at 10.30 am to transact the following business:

#### Agenda

- TO CONSIDER AND ADOPT the financial statements of the Company for the year ended the 31st day of December, 2012 together with the Reports of the Directors and Auditors thereon.
- TO DECLARE a Dividend.
- TO RATIFY the Appointment of a Director.
- TO RE-ELECT Directors.
- TO AUTHORISE the Directors to fix the remuneration of the Auditors.

A MEMBER entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote in his/her/ its stead. A Proxy need not be a Member of the Company. The appointment of a Proxy will not prevent a member from subsequently attending and voting at the Meeting in person. A Proxy Form is on the last page which should be completed and deposited with the Registrars at Ghana Commercial Bank, Registrars Office, Thorpe Road, High Street, Accra not later than 3.00 p.m. on Thursday 18th April, 2013.

DATED AT ACCRA THIS 18TH DAY OF FEBRUARY, 2013.

BY ORDER OF THE BOARD

AWURAA ABENA ASAFO-BOAKYE (MRS.) (COMPANY SECRETARY).

# The future is pan-African





#### **BOARD OF DIRECTORS**

Lionel Van Lare Dosoo (Chairman)
Samuel Ashitey Adjei (Managing Director)
Mariam Gabala Dao Evelyne Tall
Ernest Asare
Kofi Ansah
Rosemary Yeboah
Thomas Chukwuemeka Awagu
George Mensah-Asante
Terence Ronald Darko (Appointed 26/4/12)
Morgan Fianko Asiedu (Appointed 19/9/12)

#### **SECRETARY**

Awuraa Abena Asafo-Boakye 19 Seventh Avenue Ridge West Accra

#### **AUDITORS**

KPMG
Chartered Accountants
13 Yiyiwa Drive, Abelemkpe
P O Box GP 242
Accra

#### **REGISTERED OFFICE**

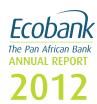
Ecobank Ghana Limited 19 Seventh Avenue Ridge West Accra

#### **REGISTRARS**

Ghana Commercial Bank Limited Thorpe Road High Street Accra



# board profile



Lionel was a Deputy Governor of Bank of Ghana from 2000 to 2009. As Deputy Governor, he was a member of the Monetary Policy Committee. Other positions held during this period include Head of Planning, logistics and implementation Committee of the Ghana Cedi redenomination exercise (2007), Member and Representative of Bank of Ghana on the Revenue Agencies Governing Board (Chairman 2005 -2008), and Member of the Committee on the design and implementation of the e-zwich platform for all financial institutions. Prior to his appointment as Deputy Governor, he worked with the Pacific Bank, Los Angeles, (Citi National Bank), where he was Vice President. Other institutions he worked for are Indosuez Bank, Los Angeles (Credit Agricole), Wells Fargo Bank (Los Angeles) and Chase Manhattan Bank. Mr Dosoo holds a BSc from the New York University (Stern School of Business).



Lionel Van Lare Dosoo Chairman

Sam has been Managing Director of Ecobank Ghana Ltd since January 2006 with additional responsibilities as Cluster Head for countries within the West African Monetary Zone (WAMZ) region. He is a seasoned banker with over 23 years experience in the Ecobank Group. Various positions held prior to his appointment as the Managing Director include: Deputy Managing Director (DMD), Executive Director with oversight responsibility for the Corporate and Treasury Group of the Bank and Acting Managing Director of Ecobank Liberia. Sam holds a BSc in Statistics, and an MBA(Finance) from the University of Ghana, Legon.



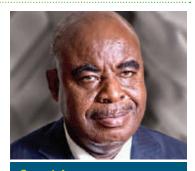
Samuel Ashitey Adjei Managing Director

An engineer by profession, Kofi currently works as a mining and energy consultant after a distinguished career in the public service. He holds a BSc Mechanical Engineering from the Kwame Nkrumah University of Science and Technology, Ghana and MSc Metallurgy from Georgia Institute of Technology, USA. He is currently a member of the boards of Goldfields International (South Africa), Goldfields Ghana Ltd, Abosso Goldfields Ltd, and Aluworks Ltd.



Kofi Ansah Non-Executive Director

Ernest is in charge of the bank's Operations and Information Technology. He has been with the Bank since its inception in 1990. He has been involved with Ecobank's expansion programme in Ghana, Mali and Guinea and other countries in Eastern and Southern Africa. Ernest also coordinates special projects of the Bank and remote operations. He led the GCNET - Customs collection project now in operation at Tema, Accra Airport, Takoradi, Elubo and Aflao. He has participated in senior executive training programmes at the following Institutions, Harvard Business School, Boston and Witwatersrand University Business School, Johannesburg.



Ernest Asare
Executive Director



# board profile cont.



Mariam Gabala Dao **Non-Executive Director** 

Mariam has over 20 years of diversified professional experience in development finance within both the private and public sectors in Cote D'ivoire. She is currently the Regional Representative for the Francophone Africa of the Ecumenical Development Co-operative Society (SCOD). She holds a Diploma (finance/accounting option) from the Higher Commercial School, Abidjan.



**Evelyne Tall Non-Executive Director** 

Evelyne Tall is currently the Deputy Chief Executive Officer of the Ecobank Group. Prior to that she was the Executive Director for Domestic Banking for the Group as well as the Regional Head for the Francophone West Africa Region. She started her career in 1981 with Citibank in Dakar. She left Citibank to join Ecobank Mali as Deputy Managing Director in 1998, and was made Managing Director in 2000. She was later transferred to Ecobank Senegal as Managing Director. She was appointed Regional Head of the Francophone West Africa Region in October 2005. Evelyne Tall holds a Bachelor's Degree in English (Dakar) and a diploma in International Trade, Distribution and Marketing from Ecole d'Administration et de Direction des Affaires, Paris.



Rosemary Yeboah **Executive Director** 

Rosemary Yeboah is a Banker with over 21 years banking experience working with International Banks in the United Kingdom, Ghana and Southern Africa, including Standard Chartered Bank and Credit Suisse First Boston, and has been with the Ecobank Group since 2008. She has held various positions within the Ecobank Group including Group Head, Multinational & Regional Corporates, with responsibility for managing the Networked Corporate Clients within the Bank, and Regional Head, Corporate Banking, EAC. She also holds additional responsibility as Group Head, Corporate Banking, covering the Ecobank Group of Corporate Clients. She holds a BA (Hons) in Economics from the University of Kent, Canterbury, UK and an MA Economics from the Université de Grenoble, France.



Thomas C Awagu Non-Executive Director

Thomas C Awagu was a pioneer member of the Board of Ecobank Nigeria Plc where he served for several years. He also served as chairman of the Building Committee and Board Credit Committee at different times. He is currently the President of both the Institute of Directors Nigeria and the Nigerian-British Chamber of Commerce. He is also the Treasurer of the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture. TC Awagu holds Bachelor's and Master's degrees in Architecture from Ahmadu Bello University, Zaria and is the pioneer managing director of Pyramids Plc, a multi-disciplinary firm of architects, engineers and cost consultants.



George heads Ecobank Ghana's Domestic Banking business and is also the Cluster Head for Domestic Banking for the West African Monetary Zone (WAMZ). He is an accomplished banker with over 20 years in treasury management and sales/relationship development. Prior to his appointment, he was the Head, Retail Banking for Ecobank Ghana and was instrumental in growing the bank's branch network and deposit base. He also worked as Deputy Country Treasurer. George holds a BSc in Administration (Accounting) and an Executive MBA in (Finance) from the University of Ghana,



George Mensah-Asante **Executive Director** 

Terence Ronald Darko is the Managing Director of Mechanical Lloyd Company Limited, a position he has held since 1978. He is a seasoned business executive who serves on the Board of Directors of several institutions. These include the Board of Trustees of the Social Security and National Insurance (SSNIT), Governing Council of the Private Enterprise Foundation (PEF) and Board of Private Sector Development Strategy (PSDS II). He was appointed as the President of the Ghana Employers Association (GEA) in September, 2010.Mr. Darko holds Bachelor's degree in Business Studies from the University of London.



Terence Ronald Darko **Non-Executive Director** 

Morgan Fianko Asiedu was appointed as Executive Director of Ecobank Ghana in September 2012 with oversight responsibility for the Legal, Human Resource and Compliance Departments. He has been with the Ecobank Group for over 21 years and prior to this appointment was the Group General Counsel and Company Secretary of Ecobank Transnational Incorporated (ETI), the parent company of the Ecobank Group. In this role Morgan was the Chief Legal Adviser to both the Board and Executive Management of ETI. Prior to assuming the position of Group General Counsel, he was Company Secretary and Head of Legal Department for Ecobank Ghana (EGH). Other positions held in EGH include Head of Administration, Head, Legal & Credit Admin Department and Head Legal, Regulatory and Compliance Department. Morgan had earlier worked as a private Legal Practitioner with Hencil chambers. A member of both the Ghana Bar and the International Bar Association, Morgan holds a Bachelor of Arts (Law and Sociology) and an Executive MBA from the University of Ghana.



Morgan Fianko Asiedu **Executive Director** 

Awuraa Abena Asafo-Boakye is the Company Secretary and Head of the Legal Department. She has been with Ecobank Ghana Limited since 1996 and has held various positions including Head, Human Resources. Prior to this, she worked as a Legal Practitioner at Sena Chambers, a leading law firm in Ghana. Awuraa Abena holds an LLB degree as well as an Executive MBA (finance) degree from the University of Ghana, Legon.



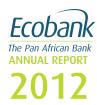
Awuraa Abena Asafo-Boakye Company Secretary



# financial highlights

	Т	he Group	The Bank		
At 31 December	2012 GH¢′000	2011 GH¢′000	2012 GH¢′000	2011 GH¢′000	
Total assets	3,428,070	2,132,183	3,378,843	2,128,006	
Loans and advances to customers (net)	1,396,514	849,893	1,394,967	848,459	
Customer deposits	2,464,605	1,608,256	2,407,615	1,540,670	
Shareholders' equity	456,212	262,599	456,547	250,862	
For the year ended 31 December					
Profit before tax	186,226	105,534	196,185	102,619	
Profit after tax	132,557	72,381	143,169	70,105	
Dividend per share (Ghana pesewas)  Earnings per share (Ghana pesewas):	29	24	29	24	
- Basic	45	31	49	30	
- Diluted	45	31	49	30	
Return on average equity (%)	37	30	40	30	
Return on average assets (%)	4.8	4.0	5.2	3.8	
At 31 December					
Number of staff	1,430	890	1,424	885	
Number of branches	78	53	78	53	

### business review



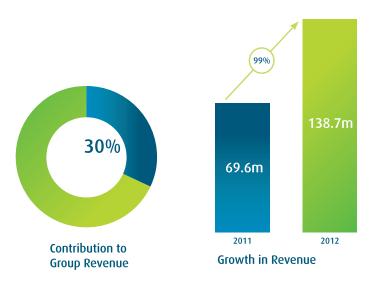
Ecobank's services are delivered by three customer-focused business segments.

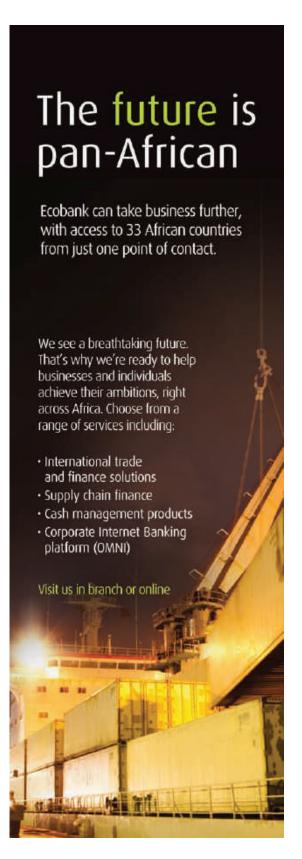
#### **Corporate Bank**

We provide a wide range of financial products and bespoke solutions including pan-African credit, trade and commodity finance, cash management and payment solutions to multinationals, regional corporates, government parastatals, international organizations and financial institutions.

#### **Outlook:**

- Providing a comprehensive suite of online Cash Management and Electronic banking solutions to multinationals, regional corporate, parastatals, international organizations and financial institutions doing business in and with Africa.
- Providing world class Customer Service experience, embracing technology to offer convenient, accessible and reliable banking services to our clientele.
- Increasing our primary banking relationships by using our existing customer base to help establish broader transactional banking relationships.
- Leveraging on our strong footprint in middle Africa to support companies operating in these countries and those planning to set up business operations in other African countries.







# business review cont'd

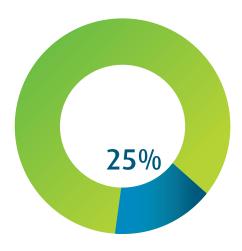
#### Treasury

Ecobank Ghana's treasury is a leading market maker in the foreign exchange and money markets. Our experienced team of professionals remain committed to ensuring that our customers always have access to our expertise and market knowledge not only in Ghana but in the 32 other countries that Ecobank is present in. We are focused on efficient balance sheet management to ensure optimal balance between liquidity and profitability.

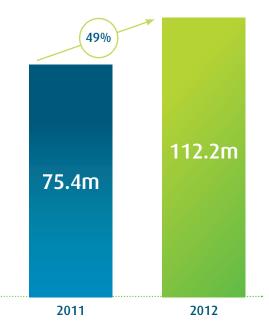
#### **Outlook:**

We are committed to offering our valued customers

- **Customized Treasury Solutions**
- **Competitive Pricing**
- **Investment Advisory Services**



**Contribution to Group Revenue** 



Growth in Revenue

## business review cont'd

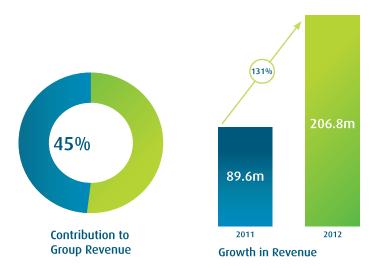


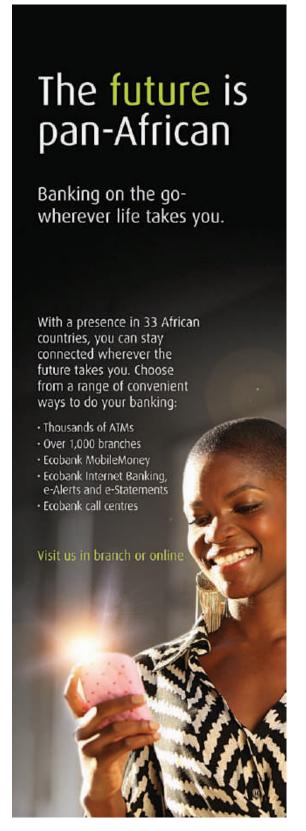
#### **Domestic Bank**

Provides convenient, accessible and reliable financial products and service to individuals, local corporates, public sector and SME customers by leveraging on the bank's extensive branch and ATM network as well as mobile, internet and remittances banking platform.

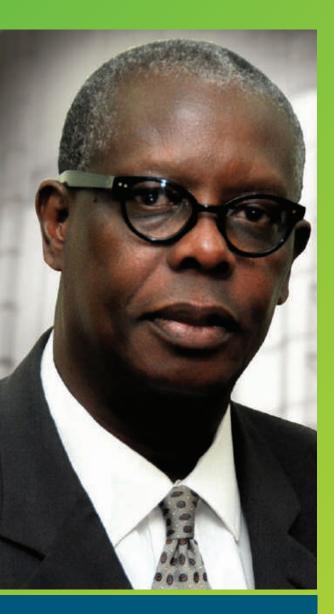
#### Outlook:

- Continue to delight our customers by providing efficient and timely services.
- Leverage the value chain of corporate customers and key local corporate and public sector customers by serving their staff, suppliers and distributors.
- Provide products and services that make banking convenient for customers through offerings on our alternate channels.





# chairman's address



Lionel Van Lare Dosoo Chairman

#### Dear Shareholders,

On behalf of the board of directors, the management, and staff of Ecobank Ghana, I welcome you all.

This is our bank's 7th annual general meeting. With every passing year, the bank grows not just in size but also in strength, stability and stature. The year just ended 2012, was a year of continued rapid growth and achievements of key milestones. Now Ecobank is not just a bank, but an iconic brand and the industry leader in terms of size and profitability (as at the end of the third quarter).

