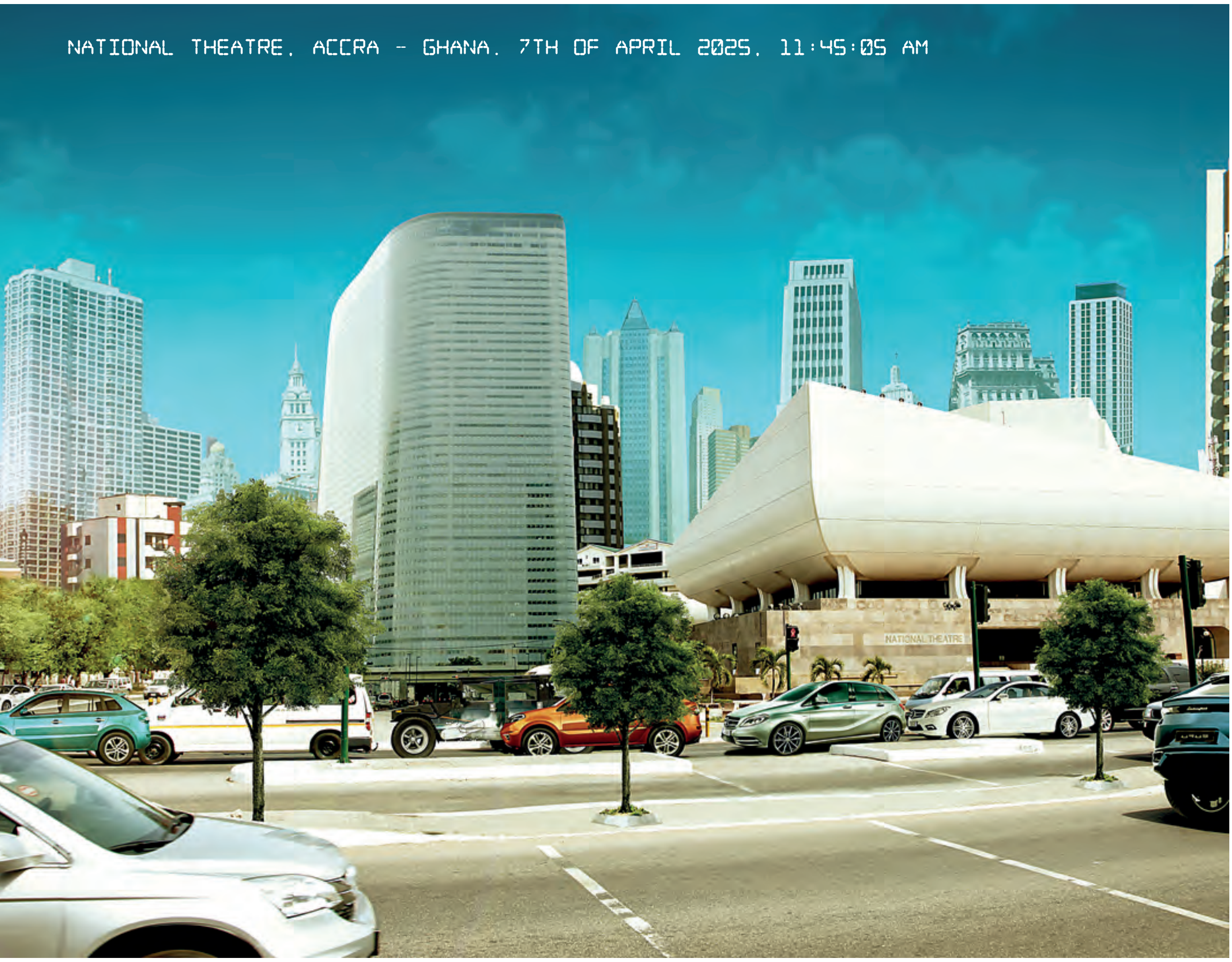

FOCUSED ON DEVELOPMENT IN THE HEART OF AFRICA

BANK OF AFRICA – GHANA

2012 Annual Report

BOA Group celebrates its 30th Anniversary

BANK OF AFRICA
GHANA
GROUPE BANK OF AFRICA

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Report and Financial Statements 2012

Financial Statements 2012

BANK OF AFRICA Group celebrates its 30th Anniversary

This year we are celebrating our Group's 30th Anniversary.

BANK OF AFRICA was established at a time when the West African banking sector experienced serious difficulties. The founder's goal of the first BANK OF AFRICA, BOA-MALI, created in 1983 and then headed by Paul DERREUMAUX, was to fill a gap by creating a private African bank, with African capital, and dedicated to serving the African economy.

The original shareholders felt keenly the immense potential of a project that would help bring Africa together for a better future.

Investors – both private and public, both national and international – had also placed their trust in this project and helped it to develop into what it is today – a group with a presence in 15 African countries through 16 commercial banks as well as numerous financial companies.

The majority shareholder, BMCE Bank, has put at the disposal of BOA Group its multiple skills, as well as its international and continental experience. Alongside other shareholders, it also provides the necessary capital for BOA to develop and expand throughout the continent.

All the BOA subsidiaries have now adopted BMCE Bank's business model, which is based on extending banking services to citizens on a large-scale and assisting both private and public economic players with advice and financing to manage their companies and implement their projects.

Almost 5,000 staff members of all nationalities conduct their work with conviction and commitment. These women and men comprise teams that have expanded as the Group has developed, by knowing how to make the most of their differences, in order to become even stronger and more effective together.

But BOA is above all the hundreds of thousands of customers – retail clients of all classes and ages, companies of all sizes and economic sectors, associations, public services, investors, industrialists, and entrepreneurs – who each day place their trust in its professionalism.

This year, as we celebrate the Group's 30 years of existence, I would like to pay tribute to our shareholders, those who were with us from the start and those who joined later; to our hundreds of thousands of customers; to our 5,000 staff members; and to the authorities in each host country who provide us with their continuous support.

Thank you for your trust,
thank you for your work,
thank you for your support,
thank you, everyone,
and long live the BANK OF AFRICA Group!

Mohamed BENNANI

Chairman and Managing Director

Photo: © E. Legouhy

30 years of growth and expansion

Bank network

1983 BANK OF AFRICA – MALI

15 Branches and 1 Business Centre in Bamako.
8 Regional Branches and 13 Local Branches.

1990 BANK OF AFRICA – BENIN

22 Branches, 1 Business Centre and 2 Port Branches in Cotonou.
21 Regional Branches.

1994 BANK OF AFRICA – NIGER

Created in 1989: NIGERIAN INTERNATIONAL BANK (NIB). Integrated into BOA network in 1994.

8 Branches in Niamey.
8 Regional Branches.

1996 BANK OF AFRICA – CÔTE D'IVOIRE

Created in 1980: BANAFRIQUE.
Integrated into BOA network in 1996.

13 Branches and 1 Business Centre in Abidjan.
8 Regional Branches and 1 Local Branch.

1998 BANK OF AFRICA – BURKINA FASO

14 Branches and 1 Business Centre in Ouagadougou.
13 Regional Branches.

1999 BANK OF AFRICA – MADAGASCAR

Created in 1989: BANKIN'NY TANTSAHA MPAMOKATRA (BTM) / National Bank for Rural Development.
Integrated into BOA network in 1999.

21 Branches in Antananarivo.
56 Regional Branches.

2001 BANK OF AFRICA – SENEGAL

17 Branches and 1 Business Centre in Dakar.
10 Regional Branches.

2004 BANQUE DE L'HABITAT DU BENIN

2 Branches in Cotonou.

2004 BANK OF AFRICA – KENYA

Created in 1981: BANQUE INDOSUEZ Kenyan Branch > CREDIT AGRICOLE–INDOSUEZ > CALYON.
Incorporated under Kenyan law, integrated as a subsidiary into BOA network in 2004.

14 Branches in Nairobi.
12 Regional Branches.

2006 BANK OF AFRICA – UGANDA

Created in 1985: SEMBULE INVESTMENT BANK Ltd > ALLIED BANK. Integrated into BOA network in 2006.

20 Branches in Kampala.
13 Regional Branches.

2007 BANK OF AFRICA – TANZANIA

Created in 1995: EURAFRICAN BANK – TANZANIA Ltd (EBT). Integrated into BOA network in 2007.

10 Branches in Dar es Salaam.
9 Regional Branches.

2008 BANQUE DE CRÉDIT DE BUJUMBURA

Created in 1909 in Brussels: BANQUE DU CONGO BELGE (BCB). 1922: BCB Branch in Usumbura, Burundi.
25 July 1964: BANQUE DE CREDIT DE BUJUMBURA (BCB). Integrated into BOA network in 2008.

7 Branches and 3 Counters in Bujumbura.
12 Regional Branches and 2 Counters in Provinces.

2010 BANK OF AFRICA – RDC

7 Branches in Kinshasa.
1 Regional Branch.

2010 BANK OF AFRICA – MER ROUGE

Created in 1908: BANQUE INDOSUEZ MER ROUGE (BIRM). Integrated into BOA network in 2011.

3 Branches in Djibouti.

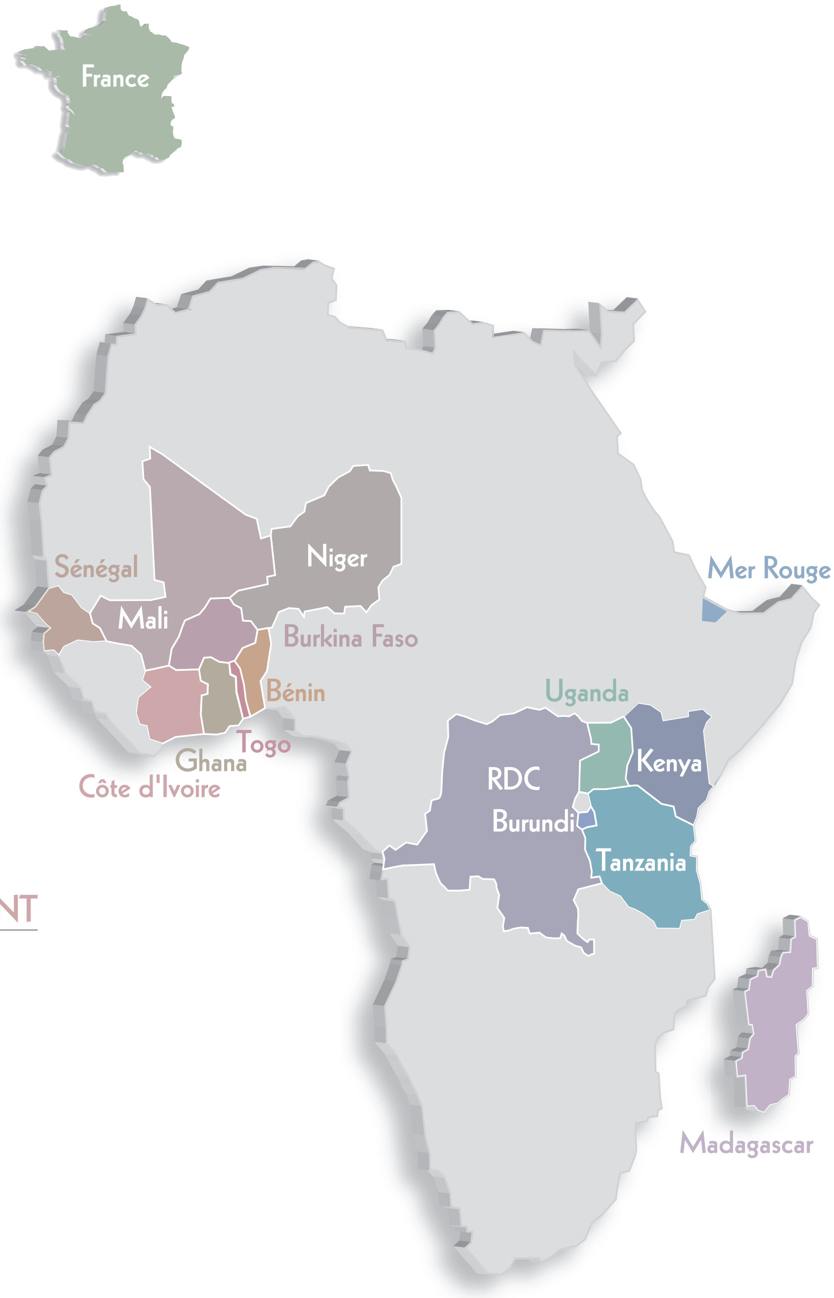
2011 BANK OF AFRICA – GHANA

Created in 1999: AMALBANK.
Integrated into BOA network in 2011.

