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Independent Auditors' Report

To the members of GCB Bank Limited:

Report on the Financial Statements

We have audited the financial statements of GCB Bank Limited, which comprise the statements of financial position at 31 December 2013, 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 32 to 99.

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 e ectiveness 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 su cient 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 GCB Bank Limited at 31 December 2013 and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in a 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 Act 738

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

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

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

KPMG

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

28 March 2014

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GCB Bank Limited

Financial Statements 2013

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GCB Bank Limited

Statements of Comprehensive Income

For the year ended 31 December 2013

	Note	The Group 2013 GH¢'000	The Group 2012 GH¢'000	The Bank 2013 GH¢'000	The Bank 2012 GH¢'000
Interest Income	10	**552,063**	376,092	**552,063**	376,092
Interest expense	11	**(92,104)**	(50,917)	**(92,204)**	(50,981)
Net interest income		**459,959**	325,175	**459,859**	325,111
Fees and commission income	12	**88,566**	76,535	**88,566**	76,535
Fees and commission expense	13	**(11,419)**	(7,347)	**(11,419)**	(7,347)
Net fees and commission income		**77,147**	69,188	**77,147**	69,188
Net trading income	14	**26,842**	16,580	**26,842**	16,580
Other Income	15	**4,241**	7,181	**7,170**	9,360
Net trading and other income		**31,083**	23,761	**34,012**	25,940
Total income		**568,189**	418,124	**571,018**	420,239
Impairment release/(charge) on loans and advances	16	**10,569**	(10,585)	**10,569**	(10,585)
Net income		**578,758**	407,539	**581,587**	409,654
Operating expenses	17	**(270,394)**	(221,286)	**(270,364)**	(221,255)
Results of operating activities		**308,364**	186,253	**311,223**	188,399
Share of profit of associates	41	**8,695**	6,600	**-**	-
Profit before tax		**317,059**	192,853	**311,223**	188,399
Taxation	18	**(87,860)**	(49,881)	**(87,715)**	(49,754)
Profit for the year		**229,199**	142,972	**223,508**	138,645
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Changes in fair value of investment securities	37	**1,464**	634	**1,618**	313
Deferred tax on changes in fair value of investment securities	37	**(366)**	(159)	**(404)**	(78)
Items that will never be reclassified to profit or loss					
Actuarial loss on defined benefit obligations	40	**(15,033)**	(9,675)	**(15,033)**	(9,675)
Deferred tax on actuarial loss on defined benefit obligations	40	**3,758**	2,419	**3,758**	2,419
Total comprehensive income for the year		**219,022**	136,191	**213,447**	131,624
Basic and diluted earnings per share (in GH¢)	20	**0.86**	0.54	**0.84**	0.52

The notes on pages 38 to 99 form an integral part of these financial statements.

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GCB Bank Limited

Statements of Financial Position

At 31 December 2013

	Note	The Group 2013 GH¢'000	The Group 2012 GH¢'000	The Bank 2013 GH¢'000	The Bank 2012 GH¢'000
Assets					
Cash and cash equivalents	21	**338,797**	360,023	**338,797**	360,023
Government securities	22	**1,711,957**	1,553,301	**1,711,948**	1,553,292
Advances to Banks	23	**170,321**	37,978	**170,321**	37,978
Loans and advances to customers	24	**960,707**	847,872	**960,707**	847,872
Investment securities: available-for-sale	25	**6,660**	5,196	**4,900**	3,282
Investment in subsidiary	26	**-**	-	**-**	-
Investment in associates	41	**41,013**	37,242	**30,126**	30,126
Investment in other equity securities	27	**247**	247	**113**	113
Deferred tax asset	18	**15,453**	11,624	**15,495**	11,704
Property and equipment	28	**81,399**	73,404	**81,399**	73,404
Intangible assets	29	**3,954**	4,062	**3,954**	4,062
Other assets	30	**74,318**	50,192	**73,340**	50,212
Total assets		**3,404,826**	2,981,141	**3,391,100**	2,972,068
Liabilities					
Deposits from customers	31	**2,624,975**	2,330,300	**2,630,283**	2,334,608
Other liabilities	32	**132,702**	113,797	**132,674**	113,798
Borrowings	33	**108,149**	177,818	**108,149**	177,818
Income tax liabilities	18	**11,258**	17,195	**11,161**	17,147
Employee benefit obligations	34	**61,677**	46,150	**61,677**	46,150
Total liabilities		**2,938,761**	2,685,260	**2,943,944**	2,689,521
Equity					
Stated capital	35	**100,000**	72,000	**100,000**	72,000
Retained earnings	36	**215,224**	113,855	**197,280**	101,602
Fair value reserve	37	**2,082**	984	**1,117**	(97)
Statutory reserve	38	**145,748**	89,871	**145,748**	89,871
Credit risk reserve	39	**22,384**	27,269	**22,384**	27,269
Other reserves	40	**(19,373)**	(8,098)	**(19,373)**	(8,098)
Total equity		**466,065**	295,881	**447,156**	282,547
Total liabilities and equity		**3,404,826**	2,981,141	**3,391,100**	2,972,068

These financial statements were approved by the Board of Directors on 28 March 2014 and signed on its behalf by:

Dr. Fritz A. Gockel
Chairman

Mr. Simon Dornoo
Managing Director

The notes on pages 38 to 99 form an integral part of these financial statements.

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GCB Bank Limited

Statements of Changes in Equity

For the year ended 31 December 2013

The Group	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
Balance at 1 January 2012	72,000	26,732	509	55,210	24,631	(842)	178,240
Total comprehensive income for the year							
Profit for the year	-	142,972	-	-	-	-	142,972
Other comprehensive income, net of tax	-	-	475	-	-	(7,256)	(6,781)
Total comprehensive income for the year	-	142,972	475	-	-	(7,256)	136,191
Transactions with equity holders							
Dividends paid	-	(18,550)	-	-	-	-	(18,550)
Total contributions to equity holders	-	(18,550)	-	-	-	-	(18,550)
Regulatory and other reserves							
Transfer to statutory reserve	-	(34,661)	-	34,661	-	-	-
Transfer to credit risk reserve	-	(2,638)	-	-	2,638	-	-
Net transfer from reserves	-	(37,299)	-	34,661	2,638	-	-
Balance at 31 December 2012	72,000	113,855	984	89,871	27,269	(8,098)	295,881
Balance at 1 January 2013	**72,000**	**113,855**	**984**	**89,871**	**27,269**	**(8,098)**	**295,881**
Total comprehensive income for the year							
Profit for the year	-	229,199	-	-	-	-	229,199
Other comprehensive income, net of tax	-	-	1,098	-	-	(11,275)	(10,177)
Total comprehensive income for the year	**-**	**229,199**	**1,098**	**-**	**-**	**(11,275)**	**219,022**
Transactions with equity holders							
Dividends paid	-	(47,700)	-	-	-	-	(47,700)
Transfer to stated capital	28,000	(29,138)	-	-	-	-	(1,138)
Total contributions to equity holders	**28,000**	**(76,838)**	**-**	**-**	**-**	**-**	**(48,838)**
Regulatory and other reserves							
Transfer to statutory reserve	-	(55,877)	-	55,877	-	-	-
Transfer from/ (to) credit risk reserve	-	4,885	-	-	(4,885)	-	-
Net transfer from reserves	**-**	**(50,992)**	**-**	**55,877**	**(4,885)**	**-**	**-**
Balance at 31 December 2013	**100,000**	**215,224**	**2,082**	**145,748**	**22,384**	**(19,373)**	**466,065**

The notes on pages 38 to 99 form an integral part of these financial statements.

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GCB Bank Limited

Statements of Changes in Equity continued

For the year ended 31 December 2013

The Bank	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
Balance at 1 January 2012	72,000	18,806	(332)	55,210	24,631	(842)	169,473
Total comprehensive income for the year							
Profit for the year	-	138,645	-	-	-	-	138,645
Other comprehensive income, net of tax	-	-	235	-	-	(7,256)	(7,021)
Total comprehensive income for the year	-	138,645	235	-	-	(7,256)	131,624
Transactions with equity holders							
Dividends paid	-	(18,550)	-	-	-	-	(18,550)
Total contributions to equity holders	-	(18,550)	-	-	-	-	(18,550)
Regulatory and other reserves							
Transfer to statutory reserve	-	(34,661)	-	34,661	-	-	-
Transfer to credit risk reserve	-	(2,638)	-	-	2,638	-	-
Net transfer from reserves	-	(37,299)	-	34,661	2,638	-	-
Balance at 31 December 2012	72,000	101,602	(97)	89,871	27,269	(8,098)	282,547
Balance at 1 January 2013	**72,000**	**101,602**	**(97)**	**89,871**	**27,269**	**(8,098)**	**282,547**
Total comprehensive income for the year							
Profit for the year	-	223,508	-	-	-	-	223,508
Other comprehensive income, net of tax	-	-	1,214	-	-	(11,275)	(10,061)
Total comprehensive income for the year	**-**	**223,508**	**1,214**	**-**	**-**	**(11,275)**	**213,447**
Transactions with equity holders							
Dividends paid	-	(47,700)	-	-	-	-	(47,700)
Transfer to stated capital	28,000	(29,138)	-	-	-	-	(1,138)
Total contributions to equity holders	**28,000**	**(76,838)**	**-**	**-**	**-**	**-**	**(48,838)**
Regulatory and other reserves							
Transfer to statutory reserve	-	(55,877)	-	55,877	-	-	-
Transfer from credit risk reserve	-	4,885	-	-	(4,885)	-	-
Net transfer from reserves	**-**	**(50,992)**	**-**	**55,877**	**(4,885)**	**-**	**-**
Balance at 31 December 2013	**100,000**	**197,280**	**1,117**	**145,748**	**22,384**	**(19,373)**	**447,156**

The notes on pages 38 to 99 form an integral part of these financial statements.

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GCB Bank Limited

Statements of Cash Flows

For the year ended 31 December 2013

	Note	The Group 2013 GH¢'000	The Group 2012 GH¢'000	The Bank 2013 GH¢'000	The Bank 2012 GH¢'000
Cash flows from operating activities					
Profit before tax		**317,059**	192,853	**311,223**	188,399
Adjustments for:					
Depreciation and amortization	28; 29	**17,994**	11,460	**17,994**	11,460
Impairment charge on loans and advances	16	**(10,569)**	10,585	**(10,569)**	10,585
Allowance for employee benefit obligations	34	**8,930**	6,456	**8,930**	6,456
Share of profit of associates	41	**(3,771)**	(3,002)	**-**	-
Net interest income	10; 11	**(459,959)**	(325,175)	**(459,859)**	(325,111)
Dividend income	15	**(2,455)**	(1,817)	**(5,147)**	(3,830)
Assets written o	28; 29	**(1,350)**	-	**(1,350)**	-
Adjustments to property and equipment	28	**-**	(90)	**-**	(90)
Profit on sale of property and equipment	28	**(121)**	(197)	**(121)**	(197)
Exchange loss on borrowing	33	**10,262**	15,125	**10,262**	15,125
Unrealised exchange di erence on cash		**(15,059)**	(9,535)	**(15,059)**	(9,535)
		(139,039)	(103,337)	**(143,696)**	(106,738)
Change in:					
Loans and advances to customers	24	**(102,266)**	(382,247)	**(102,266)**	(382,247)
Advances to banks	23	**(132,343)**	179,201	**(132,343)**	179,201
Other assets	30	**(24,126)**	(30,578)	**(23,128)**	(30,646)
Deposits from customers	31	**294,675**	271,868	**295,675**	273,218
Borrowings	33	**(80,000)**	78,701	**(80,000)**	78,701
Other liabilities	32	**18,905**	3,621	**18,876**	3,635
Employee benefits paid	34	**(8,436)**	(6,303)	**(8,436)**	(6,303)
		(172,630)	10,926	**(175,318)**	8,821
Interest received		**491,037**	333,173	**491,037**	333,173
Interest paid		**(90,474)**	(44,171)	**(90,574)**	(44,206)
Income tax paid	18	**(94,233)**	(24,361)	**(94,137)**	(24,234)
Net cash flow from operating activities		**133,700**	275,567	**131,008**	273,554

The notes on pages 38 to 99 form an integral part of these financial statements.