The seamless merger with the Trust Bank was successfully achieved within six months from the announcement date, through the hard work, dedicated efforts and cooperation of everyone involved- our investors, advisors, the leadership of the bank, our parent company; Ecobank Transnational Incorporated and the Trust Bank. We also recognize that, a merger is in name only, without the positive support of the newly acquired human resources. We welcome all the Trust Bank staff to the new Ecobank family.

#### Review of 2012

According to the IMF World Economic Outlook, October 2012, growth in advanced economies is now too low to make a substantial dent in unemployment. In major emerging market economies, growth that had been strong earlier has also decreased. 2012 growth has been forecasted at 1.3% for advanced economies and 5.3% for emerging market and developing economies. The forces at work are, for the most part, familiar; mainly fiscal consolidation and a still-weak financial system.

Although emerging markets are viewed by most analysts as the ones to ensure that the world economic growth does not plunge, they are however not immune to the happenings in the developed world. A crunch in European credit markets will make many emerging economies seriously vulnerable to the global crisis.

Despite its resilience in the face of the global economic crises, Sub-Saharan African is not immune. The worsening euro crises and slow down in China's growth is expected to significantly impact Africa's export going forward as these two economies constitute major recipients of the continents exports.



## "As a bank, we will continue to take advantage of the opportunities offered by this budding economy to deliver reliable and world class services to our customers. "

On the back of these performances, global growth is expected to be slow at approximately 3.6% per annum on average in 2013.

The Ghanaian economy has performed remarkably well in the face of these global happenings. With the stable macro-economic environment, GDP growth for 2012 is projected at 7.1% compared to a Sub-Saharan projected average GDP growth of 4.8% and global projected growth of 3.2%. A stable political and macroeconomic environment contributed largely to this performance. A weakening cedi at the beginning of the year was successfully mitigated by the central bank during the last quarter of the year through various measures aimed at re-aligning demand pressures in the forex market towards cedi denominated assets while augmenting supply of forex in the foreign exchange market as well as improving the transparency of the forex market. Inflation ended at a single digit of 8.8% and this trend is expected to continue in 2013.

As a bank, we will continue to take advantage of the opportunities offered by this budding economy to deliver reliable and world class services to our customers and to ensure that we remain the financial institution of choice for the ever growing Ghanaian banking populace.

The annual report for the financial year 2012 reflects the bank's strength, strategies and resoluteness which have contributed to the bank's excellent performance. It also pledges our commitment and resolve to continue on the trajectory of growth and excellence.

Ladies and gentlemen, when we merged with The Trust Bank, our main aim was to expand our operations further into the SME and local corporate market, taking advantage of the expertise that had been harnessed by The Trust Bank in this important sector of the economy. I am happy to inform you that the synergies of the merger coupled with the momentum established in recent years have resulted in phenomenal results for Ecobank for the year 2012.

We are reporting an impressive 76% year-on-year growth in profits before tax from GHS106 million to GHS186 million and a 37% return on equity. The results reflect a strong performance in all our income lines, as we delivered good profitable growth in both interest and fee incomes. Our net interest income constituted 64% of our total income, while non interest contributed the remaining 36%.

We have established a strong track record of driving efficiency improvements and despite the increased costs relating to the merger and other inflationary trends, It is worth stating that in 2012 we improved our cost:income ratio to 50% from 52.5% in 2011.

Provisions for credit losses increased to GHS25.3 million from GHS6.1 million and our non performing loan ratio stood at 5.1%. The increase was due to the additional growth in our SME portfolio.

The strength of our bank lies in our networth, asset quality and strategies as well as the quality of management we have to execute these strategies. I am therefore pleased to inform you that our asset book stood at GHS3.4 billion up by 61% from 2011. Our loan book grew by 64% to GHS1.39 billion while our customer deposit improved by 53% to GHS2.46 billion. Our capital strength continues to be among the best in the industry, with capital adequacy at year end stated at 14.78% up from 13.57% in 2011 and above the central bank's threshold requirement of 10%.

I believe this performance is highly commendable and I assure you, fellow shareholders, we will continue to deliver enhanced value to you, and we believe that the actions we took last year have positioned the bank to do just that.



## chairman's address cont'd.

# "Now Ecobank is not just a bank, but an iconic brand and the industry leader in terms of size and profitability (as at the end of the third quarter). "

#### Dividend

It remains the policy of the board to pay out to shareholders as much of the profit each year, after taking into consideration regulatory requirements. It was important to maintain the dividend payment policy to acknowledge shareholders ongoing support and also for entrusting us with your investment. The Board therefore declared a dividend of GHS 0.29 up from GHS 0.24 declared last year, a 21% increase. Our share price also increased by 37% from GHC 3.00 as at the end of 2011 to GHC 4.1 as at 15 March 2013.

#### **Corporate Responsibility**

At Ecobank Ghana, we recognize the fact that our responsibilities extend beyond our day to day banking operations. Therefore, we are ever mindful of our corporate and social responsibilities. We have undertaken self assigned social responsibilities including the donation of US\$200,000.00 towards the refurbishment of the children's ward at Korle Bu Teaching hospital as well as support for the Glaucoma foundation of Ghana to mention a couple.

#### **Concluding Remarks**

The emergence of Ecobank Ghana as a strong bank with sound fundamentals, can be attributed not only to top management but all employees of the bank. The dedication and commitment of the employees has made it possible to effectively surmount the challenges and competition faced from time to time.

On behalf of the Board of Directors, I extend our appreciation to management for their contribution to Ecobank's strong performance over the past year and their commitment to meeting our customers' highest expectations.

I also express gratitude for the valuable guidance and support of the Bank of Ghana.

A very big thank you to all our valued customers without whom there is no Ecobank. Thank you for your trust.

To the board, I am grateful for the unwavering support and guidance. As stewards of the organization, we believe the primary purpose of the Board of Directors is to create an environment for management that demands integrity while promoting long-term shareholder value. We recognize that good governance, which enables the creation and enhancement of shareholder value. is as important to the success of Ecobank as the operational achievements of the company.

We are committed to the continuous improvement of corporate governance practices. My goal as Chairman is to provide leadership to the board so it can continue to provide management with sound and independent advice. I am pleased that the board has been able to contribute to the success of Ecobank over the years, and especially in 2012.

Ecobank Ghana Limited is a great institution which we are all very proud of and legitimately so.

We thank God for seeing us through another year and pray for more successful years to come.

Thank you for your attention.

# The future is pan-African

Banking that's ready for all the good things life can bring.

With a presence in 33 African countries, we're always there for you, wherever the future takes you. Choose from a range of services including:

- Ecobank Regional cards
- Debit and Credit cards (Mastercard and Visa)
- · Ecobank Rapidtransfer
- Ecobank MobileMoney

Visit us in branch or online



# managing director's



Samuel Ashitey Adjei Managing Director

# Building a World Class Financial Institution in Ghana

#### Fellow shareholders,

2012 undoubtedly remains a significant year in our existence as a bank. It's the year that saw the merging of our business with The Trust Bank which together with our internal growth propelled us to become the industry leader in size. Notwithstanding the challenges associated with mergers, we were able to achieve this unprecedented feat within six months of the official announcement. I must say that I am most proud of the work we have done and particularly pleased to present the resultant financial results for the year 2012.

#### **Economic Overview**

#### **Growth rate**

Ghana's economy has remained generally strong despite uncertainties in the global economy. Although domestic challenges emanating from the shortfall in energy supply and slowdown in the production of major exports (cocoa and gold) have somewhat moderated the pace of economic activity, the projected GDP growth of 7.1% compares favourably with global and regional growth trends. Going forward, the Ghanaian economy is expected to enjoy strong economic growth over the medium term, propelled by the nascent oil & gas sector and Ghana's abundant natural resources and relative political stability.

#### Exchange rate

The first half of 2012 witnessed increased exchange rate volatility and higher inflation expectations. In response to the build-up of pressures in the foreign exchange market, the Central Bank of Ghana implemented policy measures to stem the rapid depreciation of the cedi. As a result, in the third quarter through to December, the economy continued to respond positively to the mix of policies pursued to bring about stability in the foreign exchange market and the economy as a whole. Currently, the cedi has made significant gains while inflation remains broadly stable. The outlook remains positive with strong continuing investor interest in domestic assets.



"2012 is the year that saw the merging of our business with The Trust Bank which together with our internal growth propelled us to become the industry leader in size. "

#### **Inflation**

Inflation outcomes have been in line with expectations though some upside risks persisted at the beginning of 2012, due to the high wage bill and expenditure arrears. Despite these, we ended the year with a single digit inflation rate of 8.8% comparable to the 8.58% achieved at end of 2011.

#### Interest rate trends

After sharp increases in the second quarter of the year as part of the central bank strategy to stem the free fall of the cedi against the USD, interest rate developments in the fourth quarter of 2012 reflected some stability with short term rates remaining relatively stable while long term rates inched downward. During the year under review, 91-day Treasury bills rose by 12.5 percentage points to 23.1% while 182-day bill rate rose to 22.99% from 11.25%. The 1-year fixed note rate also increased by 11.2 percentage points to 22.9%.

The Central Bank Monetary Policy rate was hiked by 250 basis points from the beginning of the year to 15% at year end in a bid to curb inflation.

#### **Banking Industry Overview**

With the strong economic growth, the banking sector remained relatively stable, benefiting from healthy capitalization as well as sound liquidity and profitability. The capital adequacy ratio (CAR) of the industry was 18.6% in December 2012, well above the 10.0% level considered prudent. In that regard, all Ghanaian banks have now met the GHS60million minimum capital requirement, a threshold set by the Central bank of Ghana with December 2012 as the deadline.

#### Ecobank Ghana Limited: The Story in 2012

#### **Financial Highlights**

Ladies and Gentlemen, I am pleased to inform you that following our merger with TTB our asset size stood at GHS3.4 billion as at December 2012 from GHS2.1 billion in 2011, marking a growth rate of 61%. Ultimately, our goal is to continue to harness the advantages that come with owning a big balance sheet while strengthening this position into the future.

We continued to render support to businesses and individuals in order to improve livelihoods thus contributing to the economic growth and development of Ghana as reflected in a 64% loan book growth to GHS1.39 billion from GHS0.8 billion. It is worth stating that with the on-boarding of TTB, an increased portion of our business is currently in the SME sector and I must say, we are proud to partner with this important segment of the economy.

I seize this opportunity to thank our esteemed customers across the length and breadth of the country for entrusting us with their deposits. Our customer deposit saw an impressive growth of 53% to GHS2.46 billion as at year end 2012.

#### Strong Income growth in the face of keen competition

The survival of any business is dependent on its ability, in part, to generate and grow income levels year on year. Despite the increased competitiveness of the banking industry, Ecobank Ghana has over the years been able to achieve sustainable growth levels up to this point. In 2012, we put up an exceptional performance in this regard and reported an increase in total revenue of 80% with major contribution from all our revenue lines (110% growth in Net interest income and 52% growth in fee and commission income).



# managing director's report cont'd.

Our strong revenue growth ensured that our profitability growth was stronger than ever. Profit before tax grew by a phenomenal 76% and our cost-income ratio was lower at 50% compared to 52.5% at December 2011; an undoubted testament of our operational efficiency.

#### Strong capital adequacy position

Our capital adequacy ratio at 14.78% is well above the regulatory minimum threshold of 10%, emphasizing our strong capital position in the industry.

#### **Integration Update**

Our success depends on our employees, the service they provide to our customers and the long-term partnerships they build with them. We remain committed to service excellence and we will continue to attract, retain and develop the best human talent.

In 2012, we welcomed out colleagues from The Trust Bank into the Ecobank family and successfully merged the human resources and operations of these two banks. As earlier announced, there was no retrenchment of TTB staff and all who were willing to come on board were taken on. All together, a total of 468 Trust bank staff joined us and our current staff strength stands at 1,430 from 890 in 2011

Through various training and development programmes, we were able to effectively integrate the cultures and values of the two banks. To facilitate the merger process, we set up an integration committee made up of staff from both banks who did a tremendous job of ensuring that our systems, human resources and branches were successfully integrated in record time. Their work and the sheer determination of all staff ensured a very smooth integration process.

#### **Principal Activities and Awards**

We opened our Burma Camp branch to the public in January 2012, bringing our total branch network to 78 as at year end. With our current spread, we are now present in 8 of the 10 regions of Ghana. We further deepened customer utilization of our e-banking products through product enhancement in addition to increased customer education. These efforts by the bank were recognized by the international community, and translated into

the bank being adjudged the Best Bank in Ghana 2011 at the Annual Euromoney Excellence Awards ceremony held in London in 2012.

#### **Improving Lives - Our Social Responsibility**

Being socially responsible is as important to us as being profitable. As a result, during the year we lent support to various activities aimed at improving societal welfare. We supported the Village of Hope through the payment of school bills for orphans, the Korle Bu teaching hospital on the refurbishment of the physical project at the Child Health Department and the Ghana Heart Foundation towards the World Heart Day. We also supported the UNHCR with regards to the refugee health needs and the Glaucoma Association of Ghana towards activities marking World Glaucoma Day.

#### **Appreciation**

In conclusion, I wish to thank the members of the board for their guidance. They have been extraordinary in their dedication and efforts towards strengthening the institution. We also extend a warm gratitude to our parent company whose support has been immense throughout the years.

The efficient management of our resources is a testimony to the strength and resilience of our people. The disciplined and constructive attitude maintained by our staff throughout the year, together with the proactive and rigorous management of risk, liquidity and costs, enabled the bank to make further strategic progress, and my warmest appreciation goes to the entire staff.

On behalf of the management and staff of Ecobank, I extend a heartfelt gratitude to our shareholders and customers for keeping faith with us. We remain committed to moving forward in 2013 and pledge to honour the confidence reposed in the Ecobank brand.

My utmost gratitude goes to God Almighty for seeing us through the year and for giving us the grace and knowledge to successfully manage our Bank. We believe He will continue to guide us in the years ahead

Thank You.

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# report of the directors

to the members of ecobank ghana limited

The Directors submit their report together with the financial statements of the Bank and its subsidiaries for the year ended 31 December 2012.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies 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 misstatement, whether due to fraud or error.

The Directors have made an assessment of the ability of the Bank and its subsidiaries to continue as going concerns and have no reason to believe any of the entities will not be a going concern in the year ahead.

The Directors consider the state of the Group's affairs to be satisfactory.

#### **PRINCIPAL ACTIVITIES**

The Bank's principal activities comprise corporate, investment and retail banking. There was no change in the nature of the Bank's business during the year.

#### SUBSIDIARIES AND ASSOCIATE

The Bank has the following wholly owned subsidiaries, which are incorporated in Ghana and provide the following services:

**Ecobank Investment** Managers Limited of investments **Ecobank Leasing** Finance lease **Company Limited Ecobank Venture Capital** Venture capital **Company Limited** 

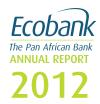
The Bank holds a 49% interest in EB Accion Savings and Loans Company Limited, a company incorporated in Ghana, which provides microfinance to small and medium scale enterprise.

#### ACQUISITION OF INTEREST IN THE TRUST BANK (TTB)

The acquisition of The Trust Bank (TTB) from Ecobank Transnational Incorporated (ETI) was completed during the year, after approval by shareholders at the extraordinary general meeting held on 20 January 2012.

The Directors approved the merger of Ecobank Ghana Limited and TTB on 2 May 2012 following which TTB's net assets were transferred to Ecobank Ghana Limited. TTB was subsequently placed into voluntary liquidation and a liquidator appointed on 2 November 2012.

The liquidator completed his activities on 31 December 2012 and transferred balances that remained on completion of the liquidation to the Bank.



#### Financial statements and dividend

The Bank's results for the year are set out in the attached financial statements, highlights of which are as follows:

	2012	2011
	GH¢′000	GH¢′000
Profit after tax (attributable to equity holders) to which is added the balance brought forward on income surplus account of	143,169 76,988	70,105 63,744
	220,157	133,849
out of which is transferred to the statutory reserve		
fund in accordance with the Banking Act an amount of	(71,585)	(8,763)
transfers to the credit risk reserve of	(7,893)	(2,072)
and prior year's dividend paid of	(55,230)	(46,026)
	(134,708)	(56,861)
leaving a balance to be carried forward of	85,449	76,988

In accordance with section 29(c) of the Banking Act, 2004, Act 673 as amended, an amount of GH¢71.6 million (2011: GH¢8.8 million) was transferred to the statutory reserve fund from the income surplus account bringing the cumulative balance on the statutory reserve fund at the year end to GH¢117.1 million (2011: GH¢45.5 million).