14 Branches and 1 Business Centre in Accra.
5 Regional Branches.

2013 BANK OF AFRICA – TOGO

3 Branches in Lomé.



Subsidiaries

1997 ACTIBOURSE

Head Office in Cotonou.
1 Liaison Office in Abidjan.
1 contact in each BOA company.

2002 AÏSSA

Head Office in Cotonou.

2002 AGORA

Head Office in Abidjan.

2004 ATTICA

Head Office in Abidjan.

2009 BOA-ASSET MANAGEMENT

Head Office in Abidjan.

2010 BOA-FRANCE

4 Branches in Paris.
1 Branch in Marseille.

Other entities

1999 BANK OF AFRICA FOUNDATION

Head Office in Bamako.
Presence in 11 countries where the Group operates.

2000 BOA REPRESENTATIVE OFFICE

Head Office in Paris.

www.bank-of-africa.net

30 years of experience serving customers

A strong network*

5,000 people at the service of more than one million customers.

About 370 dedicated operating and service support offices in 16 countries.

A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, numbering around 450.

Close to 1,450,000 bank accounts.

A wide and varied offer

Full range of banking and financial services.

An attractive range of bank insurance products.

Tailored solutions for all financing issues.

Successful financial engineering.

A leading banking partner, BMCE Bank,

which is part of FinanceCom, a major Moroccan financial group.

Strategic partners, including:

Proparco,

International Finance Corporation (IFC - World Bank Group),

West African Development Bank (BOAD),

Netherlands Development Finance Company (FMO),

Belgium Investment Company for Developing Countries (BIO),

and investment fund Aureos.

Unique experience in Africa

Continuous development for 30 years.

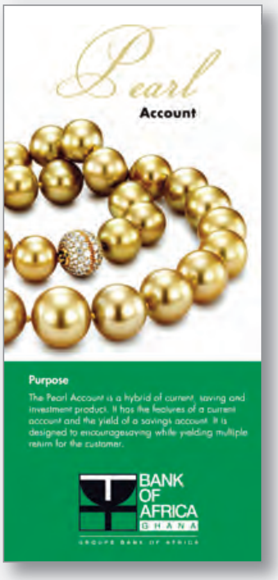
(*): As at 31 December 2012

The commitments of the Group for 30 years

- Quality of customer service
- Dynamic, accessible staff
- Financial solidity
- Cohesive network
- Wide range of financing solutions
- Expertise in financial engineering
- Strong partners

Group turnover 2012: 451.7 million euros

Main products of the Bank



Accounts	Current Account
	Individual Current Account
	Kids and Teen Account
	Pearl Account
Investment Products	Call Deposits Account
	Easy Save Account
	Executive Savings Account
	Fixed Deposit Account
	Individual Savings Account
	Savings Account
Electronic Banking	SESAME Card
	Internet Banking
M-Payment	MTN Mobile Money
Loans	Overdraft
	Personal Loans
	Project Financing
	Temporal Overdrafts
	Vehicle Loan
Transfers & Changes	Foreign Exchange
	Oceanic Transfers Payments
	Western Union
Complementary Products & Services	Payment Orders
	Utility Bill Payments
Company Services	BOA-GHANA thus offers a wide range of products and services to the attention of Corporates and SMEs, organizations institutions and professionals.

Activity Report 2012

Comments from the Managing Director

The year 2012 was marked by a challenging economic environment which saw a sharp decline in the value of the Ghanaian cedi in the early part of the year. This market trend precipitated interventions by the Bank of Ghana leading to regulatory changes and unexpected movements in the macroeconomic fundamentals. Amidst these challenges, the Bank kept focus and with the strong foundation laid the previous year, it made significant strides in financial performance; a review which I would like to present to you with pleasure.

BOA-GHANA recorded a profit before tax of GHS 2.36 million coming from a loss before tax position of GHS 13.52 million the previous year. The Bank continued with the sanitization of the risk assets portfolio amidst stringent loan approval procedures to reduce material additions to the bad loan book. A total amount of GHS 14.25 million was charged as loan loss provisions.

Net interest income improved by 39.68% from GHS 23.01 million in 2011 to GHS 32.14 million in 2012. New credit management and governance procedures, in line with best practices and BOA Group standards, were put in place to create the right momentum for future growth. This strategic positioning propelled us to increase business activities, thus attaining an increase of 55.49% in our net loan book which grew from GHS 196.2 million to GHS 305.1 million. Consequently, operating income improved by 45.45% from GHS 35.04 million to GHS 50.96 million.

Customer deposits grew by 23.14% as we continued to shy away from expensive funds to improve our cost of funds. Though customers' deposits grew by 23.14% and interest rates on Treasury bills almost doubled last year compared to 2011, our cost of funds only grew by 2.52% emphasizing management's commitment in returning higher value to shareholders. Overall, our balance sheet grew by 46.07% to GHS 567.59 million from GHS 388.60 million, mainly driven by growth in earning assets.

We made changes to our business architecture by adopting a new marketing and distribution model aimed at serving our customers more efficiently. The model covers three main areas namely: Marketing, Organization & Distribution and Credit & Risk. Our distribution channels shall be a network of Retail branches and Business Centres. The Business centres shall be a one stop channel fully equipped to handle all banking needs of corporate and enterprises.

Looking back at the year 2012, I can confidently say that we made solid progress from the previous year and right across all segments.

All banks in Ghana met the recapitalization deadline successfully by the end of 2012 and are therefore well positioned and poised for allocation of capital across the business value chain. This means that competition will be keen this year and we will offer differentiated service propositions to stay ahead of our competitors.

Our aim is to offer the best services to our customers and gain their trust, thus leading to the establishment of long-term relations with them. Achieving this goal will also enable us to better serve our communities, stakeholders and Ghana's economy better, and therefore confirm BOA's tagline: *As strong as a group As close as a partner.*

Kobby ANDAH

Managing Director

Highlights 2012

January

BOA-GHANA syndicated with another bank, to finance GHS 18 million out of a total project cost of GHS 21 million, for a hostel project for the University of Professional Studies.

April

Increase of capital from GHS 60,460,828 to GHS 77,460,828 million.

May

Started our customer engagement sessions.

Participation in the 2012 BANK OF AFRICA network management meetings, in Marrakech, Morocco.

August

Launched Elite Banking at the Head Office in Accra. Elite Banking ended the year 2012 with liability and asset portfolios of GHS 11,292,160.85 and GHS 225,564.37 respectively.

Organized a promotion to encourage staff to bring in deposits. This promotion which was put in place for fixed deposits yielded GHS 36 million after 90 days.

September

The Bank started its remodelling process. This process introduced the Annual Marketing Action Plan (PACA) model and culminated in the establishment of the first Business Centre in Ghana.

October

The Bank received the award for Most customer oriented company of the year from the Organization for Customer Service Excellence Ghana (OCSEG) at the 3rd Ghana Customer Service Awards.

Started the 'Season of Giving' promotion for retail savings and current account customers of the Bank. A total of 1,494 customers took part in this promotion with 590 of them winning prizes.

December

Participation in the 2012 BANK OF AFRICA Directors meeting, in Arusha, Tanzania.

3rd Ghana Customer Service Awards at the British Council hall.

Kofi FUMEY, Head of Marketing and Corporate Communications, and the staff, receiving an award for Most Customer Oriented Company of the year.

Key figures on 31/12/2012

Total Assets*	567.59

Activity

Deposits*	364.04
Loans*	305.10

Income

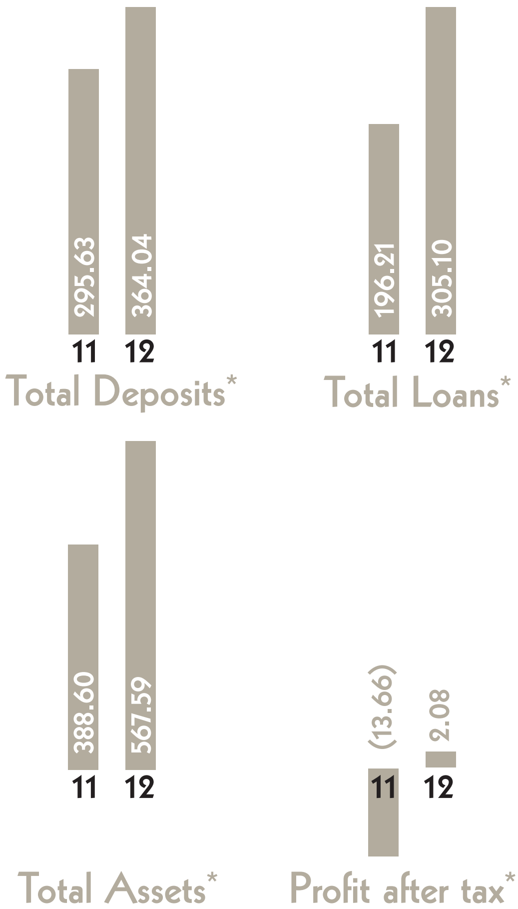
Net interest income*	32.14
Operating income*	50.96
Operating expense*	34.34
Profit before tax*	2.36
Profit after tax*	2.08

Structure

Number of Employees	362

(*) In GHS millions (1 Euro = GHS 2.51452, as at 31st December 2012)

Evolution from 2011 to 2012



Elite Banking launch
held on 24th August 2012:

A segment
of the BOA-GHANA team.

Sharon BANSA,
head Elite Banking,
making a speech at the launch
ceremony.

Corporate Social Responsibility Initiatives

In 2012, BANK OF AFRICA – GHANA intensified its social engagements on various fronts. In line with our CSR strategy, the Bank identified several social causes and supported their implementation. In selecting the causes for engagement, the Bank was mindful of the impact these activities will have on the general population as well as their life-changing potential. Three key areas were impacted: Health, Education and Security.

Health

BOA-GHANA and Raphal Medical Centre, in collaboration with Adom FM, joined forces in a symbiotic association by way of a health walk which literally gave meaning to the proverb "health is wealth". It took place in Tema as part of Raphal Medical Centre annual health walk and free screening with the goal of raising awareness about common health issues.

The event was well organized with the provision of an ambulance service as well as police presence throughout the walk. Concluding the walk, aerobics, refreshment and free screening on prostate cancer, cholesterol, diabetes, body mass index and blood pressure checks were undertaken.

Sanctuary for the aged

The Bank donated 50 bags of cement to the Akropong Christ Presbyterian Church (ACPC) as a contribution for completing the church's Aged Centre. The centre, which is being propounded by the ACPC, would include a sick bay, a clinic and leisure centre which are expected to be completed by the close of 2012. Akuapem area has the highest number of the aged and the district Presbyterian Church alone has about 200 bedridden aged and about 180 other senior citizens worshipping with the ACPC.

Collaboration with Rotary Club

The Bank was engaged in several fund raising activities initiated by the Rotary Club of Ghana. These activities included dinner dances and symposia. Amounts raised are used for life-saving activities such as covering flying costs of volunteer medical specialists and paramedics from the US to Ghana for free reconstructive surgeries to children with cleft palate anomalies.

For the past three years, the Rotary Club of Accra West in partnership with Alliance for Smiles, a US based Non Governmental Organization (NGO) and the Ghana Health Service have collaborated to carry out over 200 free cleft repair surgeries, particularly targeting patients from the most under-privileged regions of the country.

Mr. Kofi FUMEY donated 50 bags of cement to the Akropong Christ Presbyterian Church.

Some staff members looking on, as the Head of Education in the district makes a point on the importance of giving to schools.

Education

As part of its corporate social responsibility, BANK OF AFRICA – GHANA donated 10 whiteboards and 10 packets of whiteboard markers to the Dansoman Cluster of Schools. This was done in collaboration with Wisewater Foundation, an NGO which seeks to improve the educational environment of pupils in Ghana.

The use of chalk on blackboards, has over the years, presented several challenges to teachers and pupils in our educational institutions. Some of these challenges include teachers and pupils suffering as a result of the inhalation of chalk dust, as blackboards are cleaned. Pupils and teachers also suffer eye problems as the chalk dust deposits in their eyes. Many pupils had to seek medical help to ensure that their poor sight does not inhibit their learning.

The Bank intends to continue this exercise with Wisewater Foundation to increase the number of schools benefiting from whiteboards.

Security

BOA-GHANA donated 50 bags of cement for the refurbishment of the offices of Madina Police Station. The Bank was pleased to serve the police by helping them improve their working conditions.