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GCB Bank Limited

Statements of Cash Flows continued

For the year ended 31 December 2013

	Note	The Group 2013 GH¢'000	The Group 2012 GH¢'000	The Bank 2013 GH¢'000	The Bank 2012 GH¢'000
Cash flows from investing activities					
Government securities	22	**(97,630)**	(294,884)	**(97,630)**	(294,884)
Dividend received	15	**2,455**	1,817	**5,147**	3,830
Investment in equity securities	27	**-**	(14,049)	**-**	(14,049)
Acquisition of property and equipment	28	**(24,006)**	(29,560)	**(24,006)**	(29,560)
Proceeds from sale of property and equipment	28	**121**	204	**121**	204
Acquisition of intangible assets	29	**(3,225)**	(3,487)	**(3,225)**	(3,487)
Net cash used in investing activities		**(122,285)**	(339,959)	**(119,593)**	(337,946)
Cash flow from financing activities					
Dividend paid	36	**(47,700)**	(18,550)	**(47,700)**	(18,550)
Net cash used in financing activities		**(47,700)**	(18,550)	**(47,700)**	(18,550)
Net decrease in cash and cash equivalents		**(36,285)**	(82,942)	**(36,285)**	(82,942)
Cash and cash equivalents at 1 January	21	**360,023**	433,430	**360,023**	433,430
E ect of exchange rate fluctuations on cash held		**15,059**	9,535	**15,059**	9,535
Cash and cash equivalents at 31 December	21	**338,797**	360,023	**338,797**	360,023

The notes on pages 38 to 99 form an integral part of these financial statements.

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GCB Bank Limited

Notes to the Financial Statements

For the year ended 31 December 2013

1. REPORTING ENTITY

GCB Bank Limited is a limited liability company incorporated and domiciled in Ghana. The address of its registered o ce is GCB Bank Building, Thorpe Road, High Street, Accra. The financial statements of the Bank as at and for the year ended 31 December 2013 comprise the Bank and its subsidiary, together referred to as the 'Group' and individually as 'Group entities'. The Bank operates with a universal banking license. The Group is primarily involved in consumer and corporate banking and treasury activities. It also engages in equity investments through its subsidiary.

The Bank is listed on the Ghana Stock Exchange.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the following material items::

- financial instruments at fair value through profit and loss, measured at fair value
- available-for-sale financial assets, measured at fair value
- the liability for defined benefit obligations, which is recognised at the present value of defined benefit obligations less the net total plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

2.3 Functional and presentation currency

The financial statements are presented in Ghana cedis, which is the Group's functional currency. All financial information presented in Ghana cedis have been rounded to the nearest thousand, except when otherwise indicated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that a ect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may di er 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 estimates are revised and in any future periods a ected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant e ect on amounts recognised in the financial statements are included in Note 9.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date - i.e. when control is transferred to the Group (see 3.1(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they relate to the issue of debt or equity securities.

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GCB Bank Limited

Notes to the Financial Statements continued

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(i) Business combinations (continued)
The consideration transferred does not include amounts that relate to the settlement of pre-existing relationships, such amounts are generally recognised in profit or loss.

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

The financial statements of the subsidiary used to prepare the consolidated financial statements were prepared as of the Bank's reporting date.

(ii) Non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries
Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to a ect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

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

(v) Loss of control
On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in a previous subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently any retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments.

(vi) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses (except foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the Group entities using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at closing rates ruling at the reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally 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.

3.3 Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest method is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

3.4 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income and expense are recognised on an accrual basis when the related services are performed. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognised on a straight line basis over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

3.5 Net trading income

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

3.6 Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are presented in other revenues.

3.7 Tax expense

Tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) Current tax

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

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GCB Bank Limited

Notes to the Financial Statements continued

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Tax expense (continued)

(b) Deferred tax

Deferred tax is recognised, using the liability method, in respect of temporary di erences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss;
- temporary differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary di erences when they reverse, using tax rates enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary di erences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.8 Financial assets and liabilities

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

3.8.1 Financial assets

The Group classifies its financial assets in the following categories: held to maturity, 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) Held to maturity

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

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

(b) 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 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 e ectively used as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded loans, equity instruments and financial assets with embedded derivatives.

Financial instruments designated at fair value through profit or loss 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial assets and liabilities (continued)

3.8.1 Financial assets (continued)

(c) 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:

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

Loans and receivables are initially 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. In the case of 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'.

(d) 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 held-to-maturity investments, financial assets at fair value through profit or loss or loans and receivables.

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 other 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 other comprehensive income is recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit or loss in dividend income when the Group's right to receive payment is established.

3.8.2 Financial liabilities
Financial liabilities, other than financial guarantees and loan commitments, are measured at amortised cost or fair value through profit or loss.

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

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

Derivatives are also 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 the fair value of financial liabilities classified as held for trading are included in profit and loss.

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GCB Bank Limited

Notes to the Financial Statements continued

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial assets and liabilities (continued)

3.8.2 Financial liabilities (continued)

(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.

3.8.3 Fair value measurement

Policy applicable from 1 January 2013
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

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3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

3.8 Financial assets and liabilities (continued)

3.8.3 Fair value measurement (continued)

Policy applicable before 1 January 2013
For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities quoted on Stock Exchanges.

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example yield curve, foreign exchange rates, and counterparty spreads) existing at the reporting dates. Financial instruments for which the fair value cannot be reliably measured are stated at cost less any impairment losses.

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

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

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

In addition, the Group may choose to reclassify financial assets that meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories, if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. E ective 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 e ective interest rates prospectively.

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GCB Bank Limited

Notes to the Financial Statements continued

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of financial assets

(a) 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 used to determine whether there is objective evidence of an impairment loss include:

(a) significant financial difficulty faced by the issuer or obligor;
(b) a breach in the form of default or delinquency in interest or principal payments;
(c) granting the borrower, as a result of financial difficulty, a concession that the lender would not otherwise consider;
(d) a likely probability that the borrower will enter bankruptcy or other financial reorganization;
(e) the disappearance of an active market for that financial asset because of financial difficulties; and
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition, although the decrease cannot yet be identified with the individual assets in the group.

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be 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 flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is 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.

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 assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)
When a loan is uncollectible, it is written o against the related allowance for loan impairment. Such loans are written o after all 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 objectively be related 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.

(b) Assets classified as available-for-sale
The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the di erence 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.

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

3.10 O setting financial instruments
Financial assets and liabilities are o set and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set o the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

3.11 Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, balances held with Bank of Ghana and other bank balances used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost.

3.12 Investment securities
Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, Incremental direct transaction costs and subsequently accounted for depending on their classification as either held to maturity or available-for-sale.

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GCB Bank Limited

Notes to the Financial Statements continued

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

Subsequent expenditures are capitalised only when it is probable that future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Items of property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Leased assets under finance lease are depreciated over their useful lives. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Leasehold land	-	Over the lease term
Computer hardware and equipment	-	33.33%
Motor vehicles	-	25%
Furniture and fittings	-	25%
Buildings	-	2%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.14 Intangible assets

Computer software

Intangible assets comprise computer software licenses. Software acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is three years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have an indefinite useful life are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value for money and risks specific to the assets or CGU.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment losses had been recognised.

3.16 Provisions

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 economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rates that reflect current market assessments of the time value of money and, where appropriate, risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

3.17 Financial guarantee contracts

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

Financial guarantees are initially recognised at fair value and amortised over the life of the 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.

3.18 Employment benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as personnel expenses in profit or loss in the period during which related services are rendered. The Group has the following defined contribution schemes:

Social Security and National Insurance Trust

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

Provident Fund

The Group has a Provident Fund Scheme for all employees who have completed their probation period with the Bank. Employees contribute 10% of their basic salary to the Fund whilst the Bank contributes 12.5%. Obligations under the plan are limited to the relevant contributions which have been recognised in the financial statements and are settled on due dates to the fund manager.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Employment benefits (continued)

(ii) Defined benefit plans

The Group's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a Qualified Actuary using the projected unit credit method. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses is recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability at the period end, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Group has the following defined benefit plans:

Long service award

Long service awards accrue to employees based on graduated periods of uninterrupted service. Employees leaving the service of the Bank after twenty (20) years through retirement (both voluntary and compulsory) or resignation become eligible for cash payments equivalent to their current entitlement at the time of retirement or resignation based on their length of service. These awards accrue over the service life of employees.

Post Retirement Medical Care

The Group pays for post retirement medical care of the Bank's sta . Provision for post retirement medical care is made based on independent actuarial valuation done using the projected unit credit basis. Actuarial gains or losses arising are charged to other comprehensive income.

Pension Benefits

The Group pays monthly pension benefits to retired employees, under a closed defined benefit pension scheme. Under this scheme, beneficiaries are paid pensions equal to 60% of the net basic salaries of their serving counterparts. The scheme has been discontinued since 1985 and at the reporting date covered a closed group of 417 (2012: 432) persons, who still receive monthly pensions. The monthly pensions are increased annually in line with adjustments to the basic salaries of their serving counterparts.

(iii) Termination Benefits

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an o er made to encourage voluntary redundancy.

(iv) Short-term Employment 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 Group 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.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

3.19 Stated capital and reserves

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

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

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

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

3.20 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 incomes arising thereon are excluded from these financial statements, as they are not assets of the Group.

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

3.22 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.

3.23 Segment reporting
Segment results that are reported to the Group's Managing Director (being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis by applying the Group's cost allocation and Funds Transfer Pricing Policies for allocating operating expense and revenues respectively. Unallocated items comprise mainly corporate assets (primarily the Bank's property and equipment), and tax assets and liabilities.

The Group has business segments: consumer banking, corporate banking and treasury. Operations of the Group had previously been managed as one business with no distinct operating segments. Accordingly, no comparative information is presented on segmental reporting.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Comparatives

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, where considered appropriate, to conform to changes in presentation in the current year.

3.25 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: periods beginning on or after
IFRS 10, IFRS 12 and IAS 27 amendment	Investment Entities	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Recoverable amount disclosures for Non-financial Assets	1 January 2014
IFRIC 21	Levies	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IAS 19	Defined Benefit Plans: Employee Contributions	1 January 2015
IFRS 9 (2009)	Financial Instruments	To be decided
IFRS 9 (2010)	Financial Instruments	To be decided

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments clarify that 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; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted. This amendment will not have any significant impact on the Group's financial statements.

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

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted. This amendment will not have a significant impact on the Group's financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. This amendment will not have any impact on the Group's financial statements

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3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

3.25 New standards and interpretations not yet adopted

IFRIC 21 Levies
Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. The Interpretation is effective for annual periods commencing on or after 1 January 2014 with retrospective application. The Group is in the process of assessing the impact that this may have on its financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IAS 39 Financial Instruments: Recognition and Measurement requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

The amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation, which was not contemplated in the original hedging documentation meets specific criteria. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014 with early adoption permitted. This amendment will not have any impact on the Group's financial statements as the Group has no derivative hedging instruments

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- Set out in the formal terms of the plan;
- Linked to service; and
- Independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 January 2015 with early adoption permitted. This amendment will not have any impact on the Group's financial statements since the Group's defined benefit plan does not require employees to make contributions to the plan.

IFRS 9 Financial Instruments
IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed and a new date is yet to be specified. The company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

The Group will assess the impact once the standard has been finalised and the effective date is known.

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4. CHANGES IN ACCOUNTING POLICY

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. IFRS 13 Fair Value Measurement.
b. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
c. IFRS 10 Consolidated Financial Statements (2011)
d. IFRS 12 Disclosure of Interests in Other Entities
e. IAS 19 Employee benefits (2011)

(a) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, as set out in Note 3.9.3 prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the e ective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

(b) Presentation of items of Other Comprehensive Income (OCI)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of Other Comprehensive Income in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

(c) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to a ect those returns. In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed its control conclusions as of 1 January 2013. This reassessment however did not result in the Group's consolidation of any of the entities that it previously did not consolidate. The change therefore did not have any impact on the Group's financial statements.

(d) Interests in other entities

As a result of IFRS 12, the Group has expanded disclosures about its interests in subsidiaries (see Note 26).

(e) Post-employment defined benefit plans

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post retirement defined benefit plans.

The change did not have a significant impact on the Group's financial statements. Group previously recognised actuarial gains and losses in other comprehensive income and not directly in profit or loss, which is consistent with the requirements of IAS 19 (2011).