The Directors recommend the payment of a dividend of 29 Ghana pesewas (2011: 24 Ghana pesewas) per share amounting to GH¢85,036,228 (2011: GH¢55,230,000).

#### **HOLDING COMPANY**

The Bank is a subsidiary of Ecobank Transnational Incorporated (ETI), a company incorporated in the Republic of Togo. ETI owns 68.93% of the issued ordinary shares of the Bank.

#### APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Bank were approved by the Board of Directors on 26 February 2013 and signed on their behalf by:

Signed	Signed
Lionel Van Lare Dosoo	Samuel Ashitey Adjei
CHAIRMAN	MANAGING DIRECTOR



# corporate governance

#### **Commitment to Corporate Governance**

As a member of the Ecobank Group, Ecobank Ghana and its subsidiaries operate according to the Ecobank Transnational Incorporated (ETI) Group principles and practices on corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance, which constitute the best of international practice in this area.

The key guiding principles of the Group's governance practices are:

- Good corporate governance enhances shareholder value (i)
- The respective roles of shareholders, Board of Directors and management in the governance architecture should be clearly defined
- (iii) The Board of Directors should have majority membership of independent Directors, defined broadly as Directors who are not employed by the Group or company, or who are not affiliated with organizations with significant financial dealings with the Group.

These principles have been articulated in a number of corporate documents, including the Bank's regulations, a corporate governance charter, rules of procedures for Boards, a code of conduct for Directors and rules of business ethics for staff.

#### The Board of Directors

The Board is responsible for setting the institution's strategic direction, leading and controlling the institution and monitoring activities of executive management.

As of 31 December 2012, the Board of Directors of Ecobank Ghana consisted of eleven (11) members made up of an independent Non-executive Chairman, five (5) Non-executive Directors, four (4) of whom are independent and five (5) Executive Directors. These board members have wide experience and in-depth knowledge in management, industry and the financial and capital markets, which enable them make informed decisions and valuable contributions to the Group's progress. The Board met four (4) times during the year.

The Board has delegated various aspects of its work to the Governance, Audit and Compliance, Risk Management and Building committees.

The Board has adopted standard evaluation tools that help assess the performance of the Board, its committees and individual members on an annual basis.

#### **Governance Committee**

This committee is chaired by Mr Lionel Van Lare Dosoo (the independent non-executive Board Chairman) and has as its members Mr Kofi Ansah, Mr Samuel Ashitey Adjei, Mr Terence Ronald Darko, Mme Evelyn Tall and Mrs Rosemary Yeboah. The committee met once in the year ended 31 December 2012.

The role of the committee includes:

- Handling relationships with regulators and third parties;
- Handling relationships with shareholders;
- Evaluating the performance of Board members and various committees;
- Reviewing all issues relating to good governance; and
- Reviewing and recommending the appointment of Directors and their remuneration.

The role of the governance committee with regards to Human Resources includes:

- Periodic review of the organizational structure of the Bank to ensure it conforms to the standard Group structure;
- Setting criteria, in line with Group policies, for recruitment of staff;
- Ensuring human resource management policies align with the Group Human Resource policies;
- Evaluating the performance of management staff and making recommendations for approval by the Board;
- Recommending disciplinary actions against erring management staff;
- Recommending appropriate levels of remuneration and packages for staff;
- Reviewing succession plan for key positions; and
- Any other responsibilities as may be assigned by the Board.

#### **Audit and Compliance Committee**

The Audit and Compliance Committee has as its Chairperson Mrs Mariam Gabala Dao, an independent non-executive Director. This committee includes four (4) other non-executive members of the Board. The Managing Director, the Chief Finance Officer and a representative of the external auditors sit in attendance. The committee met four (4) times in the year ended 31 December 2012.



The role of the committee includes:

- Reviewing the internal audit function, its mandate and audit activities:
- Reviewing internal and external audit reports, particularly reports of regulatory and monetary authorities and supervising the implementation of recommendations;
- Facilitating dialogue between auditors and management on the outcome of audit activities;
- Proposing external auditors and their remuneration;
- Working with the external auditors to finalise the annual financial statements for Board approval;
- Reviewing the dividend policy and issues relating to the constitution of reserves;
- Reviewing quarterly, half-yearly and annual financial results before the Board's review and approval;
- Setting up procedures for selecting suppliers, consultants and other service providers and ensuring compliance therewith;
- Organising periodic discussions with the departments of Internal Audit and Financial Control;
- Defining appropriate measures to safeguard assets of the Bank:
- Ensuring compliance with all applicable laws and regulations and operating standards;
- Reviewing, approving and following up major contracts, procurement and capital expenditures;
- Reviewing actual spending against budget; and
- Reviewing and approving proposals for extra-budgetary spending.

#### **Risk Management Committee**

The committee has as its Chairman Mr Lionel Van Lare Dosoo, the independent non-executive Board Chairman. Other members are Mr Kofi Ansah and the Managing Director. The committee met four (4) times in the year ended 31 December 2012 to review reports from the Risk Manager.

The role of the committee include:

- Approving all credits within limits defined in Group Credit Policy and within the statutory requirements set by the respective regulatory and supervisory authorities;
- Reviewing and endorsing credits approved by executive management;
- Reviewing and recommending to the full Board, credit policy changes initiated by executive management;
- Ensuring compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory and supervisory authorities;
- Reviewing periodic credit portfolio reports and assessing portfolio performance;
- Approving exceptions, write-offs and discounts of nonperforming credit facilities;
- Reviewing audit reports in respect of compliance with and implementation of Risk Management Policies; and
- Reviewing all other risks, including technology, market, insurance, reputation and regulations.

#### **Building Committee**

The Board also has an ad-hoc Building Committee, which supervises the management of new building projects. This committee is chaired by Mr Kofi Ansah, an independent, nonexecutive Board member with support from the Managing Director, Mr Samuel Ashitey Adjei. The committee did not meet during the year.

#### **Business Continuity Plan**

The Group has a business continuity and disaster recovery plan for its Head Office and branches that will enable it respond to unplanned significant interruptions in essential business functions that can lead to the temporary suspension of operations. It provides guidelines to fully recover operations and ensure coordinated processes of restoring systems, data and infrastructure to enable essential client needs to be met until normal operations are resumed. The plan is tested at least three times every year to assess the readiness of the Group to respond to unplanned interruptions of operations.



### corporate governance cont'd

#### **Systems of Internal Control**

The Group has a well-established internal control system for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that risks faced by the Group are reasonably controlled.

The corporate internal audit and compliance function of the Group plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal control are implemented and monitored by appropriately trained personnel, with clearly defined duties and reporting lines.

#### Code of Business Ethics

Management has communicated principles in the Group's Code of Conduct to its employees to provide guidance in the discharge of their duties. This code sets the standards of professionalism and integrity required for the Group's operations, which covers compliance with applicable laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to laid down principles, so as to eliminate the potential for illegal practices.

#### Anti-Money Laundering

The Group also has an established anti-money laundering system in place in compliance with requirements of Ghana's Anti-Money Laundering, Act 749, 2008. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training and sensitisation of staff on money laundering, which assist in reducing regulatory and reputational risks to its business.

Staff members receive training in anti-money laundering policies and practices.

### independent auditors report



#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECOBANK GHANA LIMITED

#### Report on the Financial Statements

We have audited the financial statements of Ecobank Ghana Limited, which comprise the statements of financial position at 31 December 2012, 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 96.

#### Directors' Responsibility for the Financial Statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies 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 misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of Ecobank Ghana Limited at 31 December 2012 and its consolidated and separate 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.

#### 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

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

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

The Bank's transactions were within its powers. 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.

UP m G

SIGNED BY: NII AMANOR DODOO (ICAG/P/1055) FOR AND ON BEHALF OF: KPMG: (ICAG/F/0036) CHARTERED ACCOUNTANTS 13 YIYIWA DRIVE, ABELENKPE P O BOX GP 242 **ACCRA** 

26 February, 2013



# statements of comprehensive income for the year ended 31 december 2012

		Th	ie Group	The Bank		
		2012	2011	2012	2011	
	Note	GH¢′000	GH¢′000	GH¢′000	GH¢′000	
Interest income	6	353,354	170,526	344,261	159,469	
Interest expense	7	(83,163)	(41,926)	(77,503)	(33,932)	
Net interest income		270,191	128,600	266,758	125,537	
Fees and commission income	8	92,087	61,060	91,996	60,943	
Fees and commission expense	9	(1,736)	(1,501)	(1,736)	(1,501)	
Net fees and commission income		90,351	59,559	90,260	59,442	
Lease income	10	1,459	1,704	1,444	1,698	
Net trading income	11	52,759	41,388	52,293	41,264	
Dividend income	12	1,148	682	15,422	682	
Other operating income	13	6,809	2,615	6,271	2,896	
aut.		40.455	44.200		44 = 40	
Other income		62,175	46,389	75,430	46,540	
Total in come		422.747	224.540	422.440	224 540	
Total income		422,717	234,548	432,448	231,519	
Impairment charge on loans						
and advances	14	(25,318)	(6,167)	(25,315)	(6,157)	
Operating expenses	15	(211,466)	(123,128)	(210,948)	(122,743)	
Operating profit		185,933	105,253	196,185	102,619	
Share of profit of associates	40	293	281	-	-	
Profit before income tax		186,226	105,534	196,185	102,619	
Income tax	16	(53,669)	(27,876)	(53,016)	(27,383)	
National fiscal stabilisation levy	18	-	(5,277)	-	(5,131)	
Profit for the year		132,557	72,381	143,169	70,105	



#### Statements of Comprehensive Income for the Year Ended 31 December 2012 (Cont'd)

		Th	e Group	The Bank		
		2012	2011	2012	2011	
	Note	GH¢′000	GH¢′000	GH¢′000	GH¢′000	
Profit for the year		132,557	72,381	143,169	70,105	
Other comprehensive income Gains on revaluation of property	36(a)	-	7,750	-	7,750	
Change in value of available for sale investment securities	36(b)	(16,897)	2,681	(15,026)	2,283	
Income tax relating to components of other comprehensive income	17	3,845	(1,833)	3,434	(1,733)	
Other comprehensive income for						
the year, net of tax		(13,052)	8,598 	(11,592)	8,300	
Total comprehensive income for						
the year		119,505 =====	80,979 =====	131,577 =====	78,405 ====	
Profit for the year attributable to:						
Equity holders of the Bank		132,557	72,381	143,169	70,105	
		=====	====	=====	====	
Earnings per share						
Basic and diluted (in Ghana pesewas	) 19	45	31	49	30	
		==	==	==	==	



# statement of financial position at 31 December 2012

Note	2012 GH¢′000	The Group 2011 GH¢'000	2012 GH¢′000	The Bank 2011 GH¢'000
Assets Cash and cash equivalents 20	224 100	222.057	224 100	222.054
Cash and cash equivalents 20 Government securities 21	324,180 691,405	232,856 573,295	324,180 630,617	232,856 518,676
Loans and advances to Banks 22	843,730	359,553	840,525	413,959
Trading assets 23	-	725	-	725
Loans and advances to customers 24	1,396,514	849,893	1,394,967	848,459
Investment securities: available-for-sale 25	1,517	10,872	1,517	10,872
Investment in subsidiaries 26	-	-	2,400	2,400
Investment in associates 40	5,415	4,240	4,841	3,959
Intangible assets 27 Income tax 16	4,017 2,223	6,107 2,313	4,017 2,175	6,107 2,128
Property and equipment 28	57,580	45,788	57,503	45,774
Other assets 29	101,489	46,541	116,101	42,091
Total assets	3,428,070	2,132,183	3,378,843	2.128.006
Liabilities	277.272	400 405	202.004	107.140
Deposits from Banks 30 Customer deposits 31	276,362 2,464,605	108,185 1,608,256	282,904 2,407,615	187,168 1,540,670
Other liabilities 32	94,843	46,053	95,416	42,315
Deferred tax 17	3,958	3,963	4,271	3,864
Borrowings 33	132,090	103,127	132,090	103,127
Total liabilities	2,971,858	1,869,584	2,922,296	1,877,144
	•••••		• • • • • • • • • • • • • • • • • • • •	
Equity and reserves				
Stated capital 34	226,641	100,000	226,641	100,000
Income surplus account 35	85,780	88,086	85,449	76,988
Revaluation reserve 36	12,939	24,587	13,974	24,162
Statutory reserve fund 37	117,483	45,743	117,114	45,529
Regulatory credit risk reserve 38	13,369	4,183	13,369	4,183
Total equity attributable to				
equity holders of the Bank	456,212	262,599	456,547	250,862
Total liabilities and equity	3,428,070	2,132,183	3,378,843	2,128,006

These financial statements were approved by the Board of Directors on 26 February 2012 and signed on its behalf by:

Signed

Lionel Van Lare Dosoo

**CHAIRMAN** 

Signed

Samuel Ashitey Adjei

MANAGING DIRECTOR

# statements of changes in equity



#### For the year ended 31 December 2012

The Group	Stated capital GH¢′000	Income surplus account GH¢′000	Revaluation reserve GH¢′000	Statutory reserve fund GH¢′000	Regulatory credit risk reserve GH¢′000	Total GH¢'000
Balance at 1 January 2011	100,000	72,566	15,989	36,980	2,111	227,646
Total comprehensive income						
Profit for the year	-	72,381	-	-	-	72,381
Other comprehensive income, net of tax	-	-	8,598	-	-	8,598
Total comprehensive income for the year	-	72,381	8,598	-	-	80,979
Transactions with equity holders Dividend paid	-	(46,026)	-	-	-	(46,026)
Contributions to equity holders	-	(46,026)	-	-	-	(46,026)
Regulatory transfers						
Statutory reserve	-	(8,763)	-	8,763	-	-
Credit risk reserve	-	(2,072)	-	-	2,072	-
	-	(10,835)	-	8,763	2,072	-
Balance at 31 December 2011	100,000	88,086	24,587	45,743	4,183	262,599



# statements of changes in equity cont'd

#### For the year ended 31 December 2012

The Group	Stated capital GH¢′000	Income surplus account GH¢'000	Revaluation reserve GH¢′000	Statutory reserve fund GH¢'000	Regulatory credit risk reserve GH¢′000	Total GH¢′000
Balance at 1 January 2012	100,000	88,086	24,587	45,743	4,183	262,599
Total comprehensive income						
Profit for the year	-	132,557	-	-	-	132,557
Other comprehensive income, net of tax	-	-	(13,052)	-	-	(13,052)
Total comprehensive income for the year	-	132,557	(13,052)	-	-	119,505
Transactions with equity holders						
Dividend paid	-	(55,230)	-	-	-	(55,230)
Additional shares issued	126,641	-	-	-	-	126,641
Transfer from TTB	-	-	1,404	-	1,293	2,697
Contributions to equity holders	126,641	(55,230)	1,404	-	1,293	74,108
Regulatory transfers						
Statutory reserve	-	(71,740)	-	71,740	-	-
Credit risk reserve	-	(7,893)	-	-	7,893	-
	-	(79,633)	-	71,740	7,893	-
Balance at 31 December 2012	226,641	85,780	12,939	117,483	13,369	456,212

# statements of changes in equity control



#### For the year ended 31 December 2012

	Stated	Income surplus	Revaluation	Statutory reserve	Regulatory credit risk	
The Book	capital	account	reserve	fund	reserve	Total
The Bank	GH¢′000	GH¢′000	GH¢′000	GH¢′000	GH¢′000	GH¢′000
Balance at 1 January 2011	100,000	63,744	15,862	36,766	2,111	218,483
Total comprehensive income for the year						
Profit for the year	-	70,105	-	-	-	70,105
Other comprehensive income, net of tax	-	-	8,300	-	-	8,300
Total comprehensive income for the year	-	70,105	8,300	-	-	78,405
Transactions with equity holders						
Dividend paid	-	(46,026)	-	-	-	(46,026)
Contributions to equity holders	-	(46,026)	-	-	-	(46,026)
Regulatory transfers						
Statutory reserve	-	(8,763)	-	8,763	-	-
Credit risk reserve	-	(2,072)	-	-	2,072	-
	-	(10,835)	-	8,763	2,072	-
Balance at 31 December 2011	100,000	76,988	24,162	45,529	4,183	250,862



# statements of changes in equity cont'd

### For the year ended 31 December 2012

The Bank (cont'd)	Income Stated capital GH¢′000	surplus account GH¢′000	Statutory Revaluation reserve GH¢′000	Regulatory reserve fund GH¢′000	credit risk reserve GH¢′000	Total GH¢′000
Balance at 1 January 2012	100,000	76,988	24,162	45,529	4,183	250,862
Total comprehensive income for the year						
Profit for the year	-	143,169	-	-	-	143,169
Other comprehensive income, net of tax	-	-	(11,592)	-	-	(11,592)
Total comprehensive income for the year	-	143,169	(11,592)	-	-	131,577
Transactions with equity holders						
Dividend paid	-	(55,230)	-	-	-	(55,230)
Additional shares issued	126,641	-	-	-	-	126,641
Acquisition of TTB	-	-	1,404	-	1,293	2,697
Contributions to equity holders	126,641	(55,230)	1,404	-	1,293	74,108
Regulatory transfers						
Statutory reserve	-	(71,585)	-	71,585	-	-
Credit risk reserve	-	(7,893)	-	-	7,893	-
	-	(79,478)	-	71,585	7,893	-
Balance at 31 December 2012	226,641	85,449	13,974	117,114	13,369	456,547

The notes on pages 39 to 96 form an integral part of these financial statements.