The office expansion project started the previous year but had been stalled due to lack of funds. The donation helped to upgrade police office facilities which would have a positive impact on their work and the service provided to citizens.

Mr. Festus KWOFIE, Exec. Head, Finance control and systems accompanied by Kofi FUMEY, donate 50 bags of cement to Madina Police Station.

Mr. Godwyll ANSAH, Head Legal Dept. and Cie Secretary, presenting 10 whiteboards and 10 packets of whiteboard markers to the Headmistress of the Dansoman Cluster of schools.

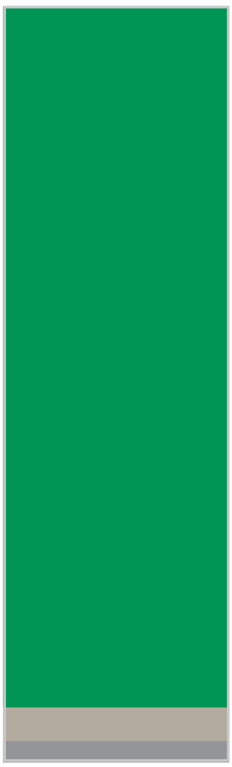
Board of Directors

The Directors who held office during the year up to 28th March 2013 were:

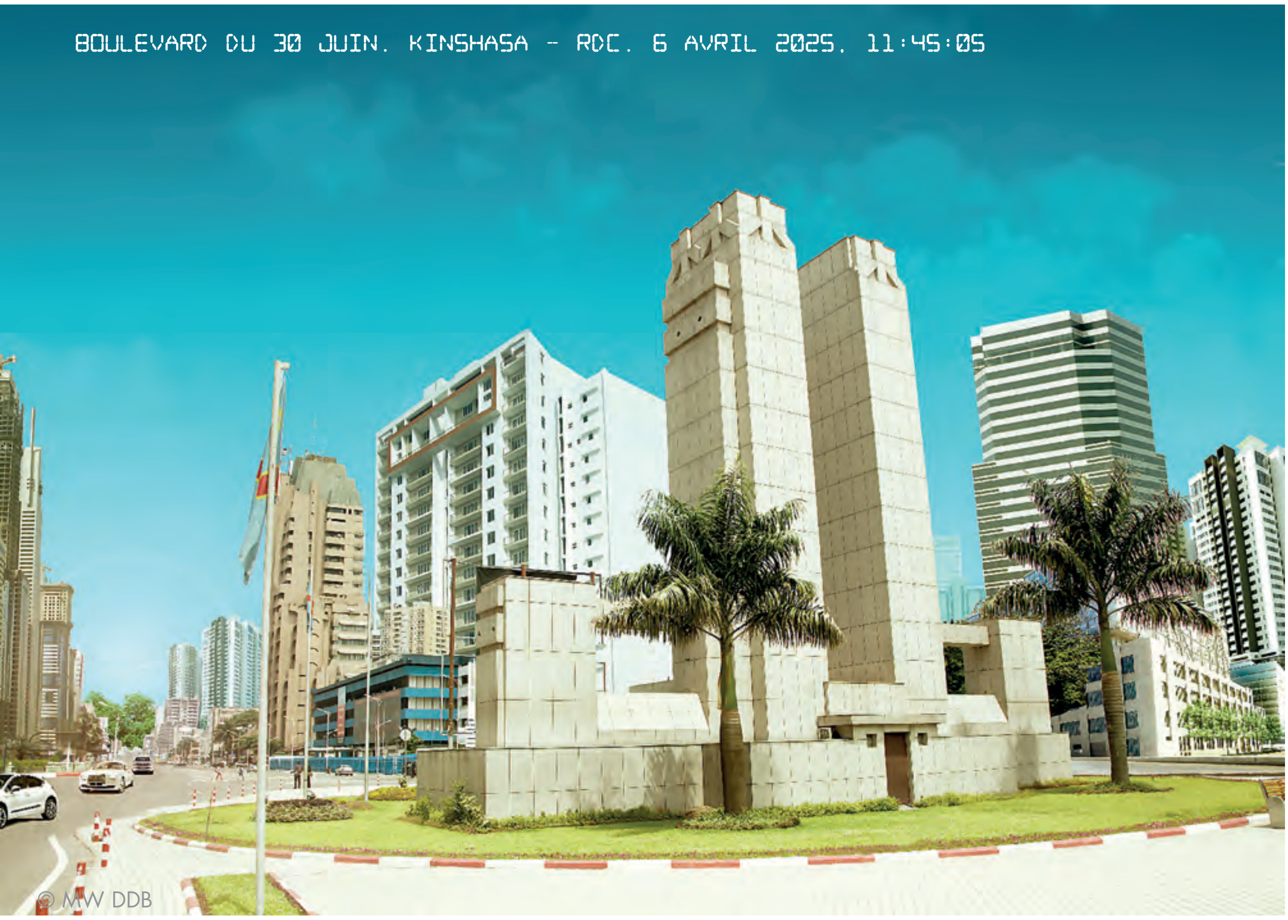
- Stephan ATA, Chairman
- Kwame AHADZI
- Kobby ANDAH
- Dr. Patrick ATA
- Abdelkabir BENNANI
- Mohamed BENNANI
- Vincent de BROUWER
- Paul DERREUMAUX
- John KLINOGO
- Nana OWUSU-AFARI

Capital

The Bank has 100,000,000 authorized ordinary shares with a cumulative nominal value of GHS 77.46 million. The following is the Bank's shareholding structure as at 28th March 2013.
Shareholding position based on number of shares (%).



92.76%	BOA WEST AFRICA
4.44%	ESTATE OF DR. H.O.K. ATA
1.67%	NANA OWUSU-AFARI
0.36%	CHRISTOPHER ADOM
0.17%	WELBECK ABRA-APPIAH
0.16%	ESTATE OF ALEX AWUKU
0.16%	ERIC OSEI-BONSU
0.15%	JOHN KLINOGO
0.13%	MIGUEL RIBEIRO



Report and Financial Statements
for the year ended 31 December 2012

Corporate Information

Directors:

Stephan ATA	**Chairman**
Nana OWUSU-AFARI	Member
Dr. Patrick ATA	Member
John KLINOGO	Member
Kwame AHADZI	Member
Kobby ANDAH	Member
Mohamed BENNANI	Member
Paul DERREUMAUX	Member
Vincent de BROUWER	Member
Abdelkabir BENNANI	Member

Board Committees:

Risk & Compliance Committee:

Dr. Patrick ATA	**Chairman**
Abdelkabir BENNANI	Member
Vincent de BROUWER	Member
John KLINOGO	Member
Kobby ANDAH	Member
Godfried OSEI-BOAKYE	Secretary

Audit Committee:

John KLINOGO	**Chairman**
Vincent de BROUWER	Member
Nana OWUSU-AFARI	Member
Kwame AHADZI	Member
Abdelkabir BENNANI	Member
Nicholas AHEDOR	Secretary

Recoveries Committee:

Dr. Patrick ATA	**Chairman**
Stephan ATA	Member
Nana OWUSU-AFARI	Member
Abdelkabir BENNANI	Member
Kwame AHADZI	Member
Kobby ANDAH	Member
Ras MANYO (Col Rtd)	Secretary

Front view of the Newtown Branch, in Accra.

Remuneration Committee:

John KLINOGO	**Chairman**
Dr. Patrick ATA	Member
Abdelkabir BENNANI	Member
Kobby ANDAH	Member
Godwyll ANSAH	Secretary

Company Secretary:

Godwyll ANSAH
P.O. Box C 1541
Cantonments - Accra

Registered Office:

C 131/3 Farrar Avenue
P.O. Box C 1541
Cantonments - Accra

Auditors:

ERNST & YOUNG
Chartered Accountants
G15, White Avenue, Airport Residential Area
P.O. Box KA 16009, Airport, Accra

A section of the invited guests at the Elite Banking launch.

Bankers:

BANK OF GHANA	Ghana
GHANA INTERNATIONAL BANK	London
DZ BANK	Germany
STANDARD CHARTERED BANK	New York
GHANA COMMERCIAL BANK LIMITED	Ghana
COMMERZ BANK	Germany
ECOBANK NIGERIA	Nigeria
DEUTSCHE BANK	New York
FBN UK	London
STANDARD CHARTERED BANK GHANA LIMITED	Ghana
BANK OF BEIRUT	Lebanon
ACCESS BANK, UK	London
BMCE BANK International	Spain
BNP PARIBAS FORTIS	
BOA-BENIN	Benin
BOA-CÔTE D'IVOIRE	Côte d'Ivoire
BOA-FRANCE	France
BOA-KENYA	Kenya
BOA-MALI	Mali
BOA-NIGER	Niger
BOA-TANZANIA	Tanzania

Report of the Directors

to the members of BANK OF AFRICA – GHANA Limited

The Directors have the pleasure in presenting their report and the audited financial statements for the year ended 31 December 2012.

Statement of Directors' responsibilities

The Bank's Directors are responsible under the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit and loss and cash flows for that year. In preparing these financial statements, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are reasonable and prudent; stated whether applicable accounting standards have been followed, subject to any material departure, disclosed and explained in the financial statements; prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business and that the financial statement is prepared in accordance with International Financial Reporting Standards.

The Directors are responsible for ensuring that the company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activities carried out by the Bank during the year under review are within the limits permitted by its regulations which continued to be banking and finance. These represent no change from the activities carried out in the previous year.

Operational results

The results of operations for the year ended 31 December 2012 are set out in the statement of comprehensive income and statement of financial position together with notes to the financial statements.

Activities

OPERATIONAL RESULTS	2012	2011 RESTATED
	GH¢	GH¢
PROFIT/(LOSS) BEFORE TAXATION	2,363,914	(13,523,825)
CORPORATE TAX CHARGED	(218,635)	-
DEFERRED TAX (EXPENSE)	(63,896)	(136,727)
PROFIT/(LOSS) AFTER TAX FOR THE YEAR	2,081,383	(13,660,552)
OTHER COMPREHENSIVE LOSS	(17,181)	-
TOTAL COMPREHENSIVE INCOME	**2,064,202**	**(13,660,552)**

The Bank made a profit after tax and total comprehensive income of GH¢ 2,081,383 and GH¢ 2,064,202 respectively relative to a loss position of GH¢ 13,660,552 in 2011. The total assets of the Bank increased from GH¢ 388,596,769 in 2011 to GH¢ 567,586,383 in 2012, a growth of about 46% as at 31 December 2012.

View of the Accra Business Centre located at Ridge.

Front view of the Osu Branch, in Accra.

Restatement of previously issued financial statements

During 2012 it was identified that, the Bank had not taken into account deferred tax assets and liabilities in prior years. The adjustments resulting from application of this provision of IFRS is to deferred tax liabilities and deferred income tax expense. The adjustments do not impact on taxes paid or the Company's cash flows. The adjustments to the Bank's financial statements as a result of the identified error for the year ended 31 December 2011 and 1 January 2011, are disclosed in Note 2.4 of the financial statements.

Breaches of the Banking Act

The Bank breached its reporting of daily NOP in the month of April 2012. It also breached the single obligor limit in October 2012 contrary to Section 42(1) of the Banking Act 2004 (Act 673). These have since been rectified.

Dividend

The Directors do not recommend the payment of dividends.

Auditors

ERNST & YOUNG, having indicated their willingness, continue in office pursuant to Section 134 (5) of the Companies Act, 1963 (Act 179).

Directors

The present list of members of the Board is shown on page 14.

Signed on behalf of the Board by:

Kobby ANDAH	**John KLINOGO**
Managing Director	Director
26th March 2013	26th March 2013

Independent Auditors' Report

To the members of
BANK OF AFRICA – GHANA Limited


Elite hall, at the BOA-GHANA Head office, in Accra.

Report on the financial statements

We have audited the accompanying financial statements of BANK OF AFRICA – GHANA Limited which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information and the Directors' report, as set out on pages 24 to 71.

The financial statements of BANK OF AFRICA – GHANA Limited for the year ended 31 December 2011 were audited by other independent accountant whose report dated 20 March 2012 expressed an unqualified opinion on the financial statements.

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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BANK OF AFRICA – GHANA Limited as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

Report on other legal and regulatory requirements

The Companies Act 1963, (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii. the balance sheet (statement of financial position) and the profit and loss account (income statement section of the statement of comprehensive income) of the company are in agreement with the books of account.