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5. FINANCIAL RISK MANAGEMENT

E ective risk management is of critical Importance and key to the delivery of sustainable returns for shareholders. Risk taking is an Inherent part of the Bank's business activities and is defined as the possibility of losing some or all of an orlglnal investment. Risk management systems and governance structures are designed to reduce earnlngs volatility and achleve an appropriate balance between risk and reward and increased profitability.

Current changes to regulations in the banklng sector reinforce the Bank's commitment to embed an enhanced risk based culture throughout the organization. Risk policies and procedures are regularly reviewed to reflect these changes as well as best practices in the market. The Bank has upgraded its risk infrastructure to enhance e ective management and also to meet future regulatory demands.

Risk Management Framework

The risk management framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report slgnificant risk exposure in a consistent and e ective manner across the Bank. Through the framework, risk is managed at enterprise-wide level, with the objective of maximlzlng risk-adjusted returns within the context of the Bank's risk appetlte. The most important types of risk are credit risk, liquidity risk, market risk and operational risk.

- Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations.
- Market risk, which includes foreign currency risk, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields.
- Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates.
- Operational risk is the potential loss resulting from inadequate or failed internal processes, systems, people, legal issues, external events and non compliance with regulatory issues.

The Board of Directors have overall responslbility for the establishment and oversight of the Bank's risk management framework. The Board's commitment to good risk management is supported by their continuing professional development in the field of rlsk management and their support for the implementation and continued Improvement of the risk management framework within the Bank.

The Board Risk and Capital Management Committee is responsible for monitorlng risk positions which the Bank holds in the normal course of business as well as those risks that the Bank may take in alignment with approved llmits and controls. The committee also reviews the adequacy of the risk management framework in relatlon to risks faced by the Bank on an ongoing basis. The committee is assisted In its functions by a Risk management structure, which ensures consistent assessment of risk management controls and procedures.

The Board Audit Committee is responsible for reviewing the Bank's accounting policies, the contents of financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reportlng requirements, oversee relationships with the Bank's external auditors and provide assurance to the Board that executive management's control assurance process are complete and e ective. It also has responsibility for Compliance & Anti-Money Laundering.

The Executive Credit Committee is the highest management level authority on all counterparty risk exposures. It oversees control and management of all policies, processes and procedures relating to the Bank's lending function. The scope of risks covered by this committee includes Credit Rlsk, Concentration Risk, and Country & Cross Border Risk.

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GCB Bank Limited

Notes to the Financial Statements continued

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5. FINANCIAL RISK MANAGEMENT (continued)

Risk Management Framework (continued)

The Operational Risk and Control Committee is an Executive Management committee with responsibility for monitoring and managing the level of operational risk exposures within the Bank as well as oversee the control and management of all policies, processes and procedures relating to the Bank's Operational Risk function.

Asset and Liability Committee (ALCO) is a management committee which is a decision making body for developing policies relating to all asset and liability management (ALM) matters.

The Risk Management Division (RMD) is responsible for developing and monitoring the Bank's risk management policies and procedures over specified areas on a day-to-day basis. It reports regularly to the Board on its activities through the Executive Management Committee. The policies and procedures have been established to identify and analyse risks faced by the Bank and put appropriate controls in place to monitor adherence to these policies. These are reviewed regularly to reflect changes in market conditions, products and services o ered.

Functional units or divisions are accountable for executing specific aspects of the Bank's activities. Authority is delegated to the Head of each functional unit by the CEO. The Head of each function in turn, delegates responsibility to individual sta for carrying out specific tasks in accordance with delegated authorities and within the procedural disciplines of the Bank.

Functions are organised in accordance with the "Three Lines of Defence" governance model. The three lines of defence are constituted as follows:

- The first line of defence consists of functional units that are responsible for actual activities of the business and which are responsible for managing their own risks.
- The second line of defence consists of functional units that are responsible for monitoring activities of the first line of defence and exercising risk control. The second line functions of the Bank are Governance, Risk, Compliance and Control, Product Control and Performance Monitoring.
- The third line of defence consist of functional units that are responsible for reviewing the activities of line 1 and 2 functions at appropriate frequencies, assessing the robustness of control and mandating corrective action or improvement where necessary. Risk Assurance services are provided to the Bank by the Internal Audit function.

Risk Appetite

Risk appetite is an expression of the amount of risk the Bank is willing to take in pursuit of its strategic objectives, reflecting capacity to sustain losses and continue to meet obligations arising from a range of di erent stress conditions. This is used to maximize returns without exposing the Bank to levels of risk above its appetite.

In particular, the risk appetite framework assists in protecting financial performance and improves management's responsiveness. It also improves control and co-ordination of risk-taking across business units and identifies unused risk capacity in pursuit of profitable opportunities. The Bank's risk appetite statement is under review by the Board and will form the basis for establishing the risk parameters within which business units must operate, including policies, concentration limits and business mix.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management

Credit risk is the potential for financial loss due to the failure of counterparty to meet obligations to pay the Bank in accordance with agreed terms. Credit risk is the most important risk for the Bank's business. Management carefully manages its exposure to credit risk. Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts, debt securities and other bills, investments, and acceptances and credit equivalent amounts related to o -balance sheet financial items. The Bank's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into business management processes. Credit risk is managed through a framework that sets out policies and procedures covering the identification, measurement and management of credit risk. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance a strong credit culture.

Concentration Risk

Credit concentration risk is the risk of loss to the Bank arising from an excessive concentration of exposure to a single counterparty, industry sector, product or geographic area. Large exposure limits have been established under the Bank's credit policy in order to avoid excessive losses from any single counter-party who is unable to fulfill its payment obligations. These risks are monitored on an ongoing basis and subject to an annual or more frequent review when considered necessary.

Credit Mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, credit insurance and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types.

Collateral

In order to proactively respond to credit deterioration, the Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Collateral is held to mitigate credit risk exposures. Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; property and equipment such as motor vehicles, plant and machinery and bank guarantees.

The risk mitigation policy prescribes the frequency of valuation for di erent collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Where appropriate, collateral values are adjusted to reflect current market conditions. Longer-term finance and lending to corporate entities are generally secured; individual credit facilities are generally unsecured. In addition, in order to minimize credit loss, the Bank seeks additional collateral from counterparties as soon as impairment indicators are noticed for relevant individual loans and advances.

Credit Related Commitments

Documentary and commercial letters of credit are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit carry less risk than direct loans. These arrangements are collateralised by the underlying shipments of goods. The likelihood of loss amounts is far less than the entire commitment as most commitments to extend credit of this nature are contingent upon the customer maintaining specific cash in margin accounts. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments

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Notes to the Financial Statements continued

For the year ended 31 December 2013

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management (continued)

Impairment and Provisioning Policies

Impairment

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

The Bank first evaluates whether objective evidence of impairment exists individually for financial assets that are significant, and individually or collectively for financial assets that are not significant. If no objective evidence of impairment exists, it includes assets in a group of 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.

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

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 the loss has been determined. 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, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for loans and advances.

The criteria that the Bank uses to determine objective evidence of an impairment loss include but not limited to:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss and its identification in general, vary between three months and twelve months; in exceptional cases, longer periods. In any decision relating to the raising of impairment charges, the Bank attempts to balance economic conditions, local knowledge and experience. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment charge has been raised, then that amount is written off after obtaining approval from the Board as well as the relevant regulatory authorities.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management (continued)

Early Alerts

Corporate Banking, Consumer Banking and Small and Medium Scale Enterprise (SME) accounts are placed on early alert status when they display signs of weakness. Such accounts and portfolios are subject to a dedicated process of oversight involving Senior Risk Officers and Remedial Officers in the Loans Recovery Unit. The approach to Early Alerts monitoring include but not limited to:

- Deterioration of the customer's financial position
- Delays by customers in settling their dues
- Overdraft balances exceeding approved limits
- Clear indications of the customer not being able to settle commitments on due dates

Customer payment plans are re-evaluated and remedial actions agreed and monitored until delinquency situations are resolved. Remedial actions include, but are not limited to, exposure reduction, security enhancement and movement of the account to the Loans Recovery Unit.

Provisioning

An account is considered to be in default when payment is not received on due date. Accounts that are overdue by more than 90 days are considered delinquent. These accounts are closely monitored and subjected to a collection process. The process used for provisioning is based on Bank of Ghana guidelines which recognise cash as a credit mitigant. Individual provisions are made for outstanding amounts depending on the number of days past due with full provisions made after 365 days. In certain situations such as bankruptcy, fraud and death, the loss recognition process is accelerated. Loans and advances less than 90 days past due are generally not considered impaired unless other information is available to indicate otherwise.

The Bank of Ghana Guideline is as set out below:

Grade Description	Number of days	Provision (%)
Current	Less than 30 days	1
OLEM	30 to less than 90 days	10
Substandard	90 to less than 180 days	25
Doubtful	180 to less than 365 days	50
Loss	365 days and above	100

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management (continued)

(i) Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment held by the Group against those assets

Maximum exposure to credit risk

	Loans & advances to customers		Loans & advances to banks		Government securities		Cash equivalents		Lending commitments & financial guarantees	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Gross carrying amount	1,095,702	993,436	170,321	37,978	1,711,957	1,553,301	242,993	257,729	-	-
Amount committed/guaranteed	-	-	-	-	-	-	-	-	357,505	406,872
	1,095,702	993,436	170,321	37,978	1,711,957	1,553,301	242,993	257,729	357,505	406,872
At amortised cost										
Grade 1-3: low fair risk – current	903,406	732,309	170,321	37,978	1,711,957	1,553,301	242,993	257,729	-	-
Grade 4-5: watch list – OLEM	56,691	88,311	-	-	-	-	-	-	-	-
Grade 6: substandard	8,564	15,688	-	-	-	-	-	-	-	-
Grade 7: doubtful	3,374	7,309	-	-	-	-	-	-	-	-
Grade 8: loss	123,667	149,819	-	-	-	-	-	-	-	-
Total gross amount	1,095,702	993,436	170,321	37,978	1,711,957	1,553,301	242,993	257,729	-	-
Allowance for Impairment	(134,995)	(145,564)	-	-	-	-	-	-	-	-
Net carrying amount	960,707	847,872	170,321	37,978	1,711,957	1,553,301	242,993	257,729	-	-
Loans with renegotiated terms										
Gross carrying amount	9,972	21,526	-	-	-	-	-	-	-	-
Allowance for impairment	(3,699)	(9,160)	-	-	-	-	-	-	-	-
Net carrying amount	6,273	12,366	-	-	-	-	-	-	-	-
Impaired amount after renegotiation	4,546	14,147	-	-	-	-	-	-	-	-
O balance sheet										
Maximum exposure										
Lending commitments										
Grade 1-3: low-fair risk	-	-	-	-	-	-	-	-	20,448	131,173
Financial guarantees										
Grade 1-3: low-fair risk	-	-	-	-	-	-	-	-	335,667	273,405
Loss	-	-	-	-	-	-	-	-	1,390	2,294
Total exposure	-	-	-	-	-	-	-	-	357,505	406,872

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management (continued)

Maximum exposure to credit risk (continued)

	Loans & advances to customers		Loans & advances to banks		Government securities		Cash equivalents		Lending commitments & financial guarantees	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Neither past due nor impaired										
Grade 1-3: Low-fair risk	**902,494**	732,166	**170,321**	37,978	**1,711,957**	1,553,301	**242,993**	257,729	**356,115**	404,578
Past due but not impaired										
Grade 1–3: Low–fair risk	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Grade 4–5: Watch list	**31,416**	87,565	**-**	-	**-**	-	**-**	-	**-**	-
Grade 6: Substandard	**1,299**	13,143	**-**	-	**-**	-	**-**	-	**-**	-
Grade 7: Doubtful	**20**	6,127	**-**	-	**-**	-	**-**	-	**-**	-
Grade 8: Loss	**4,487**	4,841	**-**	-	**-**	-	**-**	-	**-**	-
	37,222	111,676	**-**	-	**-**	-	**-**	-	**-**	-
Individually impaired										
Grade 1–3: Low–fair risk	**912**	143	**-**	-	**-**	-	**-**	-	**-**	-
Grade 4–5: Watch list	**25,275**	746	**-**	-	**-**	-	**-**	-	**-**	-
Grade 6: Substandard	**7,265**	2,545	**-**	-	**-**	-	**-**	-	**-**	-
Grade 7: Doubtful	**3,354**	1,182	**-**	-	**-**	-	**-**	-	**-**	-
Grade 8: Loss	**119,180**	144,978	**-**	-	**-**	-	**-**	-	**1,390**	2,294
	155,986	149,594	**-**	-	**-**	-	**-**	-	**1,390**	2,294
Allowance for impairment										
Individual	**123,007**	132,629	**-**	-	**-**	-	**-**	-	**655**	1,087
Collective	**11,988**	12,935	**-**	-	**-**	-	**-**	-	**630**	612
Total allowance for impairment	**134,995**	145,564	**-**	-	**-**	-	**-**	-	**1,285**	1,699

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management (continued)

Maximum exposure to credit risk (continued)

The above represents the maximum exposure to credit risk at 31 December 2013 and 2012, 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 gross carrying amounts reported.