# statements of cash flows



### For the year ended 31 December 2012

	The Group The E						
		2012	2011	2012	2011		
	Note	GH¢′000	GH¢′000	GH¢'000	GH¢′000		
Cash flows from apprating activities							
Cash flows from operating activities		(04.020)	(27.020)	(77.250)	(20.045)		
Interest paid Interest received		(84,028)	(37,928)	(77,358)	(30,945)		
Net fees and commissions		338,403	162,965	329,267	151,951		
Other income received		84,084	59,559	83,993	59,442		
Dividend received		5,642	2,615 682	5,104	2,615 682		
Net trading income		1,148 49,363	37,642	1,148 49,521	37,642		
Lease income		1,459	1,704	1,444	1,698		
Payments to employees and suppliers		(173,327)	(123,128)	(172,846)	(122,743)		
Tax paid		(49,739)	(34,183)	(49,222)			
lax palu		(49,739)	(34,163)	(49,222)	(33,537)		
Cash flows from operating activities							
before changes in operating activities							
and liabilities		173,005	69,928	171,051	66,805		
and natimites		175,005	07,720	171,031			
Changes in operating assets and liabilities							
Loans and advances		(119,503)	(343,175)	(119,388)	(342,083)		
Other assets		43,112	(16,388)	38,605	(12,002)		
Customer deposits		522,611	491,924	533,206	453,735		
Other liabilities		(68,095)	18,885	(79,189)	14,766		
Mandatory reserves		(51,928)	(73,011)	(51,928)	(73,011)		
		(- :,/- = -/	(1-5/0-1-7	(0.,, 20)	(10/011/		
Net cash generated from operating Activities		499,202	148,163	492,357	108,210		
=		••••••					
Cash flow from investing activities		(4 =)	(=	(4=	<b>,</b>		
Purchase of property and equipment	28	(15,241)	(5,804)	(15,141)	(5,802)		
Purchase of software	27	(151)	(5,499)	(151)	(5,499)		
Proceeds from sale of equipment	28	2,873	206	2,873	206		
Government securities purchased	21	(1,223,351)	(556,461)	(1,226,377)	(542,000)		
Proceeds from sale of Government securities		1,171,253	454,275	1,174,733	429,197		
Proceeds from sale of AFS investment		9,355	(6,488)	9,355	(6,488)		
Loans and advances to banks		(85,116)	-	(85,115)	-		
Investment in associate		(882)	-	(882)	-		
Proceeds from sale of trading assets		725	-	725	-		
Net cash used in investing activities		(140,535)	(119,771)	(139,980)	(130,386)		
•							

The notes on pages 39 to 96 form an integral part of these financial statements.



# statements of cash flows cont'd

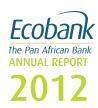
### For the year ended 31 December 2012

		The Group	The Bank		
Not	2012 te GH¢′000	2011 GH¢′000	2012 GH¢′000	2011 GH¢′000	
Cash from financing activities					
Dividend paid	(55,230)	(46,026)	(55,230)	(46,026)	
Repayment of borrowed funds 3	(10,336)	(27,646)	(10,336)	(27,646)	
Proceeds from borrowed funds 3	20,820	49,718	20,820	49,718	
Net cash used in financing activities	(44,746)	(23,954)	(44,746)	(23,954)	
Net increase in cash and cash equivalents	313,921	4,438	307,631	(46,130)	
Cash and cash equivalents at beginning of year 3	365,042	360,604	353,999	400,129	
Cash and cash equivalents at end of year 3	678,963	365,042	661,630	353,999	

The notes on pages 39 to 96 form an integral part of these financial statements.

## notes to the financial statements

For the year ended 31 December 2012



### **GENERAL INFORMATION**

The Bank and its subsidiaries together called the "Group" provide retail, corporate banking, investment banking and other financial services in Ghana. Ecobank Transnational Incorporated (ETI), the parent company, holds 68.93% of the issued ordinary shares of Ecobank Ghana Limited.

The Bank is a limited liability company, incorporated and domiciled in Ghana. The address of its registered office is, 19 Seventh Avenue, Ridge West, Private Mail Bag, General Post Office, Accra.

The Bank is listed on the Ghana Stock Exchange.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 February 2013.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Basis of Presentation 2.1

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information 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 have been included, where appropriate. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of property and available-for-sale financial assets, financial assets and financial liabilities, which are measured at fair value through profit or loss.

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

The financial statements are presented in Ghana cedis, which is the Group's functional and presentation currency. Except otherwise indicated, financial information presented in Ghana cedis has been rounded to the nearest thousand.

Information on risks from financial instruments and financial risk management policies are disclosed in Note 3.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of revision and future periods, if the revision affects both current and future periods.

Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are considered significant to the financial statements, are disclosed in Note 5.



# notes to the financial statements cont'd For the year ended 31 December 2012

### 2.1.1 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that may have an impact on future financial statements:

Standard	Interpretation	Effective date
IAS 1 amendment	Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	Annual periods beginning on or after 1 July 2012
IFRS 7 amendments	Offsetting Financial Assets and Liabilities	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IAS 19 amendments	Employee benefits	Annual periods beginning on or after 1 January 2013
IAS 27	Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013
IAS 28	Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013
IFRS 10, IFRS 12 and IAS 27	Amendments to Joint Arrangements,  Disclosure of Interests in Other Entities and  Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2014
IAS 32 amendments	Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014
IFRS 9 (2009)	Financial Instruments	Annual periods beginning on or after 1 January 2015
IFRS 9 (2010)	Financial Instruments	Annual periods beginning on or after 1 January 2015



### Amendment to IAS 1 Presentation of Financial Statements

The amendment to IAS 1 will be adopted for the first time for the financial reporting period ending 31 December 2013.

The Group will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately.

This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.

This amendment will be applied retrospectively and comparative information will be restated.

Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities

The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements.

Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar agreements.

The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

This amendment will not have any significant impact on the group's financial statements. Its adoption will, however, require more extensive disclosures about rights of set off.

### **IFRS 10 Consolidated Financial Statements**

IFRS 10 will be adopted for the first time for the financial reporting period ending 31 December 2013. The standard may be applied retrospectively. IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:

- Identify how decisions about relevant activities are made;
- Assess whether the entity has power over relevant activities by considering only the entity's substantive rights;
- Assess whether the entity is exposed to variability in returns; and

Assess whether the entity is able to use its power over the investee to affect returns for its own benefit.

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change.

This amendment will not have a significant impact on the Group's financial statements.

### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 will be adopted for the first time for the financial reporting period ending 31 December 2013.

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

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

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

The adoption of this standard will increase the level of disclosure provided for interests in subsidiaries, joint arrangements, associates and structured entities.

### IFRS 13 Fair Value Measurement

IFRS 13 will be adopted for the first time for the financial reporting period ending 31 December 2013. The standard will be applied prospectively and comparatives will not be restated.

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

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



This amendment will not have an impact on the Group's financial statements.

### **Amendments to IAS 19 Employee Benefits**

The amendment has introduced the following key changes, which are not expected to have any impact on the group's financial statements.

- Actuarial gains and losses are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss is no longer permitted.
- Past service costs as well as gains and losses on curtailments settlements are recognised in profit or loss.
- Expected returns on plan assets are calculated based on rates used to discount the defined benefit obligation.
- The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled.

Additional amendments are of a presentation nature and will not have a significant impact on the group's financial statements.

### IAS 27 (2011) Separate Financial Statements

IAS 27 (2011) will be adopted for the first time for the financial reporting period ending 31 December 2013.

IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

This amendment will not have a significant impact on the Group's separate financial statements.

### IAS 28 (2011) Investments in Associates and Joint Ventures

IAS 28 (2011) will be adopted for the first time for the financial reporting period ending 31 December 2013.

IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include:

IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held-for-sale; and

On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the group does not re-measure the retained interest.

This amendment will not have a significant impact on the Group's financial statements.

Amendments to (IFRS 10), Joint Arrangements (IFRS 12) Disclosure of Interests in Other Entities and (IAS 27) Separate Financial Statements (2011)

Under this amendment, a qualifying investment entity is required to account for investments in controlled entities- as well as investments in associates and joint ventures- at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered extensions of the investment entity's investing activities. The consolidation exception is mandatory - not optional.

The parent of an investment entity (that is not itself an investment entity) is still required to consolidate all subsidiaries.

The amendment also requires new disclosures including quantitative data about the investment entity's exposure to risks arising from its unconsolidated subsidiaries. The disclosures now apply to the investee as a single investment rather than to the consolidated investee's underlying financial assets and financial liabilities.

The amendments apply to annual periods beginning on or after 1 January 2014. However, early adoption is permitted, which means that a qualifying investment entity might be able to adopt the amendments as early as 31 December 2012.

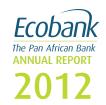
This amendment will not have a significant impact on the group's financial statements.

### Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.



This amendment will not have any significant impact on the group's financial statements.

### IFRS 9 (2009) Financial Instruments

IFRS 9 will be adopted for the first time for the financial reporting period ending 31 December 2015. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of the classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

This amendment will not have a significant impact on the Group's financial statements.

### IFRS 9 (2010) Financial Instruments

IFRS 9 (2010) will be adopted for the first time for the financial reporting period ending 31 December 2015. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace relevant sections of IAS 39.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

- fair value changes for financial liabilities (other than financial quarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument

whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates guidance in IAS 39, dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

This amendment will not have a significant impact on the Group's financial statements.

### Foreign currency translation

### Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation, where items are re-measured.

Monetary items denominated in foreign currency are re-translated at closing rates ruling at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates ruling at the dates of initial recognition; and non-monetary items 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 yearend exchange rates of foreign currency denominated monetary assets and liabilities, are recognised in profit or loss.

All foreign exchange gains and losses recognised 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.

Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences relating to changes in amortised cost are recognised in profit or loss, whereas other changes in carrying amounts, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.



### Segment reporting

Operating segments are reported in a manner consistent with internal reporting to the Board of Directors, which has responsibility for allocating resources and measuring performance of operating segments.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8, the Group has the following business segments: Corporate, Domestic and Capital.

#### Financial assets and liabilities 2.4

All financial assets and liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category.

### 2.4.1 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

### (a) Financial assets at fair value through profit and loss

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

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual patterns of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effectively used as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and Group loans, equity instruments, and financial assets with embedded derivatives.

Financial instruments included in this category are recognised initially at fair value. Transaction costs are recognised directly in profit or loss. Gains and losses arising from changes in fair value are recognised in profit or loss and are reported as 'Net gains/ (losses) on financial instruments classified as held for trading'. Interest income and expense including expenses on financial assets held for trading and dividend income are included in 'Net interest income' or 'Dividend income' respectively.

### (b) Loans and receivables

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

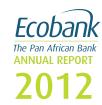
- (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates at fair value through profit or
- (b) those that the Group upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of the initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to groups or customers or as investment securities. Interest on loans is included in the income statement and is reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit and loss as 'loan impairment charges'

### (c) Available-for-sale financial assets

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in profit and loss. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss in 'Dividend income' when the Group's right to receive payment is established.



### (d) Recognition

The Group uses trade date accounting for regular contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

#### **Financial liabilities** 2.4.2

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

(a) Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual patterns of short-term profit-taking.

Derivatives are also categorised as held for trading unless they are designated and effectively held as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised as 'financial liabilities held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in profit and loss and are reported as 'Net gains/(losses) on financial instruments held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

(b) Other liabilities measured at amortised cost

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

#### 2.4.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial

liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities quoted on Stock Exchanges.

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

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

#### 2.4.4 Derecognition

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

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase prices, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a portion of the risks.

#### 2.4.5 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category, if the financial asset is no longer held for the purpose of selling in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the



held-for-trading or available-for-sale categories, if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

#### Classes of financial instruments 2.5

The Group classifies financial instruments into classes that reflect the nature and characteristics of those financial instruments. The classifications made are set out in the table below:

Category (as defined by IAS 39)		Class (as dete	Subclasses				
		Financial assets held for trading  Financial assets designated at fair value through profit or loss		Debt securities Equity securities Derivatives – non-hedging			
	Financial assets at fair value through profit or loss			Debt securities Equity securities Loans and advances to Banks Loans and advances to customers			
Financial assets		Loans and advances to Banks					
d33et3	Loans and receivables	Loans and advances to custom	iers	Loans to individuals (retail)	Overdrafts Credit cards Term loans Mortgages		
	receivables			Loans to corporate entities	Term loans overdrafts Others		
		Investment s	ecurities - de	bt instruments	Listed Unlisted		
	Held-to-maturity Investments	Investment s	Listed Unlisted				
	Available-for-sale	Investment securities - debt securities			Listed		
	financial assets	Investment s	ecurities - e	quity securities	Unlisted		
	Financial liabilities at fair value through	Financial liabilities held for tra	ading (deriva	ntives - non hedging only)			
	profit or loss	Designated at fair value throu					
		Deposits from Banks					
Financial liabilities		Deposits from customers	Domestic of Large corp	customers orate customers			
	Financial liabilities at armortised cost	Deb	t securities ir				
		Conv	vertible bond	ls	These are additional		
		Subo	classes of financial liabilities at amortised cost				
Off-balance		Loan commitments					
sheet financial Instruments		Guarantees, acceptances and other financial facilities					



#### Offsetting financial instruments 2.6

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

#### 2.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate 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 Group 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 fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### Fee and commission income 2.8

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants.

#### Dividend income 2.9

Dividends are recognised when the entity's right to receive payment is established.

#### Net trading income 2.10

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

#### 2.11 Impairment of financial assets

#### (1) Assets carried at amortised cost

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

The criteria that the Group uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider:
- (d) a likely probability that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial (e) asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in estimated future cash flows from a portfolio of financial assets, since initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on assets in the portfolio.



The estimated period between a loss occurring and its identification is determined by local management for each identified portolio. In general, the periods used vary between 3 and 12 months, in exceptional cases, longer periods are warranted.

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

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using observable market prices.

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

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

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

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

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

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

### Assets classified as available-for-sale

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

### Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans, when performance has been confirmed. In subsequent years, the asset is considered to be past due and disclosed as such only if renegotiated again.



#### Impairment of non-financial assets 2.12

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cashgenerating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.13 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three (3) 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 Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost.

#### 2.14 Leases

Leases that the Bank assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance lease. 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.

### Lease payments

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 by the lessor by way of penalty is recognised 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.

#### 2.15 Property and equipment

Except for buildings which are stated at revalued amounts, all other property and equipment are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Buildings are shown at valuation less subsequent depreciation.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is recognised in profit or loss on a straight line basis to write off the gross value less residual amounts over their estimated useful lives as follows:

Buildings	2.5%
Motor vehicles	25%
Furniture and equipment	20%
Computers	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are recorded in profit or loss.

#### 2.16 **Intangible assets**

Computer software

Intangible assets comprise computer software licences. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 3 years. Intangible assets with indefinite useful lives are not amortised. At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in



estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

#### 2.17 Income tax

#### (a) Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In which case, the corresponding tax is recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantially enacted at the reporting date and any adjustments to tax payable in respect of previous years.