The Banking Act 2004 (Act 673), Section 78 (2), requires that we state certain matters in our report. We hereby state that,

i. the accounts give a true and fair view of the state of affairs of the Bank and its results for the period under review;

ii. we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;

iii. the Banks' transactions are within its powers; and

iv. the Bank has generally complied with the provisions in the Banking Act 2004 (Act 673) and the Banking (Amendment) Act 2007 (Act 738) except the breaches noted in the Directors report and note 42 which were rectified at the end of the reporting period.

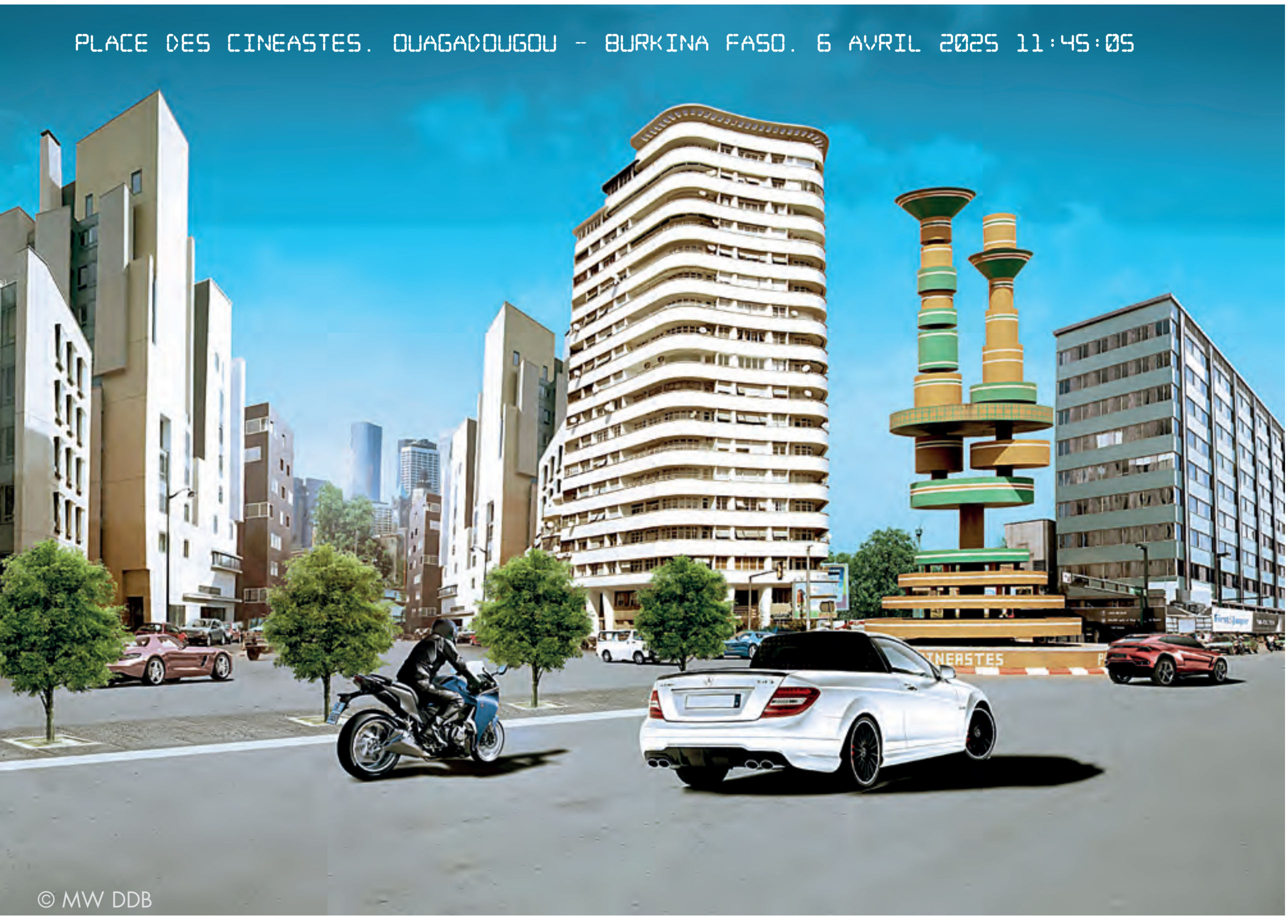
Signed by Victor GBORGLAH (ICAG\P\1151)

For and on behalf of **ERNST & YOUNG (ICAG\F\029)**

Chartered Accountants

Accra, Ghana

26th March 2013



Financial Statements

for the year ended 31 December 2012

Financial Statements

for the year ended 31 December 2012

Statement of Comprehensive Income as at 31 December 2012

	NOTES	2012	2011 RESTATED
		GH¢	GH¢
INTEREST INCOME	8	62,633,432	52,752,796
INTEREST EXPENSE	9	(30,489,006)	(29,739,432)
NET INTEREST INCOME		32,144,426	23,013,364
NET FEE AND COMMISSION INCOME	10	11,019,298	7,686,039
OTHER INCOME	12	7,796,788	4,336,793
OPERATING INCOME		50,960,512	35,036,196
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	21	(14,252,053)	(17,420,756)
OPERATING EXPENSES	13	(34,344,545)	(31,139,265)
PROFIT/(LOSS) BEFORE TAXATION		2,363,914	(13,523,825)
TAXATION	15(a)	(282,531)	(136,727)
PROFIT/(LOSS) FOR THE YEAR		2,081,383	(13,660,552)
NET LOSS ON AVAILABLE FOR SALE ASSETS	16	(17,181)	-
TOTAL COMPREHENSIVE INCOME		2,064,202	(13,660,552)
PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		1,930,899	(11,860,091)
NON-CONTROLLING INTERESTS		150,484	(1,800,461)
TOTAL		2,081,383	(13,660,552)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		1,914,960	(11,860,091)
NON-CONTROLLING INTERESTS		149,241	(1,800,461)
TOTAL		2,064,202	(13,660,552)
EARNINGS PER SHARE			
BASIC EARNINGS/(LOSS) PER SHARE	17	0.027	(0.28)
DILUTED EARNINGS/(LOSS) PER SHARE	17	0.027	(0.28)

Statement of Financial Position as at 31 December 2012

	NOTES	2012	2011 RESTATED	1 JAN 2011 RESTATED
		GH¢	GH¢	GH¢
ASSETS				
CASH AND BALANCES WITH BANK OF GHANA	18	51,069,089	41,222,393	52,255,343
INVESTMENTS IN GOVERNMENT SECURITIES	19	154,707,584	76,039,100	104,113,482
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	20	24,193,967	53,884,030	31,611,411
LOANS AND ADVANCES TO CUSTOMERS	21(a)	305,099,221	196,217,569	187,888,510
OTHER ASSETS	22	21,724,576	13,638,857	23,441,049
OTHER INVESTMENT		-	-	6,253,663
CURRENT INCOME TAX ASSET	15(d)	1,561,705	490,500	522,306
PROPERTY, PLANT AND EQUIPMENT	23	5,711,222	5,412,623	6,731732
INTANGIBLE ASSETS	24	2,337,937	477,359	543,930
OPERATING LEASE PREPAID	25	1,181,082	1,214,338	1,242,382
TOTAL ASSETS		**567,586,383**	**388,596,769**	**414,603,808**
LIABILITIES				
CUSTOMER DEPOSITS	26	364,043,606	295,625,250	370,733,174
DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	27	112,798,200	20,841,000	14,500,000
OTHER LIABILITIES	28	17,149,826	14,376,608	11,737,264
LONG TERM BORROWINGS	29	11,037,576	14,319,106	13,935,568
DEFERRED TAX LIABILITIES	15(c)	784,660	726,492	589,765
TOTAL LIABILITIES		**505,813,868**	**345,888,456**	**411,495,771**
CAPITAL AND RESERVES				
STATED CAPITAL	30	77,460,828	60,460,828	7,200,000
RETAINED DEFICIT		(35,160,611)	(31,838,216)	(15,978,437)
AVAILABLE FOR SALE RESERVES		(17,181)	-	-
REGULATORY CREDIT RISK RESERVE	31	10,631,087	6,268,000	4,068,773
STATUTORY RESERVE	32	8,858,392	7,817,701	7,817,701
SHAREHOLDERS' FUNDS		**61,772,515**	**42,708,313**	**3,108,037**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**567,586,383**	**388,596,769**	**414,603,808**

The financial statements were approved by the Board of Directors and were signed on its behalf by:

Kobby ANDAH
Managing Director
26th March 2013

John KLINOGO
Director
26th March 2013

Financial Statements
for the year ended 31 December 2012

Statement of Changes in Equity

2012	CAPITAL	STATED LOSS	RETAINED RESERVE	CREDIT RISK RESERVE	STATUTORY SALE RESERVE	AVAILABLE FOR TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
AT 1 JANUARY 2012	60,460,828	(31,838,216)	6,268,000	7,817,701	-	42,708,313
ADDITIONAL CAPITAL INVESTED	17,000,000	-	-	-	-	17,000,000
TRANSFER TO CREDIT RISK RESERVE	-	(4,363,087)	4,363,087	-	-	-
PROFIT FOR THE YEAR	-	2,081,383	-	-	-	2,081,383
OTHER COMPREHENSIVE LOSS					(17,181)	(17,181)
TRANSFER TO STATUTORY RESERVE	-	(1,040,691)	-	1,040,691	-	-
AT 31 DECEMBER 2012	77,460,828	(35,160,611)	10,631,087	8,858,392	(17,181)	61,772,515

2011 RESTATED	CAPITAL	STATED SURPLUS	INCOME RESERVE	CREDIT RISK RESERVE	STATUTORY SALE RESERVE	AVAILABLE FOR TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
AT 1 JANUARY 2011 AS PREVIOUSLY STATED	7,200,000	(15,388,672)	4,068,773	7,817,701	-	3,697,802
IMPACT OF RESTATEMENT	-	589,765	-	-	-	589,765
AT 1 JANUARY 2011 (AS RESTATED)	7,200,000	(15,978,437)	4,068,773	7,817,701	-	3,108,037
ADDITIONAL CAPITAL INVESTED	53,260,828	-	-	-	-	53,260,828
TRANSFER TO CREDIT RISK RESERVE	-	(2,199,227)	2,199,227	-	-	-
LOSS FOR THE YEAR	-	(13,660,552)	-	-	-	(13,660,552)
AT 31 DECEMBER 2011 (as restated)	60,460,828	(31,838,216)	6,268,000	7,817,701	-	42,708,313

Statement of Cash Flows

	NOTES	2012 GH¢	2011 GH¢
OPERATING ACTIVITIES			
CASH GENERATED/(UTILISED) FROM OPERATIONS	33(a)	(29,412,357)	(41,736,002)
INVESTING ACTIVITIES			
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	23(a/b)	(4,675,744)	(867,463)
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	23(c/d)	526,263	198,767
NET CASH USED IN INVESTING ACTIVITIES		**(4,149,481)**	**(668,696)**
FINANCING ACTIVITIES			
PROCEEDS FROM ISSUE OF SHARES		17,000,000	53,260,828
LONG TERM LOANS (REPAID)/RECEIVED		(3,281,529)	383,539
NET CASH GENERATED FROM FINANCING ACTIVITIES		**13,718,471**	**53,644,367**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(19,843,367)	11,239,669
CASH AND CASH EQUIVALENTS AT 1 JANUARY		95,106,423	83,866,754
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**33(b)**	**75,263,056**	**95,106,423**

Notes to the Financial Statements

31 December 2012

1. Reporting entity

BANK OF AFRICA – GHANA Limited (BOA-GHANA) is a financial institution incorporated in Ghana. The registered office of the Bank is at 131/3 Farrar Avenue, Accra. The Bank operates under the Banking Act, 2004 [Act 673] and the Banking [Amendment] Act, 2007 [Act 738].

The Bank is a subsidiary of BOA WEST AFRICA which is a holding company incorporated in Côte d'Ivoire. Its ultimate parent is BOA GROUP SA. incorporate and based in Luxemburg with operating offices in Senegal, Mali and Benin.

2. Basis of preparation

2.1 PRESENTATION OF FINANCIAL STATEMENTS

The Bank presents its statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The financial statements have been prepared in Ghana Cedis (GH¢) and under the historical cost convention.

2.2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International financial Reporting Standards (IFRS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board [IASB].