As shown above 35% of the total maximum exposure is derived from loans and advances to banks and customers (2012: 32%) whiles investments held in investment securities represents 48% (2012: 48%).

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.

(a) Financial assets neither past due nor impaired

Loans and advances to customers

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired is assessed by reference to the internal rating system adopted by the Bank. Loans graded as current loans are considered as neither past due nor impaired.

Cash and cash equivalents

Included in the Group's cash and cash equivalents are balances held with the central bank and other financial institutions. None of these balances was impaired at the year end and at 31 December 2012.

Investment securities

The Group's investments comprises investment in government securities as well as equity securities. None of these investments was impaired at the year end and at 31 December 2012.

Advances to Bank

These are the Group's overnight placements with other Banks and financial institutions. None of these placements was impaired at the year end and at 31 December 2012.

(b) 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. Loans that are aged more than 90 days are tested individually for impairment but may be determined as not impaired due to the values of collaterals held. Such loans are also considered as past due but not impaired.

(c) 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.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit Risk Management (continued)

(ii) Concentrations of credit risk

The Group monitors concentrations of credit risk by industry, product and geographical location. An analysis of concentrations of credit risk from loans and advances, lending commitments, financial guarantees and investment securities is shown below.

	Loans & advances to customers		Loans & advances to banks		Government securities		Cash equivalents		Lending commitments & financial guarantees	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Carrying amount	**1,095,702**	993,436	**170,321**	37,978	**1,711,957**	1,553,301	**242,993**	257,729		
Amount committed/ guaranteed									**357,505**	406,872
Concentration by sector										
• Construction	**8,253**	48,307	-	-	-	-	-	-	-	-
• Agriculture, forestry and fishing	**9,589**	5,181	-	-	-	-	-	-	-	-
• Mining and quarrying	**28,747**	24,947	-	-	-	-	-	-	-	-
• Manufacturing	**26,454**	22,566	-	-	-	-	-	-	-	-
• Electricity, gas and water	-	73,751	-	-	-	-	-	-	-	-
• Commerce and finance	**296,201**	332,054	**170,321**	37,978	-	-	**23,250**	18,597	-	-
• Transport, storage and communication	**28,363**	33,519	-	-	-	-	-	-	-	-
• Services	**607,948**	421,214	-	-	-	-	-	-	-	-
• Miscellaneous	**90,147**	31,897	-	-	-	-	**113,984**	39,233	-	-
• Government	-	-	-	-	**1,711,957**	1,553,301	**105,759**	199,899	-	-
	1,095,702	993,436	**170,321**	37,978-	**1,711,957**	1,533,301	**242,993**	257,729	-	-
Concentration by Product										
Term loans	**776,233**	665,341	-	-	-	-	-	-	-	-
Overdraft	**284,515**	295,372	-	-	-	-	-	-	-	-
Sta loans	**34,954**	32,723	-	-	-	-	-	-	-	-
Bonds and guaranteed	-	-	-	-	-	-	-	-	**282,853**	223,989
Letters of credit	-	-	-	-	-	-	-	-	**54,204**	51,710
Loan commitments	-	-	-	-	-	-	-	-	**20,448**	131,173
	1,095,702	993,436	-	-	-	-	-	-	**357,505**	406,872
Concentration by location										
Within Ghana	**1,095,702**	993,436	**151,641**	1,610	**1,711,957**	1,553,301	**219,743**	239,132	**357,505**	406,872
Outside Ghana	-	-	**18,680**	36,368	-	-	**23,250**	18,597	-	-
	1,095,702	993,436	**170,321**	37,978	**1,711,957**	1,553,301	**242,993**	257,729	**357,505**	406,872

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Notes to the Financial Statements continued

For the year ended 31 December 2013

5. **FINANCIAL RISK MANAGEMENT** (continued)

5.1 **Credit Risk Management** (continued)

(ii) **Concentrations of credit risk** (continued)

Key ratio for loans and advances are as follows:
The total impairment charge for the year represents -1% of gross loans at the year end (2012: 1%)

The total amount of allowance for impairment represents 12% of gross loans at the year end (2012: 15%).

Gross non-performing loan ratio was 14% at year end (2012: 17%).

The maximum amount due from sta during the year amounted to GH¢36,316,654 (2012: GH¢32,723,044).

(iii) **Collateral held and other credit enhancements, and their financial e ect**
The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against di erent types of financial assets.

Type of exposure

	Percentage of exposure that is subject to collateral requirement December 2013	December 2012	Principal type of collateral held
Loans and advances to customers			
Corporate term loans and overdraft	**100%**	100%	Legal mortgages our commercial and residential properties; debentures
Personal loans	**0%**	0%	
Sta loans	**63%**	52%	

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

Because of the Group's focus on customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans and advances to customers. Valuation of collateral is updated in a three year cycle for loans whose credit risk has deteriorated significantly and are being monitored more closely. For impaired loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement. At 31 December 2013, the net carrying amount of impaired loans and advances to customers amounted to GH¢32.98m (2012: GH¢16.96m) and the value of identifiable collaterals held against those loans and advances amounted to GH¢30.99m (2012: GH¢13.65m).

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

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5. **FINANCIAL RISK MANAGEMENT** (continued)

5.1 **Credit Risk Management** (continued)

(iii) **Collateral held and other credit enhancements, and their financial effect** (continued)

Assets obtained by taking possession of collateral
Repossessed items are expected to be sold within one year of repossession. Repossessed items are not recognised in the Group's books. Proceeds from their sale are used to reduce related outstanding indebtedness.

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

(iv) **Offsetting financial assets and financial liabilities**
The Group did not hold any financial assets and financial liabilities that are offset in the statement of financial position at the reporting date.

(v) **Impaired loans and advances**
For the definition of 'impaired financial asset", See Note 3.9.

For details of impairment allowance for loans and advances to customers, see Notes 16 and 24.

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

Loans and Advances to customers	Gross GH¢'000	Impairment Allowance GH¢'000	Net GH¢'000
December 2013			
Grade 1–3: Low–fair risk	**912**	**906**	**6**
Grade 4–5: Watch list	**25,275**	**6,685**	**18,590**
Grade 6: Substandard	**7,265**	**7,044**	**221**
Grade 7: Doubtful	**3,354**	**2,670**	**684**
Grade 8: Loss	**119,180**	**105,702**	**13,478**
	155,986	**123,007**	**32,979**
December 2012			
Grade 1–3: Low–fair risk	143	115	28
Grade 4–5: Watch list	746	59	687
Grade 6: Substandard	2,545	2,450	95
Grade 7: Doubtful	1,182	973	209
Grade 8: Loss	144,978	129,032	15,946
	149,594	132,629	16,965
Lending Commitments and financial guarantees			
Grade 8: Loss	1,390	655	735

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5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity Risk Management

Liquidity risk is the risk that the Bank will not be able to meet payment obligations associated with financial liabilities when they fall due and replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. It is the policy of the Bank to maintain adequate liquidity at all times and to be in a position to meet all obligations, repay depositors, fulfill commitments to lend and meet any other commitments as and when they fall due.

The management of liquidity risk is governed by the Bank's liquidity policy and responsibility for the management of liquidity risk lies with the Bank's Assets and Liability Management Committee (ALCO), which is chaired by an Executive Director. ALCO is responsible for both statutory and prudential liquidity as well as compliance with regulatory requirements.

The primary objective of liquidity risk management is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes.

Liquidity is managed on a short to medium-term basis. In the short term, the focus is on ensuring that cash flow demands can be met as and when required. The focus, in the medium term, is on ensuring that the balance sheet remains structurally sound and aligned to the bank's strategy.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of surplus funds. Lending is normally funded by liability in the same currency.

The Bank also maintains significant levels of marketable securities to meet compliance with prudential investment of surplus funds. ALCO oversees structural foreign currency and interest rate exposures that arise within the Bank. These responsibilities are coordinated by ALCO during monthly meetings. The Bank places low reliance on interbank funding and foreign markets.

The table below presents cash flows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date adjusted to reflect the behavioural character of deposits.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2013 %	2012 %
At 31 December	**80.58**	78.71
Average for the period	**80.16**	83.28
Maximum for the period	**84.01**	92.62
Minimum for the period	**76.79**	67.84

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5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity Risk Management (continued)

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

	2013 Carrying amount GH¢'000	2013 Fair value GH¢'000	2012 Carrying amount GH¢'000	2012 Fair value GH¢'000
Balance with Bank of Ghana	105,759	105,759	199,899	199,899
Cash and balances with other banks	23,250	23,250	18,597	18,597
Other cash equivalent	209,788	209,788	141,527	141,527
	338,797	338,797	360,023	360,023

Maturity analysis for financial assets and liabilities
The amounts disclosed in the table are the contractual undiscounted cash flows which include estimated interest payment, whereas the Group manages liquidity risk taking into account the behavioural characteristics of deposits.

At 31 December 2013	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
Financial liabilities by type					
Non-derivative liabilities					
Deposits due to customers	2,536,288	45,855	42,832	-	2,624,975
Borrowings	-	-	-	108,149	108,149
Financial guarantee contracts	44,739	3,952	267,574	20,792	337,057
Unrecognised loan commitments	20,448	-	-	-	20,448
	2,601,475	49,807	310,406	128,941	3,090,629
Financial assets by type					
Non-derivative assets					
Cash and cash equivalents	338,797	-	-	-	338,797
Advances to Banks	163,498	2,515	-	4,308	170,321
Investment in government securities	194,752	761,141	392,325	363,739	1,711,957
Loans and advances to customers	208,265	103,594	129,208	519,640	960,707
Investment securities – AFS	6,660	-	-	-	6,660
Investments in other equity securities	-	-	-	247	247
Assets held for managing liquidity risk	911,972	867,250	521,533	887,934	3,188,689
Liquidity gap	(1,689,503)	817,443	211,127	758,993	98,060

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5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity Risk Management (continued)

Maturity analysis for financial assets and liabilities (continued)

	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2012					
Total liabilities	365,567	287,696	1,209,234	645,621	2,508,118
Total assets	549,874	477,648	505,297	1,271,798	2,804,617
Liquidity gap	184,307	189,952	(703,937)	626,177	296,499

Financial assets pledged as collateral

In the normal course of business, assets are sometimes pledged for specific purposes. The table below sets out the availability of the Group's financial assets to support future funding.

		Encumbered		Unencumbered		
	Note	Pledged as collateral GH¢'000	Other GH¢'000	Available as collateral GH¢'000	Other GH¢'000	Total GH¢'000
31 December 2013						
Cash and cash equivalents	21	-	-	**338,797**	-	**338,797**
Loans and advances to customers	24	-	-	-	**960,707**	**960,707**
Advances to Banks	23	-	-	**170,321**	-	**170,321**
Government securities	22	-	-	**1,711,957**	-	**1,711,957**
Listed equity investment	25	-	-	**6,660**	-	**6,660**
Other equity investment	27	-	-	-	**247**	**247**
Non-financial assets		-	-	-	**216,137**	**216,137**
Total assets		-	-	**2,227,735**	**1,177,091**	**3,404,826**
31 December 2012						
Cash and cash equivalents	21	-	-	360,023	-	360,023
Loans and advances to customers	24	-	-	-	847,872	847,872
Advances to Banks	23	-	-	37,978	-	37,978
Government securities	22	128,750	-	1,424,551	-	1,553,301
Listed equity Investment	25	-	-	5,196	-	5,196
Other equity investment	27	-	-	-	247	247
Non-financial assets		-	-	-	176,524	176,524
Total assets		128,750	-	1,827,748	1,024,643	2,981,141

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk

Management of Market Risk

The Group takes on exposure to market risk, which is the risk of potential loss of earnings or economic value due to adverse changes in financial market rates or prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk arises principally from customer-driven transactions and pension obligations. The Group does not engage in proprietary trading.