#### (b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset or liability is realised.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences except for deferred tax liabilities where the timing of reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the forseeable

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or either the same entity or different taxable entities where there is an intention to settle balances on a net basis.

#### **Provisions** 2.18

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events that can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations which are likely to result in an outflow to settle related classes of obligations as a whole, a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of expenditures expected to be required to settle obligations using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the obligation. An increase in the provision due to passage of time is recognised as an interest expense.

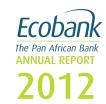
#### 2.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans and overdrafts.

Financial guarantees are initially recognised at the fair value and amortised over the life of financial guarantee. The financial guarantee is subsequently carried at the higher of the amortised amount and the present value of any expected payments, when payment becomes probable.

#### **Derivative financial instruments** 2.20

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



#### 2.21 Stated capital

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders.

#### 2.22 **Fiduciary activities**

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

#### Consolidation 2.23

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous year.

#### (a) **Subsidiaries**

Subsidiaries are all the entities over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently excisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Business combinations under common control are business combinations in which all of the combining entities are ultimately controlled by the parent company both before and after the business combination, where control is not transitory.

These are accounted for using the pooling of interest method of accounting where the assets and liabilities of the entities involved are not re-measured at fair value, rather the book values of the assets and liabilities of the entities are carried over prospectively from the date of initial acquisition by the parent company.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

#### (b) **Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

#### Post balance sheet events 2.24

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.

#### **Employment benefits** 2.25

### Defined contribution plans

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

### Short-term benefits

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

#### 2.26 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the number of ordinary shares outstanding during the period. The Bank has no convertible notes and share options, which could potentially dilute its EPS and therefore the Bank's Basic and diluted EPS are essentially the same.

#### **Comparatives** 2.27

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Comparative figures have been adjusted to conform to changes in presentation in the current year.

#### 3. FINANCIAL RISK MANAGEMENT

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



an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the risk department under policies approved by the Board of Directors. The department identifies, evaluates financial risks in close co-operation with the Group's operating units. The Board provides guiding principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and nonderivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Group is exposed are financial risks, which includes credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

### Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans. Credit risk is the single largest risk for the Group's business; management carefully manages its exposure to credit risk. Credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and heads of each business unit regularly.

### 3.1.1 Credit risk measurement

Loans and advances (including loan commitments and (a) quarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, associated loss ratios and of default correlations between counterparties

The Group has developed models to support the quantification of credit risk. These rating and scoring models are used for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default' (EAD); and (iii) the likely recovery ratio on defaulted obligations (the 'loss given default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

### (b) Debt securities

For debt securities, external ratings such as Standard & Poor's rating or their equivalents are used by Group Treasury to manage credit risk exposures, supplemented by the Group's own assessment through the use of internal rating tools.

### 3.1.2 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and Banks and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent reviews, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including other financial institutions is further restricted by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

### (a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or 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 receivables
- Charges over financial instruments such as debt securities and equities

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise credit loss, the Group seeks additional collateral from counterparties as soon as impairment indicators are identified for relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

### 3.1.3 Impairment and provisioning policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.



### 3.1.4 Maximum exposure to credit risk before collateral held

Credit risk exposures relating to on-balance sheet assets was as follows:

	2012	2011
	GH¢′000	GH¢′000
Balances with Bank of Ghana	210,378	158,450
Government securities	691,405	573,295
Loans and advances to Banks	843,730	359,553
Loans and advances to customers	1,396,514	849,893
Investment securities: available-for-sale	1,517	10,872
		 · · · · · · · · · · · · · · · · · · ·
	3,143,544	1,952,063
		 •••••••••••••••••••••••••••••••••••••••
Credit risk exposures relating to off-balance sheet		
items are as follows:		
Financial guarantees	757,281	580,993
Loan commitments and other credit related liabilities	197,709	197,955
		 ······
	954,990	778,948
		 ······································
At 31 December	4,098,534	2,731,011

The above represents the maximum exposure to credit risk at 31 December 2012 and 2011, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts reported in the consolidated statement of financial position.

As shown above, 71% of the total maximum exposure is derived from loans and advances to banks and customers (2011: 62%); investments held in Government securities represent 22% (2011: 29%).

Management is confident in its ability to continue controlling and sustaining minimal exposure to credit risk arising from both its loans and advances portfolio and investment securities.



#### Loans and advances 3.1.5

#### (a) Loans and advances are summarised as follows:

	2012			2011		
	Loans & Loans & advances to to banks customers			Loans & advances to banks	Loans & advances to customers	
	GH¢′000	GH¢′000		GH¢′000	GH¢′000	
Neither past due or impaired Past due but not impaired Individually impaired	843,730	1,296,497 85,012 74,329		359,553 - -	782,488 38,740 42,704	
Gross Less: allowance for impairment	843,730 -	1,455,838 (59,324)		359,553 -	863,932 (14,039)	
Net	843,730	1,396,514		359,553	849,893	

#### (b) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group. Gradings of current and Other Loans Especially Mentioned (OLEM) are not considered past due nor impaired.

### Loans and advances to customers:

At 31 December 2012

	Overdrafts GH¢′000	Credit cards GH¢′000	n <b>estic</b> Term loans GH¢′000	Mortgages GH¢′000	Corpor Overdrafts GH¢′000	Term loans GH¢′000	Total GH¢′000
Grades							
Current	204,435	3,706	394,561	17,776	269,138	375,141	1,264,757
OLEM	17,702	-	14,038	-	-	-	31,740
	222,137	3,706	408,599	17,776	269,138	375,141	1,296,497



### At 31 December 2011

Grades Current OLEM	65,774 -	2,644	239,656 8,802	12,024	98,932	345,672 8,984	764,702 17,786
-	65,774	2,644	248,458	12,024	98,932	354,656	782,488

#### (c) Loans and advances past due but not impaired

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

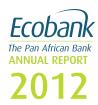
### At 31 December 2012

At 31 beteinber 2012	Domestic		Согра		
	Overdrafts GH¢′000			Term loans GH¢′000	Total GH¢'000
Past due up to 30 days	2,219	319	-	-	2,538
Past due 30-60 days	17,600	17,078	-	-	34,678
Past due 60-90 days	20,525	17,773	-	9,498	47,796
	40,344	35,170	-	9,498	85,012

#### (c) Loans and advances past due but not impaired

### At 31 December 2011

	Domestic		Corporate		
	Overdrafts GH¢′000	Term loans GH¢′000	Overdrafts GH¢′000	Term loans GH¢′000	Total GH¢'000
Past due up to 30 days	-	7,134	-	4,186	11,320
Past due 30-60 days	-	5,584	-	-	5,584
Past due 60-90 days	8,896	6,228	1,833	4,879	21,836
	8,896	18,946	1,833	9,065	38,740



#### (d) Loans and advances individually impaired

A breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the bank as security, is as follows:

### At 31 December 2012

	Dom	estic	Согра	orate	
	Overdrafts	Term loans	<b>Overdrafts</b>	Term loans	Total
	GH¢′000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Individually impaired loans	13,551	56,061	3,301	1,416	74,329
=					:::::::::::::::::::::::::::::::::::::::
Impairment allowance	5,316	23,763	483	5,226	34,788
<b>=</b>					:::::::::::::::::::::::::::::::::::::::
Fair value of collateral	768	68,293	1,688	26,728	97,477
At 31 December 2011					
Individual impaired loans	9,817	11,817	-	21,070	42,704
<b>.</b>					:::::::::::::::::::::::::::::::::::::::
Impairment allowance	3,134	3,618	-	3,999	10,751
					::::::::::::::::::::::::::::::::::::::
Fair value of collateral	-	16,967	-	16,267	33,234
=					



#### (e) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Loans and advances to customers

	2012 GH¢′000	2011 GH¢′000
Continuing to be impaired after restructuring (included in		
non-performing loans)	10,363	-
Non-impaired after restructuring –		
would otherwise have been impaired	5,345	17,431
		 ::::::::::::::::::::::::::::::::::::::

#### (f) Repossessed collateral

During the year ended 31 December, the Group took possession of the following collateral held as security:

Carrying amount Nature of assets Vehicles and equipment	Collateral GH¢′000	2012 Related Ioan GH¢′000	Collateral GH¢′000	Related loan GH¢′000
				•
	134	131	143	149

Repossessed properties are sold as soon as practicable and the proceeds used to reduce outstanding indebtedness.



#### 3.2 Market risk

Market risk is the risk of loss arising from adverse changes in market conditions (interest rates, exchange rates and equity prices) during the period. Positions that expose the Group to market risk can be trading or non-trading related. Trading risk comprises positions that the Group holds as part of its trading or market-making activities, whereas non-trading risk includes discretionary positions that the Group undertake for liquidity.

#### Risk identification 3.2.1

The Group identifies market risk through daily monitoring of levels and profit and loss balances of trading and non trading positions. The Compliance Officer together with the risk department monitor daily trading activities to ensure that risk exposures taken are within approved limits and overall risk tolerance levels set by the Board. In addition, Assets and Liabilities Committee (ALCO) members, the Treasurer and the Risk Manager monitor market risk factors that affect the value of trading and non-trading positions as well as income streams on non-trading portfolios on a daily basis. They also track liquidity indicators to ensure that Group subsidiaries meet their financial obligations at all times.

### 3.2.2 Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

- Differences between the timing of market interest rate (i) changes and the timing of cash flows (repricing risk);
- (ii) Changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
- (iii) Changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk).

The Group uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and liabilities that mature or reprice at various time periods in the future. The Group may make judgmental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or repricing dates.



### 3.2.2 Interest rate risk (cont'd)

### At 31 December 2012

At 31 December 2012						
					Non-	
	Up to 1	1-3	3-12	0ver	interest	
	month	months	months	1 year	bearing	Total
	GH¢′000	GH¢′000	GH¢′000	GH¢′000	GH¢′000	GH¢′000
Assets						
Cash and balances with						
Bank of Ghana	-	-	-	-	324,180	324,180
Government securities	30,046	52,863	299,972	308,524	-	691,405
Loans and advances to Banks	194,996	255,694	60,891	24,225	307,924	843,730
Loans and advances to customers	566,176	145,076	39,202	646,060	-	1,396,514
Investment securities: available for sale	-	-	-	-	1,517	1,517
Other assets	-	-	65,061	-	51,040	116,101
Total financial assets	791,218	453,633	465,126	978,809	684,661	3,373,447
						· · · · · · · · · · · · · · · · · · ·
Liabilities						
Deposits from Banks	-	-		-	276,362	
Customer deposits	102,636	94,346	-	-	1,743,247	
Borrowings	-	-	175	131,915	-	132,090
Other liabilities	-	-	26,285	-	68,558	94,843
Total financial liabilities	102,636	94,346	462,481	220,270	2,088,167	2,967,900
						· · · · · · · · · · · · · · · · · · ·
Total interest repricing gap	688,582	359,287	2,645	758,539	(1,403,506)	405,547



#### 3.2.2 Interest rate risk (cont'd)

### At 31 December 2011

					Non-	
	Up to 1 month GH¢′000	1-3 months GH¢′000	3-12 months GH¢′000	Over 1 year GH¢′000	interest bearing GH¢′000	Total GH¢'000
Total financial assets	378,892	257,652	409,863	625,334	401,994	2,073,735
Total financial liabilities	203,764	21,812	354,633	125,988	1,159,424	1,865,621
Total interest repricing gap	175,128	235,840	55,230	499,346	(757,430)	208,114

#### 3.2.3 Foreign exchange risk

Foreign exchange risk is measured through the statement of comprehensive income. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December.

At 31	December	2012

	EUR	USD	GBP	GH¢	Others	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Assets						
Cash and balances with Bank of Ghana	11,537	15,919	7,903	280,892	7,929	324,180
Government securities	-	-	-	691,405	-	691,405
Loans and advances to Banks	71,162	644,103	15,920	93,874	18,671	843,730
Loans and advances to customers	7,483	554,204	226	834,474	127	1,396,514
Investment securities: available for sale	-	-	-	1,517	-	1,517
Other assets	659	15,113	1,527	97,426	1,376	116,101
						······································
Total	90,841	1,229,339	25,576	1,999,588	28,103	3,373,447
		***************************************				:::::::::::::::::::::::::::::::::::::::
Liabilities						
Deposits from Banks	4,746	181,016	72	89,931	597	276,362
Deposits due to customers	71,796	,		1,486,872	31,433	2,464,605
Other liabilities	13,265	62,235	-	17,242	2,101	94,843
Borrowings	-	115,628	_	16,462		132,090
Total	89,807	1,207,239	26,216	1,610,507	34,131	2,967,900
=						



### 3.2.3 Foreign exchange risk (cont'd)

At 31 December 2012

	EUR GH¢′000	USD GH¢′000	GBP GH¢′000	GH¢ GH¢′000	Others GH¢′000	Total GH¢′000
Net on balance sheet position	1,034	22,100	(640)	389,081	(6,028)	405,547
Net on balance sheet position	1,034	22,100	(040)	307,001	(0,020)	403,347
Credit commitments	66,666	742,731	49,666	89,925	6,002	954,990
At 24 December 2011						
At 31 December 2011						
Total assets	76,414	648,399	4,821	1,332,786	11,315	2,073,735
Total liabilities	54,758	752,142	241	1,054,292	4,188	1,865,621
Net on balance sheet position	21,656	(103,743)	4,580	278,494	7,127	208,114
	•••••	•••••	•••••		•••••	•
Credit commitments	7,660	699,952	1,331	64,079	5,926	778,948
<u> </u>						

The following significant exchange rates applied during the year:

GH¢1 to

	Avera	ige Rate	Reporting Rate	
	2012	2011	2012	2011
USD1	1.8363	1.5251	1.8846	1.5841
GBP1	2.9246	2.4472	3.0410	2.4456
EURO1	2.3716	2.1303	2.4848	2.0501
XOF1	0.00197	0.00213	0.00379	0.00312

### 3.2.4 Market risk measurement techniques

The Group applies the 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate exposure to market risk of positions held and maximum losses expected, based on a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Group, trading and non-trading separately, which are monitored on a daily basis by Group Treasury.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (98%).

There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over the preceeding 10-day period in the past. The Group's assessment of past movements is based on data for the past five years. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions - a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VAR calculation.



The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

	2012			2011		
	Low	Average	High	Low	Average	High
	GH¢′000	GH¢′000	GH¢'000	GH¢′000	GH¢′000	GH¢'000
Foreign exchange risk	6	22	52	7	19	46
Equity risk	14	24	38	16	25	49
Interest rate risk	69	128	147	94	161	185

#### Risk monitoring and control 3.2.5

The Risk Management department is responsible for reviewing exposure to market risk. The Treasury department monitors interest rate and liquidity risks through daily, weekly, and monthly reviews of the structure and pricing of assets and liabilities. Assets and Liability Committee (ALCO) meetings are also held monthly.

The Bank analyses the impact of unlikely, but not impossible events by means of scenario analysis, which enables management gain a better understanding of risks that it could be exposed to in extreme conditions. Both historical and hypothetical events are tested.

#### 3.2.6 Risk reporting

Reports on the bank's positions are reviewed daily by the Internal Audit and Compliance Unit. Reports include foreign currency positions and liquidity positions in all currencies. Variations to expectations are reviewed and corrected if need be.

#### 3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and be able to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The table below presents the cash flows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.