2.3 USE OF ESTIMATES AND JUDGEMENTS

BANK OF AFRICA – GHANA Limited (BOA-GHANA) is a going concern, which assumes that it will be able to continue operation into the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business and the use of estimates and approximations, which have been made using careful judgment. Actual results could differ materially from those estimates. Material estimates in the financial statements include the following.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Property, plant and equipment and Intangible asset

Critical judgments are utilised in determining amortisation rates and useful lives of these assets and in calculating the amount of interest to capitalise against projects in progress at the end of the period.

2.4 RESTATEMENT OF FINANCIAL STATEMENTS

During 2012 it was identified that, the Bank had not taken into account deferred tax assets and liabilities in prior years.
The adjustments resulting from application of this provision of IFRS are with respect to deferred tax assets/liabilities and deferred income tax expense/recovery. The adjustments do not impact on taxes paid or the Company's cash flows. The following comparative financial statements have been restated to give effect to the IFRS guidance with the following impacts.

AS AT 31 DECEMBER 2011	AS PREVIOUSLY STATED	ADJUSTMENT	RESTATED
	GH¢	GH¢	GH¢
DEFERRED TAX LIABILITY	-	726,492	726,492
TOTAL LIABILITY	345,161,964	726,492	345,888,456
DEFERRED TAX EXPENSE	-	726,492	726,492
INCOME SURPLUS	(31,111,724)	(726,492)	(31,838,216)
SHAREHOLDERS' FUNDS	43,434,805	(726,492)	42,708,313
TOTAL EQUITY	43,434,805	(726,492)	42,708,313
EARNINGS LOSS PER SHARE BASIC	(0.28)	(0.04)	(0.30)

None of the adjustments presented above affects taxes payable/receivable or the Bank's statement of cash flows.

AS AT 1 JANUARY 2011	AS PREVIOUSLY STATED	ADJUSTMENT	RESTATED
	GH¢	GH¢	GH¢
DEFERRED TAX LIABILITY	-	589,765	589,765
TOTAL LIABILITY	410,906,006	589,765	411,495,771
INCOME SURPLUS	(15,388,672)	589,765	(15,978,437)
SHAREHOLDERS' FUNDS	3,697,802	(589,765)	3,108,037
EARNINGS LOSS PER SHARE BASIC	(1.49)	(1.21)	(0.28)

Earlier adoption and Amendment

Paragraph 10 of IAS 1 was amended in May 2012 by Annual Improvements to IFRSs 2009-2011 Cycle. The amendment reads as follows:

A complete set of financial statements comprises:

(a) a statement of financial position as at the end of the period;
(b) a statement of profit or loss and other comprehensive income for the period;
(c) a statement of changes in equity for the period;
(d) a statement of cash flows for the period;
(e) notes, comprising a summary of significant accounting policies and other explanatory information; and comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
(f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

The Bank has early adopted the amendment. This implies that the restatement of the financial statements is limited to beginning of the preceding year.

3. Significant accounting policies

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as fair value through profit and loss are recognised within interest income and interest expense in the Statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. Interest income includes interest on loans and advances and placements with other banks, and is recognised in the period in which it is earned.

Fees and commission

Fees and commission income and expenses that are integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate on the financial instruments. Other fees and commission income are recognised on the related services are performed. Other fees and commission income are recognised as the related services are performed.

Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that is clearly associated with an identifiable and unique product which will be controlled by the Bank and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original costs of the software. Computer software development costs recognised as assets are stated at cost less amortisation. Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 5 years.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Ghana Cedi at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are dealt with in the profit and loss.

Transactions in foreign currencies are initially recorded by the Bank at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The source of the Bank's exchange rates is the Ghana Association of Bankers as published on the Bank of Ghana Website.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are ready for use.

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense. The estimated useful lives of the major asset categories are:

CLASS OF ASSETS	DEPRECIATION RATE
BUILDING ON LONG LEASEHOLD	3-4%
BUILDING ON SHORT LEASEHOLD	OVER THE REMAINING PERIOD OF THE LEASE
COMPUTERS	25%-33.3%
MOTOR VEHICLES	20%-25%
EQUIPMENTS, FURNITURE AND FITTINGS	15-20%

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are compared at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Bank evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.
The Bank operates a defined contribution for its employees. The assets of these schemes are held in separate trustee administered funds. The schemes are funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

The Bank also contributes to the statutory Social Security and National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Pensions Act, 2008 Act 766. The Bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. The Bank's obligations to staff retirement benefit schemes are charged to the profit or loss account in the year to which they relate.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.
Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the profit or loss account.

Deferred tax

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leasing

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Bank as a Lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

Cash and cash equivalents

For the purposes of the statement of cashflows, cash equivalents include short term liquid investments which are readily convertible into know amounts of cash and which were within three months of maturity when acquired, less advances from Banks repayable within three months from the dates of the advances.

Financial assets and liabilities

On initial recognition, financial assets are classified into fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments or loans and receivables. Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit or loss on initial recognition which are held at fair value. Purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that the Bank is committed to purchase or sell an asset.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Bank has transferred its contractual right to receive the cash flows from the assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired.
The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
(a) the Bank has transferred substantially all the risks and rewards of the asset, or
(b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities are derecognised when they are extinguished (ie when the obligation is discharged), cancelled or expire.

(1) Financial instruments at fair value through profit or loss

Financial instruments are classified at fair value through profit or loss where they are trading securities or where they are designated at fair value through profit or loss by management.
Trading securities are debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short-term gains. Such securities are classified as trading securities and recognised in the balance sheet at their fair value. Gains and losses arising from changes in their fair value are recognised in the profit or loss within net operating income in the period in which they occur.

Other financial assets and liabilities at fair value through profit or loss are designated as such by management upon initial recognition. Such assets and liabilities are carried in the balance sheet at their fair value and gains and losses arising from changes in fair are recognised in the income statement within net trading income in the period in which they occur.

(2) Available-for-sale financial assets

Securities that are not classified as trading securities, at fair value through profit or loss, held-to-maturity investments or as loans and receivables are classified as available-for-sale financial assets and are recognised in the balance sheet at their fair value, inclusive of transaction costs. Available for sale financial assets are those intended to be held for an indeterminate period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates. Gains and losses arising from changes in the fair value of investments classified as available for sale are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest calculated using the effective interest method and foreign exchange gains and losses on debt securities denominated in foreign currencies are recognised in the profit or loss account.

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.
In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.
However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
The interest income is recorded as part of Interest and similar income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.
In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

(3) Loans and receivables

Loans and receivables include loans and advances to banks and customers and eligible assets including those transferred into this category out of the fair value through profit or loss or available-for-sale financial assets categories. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.
Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs or, for eligible assets transferred into this category, their fair value at the date of transfer. Financial assets classified as loans and receivables are accounted for at amortised cost using the effective interest method less provision for impairment.

(4) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity other than:

- those that the Bank designates upon initial recognition as at fair value through profit or loss;
- those that the Bank designates as available-for-sale; and
- those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method, less any provision for impairment.

Impairment of financial assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.
Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will not be able to honour their debt or enter into other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment together with financial assets with similar risk characteristics.

Objective evidence that financial assets are impaired can include observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the borrower,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or payment status of borrowers or issuers in, or economic conditions that correlate with defaults,
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of financial position.

Write offs

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. For both secured and unsecured.

Renegotiated loans

Loans that are either subject to collective or individual impairment and whose term has been renegotiated are initially put on a watch list for a minimum of six (6) months. Subject to the performance of the facility, it may be reclassified as a performing facility.

Renegotiating of loans involves extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

3. Significant accounting policies (continued)

Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. Expense relating to any provision is presented in the income statement net of any reimbursement.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Credit risk reserve

IAS 39 requires the Bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, the Bank of Ghana (BoG) prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory credit reserve. The provision for this additional impairment amounts is to be made only when impairment amounts provided under IFRS rules is lower than the figure to be provided under BOG Prudential Guidelines.

Statutory reserve

This is an accumulation of transfers from profit for the year in accordance with section 29 of the Banking Act.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the commission received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in 'impairment loss expense'. The premium received is recognised in the income statement on a straight line basis over the life of the guarantee.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for *Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Bank.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.*

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Bank's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Bank will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces the requirements of IAS 27 *Consolidated and Separate Financial Statements* that address the accounting for consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment has no impact on the Bank.

IFRS 11 Joint Arrangements

The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities* – Non-monetary Contributions by Ventures.

Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The adoption of IFRS 11 is not expected to have a significant impact on the Bank.

IFRS 12 Disclosure of Involvement with Other Entities

The standard becomes effective for annual periods beginning on or after 1 January 2013. It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis.

Now, even if the Bank concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact were the Bank to reach a different conclusion regarding consolidation. The amendment has no impact on the Bank.

IFRS 13 Fair Value measurement

The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Bank.

4. Standards issued but not yet effective (continued)

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits – Amendments

The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013. The amendment has no impact on the Bank.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Bank does present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and is expected to impact the Bank.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Bank as to where it engages in large numbers of sale and repurchases transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. As the impact of the adoption depends on the Bank's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.
These amendments become effective for annual periods beginning on or after 1 January 2014.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Bank.

5. Annual Improvements May 2012

These improvements will not have an impact on the Bank, but include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.
These improvements are effective for annual periods beginning on or after 1 January 2013.

6. Risk management

Introduction and overview

Taking risk is core in the business of Banking. In the performing of its statutory duties, the Bank analyses, evaluations and assumes positions of taking calculated risks. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The most important types of risk faced by the Bank include:

- Credit Risk
- Liquidity Risk
- Market Risk (i.e. risk related to currency trading, interest rate and other price risk)
- Operational Risk
- Compliance Risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Risk and Compliance Committee for the management of risk in the Bank. The arm of the committee within management is the Risk Management Department which assists it in the discharge of this responsibility. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Through the compliance department, the Bank ensures it complies with all prudential and regulatory guidelines in the pursuit of profitable Banking opportunities while avoiding excessive, unnecessary and uncontrollable risk exposures. Being an inherent feature in the business of the Bank, various mitigating measures are put in place to better manage risk.

6. Risk management (continued)

All risk management policies are formulated at the Board level through the Board Committee Risk and Compliance. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Risk and Compliance Committee is responsible among other things for authorising the scope of the risk management function and renewing and assessing the integrity of the risk control systems, ensuring that the risk policies and strategies are effectively managed.

i) Credit Risk

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

Ageing analysis of past due but not impaired gross financial instruments

The following table provides an analysis of gross loans and advances to customers held at amortised cost which are past due but not considered impaired. There are no other significant balance sheet items where past due balances are not considered impaired.

	UP TO 90 DAYS	UP TO 180 DAYS	TOTAL
AS AT 31 DECEMBER 2012	3,257,623	1,422	3,259,045
AS AT 31 DECEMBER 2011	41,266,407	991,739	42,258,146

Management of Credit Risk

The Board Risk and Compliance Committee manages the risk of the Bank with the assistance of two management committee namely management, Credit Approval Committee and the Management Risk and Compliance Committee. Whiles the Management Approval Committee manages credit assessments and approvals, the Risk and Compliance Committee oversees the enterprise-wide risk of the Bank.

The Board Risk and Compliance Committee fundamentally:

- sets out the nature, role, responsibility and authority of the risk management function within the Bank and outlines the scope of the risk.
- reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.
- provides an independent and objective oversight and reviews the information presented by Management and the Audit Committee to the Board on financial , business and strategic risk issues.
- adopts the principles of governance and codes of best practice.
- reviews the decision of the Management Credit Approval Committee and Asset-Liability Management Committee (ALCO) on a quarterly basis, to determine the maximum mandate levels for the various credit sanctioning bodies.

The Purpose of the Board Risk and Compliance Committee is to:

- oversee the credit risk function of the Bank to ensure a healthy credit portfolio.
- ensure that the Bank exercise due care in the use of credit authority.
- approve/decline credit applications above country limit of the Management Credit Approval Committee.
- sets and determines the Bank's credit policy and general risk climate of the Bank.
- review on regular basis the monitoring of policy compliance, compliance of portfolio against standards and recommend for appropriate action to be taken.
- ensure key triggers are kept under review and stress tests on the portfolio conducted whenever significant changes occur or are anticipated.
- agree portfolio targets, industry and credit grading concentrations.
- determine in tandem with ALCO, market and product pricing based on risk adjusted return.
- ensure compliance with regulatory requirements in credit delivery.