Foreign Exchange Exposure

Foreign exchange or currency risk is the risk of loss that results from changes in foreign exchange rates. The Bank's exposure to foreign currency risk is limited to non-trading book and is strictly controlled by the Treasury and Risk Management units. The Bank's foreign exchange exposures are principally derived from customer-driven transactions.

The table below summarizes the Group's exposure to foreign exchange risk at 31 December.

	EUR GH¢'000	USD GH¢'000	GBP GH¢'000	Others GH¢'000
At 31 December 2013				
Assets				
Cash and cash equivalents	9,106	10,406	21,051	2,710
Advances to Banks	2,270	11,856	4,553	-
Loans and advances to customers	11,162	200,167	-	-
Total	22,538	222,429	25,604	2,710
Liabilities				
Deposits due to customers	16,779	129,738	17,414	10
Borrowings	-	108,080	-	-
Total	16,779	237,818	17,414	10
Net on balance sheet position	5,759	(15,389)	8,190	2,700
Credit commitments	15,150	99,420	27,330	1,189
At 31 December 2012				
Total assets	22,441	288,500	27,622	951
Total liabilities	15,627	226,090	22,320	1,266
Net on balance sheet position	6,814	62,410	5,302	(315)
Credit commitments	10,467	51,311	19,967	2,883

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

Foreign Exchange Exposure (continued)

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

	Average Rate		Reporting Rate	
GH¢ to	2013	2012	2013	2012
USD 1	**1.9984**	1.8405	**2.1616**	1.8825
EUR 1	**2.6416**	2.3812	**2.9861**	2.4750
GBP 1	**3.1145**	2.9417	**3.5726**	3.0500
CHF 1	**1.9289**	1.9673	**2.4382**	2.0450
CAD 1	**2.1449**	1.8425	**2.0313**	1.9075
JPY 1	**0.0220**	0.0211	**0.0206**	0.0025

Foreign Exchange Sensitivity

A 1% strengthening of the cedi against the following currencies at 31 December 2013 would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

As of 31 December	2013			2012		
in GH¢'000	% Change	Income statement impact: Strengthening	Equity impact: Strengthening	% Change	Income statement impact: Strengthening	Equity impact: Strengthening
US$	**±1**	**(154)**	**(154)**	±1	624	624
EUR	**±1**	**58**	**58**	±1	68	68
GBP	**±1**	**82**	**82**	±1	53	53
CAD	**±1**	**10**	**10**	±1	1	1
CHF	**±1**	**17**	**17**	±1	(3)	(3)
JPY	**±1**	**1**	**1**	±1	(1)	(1)

A 1% weakening of the cedi against the above currencies at 31 December would have had an equal but opposite e ect.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

Interest Rate Risk

Interest Rate Exposure
Interest rate risk is the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes, which may cause losses to be incurred, in the event of unexpected movements.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risks associated with the non-trading book. Gap analysis is used in measuring interest rate risk. It compares the values of interest rate sensitive assets and liabilities that mature or are re-priced at various time periods in the future. Subjective judgment/assumptions are made about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

Interest rate risk evaluates potential volatility to net interest income caused by changes in market interest rates and represents the most significant market risk exposure to the Group's non-trading book. The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios.

	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2013					
Assets					
Government securities	**194,752**	**761,141**	**392,325**	**363,739**	**1,711,957**
Advances to Banks	**163,498**	**2,515**	**-**	**4,308**	**170,321**
Loans and advances to customers	**208,265**	**103,594**	**129,208**	**519,640**	**960,707**
Total financial assets	**566,515**	**867,250**	**521,533**	**887,687**	**2,842,985**
Liabilities					
Interest bearing deposits	**1,364,404**	**45,855**	**42,832**	**-**	**1,453,091**
Borrowings	**-**	**-**	**-**	**108,149**	**108,149**
Total financial liabilities	**1,364,404**	**45,855**	**42,832**	**108,149**	**1,561,240**
Total interest rate gap	**(797,889)**	**821,395**	**478,701**	**779,538**	**1,281,745**
At 31 December 2012					
Total financial assets	189,851	477,648	505,297	1,266,355	2,439,151
Total financial liabilities	227,666	203,070	640,546	340,819	1,412,101
Total interest rate gap	(37,815)	274,578	(135,249)	925,536	1,027,050

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

Analysis of Group's sensitivity to market interest

Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in market interest rates. A change of a 200 basis points in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

	2013		2012	
	Increase 200bp GH¢'000	Decrease 200bp GH¢'000	Increase 200bp GH¢'000	Decrease 200bp GH¢'000
Interest income impact	**11,041**	**(11,041)**	7,522	(7,522)
Interest expense impact	**(1,842)**	**1,842**	(1,018)	1,018
Net impact	**9,199**	**(9,199)**	6,504	(6,504)

Market Risk Monitoring and Control

The Risk Management Division (RMD) is responsible for monitoring the Bank's exposure to market risk. The analysis of impact of unlikely but plausible events by means of scenario analysis enables management to gain a better understanding of risks that the Group is potentially exposed to under adverse conditions.

5.4 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. Operational risk is inherent in the Group's business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. The Group endeavours to minimize operational losses by ensuring that e ective infrastructure, controls, systems and individuals are in place throughout the organization.

Operational Risk Framework

To monitor, mitigate and control operational risk, the Group maintains a system of policies and has established a framework for assessing and communicating operational risks as well as the overall e ectiveness of the internal control environment across business lines. Each major business segment is expected to implement an operational risk process consistent with the requirements of this framework. The process for operational risk management includes the following steps:

- identify and assess key operational risks;
- establish key risk indicators;
- produce a comprehensive operational risk report; and
- prioritise and ensure adequate resources to actively improve the operational risk environment and mitigate emerging risks.

The operational risk standards facilitate the e ective communication and mitigation actions both within and across businesses. The Group is committed to continuously enhancing its operational risk framework to encourage a culture of e ective accountability and responsibility.

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5. FINANCIAL RISK MANAGEMENT (continued)

5.5 Compliance and Regulatory Risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements. The Group's Compliance Unit is responsible for establishing and maintaining an appropriate framework of the Group's compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers. However, the Compliance Unit monitors and reports on compliance to Executive Management and the Board. The Group generally complied with regulatory requirements.

5.6 Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence and sustain future development of the business. The impact of the level of capital on shareholders' return is also taken into consideration and the Group recognises the security a orded by sound capital positions. The Bank complied with the statutory capital requirements throughout the period under review.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on guidelines 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:

- Hold a minimum regulatory capital of GH¢60 million; and
- Maintain a ratio of total regulatory capital to risk-weighted balance sheet assets plus risk-weighted off balance sheet assets above a required minimum of 10%

The Bank's capital is divided into two tiers:

- Tier 1 capital includes ordinary paid up capital and disclosed reserves, excluding the value of assets such as investment in other banks and financial institutions.
- Tier 2 capital is made up of reserves such as unrealised gains on equity instruments classified as available for sale.

Non-risk weighted assets are classified as cash on hand, claims on government and claims on the Central Bank. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and o -balance sheet exposures.

The table below summarizes the composition of regulatory capital and ratios of the Bank. The Bank generally complied with all externally imposed capital requirements.

Bank	2013 GH¢'000	2012 GH¢'000
Tier 1 Capital		
Share capital	**100,000**	72,000
Statutory reserves	**145,748**	89,871
Retained earnings	**197,280**	101,602
Intangibles/other assets	**(18,731)**	(452)
Investments in capital of other Banks and financial/other institutions	**(35,138)**	(33,521)
Losses not provided for	**(3,153)**	(2,845)
Total qualifying tier 1 capital	**386,006**	226,655
Tier 2 Capital		
Other reserves	**1,117**	(97)
Total qualifying tier 2 capital	**1,117**	(97)
Total regulatory capital	**387,123**	226,558

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5. FINANCIAL RISK MANAGEMENT (continued)

5.6 Capital Management (continued)

Bank	2013 GH¢'000	2012 GH¢'000
Risk weighted assets		
On balance sheet	**1,108,591**	902,305
O balance sheet	**337,057**	275,699
50% of net open position	**79,805**	10,758
100% of previous 3 years average annual gross income	**346,931**	273,856
Total risk weighted assets	**1,872,384**	1,462,618
Capital adequacy ratio	**21%**	15%

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant e ect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect di erences between the instruments.

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

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

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation.

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6. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Valuation models (continued)

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Valuation framework

The Group has adopted IFRS 13: Fair Value Measurement, with respect to the measurement of the fair value of its financial assets and liabilities.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires an entity to determine all the following:

a) The particular asset or liability that is subject of the measurement (consistently with the unit of account)
b) For a non-financial asset, the valuation premise that is appropriate for the measurement (consistent with its highest and best use)
c) The principal (or most advantageous) market for the asset or liability
d) The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a Business Performance and Decisions Support function, which is independent of the Financial Reporting function and reports to the Chief Finance Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to existing models involving both Finance and Risk Management Departments;
- Half yearly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Senior Finance and Risk Management personnel.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Business Performance & Decision Support assesses and documents, the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS.

This includes:

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- Where prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the Board Audit Committee.

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Notes to the Financial Statements continued

For the year ended 31 December 2013

6. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	Note	Level 1 GH¢'000	Level 2 GH¢'000	Level 3 GH¢'000	Total GH¢'000
December 2013					
Assets					
Investment securities – AFS	25	**6,660**	**-**	**-**	**6,660**
December 2012					
Assets					
Investment securities – AFS	25	5,196	-	-	5,196

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position

(d) Level 3 fair value measurements

At the reporting date, the Group did not have any financial instruments on its statement of financial position whose fair value measurement was included in level 3 of the fair value hierarchy.

(e) Financial instruments not measured at fair value

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

	Level 1 GH¢'000	Level 2 GH¢'000	Level 3 GH¢'000	Total fair value GH¢'000	Total carrying amount GH¢'000
Assets					
Cash and cash equivalents	-	338,797	-	338,797	338,797
Advances to banks	-	170,321	-	170,321	170,321
Loans and advances to customers	-	969,266	-	969,266	960,707
Government securities	1,784,097	-	-	1,784,097	1,711,957
	1,784,097	**1,478,384**	**-**	**3,262,481**	**3,181,782**
Liabilities					
Customer deposits	-	2,610,821	-	2,610,821	2,624,975
Borrowings	-	108,149	-	108,149	108,149
	-	**2,718,970**	**-**	**2,718,970**	**2,733,124**

The fair value of government securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is determined using quoted market prices for securities with similar credit, maturity and yield characteristics.

Where applicable, the fair value of loans and advances to customers is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques which 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. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

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6. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Financial instruments not measured at fair value (continued)

The fair value of advances to and from Banks is based on discounted cash flow techniques applying the rates of similar maturities and terms.

The fair value of term deposits by customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Fair values of borrowings are estimated using discounted cash flow techniques, applying rates that are offered for borrowings of similar maturities and terms.

No fair value disclosures are provided for investments in other equity securities of GH¢247,000 (2012: GH¢247,000) that are measured at cost less any impairment losses because their fair values cannot be measured reliably. These investments are unquoted equity investments with no observable market data. There is no active market for these investments and the Group does not intend to dispose of these investments in the foreseeable future.

7. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

See accounting policy in notes 3.8

The table below provides reconciliation between the items in the statement of financial position and the categories of financial instrument.