### 3.3 Liquidity risk (cont'd)

At 31	December	2012
$\Delta U = 1$	Detellibel	2012

At 31 December 2012					
	Up to 1	1-3	3-12	0ver	
	month	months	months	1 year	Total
	GH¢'000	GH¢′000	GH¢'000	GH¢′000	GH¢′000
Liabilities					
Deposits from Banks	276,362	-	-	-	276,362
Deposits due to customers	1,835,515	95,342	444,442	89,306	2,464,605
Other liabilities	36,795	11,749	41,150	5,149	94,843
Borrowings	-	-	175	131,915	132,090
	2,148,672	107,091	485,767	226,370	2,967,900
At 31 December 2012					
	Up to 1	1-3	3-12	0ver	
	month	months	months	1 year	Total
Accepta	GH¢′000	GH¢′000	GH¢'000	GH¢'000	GH¢′000
Assets					
Cash and balances with	442.002	240.270			224400
Bank of Ghana	113,802	210,378	-	-	324,180
Government securities	30,046	52,863	299,972	308,524	691,405
Loans and advances to Banks	502,920	255,694	60,891	24,225	843,730
Loans and advances to customers	566,176	145,076	39,202	646,060	1,396,514
Other assets	-	51,040	65,061	-	116,101
Assets held for managing	•••••	•••••	•••••		•••••••••••••••••••••••••••••••••••••••
liquidity risk	1,212,944	715,051	465,126	978,809	3,371,930
=					
Liquidity gap	935,728	(607,960)	20,641	(752,439)	(404,030)
		:::::::::::::::::::::::::::::::::::::::	:::::::::::::::::::::::::::::::::::::::		:::::::::::::::::::::::::::::::::::::::
At 31 December 2011					
Total liabilities	1,439,172	22,727	318,700	173,002	1,953,601
=					•
Total assets	851,462			748,661	2,397,504
Liquidity gap	587,710	(304,829)	(151,125)	(575,659)	(443,903)
•••••		***************************************			



#### **Country analysis** 3.4

	In Ghana 2012 GH¢'000	Outside Ghana 2012 GH¢′000	In Ghana 2011 GH¢'000	Outside Ghana 2011 GH¢′000
Assets	dir ooo	dir ooo	dir ooo	dir ooo
Cash and balances with Bank of Ghana	324,180	-	232,856	-
Government securities	691,405	-	573,295	-
Loans and advances to Banks	107,526	736,204	29,777	329,776
Trading assets	-	-	725	-
Loans and advances to customers	1,396,514	-	849,893	-
Investment securities	1,517	-	10,872	-
Investment in associates	5,415	-	4,240	-
Intangible assets	4,017	-	6,107	-
Property and equipment	2,223	-	45,788	-
Taxation	57,580	-	2,313	-
Other assets	116,101	-	46,541	-
Total assets	2 707 479	727 204	1 902 407	220.77/
lotal assets	2,706,478	736,204	1,802,407	329,776
			••••••	······································
		Outside		Outside
	In Ghana	Ghana	In Ghana	Ghana
	2012	2012	2011	2011
	GH¢′000	GH¢′000	GH¢'000	GH¢′000
Liabilities				
Deposits from Banks	210,401	65,961	60,108	48,077
Deposits due to customers	2,464,605	-	1,608,256	-
Other liabilities	94,843	-	46,053	_
Deferred tax liabilities	3,958	_	3,963	_
	•	100 025	•	00 660
Borrowings	22,255	109,835	4,467	98,660
Total liabilities	2,796,062	175,796	1,722,847	146,737



#### Fair value of financial assets and liabilities 3.5

#### Financial instruments not measured at fair value (a)

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair values.

	Carr	ying value	Fair value		
	2012 GH¢′000	2011 GH¢′000	2012 GH¢′000	2011 GH¢′000	
Financial assets					
Loans and advances to customers	1,396,514	849,893	1,324,610	801,427	
Loans and advances to Banks	843,730	359,553	838,520	357,228	
				:::::::::::::::::::::::::::::::::::::::	
Financial liabilities					
Deposits from Banks	276,362	108,185	267,937	108,055	
Deposits from customers	2,464,605	1,608,256	2,327,075	1,530,663	
Borrowings	132,090	103,127	128,545	98,679	
<b></b>					

#### (i) Loans and advances to Banks

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

#### (ii) Loans and advances to customers

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

### Investment securities

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

#### Deposits from Banks and customers (iv)

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

### Off-balance sheet financial instruments

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



#### (b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (adjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

	Level 1 GH¢'000	Level 2 GH¢′000	Level 3 GH¢′000
Government securities Investment securities – available-for-sale	-	691,405 1,517	-
Total financial assets	-	692,922	-



#### 4. **CAPITAL MANAGEMENT**

The Group's objectives when managing capital include:

- Complying with capital requirements set by the Bank of Ghana
- Safeguarding the Group's ability to continue as a going concern to enable it continue providing returns for shareholders and benefits for other stakeholders
- Maintaining a strong capital base to support the development of its business

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

- (a) hold a minimum regulatory capital of GH¢60 million; and
- maintain a ratio of total regulatory capital to risk-weighted assets plus risk weighted off balance sheet assets (b) above a required minimum of 10%.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: includes shareholders' equity and disclosed reserves after deducting specified assets such as intangibles and certain classes of investments.
- Tier 2 capital: includes qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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



The table below summarises the composition of regulatory capital and ratios of the Group for the years ended 31 December. During these two years, the individual entities within the Group and the Group complied with all externally imposed capital requirements that they are subject to.

	The	The Bank		
	2012	2011	2012	2011
	GH¢′000	GH¢′000	GH¢'000	GH¢′000
Tier 1 Capital				
Share capital	226,641	100,000	226,641	100,000
Statutory reserves	117,483	45,743	117,114	45,529
Income surplus	85,780	88,086	85,449	76,988
Intangibles/other assets	(106,965)	(52,353)	(106,965)	(75,833)
Total qualifying tier 1 capital	322,939	181,476	322,239	146,684
Tier 2 Capital				•••••••••••••••••••••••••••••••••••••••
Subordinated debt	98,529	82,819	98,529	82,819
Other reserves	•		·	
other reserves	12,939	24,587	13,974	24,162
Total qualifying tier 2 capital	111,468	107,406	112,503	106,981
				•
Total regulatory capital	434,407	288,882	434,742	253,665
Risk weighted assets				
On balance sheet	1,984,618	1,350,952	1,988,067	1,237,697
Off balance sheet	954,990	778,949	954,990	580,994
Total risk weighted assets	2,939,608	2,129,901	2,943,057	1,818,691
				-
Capital adequacy ratio	14.78%	13.57%	14.77%	13.95%



#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparing the financial statements.

The Group makes estimates and assumptions that affect reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are based on best estimates undertaken in accordance with applicable standards. Estimates and judgments are evaluated on a continuous basis, based on past experience and other factors, including expectations with regard to future events.

#### (a) Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Group considers observable data that may indicate measurable decreases in estimated future cash flows from a portfolio of loans before decreases can be identified with individual loans in that portfolio. This evidence may include observable data indicating adverse changes in the payment status of borrowers in a group, or economic conditions that correlate with defaults on assets in a group. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when projecting future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share prices.

#### Fair value of financial instruments (c)

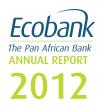
The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined using valuation techniques. In these cases, fair values are estimated from observable data in respect of similar financial instruments or using models. Models are calibrated to ensure that outputs reflect actual data and comparative market prices.

#### (d) Income taxes

Significant estimates are required in determining provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences are adjusted in the period in which such determination is made.

#### 6. **INTEREST INCOME**

		The Group		The Bank	
	2012	2011	2012	2011	
	GH¢'000	GH¢′000	GH¢'000	GH¢′000	
Placement and short-term funds	14,192	14,411	14,192	14,373	
Treasury bills and Government securities	98,722	78,487	92,393	68,271	
Loans and advances	240,440	77,628	237,676	76,825	
	353,354	170,526	344,261	159,469	



#### **7**. **INTEREST EXPENSE**

	2012	The Group 2011	The Bank 2012 2011		
	GH¢′000	GH¢′000	GH¢′000	GH¢′000	
Demand deposits	12,277	7,812	12,277	7,812	
Time deposits	35,367	13,977	22,824	8,839	
Borrowed funds	16,317	12,194	23,200	9,338	
Savings	19,202	7,943	19,202	7,943	
	83,163	41,926	77,503	33,932	

#### **FEE AND COMMISSION INCOME** 8.

Trade finance fees	21,850	13,737	21,801	13,685
Credit related fees and commission	15,689	10,515	15,647	10,450
Cash management	43,819	28,649	43,819	28,649
Other fees and commission	10,729	8,159	10,729	8,159
				•
	92,087	61,060	91,996	60,943
•				• • • • • • • • • • • • • • • • • • • •

#### 9. **FEE AND COMMISSION EXPENSE**

Charges for services	1,736	1,501	1,736	1,501
=				

### 10. LEASE INCOME

Finance lease	1,459	1,704	1,444	1,698
•••••••••••				



### 11. NET TRADING INCOME

	The Group		The Bank	
	2012	2011	2012	2011
	GH¢'000	GH¢'000	GH¢′000	GH¢′000
Foreign exchange:				
<ul> <li>translation gains less losses</li> </ul>	3,396	3,746	2,772	3,622
- transaction gains less losses	47,359	36,970	47,577	36,970
Interest rate instruments	1,655	-	1,595	-
Equities	349	672	349	672
	52,759	41,388	52,293	41,264

### 12. DIVIDEND INCOME

Investment (available-for-sale)	1,148	682	1,148	682
Dividend from subsidiaries	-	-	14,274	-
				······································
=======================================	1,148	682	15,422	682

### 13. OTHER OPERATING INCOME

Profit on sale of equipment	1,167	5	1,167	5
Other income	5,642	2,610	5,104	2,891
	6,809	2,615	6,271	2,896
<b>.</b>				

# 14. IMPAIRMENT CHARGE/ALLOWANCE - LOANS AND ADVANCES

Impairment charge				
Loan impairment	40,684	15,577	40,681	15,567
Recoveries	(15,366)	(9,410)	(15,366)	(9,410)
Charge to income statement	25,318	6,167	25,315	6,157



# 14. IMPAIRMENT CHARGE/ALLOWANCE - LOANS AND ADVANCES (cont'd)

	,	The Group	The Bank		
	2012 GH¢'000	2011 GH¢′000	2012 GH¢'000	2011 GH¢′000	
Impairment allowance					
At 1 January	14,039	24,714	13,871	24,556	
TTB opening balance transferred	19,967	-	19,967	-	
Increase in impairment	25,318	6,167	25,315	6,157	
Amounts written off during the year as uncollectible	-	(16,842)	-	(16,842)	
At 31 December	59,324	14,039	59,153	13,871	

#### 15. **OPERATING EXPENSES**

Staff expenses	107,449	60,100	107,286	59,845
Rent	5,268	3,249	5,254	3,234
Travel	3,042	1,669	3,042	1,665
Technology and communication	28,435	10,878	28,424	10,875
Donation and business promotion	4,767	3,033	4,767	3,033
Advertising	2,330	1,632	2,330	1,632
Training	1,424	728	1,424	726
Audit fees	302	224	254	216
Directors fees	612	402	612	402
Repairs and maintenance	6,102	3,374	6,101	3,365
Depreciation of property and equipment	10,045	8,878	10,008	8,740
Amortisation of software	2,596	2,077	2,596	2,077
Utilities	3,567	2,653	3,564	2,609
Other administrative expenses*	35,222	24,008	34,981	24,101
Corporate social responsibility (CSR)	305	223	305	223
	211,466	123,128	210,948	122,743

\*The major administrative expenses include stationery and suppliers, insurance, office security, printing, fuel, cash in transit overheads and legal fees.

Staff expenses comprise:				
Wages and salaries	60,275	38,350	60,121	38,110
Social security fund contribution	4,962	3,430	4,939	3,400
Other allowances	42,212	18,320	42,226	18,335
•				•••••••••••••••••••••••••••••••••••••••
	107,449	60,100	107,286	59,845

The number of persons employed by the Group at the year end was 1,430 (2011: 890).



## 16. INCOME TAX

	2012 GH¢'000	The Group 2011 GH¢'000	2012 GH¢'000	The Bank 2011 GH¢'000
Current tax Deferred tax (Note 17)	49,829 3,840	28,996 (1,120)	49,175 3,841	28,503 (1,120)
	53,669	27,876	53,016	27,383

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2012 GH¢′000	The Group 2011 GH¢'000	2012 GH¢'000	The Bank 2011 GH¢'000
Profit before tax	186,226	105,534	196,185	102,619
			•••••	
Corporate tax rate at 25% (2011: 25%)				
Tax calculated at corporate tax rate	46,557	26,384	49,046	25,655
Income subject to tax at different rates	1,621	(354)	1,621	(354)
Tax impact on expenses not				
deductible for tax purpose	9,743	2,988	10,168	3,223
Income exempted for tax	(4,636)	-	(8,204)	-
Effect of capital allowance	(3,456)	(22)	(3,456)	(21)
Deferred tax	3,840	(1,120)	3,841	(1,120)
Income tax expense	53,669	27,876	53,016	27,383

The movement on current income tax is as follows:

	Balance at 1 January GH¢′000	Charge for the year GH¢′000	Payment GH¢′000	Balance at 31 December GH¢'000
The Bank Year of assessment Up to 2010 2011 2012	(1,134) (994)	- - 49,175	- - (49,222)	(1,134) (994) (47)
	(2,128)	49,175	(49,222)	(2,175)



# 16. INCOME TAX (cont'd)

	Balance at 1 January GH¢′000	Charge for the year GH¢′000	Payment GH¢′000	Balance at 31 December GH¢′000
The Group				
Year of assessment				
Up to 2010	(1,281)	-	-	(1,281)
2011	(1,032)	-	-	(1,032)
2012	-	49,829	(49,739)	90
	(2,313)	49,829	(49,739)	(2,223)

#### **17. DEFERRED TAX**

	The Group		The Bank	
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢′000
Deferred tax liabilities				
Accelerated tax depreciation	7,194	3,706	7,195	3,707
Available-for-sale securities	-	671	-	571
Revaluation of property	1,162	1,162	1,162	1,162
Other provisions	522	-	522	-
	8,878	5,539	8,879	5,440
	***************************************			::::::::::::::::::::::::::::::::::::::
Deferred tax assets				
Provisions for loan impairment	1,746	1,046	1,745	1,046
Other provisions	· -	530	-	530
Available for sale	3,174	-	2,863	-
	4,920	1,576	4,608	1,576
				•••••••••••••••••••••••••••••••••••••••
Net deferred tax	3,958	3,963	4,271	3,864
				······································

The movement on the deferred tax account is as follows:

Income statement debit/credit	3,840	(1,120)	3,841	(1,120)
				::::::::::::::::::::::::::::::::::::::
Other comprehensive income statement	3,845	(1,833)	3,434	(1,733)



#### **DEFERRED TAX** (cont'd) **17.**

Deferred tax in the income statement comprises the following temporary differences:

	The Group		The Bank	
	2012	2011	2012	2011
	GH¢'000	GH¢'000	GH¢′000	GH¢′000
Accelerated tax depreciation Provision for loan impairment Other provisions	3,488	(600)	3,488	(600)
	(699)	(400)	(699)	(400)
	1,051	(120)	1,052	(120)
	3,840	(1,120)	3,841	(1,120)

Deferred tax in other comprehensive income comprises the following temporary differences:

	The Group		The Bank	
	2012 GH¢'000	2011 GH¢′000	2012 GH¢'000	2010 GH¢′000
Available-for-sale securities Revaluation of property	(3,845)	671 1,162	(3,434)	571 1,162
	(3,845)	1,833	(3,434)	1,733

#### 18. NATIONAL FISCAL STABILISATION LEVY

There was no charge for national fiscal stabilization in the current year as the law that imposed this levy had a tenure that ended in 2011.

#### 19. **EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.



#### EARNINGS PER SHARE (cont'd) 19.

		The Group	The Bank		
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢′000	
Profit attributable to equity holders of the Bank Number of ordinary shares Basic earnings per share (expressed in	132,557 293,228	72,381 230,128	143,169 293,228	70,105 230,128	
Ghana pesewas per share) Diluted earnings per share (expressed in	45	31	49	30	
Ghana pesewas per share)	45	31	49	30	

There is no potential dilution on basic earnings per share.

#### 20. **CASH AND BALANCES WITH BANK OF GHANA**

	The Group		The Bank	
	2012 GH¢′000	2011 GH¢'000	2012 GH¢'000	2011 GH¢'000
Cash on hand Mandatory reserve deposits with Bank	113,802	74,406	113,802	74,406
of Ghana	210,378	158,450	210,378	158,450
	324,180	232,856	324,180	232,856

Mandatory reserve deposits are not available for use in the bank's day to day operations. Cash on hand and balances with Bank of Ghana are non-interest-bearing.