Maximum exposure to credit risk

	2012	2011
ON-BALANCE SHEET ITEMS	GH¢	GH¢
a) GOVERNMENT SECURITIES	154,707,584	76,039,100
b) DEPOSITS DUE FROM FINANCIAL INSTITUTIONS:		
- LOCAL	1,028,957	27,198,190
- FOREIGN	23,165,010	26,685,840
TOTAL	24,193,967	53,884,030
c) LOANS AND ADVANCES TO CUSTOMERS		
INDIVIDUALS:		
- OVERDRAFT	4,479,159	1,014,155
- TERM LOAN	20,166,320	8,141,570
TOTAL	24,645,480	9,155,725
CORPORATE ENTITIES:		
- OVERDRAFT	103,483,767	85,930,667
- TERM LOAN	240,473,856	145,804,221
TOTAL	343,957,624	231,734,888
GROSS LOANS AND ADVANCES(INCLUDING SUSPENDED INTEREST)	368,603,104	240,890,613
d) OTHER ASSETS		
- INTER BANK CLEARING ITEMS	8,667,746	-
- OTHERS	13,056,830	13,638,857
TOTAL	21,724,576	13,638,857
OFF-BALANCE SHEET ITEMS		
LETTERS OF CREDIT	60,887,758	18,064,485
LETTERS OF GUARANTEE	20,786,338	20,419,163
TOTAL	81,674,097	38,483,648

The Bank does not perceive any significant credit risk on the following financial assets:

- Investments in Government securities and balances with Central Bank of Ghana.
- Off-balance sheet items.

Classification of loans and advances

The table below represents the maximum credit risk exposure to the Bank at 31 December 2012, and after taking into account provision for impairment.

2012

LOANS AND ADVANCES TO CUSTOMERS

	GROSS AMOUNTS	IMPAIRMENT ALLOWANCES	NET AMOUNTS	
	GH¢	GH¢	GH¢	%
PAST DUE AND IMPAIRED	101,898,075	62,413,180	39,484,895	27.64
PAST DUE BUT NOT IMPAIRED	10,907,033	1,090,703	9,816,330	2.96
NEITHER PAST DUE NOR IMPAIRED	255,797,996	-	255,797,996	69.40
TOTAL	**368,603,104**	**63,503,883**	**305,099,221**	**100%**

2011

LOANS AND ADVANCES TO CUSTOMERS

	GROSS AMOUNTS	IMPAIRMENT ALLOWANCES	NET AMOUNTS	
	GH¢	GH¢	GH¢	%
PAST DUE AND IMPAIRED	34,015,382	25,945,711	8,069,671	14.12
PAST DUE BUT NOT IMPAIRED	42,258,146	18,727,232	23,530,814	17.54
NEITHER PAST DUE NOR IMPAIRED	164,617,084	-	164,617,084	68.34
TOTAL	**240,890,612**	**44,672,943**	**196,217,569**	**100%**

Each business unit is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Board. Each business unit has a Relationship Officer who reports all credit related matters to Management Credit Committee on a monthly basis. There is also a Credit Risk and Monitoring Unit under the Risk department that continuously tracks and monitors the performance of each credit facility and prompts the Relationship Officers and Managers concern on all sticky accounts.
The non-performing loan (NPL) ratio at the end of year 2012 was 27.64% (2011: 14.12%).

Impaired loans

Impaired loans and securities are loans and securities for which the Bank determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of the loan / security agreement(s). These loans are graded "Extreme" which is 9 -10 in the Bank's internal credit risk grading system.

Past due but not impaired loans

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

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

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

Write-off policy

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

Collateral held

The Bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over Interbank placements, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2012.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2012	2011
LOANS AND ADVANCES TO CUSTOMERS	GH¢	GH¢
AGAINST INDIVIDUALLY IMPAIRED	30,518,641	27,736,474
AGAINST NEITHER PAST DUE NOR IMPAIRED	351,049,927	284,135,619
TOTAL	381,568,568	311,872,093

Concentrations of risk

The Bank monitors concentration of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

(a) ADVANCES TO CUSTOMERS - GROSS

	2012		2011	
	GH¢	%	GH¢	%
AGRICULTURE	3,332,310	0.90%	10,480,154	4.35%
MANUFACTURING	25,302,100	6.86%	13,161,847	5.46%
COMMERCE AND FINANCE	81,394,487	22.08%	45,338,189	18.82%
TRANSPORT AND COMMUNICATIONS	27,678,132	7.51%	17,714,041	7.35%
MINING AND QUARRYING	35,253,045	9.56%	20,979,540	8.71%
BUILDING AND CONSTRUCTION	84,728,286	22.99%	76,070,923	31.58%
SERVICES	81,309,594	20.06%	31,321,658	13.00%
ELECTRICITY, OIL, GAS, ENERGY AND WATER	15,163,415	4.11%	8,001,073	3.32%
OTHERS	14,441,735	3.92%	17,823,188	7.40%
TOTAL	**368,603,104**	**100%**	**240,890,613**	**100%**

(b) OFF BALANCE SHEET ITEMS (LETTERS OF CREDIT AND GUARANTEES)

	2012		2011	
	GH¢	%	GH¢	%
SOCIAL COMM. AND PERSONAL SERV.	1,715,023	2.1%	1,931,879	5.0%
BUSINESS SERVICES	9,190,462	11.3%	6,884,724	17.9%
WHOLESALE AND RETAIL	30,191,899	37.0%	5,795,638	15.1%
TRANSPORT AND COMMUNICATION	32,029	0.0%	4,510,284	11.7%
OTHER	9,063,163	11.1%	13,861,809	36.0%
MANUFACTURING	31,481,521	38.5%	5,499,314	14.3%
TOTAL	**81,674,097**	**100.0%**	**38,483,648**	**100.0%**

Settlement risk

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

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Bank's risk function.

ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.
To limit this risk, the Bank has developed an internal control processes through its treasury department which maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to Banks and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The Bank also maintains a statutory deposit with the Central Bank of Ghana which is equal to 10% of customer deposits.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment 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 Bank ratio of net liquid assets to deposits and balances due to banking institutions and customer deposits at the reporting date and during the reporting period were as follows:

AT 31 DECEMBER	2012	2011
AVERAGE FOR THE PERIOD	9.44%	9.55%
MAXIMUM FOR THE PERIOD	10.23%	10.57%
MINIMUM FOR THE PERIOD	9.05%	8.98%
STATUTORY MINIMUM REQUIREMENT	9.00%	9.00%

Residual contractual maturities of financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by the remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted inflows.

Maturity analysis of financial assets and financial liabilities

2012	CARRYING AMOUNT	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
FINANCIAL LIABILITIES						
CUSTOMER DEPOSITS	364,043,606	101,366,555	108,021,962	145,993,866	8,661,223	364,043,606
DEPOSITS AND BAL. DUE TO BANKING INST.	112,798,200	53,060,245	31,660,362	28,077,593	-	112,798,200
LONG TERM BORROWINGS	11,037,576	-	-	3,350,979	7,686,597	11,037,576
OTHER LIABILITIES	17,149,826	5,976,757	5,082,567	4,560,623	1,529,879	17,149,826
TOTAL FINANCIAL LIABILITIES	**505,029,208**	**160,403,557**	**144,764,891**	**181,983,061**	**17,877,699**	**505,029,208**
FINANCIAL ASSETS						
CASH AND BAL. WITH CENTRAL BANK OF GHANA	51,069,089	51,069,089	-	-	-	51,069,089
GOVERNMENT SECURITIES AND OTHER INVESTMENTS	154,707,584	27,942,391	524,131	96,241,316	29,999,746	154,707,584
DEPOSITS AND BAL. DUE FROM BANKING INST.	24,193,967	24,193,967	-	-	-	24,193,967
LOANS AND ADVANCES TO CUSTOMERS (NET)	305,099,221	46,652,956	42,218,072	66,114,364	150,113,829	305,099,221
OTHER ASSETS	23,286,281	11,523,632	6,822,958	4,939,691	0	23,286,281
TOTAL FINANCIAL ASSETS	**558,356,142**	**193,059,101**	**26,691,328**	**93,417,125**	**67,834,395**	**558,356,142**
NET LIQUIDITY GAP	**53,326,934**	**978,478**	**(95,199,730)**	**(14,687,690)**	**162,235,876**	**53,326,934**
2011 RESTATED						
FINANCIAL LIABILITIES						
CUSTOMER DEPOSITS	295,625,250	184,537,441	53,373,094	57,714,715	-	295,625,250
DEPOSITS AND BAL. DUE TO BANKING INSTIT.	20,841,000	15,841,000	5,000,000	-	-	20,841,000
LONG TERM BORROWINGS	14,319,106	-	-	-	14,319,106	14,319,106
OTHER LIABILITIES	14,376,608	6,016,025	5,264,022	3,096,561	-	14,376,608
TOTAL FINANCIAL LIABILITIES	**345,161,964**	**206,394,466**	**63,637,116**	**60,811,276**	**14,319,106**	**345,161,964**
FINANCIAL ASSETS						
CASH AND BAL. WITH CENTRAL BANK OF GHANA	41,222,393	41,222,393	-	-	-	41,222,393
GOVERNMENT SECURITIES AND OTHER INVESTMENTS	76,039,100	16,384,650	7,093	54,323,963	5,323,394	76,039,100
DEPOSITS AND BAL. DUE FROM BANKING INSTIT.	40,884,030	38,884,030	-	2,000,000	-	40,884,030
LOANS AND ADVANCES TO CUSTOMERS (NET)	196,217,569	83,568,028	19,928,537	30,210,003	62,511,001	196,217,569
INTERBANK PLACEMENTS	13,000,000	13,000,000	-	-	-	13,000,000
OTHER ASSETS	13,638,857	-	6,755,698	6,883,159	-	13,638,857
TOTAL FINANCIAL ASSETS	**381,001,949**	**193,059,101**	**26,691,328**	**93,417,125**	**67,834,395**	**381,001,949**
NET LIQUIDITY GAP	**35,839,985**	**(13,335,365)**	**(36,945,788)**	**32,605,849**	**53,515,289**	**35,839,985**

The Bank's cash flow however varies significantly from this analysis. For example, customer deposits are maintained for longer periods than the contractual maturity dates hence the deposit base is considered to be of a stable and long term nature.

a. Interest rate risk

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

2012	LESS THAN 1 MONTH	1 MONTH LESS THAN 3 MONTHS	3 MONTHS LESS THAN 6 MONTHS	6 MONTHS LESS THAN 1 YEAR	1 YEAR LESS THAN 3 YEARS	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
FINANCIAL ASSETS						
GOVERNMENT SECURITIES	27,942,391	524,131	63,897,389	82,096,477	8,661,223	183,121,611
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	24,193,967	-	-	-	-	24,193,967
LOANS AND ADVANCES TO CUSTOMERS (NET)	46,652,956	42,218,072	36,934,056	29,180,308	150,113,829	305,099,221
TOTAL FINANCIAL ASSETS	**98,789,314**	**42,742,203**	**100,831,445**	**111,276,785**	**158,775,052**	**512,414,799**
FINANCIAL LIABILITIES						
CUSTOMER DEPOSITS	101,366,555	108,021,962	71,425,876	74,567,990	8,661,223	364,043,606
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	53,060,245	31,660,362	28,077,593	-	-	112,798,200
TOTAL FINANCIAL LIABILITIES	**154,426,800**	**139,682,324**	**99,503,469**	**74,567,990**	**8,661,223**	**476,841,806**
2011						
FINANCIAL ASSETS						
GOVERNMENT SECURITIES	16,384,650	7,093	54,323,175	788	5,323,394	76,039,100
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	37,990,249	-	2,000,000	-	-	- 39,990,249
LOANS AND ADVANCES TO CUSTOMERS (NET)	83,568,028	19,928,537	12,253,650	17,956,352	62,511,002	196,217,569
TOTAL FINANCIAL ASSETS	**137,942,927**	**19,935,630**	**68,576,825**	**17,957,140**	**67,834,396**	**312,246,918**
FINANCIAL LIABILITIES						
CUSTOMER DEPOSITS	64,601,570	53,373,094	45,043,868	12,670,846	13,655,651	189,345,029
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	15,841,000	5,000,000	-	-	-	20,841,000
TOTAL FINANCIAL LIABILITIES	80,442,570	58,373,094	45,043,868	12,670,846	13,655,651	210,186,029
INTEREST RATE SENSITIVITY GAP	**57,500,357**	**(38,437,464)**	**23,532,957**	**5,286,294**	**54,178,745**	**102,060,889**

b. Foreign exchange risk

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at balance sheet date (all figures are in thousand Ghana Cedis).