	Note	Held-to-maturity GH¢'000	Loans and receivables GH¢'000	Available-for-sale GH¢'000	Other amortised cost GH¢'000	Total carrying amount GH¢'000	Fair value GH¢'000
31 December 2013							
Cash and cash equivalents	21	-	338,797	-	-	338,797	338,797
Government securities	22	1,711,957	-	-	-	1,711,957	1,784,097
Loans and advances to banks	23	-	170,321	-	-	170,321	170,321
Loans and advances to customers	24	-	960,707	-	-	960,707	969,266
Investment securities – AFS	25	-	-	6,660	-	6,660	6,660
Other equity investments	27	-	-	247	-	247	-
Total assets		1,711,957	1,469,825	6,907	-	3,188,689	3,269,141
Deposits from customers	31	-	-	-	2,624,975	2,624,975	2,610,821
Borrowings	33	-	-	-	108,149	108,149	108,149
Total liabilities		-	-	-	2,733,124	2,733,124	2,718,970
31 December 2012							
Cash and cash equivalents	21	-	360,023	-	-	360,023	360,023
Government securities	22	1,553,301	-	-	-	1,553,301	1,541,353
Loans and advances to banks	23	-	37,978	-	-	37,978	37,978
Loans and advances to customers	24	-	847,872	-	-	847,872	839,069
Investment securities – AFS	25	-	-	5,196	-	5,196	5,196
Other equity investments	27	-	-	247	-	247	-
Total assets		1,553,301	1,245,873	5,443	-	2,804,617	2,783,619
Deposits from customers	31	-	-	-	2,330,300	2,330,300	2,317,624
Borrowings	33	-	-	-	177,818	177,818	177,818
Total liabilities		-	-	-	2,508,118	2,508,118	2,495,442

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8. OPERATING SEGMENTS

a. Segment information

For performance management purposes, the Group is organised into 3 core segments based on their products and services. These are:

- Consumer Banking
- Corporate Banking and
- Treasury

The Consumer Banking arm of the business concentrates mainly on individual customers and therefore provides the required platform to enhance service delivery to that segment. The coverage of this Function also extends to sole proprietorships and very small and medium scale enterprises.

Corporate Banking is responsible for the Business Banking customer profile. The Function is sub categorised into Multi-national Corporate, Large Local Corporate, Development Organizations, Public Sector and Small and Medium Scale Enterprises. Depending on customer profiling, clients of this function are mostly relationship managed with a few of its clients managed on a portfolio basis.

The Treasury Function provides the expertise and platform for the centralised management of the Group's market risk exposures. The function manages the funding requirements and ensures that the bank is well capitalised to boost investor confidence and sustain future development of the business.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and for assessing performance. Segment performance is evaluated based on operating profit or loss together with the underlying balance sheet position for the reporting period. To be able to assess each of the three businesses in a fairer and consistent manner, common corporate operating expenses are allocated to segments based on an established cost-sharing policy that permits a reasonable and consistent allocation of central management expenses

Operations of the Group had previously been managed as one business with no distinct operating segments. Accordingly, no comparative information is presented on segmental reporting.

b. Information about reportable segments

December 2013	Consumer GH¢'000	Corporate GH¢'000	Treasury GH¢'000	Total GH¢'000
External Revenue				
Net interest income	74,457	67,731	317,671	459,859
Inter-segment revenue	138,871	40,534	(179,405)	-
Net fees and commission income	45,707	30,820	620	77,147
Net trading income	-	-	26,842	26,842
Other income	184	2,728	4,258	7,170
Total segment revenue	259,219	141,813	169,986	571,018
Operating expense	(162,300)	(76,523)	(31,541)	(270,364)

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8. **OPERATING SEGMENTS** (continued)

b. **Information about reportable segments** (continued)

December 2013	Consumer GH¢'000	Corporate GH¢'000	Treasury GH¢'000	Total GH¢'000
Other material non-cash items:				
Other material non-cash items:				
Impairment loss on loans and advances	(8,559)	19,128	-	10,569
Reportable segmental profit before tax	88,360	84,418	138,445	311,223
Reportable segment assets	533,248	427,459	1,855,419	2,816,126
Reportable segment liabilities	1,514,513	1,115,770	108,149	2,738,432

c. **Reconciliations of information on reportable segment**

December 2013	GH¢'000
i. Revenue	
Total revenue for reportable segments	571,018
Consolidated revenue	571,018
ii. Profit before tax	
Total profit or loss to reportable entities	311,223
Consolidated profit before tax	311,223
Iii. Assets	
Total assets for reportable entities	2,816,126
Unallocated amount	574,974
Consolidated total asset	3,391,100
iv. Liabilities	
Total liabilities for reportable entities	2,738,432
Unallocated amount	205,512
Consolidated total liabilities	2,943,944

d. **Geographic information**

GH¢'000	In Ghana	Outside Ghana	Total
Revenues	571,018	-	571,018

Segment revenue is based on the geographical location of customers and segment asset is based on geographical location of assets.

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9. 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 a ect reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are based on best estimates made 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 Bank 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, or economic conditions that correlate with defaults on assets. 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 di erences between loss estimates and actual loss experience.

(b) 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.

(c) Fair value of financial instruments

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. Financial instruments for which the fair value cannot be reliably measured are stated at cost less any impairment losses.

(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 Bank recognises liabilities for anticipated tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is di erent from the amounts that were initially recorded, such di erences are adjusted in the period in which such determination is made.

10. INTEREST INCOME

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Cash and short term funds	**11,778**	8,641	**11,778**	8,641
Investment securities	**315,946**	230,570	**315,946**	230,570
Loans and advances	**224,339**	136,881	**224,339**	136,881
	552,063	376,092	**552,063**	376,092

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11. INTEREST EXPENSE

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Current and savings accounts	**42,971**	19,243	**42,971**	19,243
Time and other deposits	**40,014**	26,200	**40,114**	26,264
Borrowings	**9,119**	5,474	**9,119**	5,474
	92,104	50,917	**92,204**	50,981

12. FEES AND COMMISSION INCOME

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Commission on letters of credit and guarantees	**2,925**	2,938	**2,925**	2,938
Commission on foreign services	**3,435**	5,762	**3,435**	5,762
Commission on turnover	**38,136**	33,907	**38,136**	33,907
Processing and facility fees	**6,776**	5,904	**6,776**	5,904
Other fees and commissions	**37,294**	28,024	**37,294**	28,024
	88,566	76,535	**88,566**	76,535

13. FEES AND COMMISSION EXPENSE

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Fees and commission expense	**11,419**	7,347	**11,419**	7,347

14. NET TRADING INCOME

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Foreign currency trading	**26,842**	16,580	**26,842**	16,580

15. OTHER INCOME

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Dividend income	**2,455**	1,817	**5,147**	3,830
Bad debt recoveries	**842**	114	**842**	114
Profit on sale of property and equipment	**121**	197	**121**	197
Rental income	**416**	428	**416**	428
Other income	**407**	4,625	**644**	4,791
	4,241	7,181	**7,170**	9,360

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16. IMPAIRMENT (RELEASE)/CHARGE ON LOANS AND ADVANCES

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Impairment (release)/charge on loans and advances	**(10,569)**	10,585	**(10,569)**	10,585
Analysis of impairment (release)/charge				
Specific impairment	**(9,622)**	1,798	**(9,622)**	8,787
Collective impairment	**(947)**	8,787	**(947)**	1,798
	(10,569)	10,585	**(10,569)**	10,585
Specific impairment				
Impairment charge	**8,968**	1,798	**8,968**	8,787
Release of impairment	**(18,590)**	-	**(18,590)**	-
Net (release)/charge for the year	**(9,622)**	1,798	**(9,622)**	8,787
Collective impairment				
Impairment charge	**-**	8,787	**-**	1,798
Release of impairment	**(947)**	-	**(947)**	-
Net (release)/charge for the year	**(947)**	8,787	**(947)**	1,798
Total (release)/charge for the year	**(10,569)**	10,585	**(10,569)**	10,585

17. OPERATING EXPENSES

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Sta expenses (Note 17(a))	**169,996**	144,435	**169,996**	144,435
Technology and communication	**21,771**	19,368	**21,771**	19,368
Advertising	**953**	1,984	**953**	1,984
Training	**1,495**	1,711	**1,495**	1,711
Audit fees	**579**	430	**551**	405
Directors fees	**1,301**	1,438	**1,299**	1,438
Depreciation of property and equipment	**15,971**	10,194	**15,971**	10,194
Amortization of software	**2,023**	1,266	**2,023**	1,266
Donations (Note 45)	**644**	2,568	**644**	2,568
Other administrative expenses	**55,661**	37,892	**55,661**	37,886
	270,394	221,286	**270,364**	221,255

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17. OPERATING EXPENSES (continued)

(a) Sta expenses

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Sta expenses comprise:				
Wages and salaries	**71,239**	64,484	**71,239**	64,484
Sta allowances	**43,298**	34,897	**43,298**	34,897
Performance award	**13,747**	12,579	**13,747**	12,579
Social security fund contributions	**9,141**	8,014	**9,141**	8,014
Provident fund contributions	**8,727**	7,624	**8,727**	7,624
Retirement benefit obligations	**8,930**	6,456	**8,930**	6,456
Restructuring costs	**6,966**	5,320	**6,966**	5,320
Other sta costs	**7,948**	5,061	**7,948**	5,061
	169,996	144,435	**169,996**	144,435

The number of persons employed by the Bank at the year-end was 2,083 (2012: 2,169).

18. INCOME TAX

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Current income tax	**80,466**	47,865	**80,370**	47,738
National fiscal stabilization levy	**7,830**	-	**7,781**	-
Deferred tax	**(436)**	2,016	**(436)**	2,016
	87,860	49,881	**87,715**	49,754

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

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Profit before tax	**317,059**	192,853	**311,223**	188,399
Corporate tax rate at 25% (2012: 25%)				
Tax calculated at corporate tax rate	**79,265**	48,213	**77,806**	47,100
Non-deductible expense	**8,617**	9,181	**8,617**	9,181
Tax exempt income	**(5,216)**	(3,666)	**(3,579)**	(2,673)
Tax incentive	**(5,106)**	(4,160)	**(5,106)**	(4,160)
Income subject to tax at di erent rate	**590**	313	**412**	306
National fiscal stabilization levy	**7,926**	-	**7,781**	-
Recognition of previously unrecognised tax losses	**1,784**	-	**1,784**	-
Income tax expense	**87,860**	49,881	**87,715**	49,754
E ective tax rates	**28%**	26%	**28%**	26%

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18. INCOME TAX (continued)

The movement on the income tax account was as follows:

The Group	Balance at 1 January GH¢'000	Charge for the year GH¢'000	Payment GH¢'000	Balance at 31 December GH¢'000
Year of assessment				
Up to 2010	20,019	-	-	20,019
2011	(27,558)	-	-	(27,558)
2012	23,504	1,784	(17,828)	7,460
2013	-	78,682	(68,393)	10,289
	15,965	**80,466**	**(86,221)**	**10,210**
National stabilization levy	1,230	7,830	(8,012)	1,048
	17,195	**88,296**	**(94,233)**	**11,258**
The Bank				
Year of assessment				
Up to 2010	20,019	-	-	20,019
2011	(27,558)	-	-	(27,558)
2012	23,504	1,784	(17,828)	7,460
2013	-	78,586	(68,297)	10,289
	15,965	**80,370**	**(86,125)**	**10,210**
National stabilization levy	1,182	7,781	(8,012)	951
	17,147	**88,151**	**(94,137)**	**11,161**

The tax position up to the 2012 year of assessment have been agreed with the tax authorities. Liabilities arising have been partly settled as of 31 December 2013. The remaining tax position for the 2013 year of assessment is yet to be agreed with the tax authorities.

Deferred tax

	The Group			The Bank		
2013	Balance at 1/1 GH¢'000	Movement during the year GH¢'000	Balance at 31/12 GH¢'000	Balance at 1/1 GH¢'000	Movement during year GH¢'000	Balance at 31/12 GH¢'000
Recognised in profit and loss						
Accelerated depreciation	**(5,689)**	**392**	**(5,297)**	**(5,689)**	**392**	**(5,297)**
Provision for loan impairment	**3,234**	**(79)**	**3,155**	**3,234**	**(79)**	**3,155**
Employee benefit	**11,537**	**124**	**11,661**	**11,537**	**124**	**11,661**
	9,082	**437**	**9,519**	**9,082**	**437**	**9,519**
Recognised in OCI						
Employee benefit	**2,701**	**3,758**	**6,459**	**2,701**	**3,758**	**6,459**
Fair value gains on available for sale investment	**(159)**	**(366)**	**(525)**	**(79)**	**(404)**	**(483)**
	2,542	**3,392**	**5,934**	**2,622**	**3,354**	**5,976**
Net asset	**11,624**	**3,829**	**15,453**	**11,704**	**3,791**	**15,495**

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18. INCOME TAX (continued)

Deferred tax (continued)

	The Group			The Bank		
2012	Balance at 1/1 GH¢'000	Movement during the year GH¢'000	Balance at 31/12 GH¢'000	Balance at 1/1 GH¢'000	Movement during year GH¢'000	Balance at 31/12 GH¢'000
Recognised in profit and loss						
Accelerated depreciation	(3,488)	(2,201)	(5,689)	(3,488)	(2,201)	(5,689)
Provision for loan impairment	1,168	2,066	3,234	1,168	2,066	3,234
Other provision	13,418	(1,881)	11,537	13,418	(1,881)	11,537
	11,098	(2,016)	9,082	11,098	(2,016)	9,082
Recognised in OCI						
Employee benefit	281	2,420	2,701	281	2,420	2,701
Fair value gains on available for sale investment	-	(159)	(159)	-	(79)	(79)
	281	2,261	2,542	281	2,341	2,622
Net asset	11,379	245	11,624	11,379	325	11,704

19. NATIONAL FISCAL STABILISATION LEVY

The National Fiscal Stabilization Levy Act, 2013 (Act 862) was introduced in 2013 and is e ective prospectively from July 2013 with an eighteen (18) month tenure. Under the Act, an additional 5% levy, which is payable quarterly, is charged on profit before tax of selected entities, including Banks. There was no charge for this levy in the prior year because the Imposition of the levy under the previous Act, National Fiscal Stabilization Levy Act, 2009 expired in 2011.