#### 21. **GOVERNMENT SECURITIES**

	1	The Group	The Bank		
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢'000	
At 1 January Additions Redeemed on maturity Gains/(losses) from changes in fair value Note 36)	573,295 1,306,260 (1,171,253) (16,897)	468,974 556,461 (454,275) 2,135	518,676 1,301,700 (1,174,733) (15,026)	404,136 542,000 (429,197)	
At 31 December	691,405	573,295	630,617	518,676	



#### **GOVERNMENT SECURITIES** (cont'd) 21.

	The Group			The Bank	
	2012	2011	2012	2011	
	GH¢'000	GH¢′000	GH¢'000	GH¢'000	
Maturia a mishir oo dana af a amisisia	02.000	(4.000	75.222	F3 003	
Maturing within 90 days of acquisition	82,909	61,008	75,322	52,802	
Maturing after 90 days but within 182 days	148,881	125,443	142,839	98,675	
Maturing after 182 days of acquisition	151,091	299,711	119,944	265,364	
Maturing after 1 year of acquisition	308,524	87,133	292,512	101,835	
	691,405	573,295	630,617	518,676	
=					

Government securities are treasury bills and bonds issued by the Government of Ghana. These are classified as available-for-sale and carried at fair value.

#### **LOANS AND ADVANCES TO BANKS** 22.

	The Group		The Bank	
	2012 GH¢'000	2011 GH¢′000	2012 GH¢'000	2011 GH¢′000
Operating accounts with other Banks	249,671	85,089	249,671	85,089
Items in course of collection from other Banks	54,311	33,832	51,106	33,832
Placements with Banks	539,748	240,632	539,748	295,038
	843,730	359,553	840,525	413,959

### 23. TRADING ASSETS

Listed equity securities	-	725	-	725
•••••••••••••••••••••••••••••••••••••••				



#### **LOANS AND ADVANCES TO CUSTOMERS** 24.

		The Group		The Bank
	2012	2011	2012	2011
	GH¢′000	GH¢′000	GH¢′000	GH¢′000
Overdrafts	584,048	192,924	583,853	192,628
Staff loans	25,918	21,244	25,918	21,244
Finance leases	7,296	8,169	7,186	8,050
Mortgage loans	17,776	12,024	17,776	12,024
Term loans	820,800	629,571	819,387	628,384
				······································
Gross loans and advances to customers	1,455,838	863,932	1,454,120	862,330
Allowances for impairment (Note 14)	(59,324)	(14,039)	(59,153)	(13,871)
Net loans and advances to customers	1,396,514	849,893	1,394,967	848,459
			***************************************	::::::::::::::::::::::::::::::::::::::
Analysis by industry on gross loans				
Construction	49,429	73,738	49,429	73,738
Agriculture, forestry and fishing	31,775	22,186	31,775	22,186
Mining and quarrying	50,389	19,479	50,389	19,479
Manufacturing	116,279	150,058	116,279	150,058
Electricity, gas and water	25,330	79,430	25,330	79,430
Commerce and finance	208,616	91,328	208,615	91,328
Transport, storage and communication	65,280	262,187	65,280	262,187
Services	908,740	165,526	907,023	163,924
	• • • • • • • • • • • • • • • • • • • •	•••••	• • • • • • • • • • • • • • • • • • • •	
	1,455,838	863,932	1,454,120	862,330
		,		·
				::::::::::::::::::::::::::::::::::::::
Current	900 779	220 107	000 400	220 142
Current	809,778	328,107	809,409	339,162
Non-current	646,060	535,825	644,711	523,168

The fifty largest exposures by customers constituted 48% of the gross loans at the year end (2011: 71%).

The total amount of allowance for impairment represents 4.1% of the gross loans at the year end (2011: 1.6%).

The maximum amount due from staff during the year amounted to GH¢26 million (2011: GH¢21 million).



#### LOANS AND ADVANCES TO CUSTOMERS (cont'd) 24.

The investment in finance lease is analysed as follows:

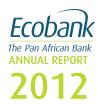
		The Group	The Bank		
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢′000	
Less than 1 year	748	2,889	748	2,885	
Between 1 year and 5 years	6,548	5,280	6,438	5,165	
Gross investment in finance leases	7,296	8,169	7,186	8,050	
Unearned finance income on finance leases	(1,219)	(1,385)	(1,218)	(1,364)	
Net investment in finance leases	6,077	6,784	5,968	6,686	

The net investment in finance lease is analysed as follows:

	The Group		The Bank	
	2012	2011	2012	2011
	GH¢′000	GH¢'000	GH¢'000	GH¢′000
Less than 1 year	834	1,962	834	1,962
Between 1 year and 5 years	5,243	4,822	5,134	4,724
	6,077	6,784	5,968	6,686

### 25. INVESTMENT SECURITIES

At 1 January Redeemed on maturity Gain from changes in fair value (Note 36)	10,872 (9,355)	17,360 (7,034) 546	10,872 (9,355)	17,360 (7,034) 546
At 31 December	1,517	10,872	1,517	10,872
Current	1,517	10,872	1,517	10,872



#### **INVESTMENT IN SUBSIDIARIES** 26.

	Ordinary shares %	2012 Bank GH¢′000	2011 Bank GH¢′000
Ecobank Investment Managers Limited Ecobank Leasing Company Limited	100 100	1,000	1,000
Ecobank Venture Capital Company Limited	100	1,400	1,400
		2,400	2,400

### 26.1 Acquisition and derecognition of TTB

The shareholders approved a share swap with ETI, the Bank's parent company, at an extraordinary general meeting of the Bank held on 20 January 2012, under which ETI, transferred its 100% shareholding in The Trust Bank (TTB) in exchange for shares in the Bank.

The Directors approved the merger of Ecobank and TTB on 2 May 2012, following which TTB's net assets were transferred to the Bank. TTB was subsequently placed into voluntary liquidation and a liquidator appointed on 2 November 2012.

The merger was accounted for using the common control approach on the basis that the investment moved from one part of the Group to another.

The liquidator completed his activities on 31 December 2012 and transferred balances that remained on completion of the liquidation to the Bank.

#### 27. **INTANGIBLE ASSETS**

		The Group	The Bank		
	2012	2011	2012	2011	
Cost	GH¢′000	GH¢′000	GH¢′000	GH¢′000	
At 1 January	11,280	5,781	11,280	5,781	
Transfer from TTB	2,875	-	2,875	-	
Additions	151	5,499	151	5,499	
Disposals	(66)	-	(66)	-	
At 21 December	14240	11 700	14 240	11 200	
At 31 December	14,240	11,280	14,240	11,280	



# 27. INTANGIBLE ASSETS (cont'd)

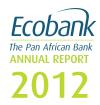
	2012 GH¢′000	The Group 2011 GH¢′000	2012 GH¢′000	The Bank 2011 GH¢'000
Accumulated amortisation At 1 January Transfer from TTB Charge for the year Disposals	5,173 2,520 2,596 (66)	3,096 - 2,077 -	5,173 2,520 2,596 (66)	3,096 - 2,077
At 31 December	10,223	5,173	10,223	5,173
Net book value	4,017	6,107	4,017	6,107

Intangible assets represent licenses for computer software.

#### 28. PROPERTY AND EQUIPMENT

The Group

	Buildings GH¢′000	Furniture & equipment GH¢′000	Computers GH¢'000	Motor vehicles GH¢′000	Capital work in progress GH¢′000	Total GH¢'000
Gross value	20.701	22.005	10.007	7 215	777	70.404
At 1 January 2012 TTB opening balances	29,601 147	22,005 8,267	19,807 3,597	7,215 1,585	776 2,411	79,404 16,007
Additions	352	4,363	4,762	3,915	1,849	15,241
Disposals	-	4,303	(2,227)	(907)	1,049	(3,134)
Transfers	467	162	58	-	(687)	(3,134)
						· · · · · · · · · · · · · · · · · · ·
At 31 December 2012	30,567	34,797	25,997	11,808	4,349	107,518
Depreciation						
At 1 January 2012	233	14,616	15,227	3,540	-	33,616
TTB opening balances	8	4,537	2,366	794	-	7,705
Charge for the year	712	4,568	2,850	1,915	-	10,045
Disposals	-	-	(865)	(563)	-	(1,428)
						•••••
At 31 December 2012	953	23,721	19,578	5,686	-	49,938
Net book value at 31 Dec. 2012	29,614	11,076	6,419	6,122	4,349	57,580



# 28.PROPERTY AND EQUIPMENT (cont'd)

	Buildings GH¢′000	Furniture & equipment GH¢′000	Computers GH¢′000	Motor vehicles GH¢′000	Capital work in progress GH¢′000	Total GH¢'000
Gross value						
At 1 January 2011	21,320	20,489	18,872	5,040	800	66,521
Additions	166	1,170	830	2,659	979	5,804
Disposals	(187)	-	-	(484)	-	(671)
Transfers	552	346	105	-	(1,003)	-
Revaluation surplus	7,750	-	-	-	-	7,750
At 31 December 2011	29,601	22,005	19,807	7,215	776	79,404
	***************************************					•
Depreciation						
At 1 January 2011	476	11,399	11,728	2,467	-	26,070
Charge for the year	633	3,217	3,499	1,529	-	8,878
Released on revaluation	(862)	-	-	-	-	(862)
Disposals	(14)	-	-	(456)	-	(470)
At 31 December 2011	233	14,616	15,227	3,540	-	33,616
<b>.</b>						::::::::::::::::::::::::::::::::::::::
Net book value at 31 Dec. 2011	29,368	7,389	4,580	3,675	776	45,788



#### PROPERTY AND EQUIPMENT (cont'd) 28.

The Bank	Buildings GH¢′000	Furniture & equipment GH¢'000	Computers GH¢'000	Motor vehicles GH¢'000	Capital work in progress GH¢'000	Total GH¢′000
Gross value	20.360	21 012	10 222	7 215	776	77 505
At 1 January 2012 TTB opening balances	29,369 147	21,812 8,267	18,333 3,597	7,215 1,585	2,411	77,505
Additions	352	•	•	•	•	16,007
Transfers	467	4,363 162	4,762 58	3,915	1,749	15,141
	407	102		(907)	(687)	(2 12 4)
Disposals	<u>-</u>	- 	(2,227)	(907)	<del>-</del>	(3,134)
At 31 December 2012	30,335	34,604	24,523	11,808	4,249	105,519
Depreciation						
At 1 January 2012	-	13,850	14,341	3,540	-	31,731
TTB opening balances	8	4,537	2,366	794	-	7,705
Charge for the year	712	4,534	2,847	1,915	-	10,008
Disposals	-	-	(865)	(563)	-	(1,428)
At 31 December 2012	720	22,921	18,689	5,686	-	48,016
Net book value at 31 Dec. 2012	29,615	11,683	5,834	6,122	4,249	57,503
				***************************************	:::::::::::::::::::::::::::::::::::::::	:
Gross value						
At 1 January 2011	21,088	20,296	17,400	5,040	800	64,624
Additions	166	1,170	828	2,659	979	5,802
Transfers	552	346	105	-	(1,003)	-
Disposals	(187)	-	-	(484)	-	(671)
Revaluation surplus	7,750	-	-	-	-	7,750
At 31 December 2011	29,369	21,812	18,333	7,215	776	77,505
Depreciation						
At 1 January 2011	344	10,667	10,845	2,467	-	24,323
Charge for the year	532	3,183	3,496	1,529	-	8,740
Released on revaluation	(862)	-,	-	-	-	(862)
Disposals	(14)	-	-	(456)	-	(470)
At 31 December 2011	-	13,850	14,341	3,540	-	31,731
				***************************************	***************************************	
Net book value at 31 Dec. 2011	29,369	7,962	3,992	3,675	776	45,774
=						



### **Revaluation of property**

Buildings were professionally revalued by Valuation and Investments Associates on 31 December 2011 based on their open market values. The revalued amounts were incorporated in the financial statements for the year ended 31 December 2011.

Depreciation has been charged on the financial statements as follows:

		The Group	The Bank		
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢'000	
Charge for the year Less: released on revaluation	10,045 -	8,878 (862)	10,008 -	8,740 (862)	
	10,045	8,016	10,008	7,878	
	•••••		•••••••		
Disposal of property and equipment					
Gross value	3,134	671	3,134	671	
Accumulated depreciation	(1,428)	(470)	(1,428)	(470)	
Net book value	1,706	201	1,706	201	
Sales proceeds	2,873	206	2,873	206	
Gain on disposal of property and equipment	1,167	5	1,167	5	

### 29. OTHER ASSETS

Fees receivable	12,518	3,708	12,618	3,568
Prepayments	14,242	12,660	14,108	8,350
Due from affiliates	55,920	10,565	55,920	10,565
Dividend receivable	-	-	14,274	-
Sundry receivables	18,809	19,608	19,181	19,608
•		•••••		
	101,489	46,541	116,101	42,091
C. const	404 400	24.244	444404	24.574
Current	101,489	36,246	116,101	34,576
Non-current	-	10,295	-	7,515
•				· · · · · · · · · · · · · · · · · · ·



### **30. DEPOSITS FROM BANKS**

		The Group	The Bank		
	2012 GH¢'000	2011 GH¢'000	2012 GH¢'000	2011 GH¢′000	
Other deposits from Banks	276,362	108,185	282,904	187,168	
Current	276,362	108,185	282,904	187,168	

### 31. CUSTOMER DEPOSITS

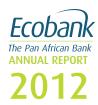
Current accounts	1,743,247	1,122,213	1,747,410	1,122,213
Cash collateral	111,249	139,784	111,249	139,784
Savings account	355,797	184,953	358,798	184,953
Time deposit	190,158	93,720	190,158	93,720
Private placements	64,154	67,586	-	-
				•
	2,464,605	1,608,256	2,407,615	1,540,670
<b>:</b>				
Current	2,375,299	1,585,287	2,318,309	1,517,701
Non-current	89,306	22,969	89,306	22,969
<u> </u>				::::::::::::::::::::::::::::::::::::::

The twenty largest depositors constituted 20.46 % of the total deposits at the year end (2011: 24.96%).

Included in customer deposits for the Group are manged funds on behalf of customers of Ecobank Investment Manages LImited

### 32. OTHER LIABILITIES

Collections on behalf of customers Bankers drafts and managers cheques Point of sale terminals Accruals Sundry payables	13,668 11,982 626 40,466 28,101	9,406 8,454 1,600 13,505 13,088	13,668 11,982 626 40,445 28,695	9,406 8,454 1,600 13,797 9,058 42,315
Current Non-current	89,694	46,053	90,267	42,315



#### 33. BORROWINGS

	01-Jan-12 GH¢'000	Drawdown GH¢′000	Repayment GH¢′000	Exchange differences GH¢′000	31-Dec-12 GH¢′000
Social Security & National Insurance Trust	4,359	_	_	_	4,359
International Finance Corporation	31,682	_	_	6,010	37,692
Export Development Investment Fund	108	20,820	(3,031)	-	17,897
European Investment Bank	15,841	-	(7,305)	2,770	11,306
Ecobank Transnational Bank (IFC)	29,528	-	-	5,601	35,129
Ecobank Transnational Bank (EIB)	21,609	-	-	4,098	25,707
					•••••••••••••••••••••••••••••••••••••••
	103,127	20,820	(10,336)	18,479	132,090
••••••					

		The Group		The Bank		
	2012 GH¢'000		2012 GH¢'000	2011 GH¢′000		
Current	175	108	175	108		
Non-current	131,915	103,019	131,915	103,019		

The Social Security and National Insurance Trust made available to the bank a loan of of GHS 4.36 million for on-lending to a customer of the bank, over a 10 years period from 9 June 2008 to 9 June 2015. Interest on the loan is based on the Bank of Ghana prime rate applicable on the date of the drawdown, provided that the rate will be adjusted from time to time in accordance with any changes in the Bank of Ghana prime rate. Interest on the loan may be capitalised semi-annually counting from date of the drawdown in the event that the Bank fails to honour interest repayments.

A loan of US\$20 million was made available to the Bank by International Finance Corporation (IFC) under an agreement dated 20 July 2007. This loan is to be used as tier II capital, and attracts interest at LIBOR plus a margin of 3.01% per annum. This loan has a tenure of 8 years and is repayable by 15 June 2015.

The facility from European Investment Bank is repayable in 2014. The purpose of this loan is to provide financial resources for the development and promotion of export trade and small and medium enterprises. Interest on this facility is at LIBOR plus a margin of 3.3% payable semi-annually.