2012	USD	GBP	EUR	OTHER	TOTAL GH¢
	GH¢	GH¢	GH¢	GH¢	
a) ASSETS					
CASH AND BAL. WITH CENTRAL BANK OF GHANA GOVERNMENT SECURITIES	3,951,171	1,587,360	3,517,398	-	9,055,929
DEPOSITS AND BALANCE DUE FROM BANKING INSTITUTIONS	15,582,893	1,695,789	5,277,242	609,086	23,165,010
LOANS AND ADVANCES TO CUSTOMERS (NET)	103,862,160	15,091	3,105,489	-	106,982,740
OTHER ASSETS	2,339,364	9,126	175,377	-	2,523,867
TOTAL FINANCIAL ASSETS	**125,735,588**	**3,307,366**	**12,075,506**	**609,086**	**141,727,546**
b) FINANCIAL LIABILITIES					
CUSTOMER DEPOSITS	70,841,269	2,425,140	11,544,434	-	84,810,843
DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	53,346,810	882,537	-	609,086	54,838,433
OTHER LIABILITIES	1,801,753	47,989	167,490	8,837	2,026,069
TOTAL FINANCIAL LIABILITIES	**125,989,832**	**3,355,666**	**11,711,924**	**617,923**	**141,675,345**
c) NET BALANCE SHEET POSITION	**(254,244)**	**(48,300)**	**363,582**	**(8,837)**	**52,201**
2011					
a) ASSETS					
CASH AND BAL. WITH CENTRAL BANK OF GHANA	5,022,002	1,385,478	1,356,150	-	7,763,630
GOVERNMENT SECURITIES	-	-	-	-	-
DEPOSITS AND BALANCE DUE FROM BANKING INSTITUTIONS	20,590,241	(115,929)	5,471,745	719,820	26,665,877
LOANS AND ADVANCES TO CUSTOMERS (NET)	35,083,668	39	2,982,763	-	38,066,470
OTHER ASSETS	991,348	7,340	141,046	-	1,139,734
TOTAL FINANCIAL ASSETS	**61,687,259**	**1,276,928**	**9,951,704**	**719,820**	**73,635,711**
b) FINANCIAL LIABILITIES					
CUSTOMER DEPOSITS	60,340,789	1,224,065	9,319,304	-	70,884,158
OTHER LIABILITIES	995,378	9,899	184,409	26,967	1,216,653
TOTAL FINANCIAL LIABILITIES	**61,336,167**	**1,233,964**	**9,503,713**	**26,967**	**72,100,811**
c) NET BALANCE SHEET POSITION	**351,092**	**42,964**	**447,991**	**692,853**	**1,534,900**

The previous table shows the undiscounted cash flows on the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately. The gross nominal inflow/(outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment.

iii) Market risks

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

Management of market risks

Overall responsibility for management of market risk rests with Assets and Liabilities Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

a. Interest rate risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of asset and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the Bank's exposure to changes in interest rates and liquidity.

Interest rates on advances to customers and other risk assets are pegged to the Bank's base lending rate. The base rate is adjusted from time to time to reflect the cost of funds.

The Assets and Liability Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank.

The interest rate risks sensitivity analysis is based on the following assumptions.

- Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments.

- Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognized at their fair value.

- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modeling is applied to net interest margins.

- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.

- The projections make other assumptions including that all positions run to maturity.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being held constant) of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held at 31 December 2012.

Interest rate risk and foreign currency risk

The Bank has in place the Reuters system to monitor live interest and exchange rates to facilitate trading by the treasury department. This will help the Bank to know what is happening at any moment in time on the markets and where opportunities are present to make gains from high interest rates. The Bank has also instituted a Basel II compliance committee which is scheduled to meet throughout the year to review various risks that the Bank faces and how to move closely to Basel II. The Bank does not embark on hedging of its interest rate risk and foreign currency risk.

Interest Rate sensitivity Analysis

CURRENCY OF BORROWING/ADVANCE	INCREASE (DECREASE) IN BASIS POINTS	SENSITIVITY OF PROFIT OR LOSS
	2012	2012
GH¢	+500	568,951
GH¢	-500	(568,951)

Interest rate risk and foreign currency risk

The Bank has in place Reuters System to monitor live interest and exchange rates to facilitate trading by the treasury department. This helps the Bank know what is happening at any moment in time on the markets and where opportunities are present.

b. Foreign exchange risk

The Bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The Bank maintains trade with correspondent banks and takes deposits and lends in foreign currencies. The Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's currency position and exposure are managed within the exposure guideline stipulated by the Bank of Ghana. This position is reviewed on a daily basis by the management.

The exchange rates used for translating the major foreign currency balances at the year-end were as follows:

	2012	2011
	GH¢	GH¢
US DOLLAR	1.8846	1.5841
GB POUND	3.0410	2.4457
EURO	2.4851	2.0501
NGN	0.0087	0.0088

Foreign exchange risk - Appreciation/depreciation of GH¢ against other currencies. The Foreign exchange risks sensitivity analysis is ba on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Ghana Cedis (GHc).
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.
- The base currency in which the Bank's business is transacted is Ghana Cedis (GH¢).

	CHANGE IN CURRENCY RATE IN %	EFFECT ON PROFIT BEFORE TAX	CHANGE IN CURRENCY RATE IN %	EFFECT ON PROFIT BEFORE TAX
	2012	2012	2011	2011
USD	+10%	(25,424)	+10%	(35,109)
GBP	+10%	(4,829)	+10%	(4,296)
EUR	+10%	(36,358)	+10%	(44,799)
OTHER	+10%	(883)	+10%	(69,285)

iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

Operational risks relate to the risk that the Bank's operations may be halted temporarily or permanently by inadequate internal and/or systems controls, allowing for people to take advantage to commit fraud.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation \ overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

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

Compliance with the Bank's standards is supported by a programme of continuous reviews by the Bank's Branch Operations and periodic reviews by the Internal audit Department. The reports on these reviews are discussed at the Management Risk and Compliance Committee with issues being escalated to the Board Risk and Compliance Committee when necessary.

v) Compliance Risk

Compliance risk, sometimes also referred to as integrity risk because a Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing, is defined as the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice (together "laws, rules and standards").

As part of its efforts to address supervisory issues and enhance sound practices in the Bank, the Board, through its Risk and Compliance Committee and the Compliance Department of the Bank manages compliance related risk of the Bank.

6. Risk management (continued)

Compliance with laws, rules and standards helps to maintain the Bank's reputation with, and thus meet the expectations of, its customers, the markets and society as a whole. Although compliance with laws, rules and standards has always been important, compliance risk management has become more formalised within the past few years and has emerged as a distinct risk management discipline.

Management of Compliance Risk:

The Board, through its Sub-Committee on Credit and Risk, oversees the compliance functions of the Bank. The Compliance department of the Bank, on monthly basis, updates the Management Risk and Compliance Committee on critical compliance issues within the period pertaining to statutory regulations, the BANK OF AFRICA Group policies and BANK OF AFRICA – GHANA policies. Management of issues related to anti-money laundering is of core importance to the committee. The issues are aggregated and reported to the Board Credit and Risk Committee on a quarterly basis.

The Compliance department has standard procedural and policy checklist for every department of the Bank. These check list ensures compliance on all regulatory and statutory issues. The department has also instituted system to ensure that proper Know-Your-Customer (i.e. KYC) and Customer Due Diligence (i.e. CDD) procedures are followed in line with Bank of Ghana and Financial Intelligence Centre (i.e. FIC). This is achieved through a developed culture of respecting the standard account opening procedure religiously and a system that fosters a continuous update of our customer data base.

7. Capital management

Regulatory capital

The Bank of Ghana sets and monitors capital requirements for the Bank. The Bank's objectives when managing capital are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the Bank of Ghana.
- Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the Bank of Ghana for supervisory purposes. The required information is filed with the Central Bank of Ghana on a monthly basis.

The Bank of Ghana requires each bank to:

a) Hold the minimum level of regulatory capital of GHC 25 million by end of December 2011. The Bank of Ghana has mandated all banks to increase their stated capital to a minimum of GHC 60 million by year end 2010 in respect of foreign banks and year 2012 for all other banks.

b) Maintain a ratio of total regulatory capital: to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%.

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

- Tier 1 capital, which includes ordinary share capital, retained earnings, after deductions for intangible assets (excluding computer software), investments in equity instruments of other institutions and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes Capitalised Revaluations Reserves; Latent Revaluation Reserves; Undisclosed Reserves; Revaluation Sub-ordinated Loans and Hybrid Capital subject to a limit of 100% of Tier 1 Capital.

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

Capital allocation

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

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

8. Interest income

	2012	2011
	GH¢	GH¢
GOVERNMENT SECURITIES - (AVAILABLE FOR SALE INVESTMENTS)	17,501,477	11,536,148
UNQUOTED INVESTMENTS - (HELD TO MATURITY INVESTMENTS)	248,610	2,113,985
LOANS AND ADVANCES	44,883,345	39,102,663
TOTAL	**62,633,432**	**52,752,796**

9. Interest expense

	2012	2011
	GH¢	GH¢
(a) ON DEPOSITS		
FIXED/TIME DEPOSITS	21,321,928	24,705,981
SAVINGS DEPOSITS	1,442,964	1,541,590
DEMAND AND CALL DEPOSITS	461,882	1,218,936
TOTAL	**23,226,774**	**27,466,507**
(b) ON BORROWED FUNDS		
INTER-BANK BORROWING	5,798,337	351,473
LONG-TERM BORROWING	1,463,895	1,921,452
TOTAL	**7,262,232**	**2,272,925**
TOTAL INTEREST EXPENSES	**30,489,006**	**29,739,432**

10. Net fees and commission income

	2012	2011
	GH¢	GH¢
(a) INCOME		
COMMISSION ON TURNOVER	1,667,402	1,345,972
FEES AND CHARGES	858,833	2,656,385
FOREIGN TRADE INCOME	3,841,292	2,312,977
LOAN FEE INCOMES	4,622,359	702,840
GUARANTEES CHARGES AND COMMISSION	466,447	847,484
TOTAL	**11,456,333**	**7,865,658**
(b) EXPENSES		
FEES AND COMMISSIONS EXPENSES	(437,035)	(179,619)
TOTAL	**11,019,298**	**7,686,039**

11. Gains on foreign exchange dealings

Gains on foreign currency dealings arose from dealings in foreign currency transactions and also on the translation of foreign currency assets and liabilities.

12. Other income

	2012	2011
	GH¢	GH¢
BAD DEBTS RECOVERED	82,535	517,590
FOREIGN EXCHANGE DEALINGS	7,504,198	3,660,201
GAIN/(LOSS) ON DISPOSAL OF FIXED ASSETS (NOTE 23(b))	210,055	159,002
TOTAL	**7,796,788**	**4,336,793**

13. Operating expenses

	2012	2011
	GH¢	GH¢
STAFF COSTS (NOTE 14)	15,144,992	16,502,305
DIRECTORS' FEES	340,000	194,500
DIRECTORS EMOLUMENT	120,666	58,798
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	1,720,437	2,146,806
AMORTISATION OF LEASEHOLD LAND	33,255	28,045
AMORTISATION OF INTANGIBLE ASSETS	479,924	66,571
OCCUPANCY COST	4,265,925	3,570,579
AUDITORS REMUNERATION	83,432	45,000
DONATIONS AND SOCIAL RESPONSIBILITY	66,917	45,140
MOTOR VEHICLE RUNNING	473,775	640,933
GENERAL AND ADMINISTRATIVE	6,165,531	4,789,697
REPAIRS AND MAINTENANCE	514,678	414,532
INSURANCE	128,303	172,843
LEGAL AND OTHER PROFESSIONAL FEES	2,596,477	834,958
SOFTWARE FEES AND MAINTENANCE	1,011,618	654,275
TRAINING AND RESEARCH	148,235	133,301
SECURITY	617,515	442,296
TELEPHONE AND POSTAGE	432,865	398,686
TOTAL	34,344,545	31,139,265

14. Staff costs

	2012	2011
	GH¢	GH¢
SALARIES AND WAGES	11,612,647	11,559,397
PENSION COSTS	796,658	727,508
OTHER STAFF RELATED COSTS	2,735,687	4,215,400
TOTAL	15,144,992	16,502,305

15. Taxation

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	2012	2011 RESTATED
	GH¢	GH¢
(a) TAXATION CHARGED TO INCOME STATEMENT		
CURRENT INCOME TAX	218,635	-
DEFERRED TAX (EXPENSE)/RECOVERY	63,896	136,727
TOTAL	**282,531**	**136,727**
(b) RECONCILIATION OF TAX CHARGE TO THE EXPECTED TAX BASED ON ACCOUNTING PROFIT		
ACCOUNTING PROFIT/(LOSS) BEFORE TAXATION	2,363,914	(13,523,825)
TAX AT THE APPLICABLE RATE OF 25%	590,979	-
TAX ON NON–DEDUCTIBLE EXPENSES	639,522	-
INCOME NOT SUBJECT TO TAX	(52,513)	-
CAPITAL ALLOWANCE	(959,353)	-
CURRENT YEAR DEFERRED TAX	63,896	136,727
TOTAL	**282,531**	**136,727**

The effective income tax rate for 2012 is 12% (2011:5%).