20. 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.

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Profit attributable to equity holders	**229,199**	142,972	**223,508**	138,645
Weighted average number of ordinary shares	**265,000**	265,000	**265,000**	265,000
Basic earnings per share (expressed in Ghana pesewas per share)	**86**	54	**84**	52
Diluted earnings per share (expressed in Ghana pesewas per share)	**86**	54	**84**	52

The Group has no convertible notes and share options, which could potentially dilute its earnings per share, basic and diluted earnings per share therefore remained the same.

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21. CASH AND CASH EQUIVALENTS

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Cash on hand	**95,804**	102,294	**95,804**	102,294
Balance with Bank of Ghana	**105,759**	199,899	**105,759**	199,899
Items in the course of collection	**113,984**	39,233	**113,984**	39,233
Accounts with other Banks	**23,250**	18,597	**23,250**	18,597
	338,797	360,023	**338,797**	360,023

Cash and cash equivalents include cash reserves of GH¢106m (2012: GH¢200m) maintained as part of the cash reserve requirements of the Central Bank.

22. GOVERNMENT SECURITIES

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**1,553,301**	1,195,991	**1,553,292**	1,195,981
Additions	**1,680,051**	1,697,719	**1,680,014**	1,697,681
Redeemed on maturity	**(1,582,421)**	(1,391,002)	**(1,582,384)**	(1,390,963)
Accrued income	**61,026**	50,593	**61,026**	50,593
At 31 December	**1,711,957**	1,553,301	**1,711,948**	1,553,292
Maturing within 90 days of acquisition	**59,784**	393,953	**59,775**	393,953
Maturing after 90 days but within 182 days	**229,403**	190,131	**229,403**	190,122
Maturing after 182 days of acquisition	**124,602**	207,261	**124,602**	207,261
Maturing after 1 year of acquisition	**1,298,168**	761,956	**1,298,168**	761,956
	1,711,957	1,553,301	**1,711,948**	1,553,292

Government securities are treasury bills and bonds issued by the Government of Ghana. These are classified as held to maturity and carried at amortised cost. There was no indication of impairment of government securities held at the year end.

23. ADVANCES TO BANKS

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Placements with Bank of Ghana	**50,000**	-	**50,000**	-
Placements with other Banks	**120,321**	37,978	**120,321**	37,978
	170,321	37,978	**170,321**	37,978

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24. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Term Loans	**776,233**	665,341	**776,233**	665,341
Overdraft	**284,515**	295,372	**284,515**	295,372
Sta loans	**34,954**	32,723	**34,954**	32,723
Gross loans and advances to customers	**1,095,702**	993,436	**1,095,702**	993,436
Allowance for impairment	**(134,995)**	(145,564)	**(134,995)**	(145,564)
Net loans and advances to customers	**960,707**	847,872	**960,707**	847,872
Current	**433,004**	343,473	**433,004**	343,473
Non-current	**527,703**	504,399	**527,703**	504,399
Analysis of allowance for impairment				
Loan impairment	**134,995**	145,564	**134,995**	145,564
Analysis of impairment (release)/charge				
Specific Impairment	**123,007**	132,629	**123,007**	132,629
Collective impairment	**11,988**	12,935	**11,988**	12,935
	134,995	145,564	**134,995**	145,564
Specific allowance for impairment				
Balance at 1 January	**132,629**	130,831	**132,629**	130,831
(Release)/charge for the year (Note 16)	**(9,622)**	1,798	**(9,622)**	1,798
Recoveries	**-**	-	**-**	-
Balance at 31 December	**123,007**	132,629	**123,007**	132,629
Collective allowance for impairment				
Balance at 1 January	**12,935**	4,148	**12,935**	4,148
(Release)/charge for the year (Note 16)	**(947)**	8,787	**(947)**	8,787
Recoveries	**-**	-	**-**	-
Balance at 31 December	**11,988**	12,935	**11,988**	12,935
Total allowance for impairment	**134,995**	145,564	**134,995**	145,564

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25. INVESTMENT SECURITIES – AVAILABLE FOR SALE

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**5,196**	4,562	**3,282**	2,969
Additions	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Forfeiture	**-**	-	**-**	-
Changes in fair value (Note 37)	**1,464**	634	**1,618**	313
At 31 December	**6,660**	5,196	**4,900**	3,282

This represents investments in the ordinary shares of a number of listed companies.

26. INVESTMENT IN SUBSIDIARY

a. Significant subsidiaries

Development Finance & Holdings Limited, an entity incorporated in Ghana that engages in equity investments is the only subsidiary of the Group.

The Group's holding in this entity is detailed below:

	% Ordinary shares	The Bank	
		2013 GH¢'000	2012 GH¢'000
Development Finance & Holdings Limited	100	**0.02**	0.02
		0.02	0.02

b. Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities.

c. Non-Controlling Interest in subsidiaries

Development Finance & Holdings Limited is wholly owned and controlled by the Group. There was therefore no non-controlling interest in this subsidiary at the reporting date and at the end of the previous year.

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27. INVESTMENT IN OTHER EQUITY SECURITIES

	The Group			The Bank		
	Ordinary shares %	2013 GH¢'000	2012 GH¢'000	Ordinary shares %	2013 GH¢'000	2012 GH¢'000
National Investment Bank	2.5	29	29	2.5	29	29
CDH Financial Holdings	7.1	6	6	7.1	6	6
Securities Discount Company	1.1	16	16	1.1	16	16
Fidelity Bank	0.6	62	62	0.6	62	62
Vacuum Salt Project Limited	10	1	1			-
Accra Markets Limited	25	25	25			-
Ghana Community Network	10	108	108			-
		247	247		113	113

28. PROPERTY AND EQUIPMENT

The Group and The Bank

2013	Buildings GH¢'000	Furniture & equipment GH¢'000	Computers GH¢'000	Motor vehicles GH¢'000	Capital work in progress GH¢'000	Total GH¢'000
Cost						
At 1 January 2013	49,247	56,774	30,819	4,516	2	141,358
Additions	1,613	12,646	7,805	715	1,227	24,006
Disposals	(1)	(64)	-	(124)	-	(189)
Write-o	(2)	-	(46)	-	-	(48)
At 31 December 2013	50,857	69,356	38,578	5,107	1,229	165,127
Depreciation						
At 1 January 2013	8,205	31,788	25,559	2,402	-	67,954
Charge for the year	1,040	10,403	3,795	733	-	15,971
Released on disposals	(1)	(64)	-	(124)	-	(189)
Release on write-o	-	-	(8)	-	-	(8)
At 31 December 2013	9,244	42,127	29,346	3,011	-	83,728
Net book value						
At 31 December 2013	41,613	27,229	9,232	2,096	1,229	81,399

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GCB Bank Limited

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28. PROPERTY AND EQUIPMENT (continued)

The Group and The Bank

2012	Buildings GH¢'000	Furniture & equipment GH¢'000	Computers GH¢'000	Motor vehicles GH¢'000	Capital work in progress GH¢'000	Total GH¢'000
Cost						
At 1 January 2012	46,187	37,014	26,023	2,961	2	112,187
Additions	2,908	19,830	4,779	2,043	-	29,560
Disposals	-	(7)	(5)	(467)	-	(479)
Adjustments	152	(63)	22	(21)	-	90
At 31 December 2012	49,247	56,774	30,819	4,516	2	141,358
Depreciation						
At 1 January 2012	7,230	25,182	23,220	2,600	-	58,232
Charge for the year	975	6,608	2,342	269	-	10,194
Released on disposals	-	(2)	(3)	(467)	-	(472)
At 31 December 2012	8,205	31,788	25,559	2,402	-	67,954
Net book value						
At 31 December 2012	41,042	24,986	5,260	2,114	2	73,404

There was no indication of impairment of property and equipment held by the Group at 31 December 2013. None of the property and equipment of the Group had been pledged as securities for liabilities and there were no restrictions on the title of any of the Group's property and equipment at the reporting date and at the end of the previous year.

Contractual commitment for the acquisition of property and equipment

Contractual commitments for the acquisition of property and equipment not provided for in the financial statements as at 31 December 2013 was GH¢376,742 (2012: GH¢446,508).

Disposal of property and equipment

	2013 GH¢'000	2012 GH¢'000
Cost	**189**	479
Accumulated depreciation	**(189)**	(472)
Net book value	**-**	7
Sales proceeds	**121**	204
Profit on disposal	**121**	197

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29. INTANGIBLE ASSETS

The Group and The Bank

	2013 GH¢'000	2012 GH¢'000
Cost		
At 1 January	**11,239**	7,752
Acquisitions	**3,225**	3,487
Write-o	**(1,387)**	-
At 31 December	**13,077**	11,239
Accumulated amortization		
At 1 January	**7,177**	5,911
Charge for the year	**2,023**	1,266
Release on write-o	**(77)**	-
At 31 December	**9,123**	7,177
Net book value	**3,954**	4,062

Intangible assets represent licenses for computer software. There was no Indication of impairment of intangible assets held by the Group at the reporting date and at the end of the previous year.

30. OTHER ASSETS

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Account receivables	**63,898**	45,464	**62,920**	45,484
Prepayments	**10,420**	4,728	**10,420**	4,728
	74,318	50,192	**73,340**	50,212
Current	**43,556**	27,734	**42,578**	27,754
Non-current	**30,762**	22,458	**30,762**	22,458

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31. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Current accounts	**1,171,884**	1,096,016	**1,176,213**	1,099,406
Savings accounts	**1,170,726**	1,067,196	**1,170,726**	1,067,196
Time deposits	**282,365**	167,088	**283,344**	168,006
	2,624,975	2,330,300	**2,630,283**	2,334,608
Current	**2,624,975**	1,778,804	**2,630,283**	1,782,122
Non-current	**-**	551,496	**-**	552,486

The twenty largest depositors made up 24% of total deposits at the year end (2012: 22%).

32. OTHER LIABILITIES

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Creditors	**91,304**	52,591	**91,304**	52,611
Accruals	**17,051**	23,153	**17,023**	23,135
Other liabilities	**24,347**	38,053	**24,347**	38,052
	132,702	113,797	**132,674**	113,798
Current	**127,590**	110,388	**127,562**	110,388
Non-current	**5,112**	3,409	**5,112**	3,410

33. BORROWINGS

	At 1/1/13 GH¢'000	Drawdown GH¢'000	Repayment GH¢'000	Exchange differences GH¢'000	Accrued income GH¢'000	At 31/12/13 GH¢'000
Bank of Ghana	97,818	-	-	10,262	69	108,149
Barclays Bank Ghana Limited	15,000	-	(15,000)	-	-	-
Standard Chartered Bank Limited	10,000	-	(10,000)	-	-	-
Unibank Limited	5,000	-	(5,000)	-	-	-
Stanbic Bank Limited	20,000	-	(20,000)	-	-	-
Guarantee Trust Bank Limited	20,000	-	(20,000)	-	-	-
SG-SSB Bank Limited	10,000	-	(10,000)	-	-	-
	177,818	**-**	**(80,000)**	**10,262**	**69**	**108,149**

A loan of US$50 million was made available to the Bank by Bank of Ghana (BOG) on 19 February 2009. This loan was advanced by BOG to enable the Bank meet maturing obligations in respect of letters of credit established on behalf of Tema Oil Refinery (TOR). The loan attracts interest at a rate of 2.234% per annum, which is payable quarterly.