The borrowing from Export Development Fund (EDIF) was made available for the purposes of on-lending to small scale enterprises, export insurance re-financing and credit guarantee. This is a revolving fund, which attracts interest at a rate of 2.5% per annum

Borrowings totaling US\$ 32 million (2011: US\$ 32 million) from International Finance Corporation and European Investment Bank were secured through Ecobank Transnational Incorporated. These borrowings are unsecured subordinated debts, which attract interest at 9.04% and 5.5% respectively, and are repayable between 13 July 2018 and 1 May 2019.



### 34. STATED CAPITAL

<u>Bank</u>	No. of shares 2012	2011	Proceeds 2012 GH¢′000	2011 GH¢′000
Authorised: Ordinary shares of no par value	500,000,000	500,000,000		
Issued and fully paid Ordinary shares of no par value	, ,	230,128,372		
Issued ordinary shares comprise: Issued for cash Issued for consideration other than cash			88,692 137,949	88,692 11,308
At 31 December			226,641	100,000

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

### 35. INCOME SURPLUS

		The Group	The Bank		
	2012	2011	2012	2011	
	GH¢'000	GH¢′000	GH¢'000	GH¢′000	
At 1 January	88,086	72,566	76,988	63,744	
Profit for the year	132,557	72,381	143,169	70,105	
Dividend paid relating to prior year	(55,230)	(46,026)	(55,230)	(46,026)	
Transfer to statutory banking reserve (Note 37)	(71,740)	(8,763)	(71,585)	(8,763)	
Transfer to regulatory credit risk reserve					
(Note 38)	(7,893)	(2,072)	(7,893)	(2,072)	
At 31 December	85,780	88,086	85,449	76,988	
•••••••••••••••••••••••••••••••••••••••		<del>-</del>			



### **36. REVALUATION RESERVE**

#### Capital surplus - land and building revaluation (a)

	2012 GH¢′000	The Group 2011 GH¢'000	2012 GH¢′000	The Bank 2011 GH¢'000
At 1 January Revaluation gain (Note 28) Deferred tax (Note 17)	21,541 - -	14,953 7,750 (1,162)	21,540 - -	14,952 7,750 (1,162)
At 31 December	21,541	21,541	21,540	21,540
(b) Available for sale instruments				
At 1 January Transfer from TTB Net (loss)/gain from changes in fair value –	3,046 1,404	1,036 -	2,622 1,404	910
Government securities (Note 21) Net gains from changes in fair value –	(16,897)	2,135	(15,026)	1,737
investment securities (Note 25) Deferred income taxes (Note 17)	3,845	546 (671)	3,434	546 (571)
At 31 December	(8,602)	3,046	(7,566)	2,622
Total revaluation reserves	12,939	24,587	13,974	24,162

### 37. STATUTORY RESERVE FUND

Statutory reserve represents cumulative amounts set aside from annual profits after tax required under the Banking Act for Banks and the Non-Bank Financial Institutions Business Rules for leasing companies.

The proportion of net profits transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the ratio of the balance on statutory reserves to paid up capital.

		The Group	The Bank		
	2012 2011		2012	2011	
	GH¢'000 GH¢'000		GH¢'000	GH¢′000	
At 1 January	45,743	36,980	45,529	36,766	
Transfer from income surplus	71,740	8,763	71,585	8,763	
At 31 December	117,483	45,743	117,114	45,529	



#### REGULATORY CREDIT RISK RESERVE 38.

Regulatory credit risk reserve represents cumulative amounts required to meet the Bank of Ghana guidelines for allowances on impairment.

		The Group	The Bank		
	2012 GH¢'000	2011 GH¢′000	2012 GH¢'000	2011 GH¢′000	
At 1 January	4,183	2,111	4,183	2,111	
Transfer from TTB	1,293	-	1,293	-	
Transfer from income surplus	7,893	2,072	7,893	2,072	
At 31 December	13,369	4,183	13,369	4,183	

## 39. CASH AND CASH EQUIVALENTS

Cash balances (Note 20)	113,802	74,406	113,802	74,406
Government securities (Note 21)	82,909	61,008	75,322	52,802
Due from other Banks	758,614	337,813	755,410	413,959
Due to Banks (Note 30)	(276,362)	(108,185)	(282,904)	(187,168)
•				
	678,963	365,042	661,630	353,999
<b>3</b>				

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

### **40. INVESTMENT IN ASSOCIATE**

As GH¢'		ilities ¢′000	Revenues GH¢′000	Profit GH¢′000	Interest held
EB ACCION Company Limited 28,	283 2	1,547	10,032	798	49%
				•••••••	······································
	The Group			The Bank	
	2012		2011	2012	2010
	GH¢′000		GH¢'000	GH¢'000	GH¢'000
Cost of investment	4,240		3,959	3,959	3,959
Additional shares	882		-	882	-
Share of results	391		375	-	-
Share of tax	(98)		(94)	-	-
At 31 December	5,415		4,240	4,841	3,959
•				• • • • • • • • • • • • • • • • • • • •	



### 41. CONTINGENT LIABILITIES AND COMMITMENTS

#### Off balance sheet items

In common with other banks, the bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other derivative instruments, including forwards and option contracts or combinations thereof (all commonly known as derivatives), the nominal amounts of which are not reflected in the consolidated balance sheet.

#### 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.

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

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have specific maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following, summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risks.

	The Group		The Bank	
	2012 GH¢'000	2011 GH¢′000	2012 GH¢'000	2011 GH¢′000
Contingent liabilities Guarantees and indemnities Documentary and commercial letters of credit	333,252 424,029	145,564 435,429	333,252 424,029	145,564 435,429
	757,281	580,993	757,281	580,993
Commitments Loan commitments	197,709	197,955	197,709	197,955
	954,990	778,948	954,990	778,948

#### Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2012. No provision has been made as professional advice indicates that these cases are unlikely to succeed and no significant losses are expected to arise.



#### 42. **RELATED PARTY TRANSACTIONS**

#### Transactions with executive directors and key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Ecobank Ghana Limited (directly or indirectly) and comprise the Executive Directors and Senior Management of Ecobank Ghana Limited.

There were no material related party transactions with companies where a Director or other member of key management personnel (or any connected person) is also a Director or other member key management personnel (or any connected person) of Ecobank Ghana Limited.

No provisions have been recognised in respect of loans to Directors or other members of key management personnel (or any connected person).

Remuneration of Executive Directors and other key management personnel

	2012 GH¢′000	2011 GH¢′000
Salaries and other short-term benefits Social security contributions	3,099 387	2,162 281
	3,486	2,443

Details of transactions between Directors and other key management personnel (and their connected persons) and the Group are as follows:

Longs	2012 GH¢'000	2011 GH¢′000
Loans Loan outstanding at 1 January Net movement	2,290 (276)	514 1,776
Loans outstanding at 31 December	2,014	2,290
Interest income	393	458
There were no loans given to non-executive Directors.		
Deposits at 1 January Net movement during the year	394 315	383 11
Deposits at 31 December	709	394
Interest expense	78	47
		:



#### b. Transactions and balances with related parties

The Bank is a subsidiary of Ecobank Transnational Incorporated (ETI), a company incorporated in the Republic of Togo. The Bank also has 100% shareholdings in three (3) companies. There are other companies that are related to the Bank through common shareholdings or Directorship.

A number of transactions were entered into with related companies in the normal course of business. These transactions include loans, placements, deposits, foreign currency and other operational transactions. These transactions were carried out on commercial terms and at commercial market rates.

Transactions during the year and balances at 31 December 2012 are as follows:

	2012 GH¢′000	2011 GH¢′000
Balances with related parties		
Loans and advances to banks:		
Placements with related parties (foreign)	75,290	9,109
Placements with related parties (local)	43,214	49,273
Other assets:		
Due from affiliates	55,920	22,718
Dividend receivable from subsidiaries	14,274	-
Deposits from Banks:		
Deposits from related parties	(65,961)	(26,585)
Borrowings:		
Ecobank Transnational Incorporated (IFC)	(35,129)	(29,528)
Ecobank Transnational Incorporated (EIB)	(25,707)	(21,609)
Transactions with related parties		
Interest income from placements with related parties	(2,173)	(1,227)
Interest expense on deposits from related parties	2,069	185



#### 43. **REGULATORY DISCLOSURES**

- (i) Non-performing loans ratio The percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 8% (2011: 0.66%).
- (ii) Capital adequacy ratio The capital adequacy ratio at the end of December 2012 was calculated at approximately 14.78% (2011: 13.57%).
- (iii) Regulatory breaches There were no breaches with respect to statutory liquidity requirements (2011: Nil).

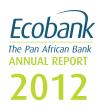
#### 44. **BUSINESS SEGMENTS**

The Group has three main business segments:

- Domestic banking This incorporates consumer, small and medium enterprises, local corporate and public sectors of the market.
- (b) Corporate banking - Specialises in serving the public sector, multinational institutions, financial institutions/ international organisations and the Regional Corporate segment of the market.
- (c) Treasury - Treasury engages in Foreign exchange trading and manages the bank's balance sheet, ensuring that all interest rate and exchange rate risks are adequately monitored. The unit also has responsibility for liquidity management; ensuring that the bank is able to honour its commitments as and when they fall due.

Transactions between business segments are on normal commercial terms and conditions. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital.

The Group's operations are based in Ghana. There are no separately distinguishable geographical segments.



# 44. BUSINESS SEGMENTS (cont'd)

The segmental information provided to the Board for reportable segments for the year ended 31 December is as follows:

	Corporate GH¢′000	Domestic GH¢′000	Treasury GH¢′000	Group GH¢'000
At 31 December 2012	dii	dily 000	dii voo	dii v
Net interest income Net fees and commission income Other income	104,809 32,139 1,785	140,437 59,948 6,412	24,945 (1,736) 89,027	270,191 90,351 97,224
Operating income	138,733	206,797	112,236	457,766
Loan impairment charges	(3,199)	(22,119)	-	(25,318)
Total income	135,534	184,678	112,236	432,448
Total assets	642,213	766,130	1,970,500	3,378,843
Total liabilities	872,775	1,570,816	528,267	2,971,858
At 31 December 2011				•
Net interest income Net fees and commission income Other income	44,274 24,699 608	49,498 36,361 3,711	34,828 (1,501) 42,070	128,600 59,559 46,389
Operating income	69,581	89,570	75,397	234,548
Loan impairment charges	(4,193)	(1,974)	-	(6,167)
Total income	65,388	87,596	75,397	228,381
Total assets	479,709	370,184	1,282,290	2,132,183
Total liabilities	734,266	873,990	261,328	1,869,584
				······



### **45. PLEDGED ASSETS**

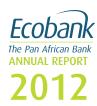
In the normal course of business, assets are sometimes pledged for specific purposes. The status of pledged assets is as follows:

	The Group			The Bank		
	2012	2011	2012	2011		
	GH¢′000	GH¢′000	GH¢′000	GH¢′000		
Government securities	5,300	10,680	5,300	10,000		

### **46. DIVIDEND PER SHARE**

At the forthcoming meeting, dividend of 29 Ghana pesewas (2011: 24 Ghana pesewas) per share is to be proposed amounting to a total of GH¢85,036,228 (2011: GH¢55,230,000).

# appendix 1



### SHAREHOLDERS' INFORMATION

### **Number of Shareholders**

The Bank had 13,871 ordinary shareholders at 31 December 2012 distributed as follows:

	2012 No. of holders	% of shares held	2011 No. of holders	% of share held	
Category					
1-1,000	12,382	1.22	12,381	1.31	
1,001-5,000	1,171	0.75	1,262	0.99	
5,001-10,000	171	0.39	181	0.50	
10,000 and over	147	97.64	170	97.20	
•		•••••••••••••••••••••••••••••••••••••••	•••••	······································	
Total	13,871	100.00	13,994	100.00	

### Directors' Shareholding

The Directors named below held the following number of shares in the Bank at 31 December 2012:

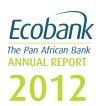
	N	No. of shares		% Holding
Lionel Van Lare Dosoo		3,772		0.001
Samuel Ashitey Adjei		41,260		0.014
Kofi Ansah		9,902		0.003
George Mensah Asante		3,411		0.001
Morgan Fianko Asiedu		2,025		0.001
Ernest Asare		2,246		0.001
Mariam Gabala Dao (Mrs)		38,977		0.013
<u>.</u>				<u>.</u>
Total		101,593		0.034
			:::::	



### 20 Largest Shareholders

	No. of shares	(	% Holding
Fachant Tanana (in all Innovational Innovati	202 420 024		40.03
Ecobank Transnational Incorporated	202,129,934		68.93
Social Security and National Insurance Trust	47,467,354		16.19
Ghana Reinsurance Company Limited General Business	9,801,190		3.34
Compagnie Africaine de Financement et de Participation-Holing	6,897,425		2.35
African Tiger Mutual Fund	5,407,075		1.84
Teachers' Fund	1,809,738		0.62
ESL Investors Portfolio Account	1,530,041		0.52
Anglogold Ashanti Employees Provident Fund	1,496,056		0.51
Bucknor Jude Kofi	1,379,270		0.47
SCBN/Standchart Mauritius Re Pinebridge Sub-Saharan			
Africa Equity Ghana	725,000		0.25
Cocbod end of service benefit scheme	555,098		0.19
SCGN/SCB Mauritius re IPRO Funds Limited	475,381		0.16
JPMC Renaissance Asset Managers Global Fund	355,999		0.12
SCBN/UNIL Ghana Managers Pension Fund	340,607		0.12
SIC Life Company Limited	309,760		0.11
SCBN/BBH DZ Privatbank SA Luxembourg Silk Fund –			
African Lions Fund Ghana	282,719		0.10
SCGN/JP Morgan Chase Deut Vivtoire Africa Index II IC	278,571		0.10
SIC Insurance Company Limited	232,603		0.08
SCBN/ELAC Policyholders Fund	210,942		0.07
Okubanjo, Oloye Oladotun Okunowo	210,096		0.07

# proxy form



I/We	<i>j</i>		
being	a Member(s) of the above-named Company hereby appoint		
or fail (AGM	ing him the Chairman of the Meeting as my/our Proxy to vote on my/ou of the Company to be held on Friday, April 19, 2013 at 10:30 am	r behalf at the An prompt.	nual General Meeting
DATEC	THEDAY OF APRIL 2013		
MEME	BER		
This F	orm is to be used in favour of/against the Resolution set out in the Agend	da.	
		FOR	AGAINST
1.	TO ADOPT ACCOUNTS		
2.	TO DECLARE a Dividend		
3.	TO RATIFY the appointment MR. MORGAN FIANKO ASIEDU		
4.	TO RE-ELECT the following Directors who have retired, for another 3 year term:		
	MR. LIONEL VAN LARE DOSOO		
	MRS. ROSEMARY YEBOAH		
	MRS. EVELYNE TALL		
5.	TO FIX REMUNERATION of the Auditors.		

Please indicate with an "X" in the spaces above how you wish your vote to be cast. Unless otherwise instructed, the Proxy will vote as he thinks fit.

If executed by a body Corporate, this Proxy Form should be completed by the signature of a duly authorized Officer and should be accompanied by a Resolution in accordance with Section 165 of the Companies Code, 1963 (Act 179).

To be valid, this Proxy Form must be filled up signed and lodged (together with any authority under which it is signed) with the Registrars at Ghana Commercial Bank, Registrars Office, Thorpe Road, High Street, Accra no later than 3.00 p.m. on Wednesday, the 18<sup>th</sup> day of April, 2013.



# **Draft Resolutions 2013**

### **Ordinary Resolutions**

- 1. The General Meeting hereby adopts the Statement of Accounts of the company for the year ended the 31st day of December, 2012 together with the reports of the Directors and auditors thereon.
- The General Meeting hereby approves the payment of dividend of GHC 0.29 per share and totalling GHS 2. 85,036,228 on the 10th day of May, 2013 to members listed on the share register as of 10th April, 2013.
- The General Meeting hereby ratifies the appointment of Mr. Morgan Fianko Asiedu as a Director for a 3. 3 year term.
- The General Meeting hereby re-elects Mr. Lionel Van Lare Dosoo who has retired as a Director in accordance 4. with the Regulations of the Company and has offered himself for re-election.
  - The General Meeting hereby re-elects Mrs. Rosemary Yeboah who has retired as a Director in accordance with the Regulations of the Company and has offered herself for re-election.
  - The General Meeting hereby re-elects Mrs. Evelyne Tall who has retired as a Director in accordance with the Regulations of the Company and has offered herself for re-election.
- The General Meeting hereby authorises the Directors to fix the remuneration of the Auditors. 5.

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