Borrowings at 1 January 2013 represent overnight borrowings from Barclays, Standard Chartered, Unibank, Stanbic, Guarantee Trust and SG-SSB Banks. These borrowings attracted interest at rates between 17.33% and 17.35% per annum.

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34. EMPLOYEE BENEFIT OBLIGATIONS

Post-employment and long-term benefit plan

Apart from the legally required social security scheme, long service awards accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Employees leaving the service of the Bank after twenty (20) years through retirement (both voluntary and compulsory) or resignation become eligible for cash payments equivalent to their current entitlement at the time of retirement or resignation based on their length of service.

The Bank pays monthly pension benefits to retired employees, under a closed defined benefit pension scheme. Under this scheme, beneficiaries are paid pensions equal to 60% of the net basic salaries of their serving counterparts. The Bank also pays post retirement medical care of the Bank's sta .

Movement in defined benefit liability

The following table shows a reconciliation of the opening and closing balances of the net defined benefit liability and its components.

	2013 GH¢'000	2012 GH¢'000
Balance at 1 January	**46,150**	36,322
Included in profit and loss		
Current service cost	**453**	1,570
Interest cost (income)	**8,477**	5,211
Past service cost	**-**	(325)
	8,930	6,456
Included in other comprehensive income		
Re-measurement of loss (gain)		
- Actuarial loss (gain) arising from		
- demographic assumptions		
- Financial assumptions	**7,953**	(6,018)
- Experience	**7,080**	15,693
- E ect of movements in exchange rate	**-**	-
	15,033	9,675
Other		
Contribution paid by the employer	**-**	-
Benefit paid	**(8,436)**	(6,303)
	(8,436)	(6,303)
Balance at 31 December	**61,677**	46,150
Represented by:		
Net defined benefit liability	**61,677**	46,150

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34. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Principal actuarial assumptions used

	2013 %	2012 %
Discount rate	**18.33**	20.00
Expected rate of salary increase	**15.00**	12.00
Rate of Inflation	**13.00**	10.00
Future pension increases	**10.00**	10.00
Medical inflation	**10.00**	9.00

35. STATED CAPITAL

	No. of shares		Proceeds	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Bank				
Authorised:				
Ordinary shares of no par value	**1,500,000**	1,500,000	**-**	-
Issued:				
Issued for cash	**115,000**	115,000	**60,030**	60,030
Transfer from retained earnings	**86,500**	86,500	**343**	343
Transfer from retained earnings	**-**	-	**10,000**	10,000
Capitalization of reserves	**1,000**	1,000	**2**	2
Transfer from capital surplus	**62,500**	62,500	**1,625**	1,625
Transfer from retained earnings	**-**	-	**28,000**	-
At 31 December	**265,000**	265,000	**100,000**	72,000

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

36. RETAINED EARNINGS

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**113,855**	26,732	**101,602**	18,806
Profit for the year	**229,199**	142,972	**223,508**	138,645
Dividend paid relating to prior year and interim	**(47,700)**	(18,550)	**(47,700)**	(18,550)
Transfer to statutory reserve (Note 38)	**(55,877)**	(34,661)	**(55,877)**	(34,661)
Transfer from/(to) credit risk reserve (Note 39)	**4,885**	(2,638)	**4,885**	(2,638)
Transfer to stated capital	**(28,000)**	-	**(28,000)**	-
Tax on transfer to stated capital	**(1,138)**	-	**(1,138)**	-
At 31 December	**215,224**	113,855	**197,280**	101,602

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37. FAIR VALUE RESERVE

Available for sale instruments

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**984**	509	**(97)**	(332)
Changes in fair value of investment securities (Note 25)	**1,464**	634	**1,618**	313
Deferred tax	**(366)**	(159)	**(404)**	(78)
At 31 December	**2,082**	984	**1,117**	(97)

38. STATUTORY RESERVE

Statutory reserve represents cumulative amounts set aside from annual profits after tax required under the Banking Act.

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

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**89,871**	55,210	**89,871**	55,210
Transfer from retained earnings	**55,877**	34,661	**55,877**	34,661
At 31 December	**145,748**	89,871	**145,748**	89,871

39. CREDIT RISK RESERVE

Credit risk reserve represents the cumulative balance of amounts transferred from/to retained earnings to meet gaps in impairment allowances based on Bank of Ghana's provisioning guidelines and IFRS.

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**27,269**	24,631	**27,269**	24,631
Transfer (to)/from retained earnings	**(4,885)**	2,638	**(4,885)**	2,638
At 31 December	**22,384**	27,269	**22,384**	27,269

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40. OTHER RESERVES

Other reserves represent actuarial gains and losses on pension obligations recognised through other comprehensive income.

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**(8,098)**	(842)	**(8,098)**	(842)
Actuarial loss	**(15,033)**	(9,675)	**(15,033)**	(9,675)
Deferred tax	**3,758**	2,419	**3,758**	2,419
At 31 December	**(19,373)**	(8,098)	**(19,373)**	(8,098)

41. INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
At 1 January	**37,242**	20,240	**30,126**	16,126
Additions	**-**	14,000	**-**	14,000
Impairment	**-**	-	**-**	
Share of associate profit	**8,695**	6,600		
Dividend received	**(4,924)**	(3,598)	**-**	-
At 31 December	**41,013**	37,242	**30,126**	30,126

The Group has two associates that are material to the Group, both of which are equity accounted for. They are Ghana International Bank (GIB) and Activity Venture Finance Company (AVF).

	Ghana International Bank	Activity Venture Finance Co
The relationship with the Group	Strategic investment that facilitates the Group's international trade	No direct relationship to the Group's operations
Principal place of business/country of incorporation	London, United Kingdom	Accra, Ghana
Ownership interest/voting rights	20% (2012: 20%)	40% (2012: 40%)
Fair value of ownership interest (if listed)	N/A	N/A

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41. INVESTMENT IN ASSOCIATES (continued)

Financial Statements Extract of Associates

	GIB		AVF		Total	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Revenue	**54,522**	41,022	**128**	135	**54,650**	41,157
Profit from continuing operations	**43,032**	33,044	**(518)**	(397)	**42,514**	32,647
Other comprehensive income	**1,480**	-	**-**	-	**1,480**	-
Total comprehensive income	**44,512**	33,044	**(518)**	(397)	**43,994**	32,647
Attributable to investee's shareholders	**44,512**	33,044	**(518)**	(397)	**43,994**	32,647
Total assets	**2,444,805**	1,925,661	**3,927**	4,254	**2,448,732**	1,929,915
Total liabilities	**(2,026,462)**	(1,586,771)	**(214)**	(27)	**(2,026,676)**	(1,586,798)
Net assets	**418,343**	338,890	**3,713**	4,227	**422,056**	343,117
Attributable to investee's shareholders	**418,343**	338,890	**3,713**	4,227	**422,056**	343,117
Group's interest in net assets at 1 January	**35,585**	18,388	**1,657**	1,852	**37,242**	20,240
Total comprehensive income to the Group	**8,902**	6,795	**(207)**	(195)	**8,695**	6,600
Additions	**-**	14,000	**-**	-	**-**	14,000
Dividends received during the year	**(4,924)**	(3,598)	**-**	-	**(4,924)**	(3,598)
Group's interest at 31 December	**39,563**	35,585	**1,450**	1,657	**41,013**	37,242

42. CONTINGENT LIABILITIES AND COMMITMENTS

O balance sheet items

As with other banks, the Bank engages in business activities involving acceptances, performance bonds and indemnities. The majority of these facilities are o set by corresponding obligations of third parties, the nominal amounts of which are not reflected in the statements of financial position.

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 and are generally short-term commitments to third parties.

Commitments to lend to a customer in the future are made subject to certain conditions. Such commitments are elther made for a fixed period or agreed maturity dates but are cancellable by the lender subject to notice requirements. Documentary credits commit the Bank to make payments to third parties on the production of documents, which are usually reimbursed immediately by customers. Customers are required to deposit cash in a margin account in respect of documentary and commercial letters of credlt.

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Notes to the Financial Statements continued

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42. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Nature of instruments

The following summarize the nominal principal amounts of contingent liabilities and commitments with o -balance sheet risks.

	The Group		The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Contingent liabilities				
Guarantees and indemnities	**282,853**	223,989	**282,853**	223,989
Documentary and commercial letters of credit	**54,204**	51,710	**54,204**	51,710
	337,057	275,699	**337,057**	275,699
Commitments				
Loan commitments	**20,448**	131,173	**20,448**	131,173
	357,505	406,872	**357,505**	406,872

Legal proceedings

There were a number of legal proceedings pending against the Bank at 31 December 2013 and 2012. Some of these cases have been brought against the Bank by former employees, customers and others. Potential liabilities have been estimated at GH¢3,152,990 (2012: GH¢2,845,257).

43. SOCIAL RESPONSIBILITY COST

A total of GH¢644,327 (2012: GH¢2,568,091) was spent under the Group's social responsibility programme.

44. RELATED PARTY TRANSACTIONS

a. 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 the Group (directly or indirectly) and comprise the Directors and Senior Management of GCB Bank Limited.

There were no material transactions with companies in which a Director or other members of key management personnel (or any connected person) is related.

No provisions have been made 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.

	2013 GH¢'000	2012 GH¢'000
Salaries and other short-term benefits	**3,743**	3,334
Social security contributions	**278**	253
	4,021	3,587

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44. RELATED PARTY TRANSACTIONS (continued)

a. Transactions with executive directors and key management personnel (continued)
Details of transactions and balances between the Bank and Executive Directors and other key management personnel are as follows:

	2013 GH¢'000	2012 GH¢'000
Loans		
Loans outstanding at 1 January	**533**	267
Net movement	**48**	266
Loans outstanding at 31 December	**581**	533
Interest income	**33**	22
Deposits		
Deposits at 1 January	**374**	93
Net movement during the year	**(149)**	281
Deposits at 31 December	**225**	374
Interest expense	**23**	15

Loans to Executive Directors and key management personnel include housing, car and other personal loans which are given under terms that are no more favourable than those given to other staff. No impairment has been recognised in respect of loans granted to Executive Directors and key management personnel at 31 December 2013 and 2012. The housing and car loans are secured by the underlying assets. All other loans are unsecured.

b. Transactions with non-executive directors
No loans were advanced to non-executive Directors during the year. There were no balances outstanding on account of loans due from non-executive Directors at the year end.

Fees and allowances paid to non-executive Directors during the year amounted to GH¢282,350 (2012: GH¢363,200).

c. Transactions and balances with subsidiary

Development Finance & Holdings Limited

Fixed deposit investments are placed with the Bank. The subsidiary's current account is held with the Bank. Interest accrues on these placements at normal commercial rates.

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GCB Bank Limited

Notes to the Financial Statements continued

For the year ended 31 December 2013

44. RELATED PARTY TRANSACTIONS

c. Transactions and balances with subsidiary (continued)

Balances due to/from the subsidiary at the year end were as follows:

	2013 GH¢'000	2012 GH¢'000
Other Assets		
Amounts due from subsidiary on unpaid expenses	**20**	20
Customer Deposits		
Investments placed	**919**	919
Current account balances	**4,238**	3,390
Other Liabilities		
Interest payable on investments placed	**60**	29

The Bank entered into the following transactions with the subsidiary:

	2013 GH¢'000	2012 GH¢'000
Investments placed during the year	**-**	1,308
Investments redeemed during the year	**-**	1,308
Interest paid on investments	**39**	64
Management fees received from subsidiary	**239**	193

d. Transactions and balances with associates

	2013 GH¢'000	2012 GH¢'000
Balances due to/from associates at year end were as follows:		
Overnight placements (Foreign)	**18,680**	29,798
Current account balances (Foreign)	**24,826**	13,073
Current account balances (Local)	**89**	204
The Group entered into the following transactions with its associates:		
Dividend received	**4,924**	3,598
Interest received on current account balances (foreign)	**61**	43

45. DIVIDEND PER SHARE

The Directors wish to propose a final dividend of GHp21 (2012: GHp14) per share amounting to GH¢55,650,000 (2012: GH¢37,100,000) at the forthcoming annual general meeting.

An interim dividend of GHp4 per share amounting to GH¢10,600,000 was approved by the Board on 24 April 2013 and paid on 28 June 2013.

46. SUBSEQUENT EVENTS

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