(c) DEFERRED TAXATION		
DEFERRED TAX LIABILITIES:		
PROPERTY, PLANT AND EQUIPMENT	790,387	726,492
DEFERRED TAX ASSETS:		
AVAILABLE FOR SALE INVESTMENTS	(5,727)	-
NET DEFERRED TAX (LIABILITY)/ASSET	**784,660**	**726,492**
MOVEMENT ON THE DEFERRED TAX ACCOUNT AS SHOWN IN THE INCOME STATEMENTS IS AS FOLLOWS:		
ACCELERATED TAX DEPRECIATION	63,896	136,727
TOTAL	**63,896**	**136,727**

(d) CORPORATE TAXATION (PAYABLE)/RECOVERABLE

	01/01/2012	PAID DURING THE YEAR	CHARGED DURING THE YEAR	31/12/2012
	GH¢	GH¢	GH¢	GH¢
2011	(490,500)	-	-	(490,500)
2012	-	(1,289,841)	218,636	(1,071,205)
TOTAL	**(490,500)**	**(1,289,841)**	**218,636**	**(1,561,705)**

16. Net loss on available for sale assets

	2012	2011
	GH¢	GH¢
LOSS ON AVAILABLE FOR SALE	(22,908)	-
DEFERRED TAX	5,727	-
TOTAL	(17,181)	-

17. Net loss on available for sale assets

Earnings per share are calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the year.

	2012	2011
	GH¢	GH¢
EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	2,081,383	(14,250,317)
NUMBER OF SHARES		
NUMBER OF ORDINARY SHARES ISSUED	77,514,031	48,182,142
EARNINGS PER SHARE - BASIC (GH¢)	0.027	(0.28)
There were no potentially dilutive instruments outstanding at balance sheet date.		
EARNINGS PER SHARE - DILUTED (GH¢)	0.027	(0.28)

18. Cash on hand balances with Bank of Ghana

	2012	2011
	GH¢	GH¢
CASH ON HAND	13,969,834	10,706,064
BALANCES WITH BANK OF GHANA	37,099,255	30,516,329
TOTAL	51,069,089	41,222,393

19. Investments in Government securities

	2012	2011
	GH¢	GH¢
AVAILABLE FOR SALE		
91-DAY TREASURY BILL	27,779,980	58,332
182-DAY TREASURY BILL	62,433,663	70,655,663
TOTAL	90,213,643	70,713,995
HELD TO MATURITY		
1 YEAR TREASURY NOTES	31,434,066	3,867
2-YEAR FIXED RATE NOTE	18,410,071	2,641,222
3-YEAR NOTES	10,881,391	-
5-YEAR TREASURY BONDS - AFS	3,768,413	2,680,016
TOTAL	64,493,941	5,325,105
TOTAL INVESTMENTS IN GOVERNMENT SECURITIES	154,707,584	76,039,100

20. Deposits and balances due from banking institutions

	2012	2011
	GH¢	GH¢
FROM BANKING INSTITUTIONS		
LOCAL CURRENCY	1,028,957	14,198,190
FOREIGN CURRENCY	23,165,010	26,685,840
INTERBANK PLACEMENT	-	13,000,000
TOTAL	24,193,967	53,884,030

21. Loans and advances to customers

	2012	2011
	GH¢	GH¢
A) OVERDRAFTS	107,962,927	86,944,821
MORTGAGES	151,948	161,918
LOANS	260,488,229	153,783,874
GROSS LOANS AND ADVANCES	368,603,104	240,890,613
PROVISION FOR IMPAIRED LOANS AND ADVANCES:		
PROVISION FOR BAD DEBT	(36,441,156)	(32,883,061)
INTEREST IN SUSPENSE	(27,062,727)	(11,789,983)
TOTAL	305,099,221	196,217,569

Included in loans and advances to customers are staff loans amounting to GH¢ 4,082,802 (2011 - GH¢ 2,507,184).

LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)	2012	2011
	GH¢	GH¢
(b) BY MATURITY		
MATURING:		
WITHIN ONE YEAR	154,964,410	133,706,567
ONE TO THREE YEARS	150,134,811	62,511,002
TOTAL	305,099,221	196,217,569

(c) LOANS AND ADVANCES TO CUSTOMERS

PROVISION FOR LOANS AND ADVANCES		
AT 1 JANUARY		
COLLECTIVE IMPAIRMENT	-	7,522,916
INDIVIDUAL IMPAIRMENT	14,252,053	9,897,840
AT 31 DECEMBER	14,252,053	17,420,756

22. Other assets

	2012	2011
	GH¢	GH¢
INTEREST RECEIVABLE	6,233,041	4,077,921
PREPAYMENTS	5,463,972	3,416,531
STATIONERY STOCKS	194,162	189,521
LOCAL CHEQUES ON COLLECTION	7,567,341	4,456,280
FOREIGN BILLS ON COLLECTION	1,100,405	463,601
OTHERS	1,165,655	1,035,003
TOTAL	21,724,576	13,638,857

23(a). Property, plant and equipment 2012

	BUILDINGS ON SHORT LEASEHOLD LANDS	OFFICE EQUIPMENT	FURNITURE & FITTINGS	MOTOR VEHICLES	COMPUTER HARDWARE	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
COST/VALUATION						
AT JANUARY 2012	2,014,687	4,776,304	1,013,403	2,480,792	1,417,676	11,702,862
ADDITIONS	35,528	1,118,289	159,897	187,949	833,581	2,335,244
TRANSFERS/DISPOSALS	-	(16,376)	(71,456)	(1,292,172)	(70,260)	(1,450,264)
AT 31 DECEMBER 2012	2,050,215	5,878,217	1,101,844	1,376,569	2,180,997	12,587,842
DEPRECIATION						
AT JANUARY 2012	270,602	2,541,314	737,609	1,586,889	1,153,824	6,290,238
CHARGE FOR THE YEAR	95,613	877,210	134,050	309,473	304,091	1,720,437
RELEASED ON DISP./REVALUATION	-	(16,552)	(63,434)	(983,811)	(70,258)	(1,134,055)
AT 31 DECEMBER 2012	366,215	3,401,972	808,225	912,551	1,387,657	6,876,620
NET BOOK VALUE AT 31 DECEMBER 2012	1,684,000	2,476,245	293,619	464,018	793,340	5,711,222

23(b). Disposal schedule 2012

	COST	ACCUM. DEPRN.	NBV	DISPOSAL VALUE	PROFIT/ (LOSS)
	GH¢	GH¢	GH¢	GH¢	GH¢
MOTOR VEHICLE	1,292,172	983,811	308,361	516,001	207,641
FURNITURE AND FITTINGS	71,456	63,434	8,022	8,721	699
COMPUTER SOFTWARE	70,260	70,259	1	-	(1)
OFFICE EQUIPMENT	16,376	16,552	(176)	1,540	1,716
TOTAL	1,450,264	1,134,056	316,208	526,262	210,055

23(c). Property, plant and equipment 2011

	BUILDINGS ON SHORT LEASEHOLD LANDS	OFFICE EQUIPMENT	FURNITURE & FITTINGS	MOTOR VEHICLES	COMPUTER HARDWARE	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
COST/VALUATION						
AT JANUARY 2011	2,002,083	4,116,553	981,021	2,942,834	1,323,732	11,366,223
ADDITIONS	12,604	706,562	54,354	-	93,943	867,463
DISPOSAL	-	(46,811)	(21,972)	(462,042)	-	(530,825)
AT 31 DECEMBER 2011	2,014,687	4,776,304	1,013,403	2,480,792	1,417,675	11,702,861
DEPRECIATION						
AT JANUARY 2011	177,202	1,752,596	580,806	1,435,123	688,764	4,634,491
CHARGE FOR THE YEAR	93,400	831,849	171,228	585,269	465,060	2,146,806
RELEASED ON DISPOSAL/REVALUATION	-	(43,131)	(14,425)	(433,503)	-	(491,059)
AT 31 DECEMBER 2011	270,602	2,541,314	737,609	1,586,889	1,153,824	6,290,238
NET BOOK VALUE AT 31 DECEMBER 2011	1,744,085	2,234,990	275,794	893,903	263,851	5,412,623

23(d). Disposal schedule 2011

	COST	ACCUM. DEPRN.	NBV	DISPOSAL VALUE	PROFIT/ (LOSS)
	GH¢	GH¢	GH¢	GH¢	GH¢
MOTOR VEHICLE	462,042	(433,503)	28,539	188,781	160,242
FURNITURE AND FITTINGS	21,972	(14,425)	7,546	-	(7,546)
OFFICE EQUIPMENT	46,811	(43,131)	3,680	9,986	6,306
TOTAL	530,825	(491,059)	39,765	198,767	159,002

24. Intangible assets

	2012	2011
	GH¢	GH¢
AS AT 1 JANUARY	477,359	543,930
ADDITIONS	2,340,502	-
AMORTISATION	(479,924)	(66,571)
TOTAL	**2,337,937**	**477,359**

The intangible assets represent computer software costs.

25. Operating lease prepaid

	2012	2011
	GH¢	GH¢
OPERATING LEASE PREPAID	1,214,338	1,242,382
AMORTISATION	(33,256)	(28,044)
BALANCE AT 31 DECEMBER	**1,181,082**	**1,214,338**

Future minimum lease payments are as follows:

NOT LATER THAN ONE YEAR	33,255	28,045
LATER THAN ONE YEAR BUT NOT LATER THAN FIVE YEARS	133,020	112,176
LATER THAN FIVE YEARS	1,014,807	1,074,117
TOTAL	**1,181,082**	**1,214,338**

26. Customer deposits

	2012	2011
	GH¢	GH¢
SAVINGS DEPOSITS	48,622,764	36,374,593
DEMAND AND CALL DEPOSITS	140,111,741	117,459,532
FIXED/TIME DEPOSITS	175,309,101	141,791,125
TOTAL	364,043,606	295,625,250

CUSTOMER DEPOSITS	2012	2011
MATURITY ANALYSIS OF CUSTOMER DEPOSITS	GH¢	GH¢
FROM GOVERNMENT AND PARASTATALS:		
PAYABLE WITHIN 90 DAYS	15,249,891	51,779,810
PAYABLE AFTER 90 DAYS AND WITHIN ONE YEAR	60,999,565	22,658,393
TOTAL	76,249,456	74,438,203
FROM PRIVATE SECTOR AND INDIVIDUALS:		
PAYABLE WITHIN 90 DAYS	203,138,626	181,983,161
PAYABLE AFTER 90 DAYS AND WITHIN ONE YEAR	84,655,524	39,203,886
TOTAL	287,794,150	221,187,047
AT 31 DECEMBER	364,043,606	295,625,250

27. Deposits and balances due to banking institutions

	2012	2011
	GH¢	GH¢
FOREIGN BANKS	28,269,000	-
LOCAL BANKS	84,529,200	20,841,000
TOTAL	112,798,200	20,841,000

28. Other liabilities

	2012	2011
	GH¢	GH¢
INTEREST PAYABLE	7,819,361	4,450,868
ACCRUALS	3,634,967	3,966,232
SUNDRY CREDITORS	1,084,169	2,589,186
OTHER TRADE CREDITORS	4,611,329	3,370,322
TOTAL	17,149,826	14,376,608

29. Long term borrowings

	2012	2011
	GH¢	GH¢
LOANS:		
SOCIAL SECURITY AND NATIONAL INSURANCE TRUST (SSNIT)	10,248,796	11,784,779
OIKOCREDIT	-	79,205
EXPORT DEVELOPMENT AND INVESTMENT FUND (EDIF)	-	1,791,667
TOTAL	10,248,796	13,655,651
INTEREST PAYABLE	788,780	663,455
TOTAL	11,037,576	14,319,106
MATURITY ANALYSIS PAYABLE:		
WITHIN ONE YEAR	3,350,979	1,242,660
IN THE SECOND TO FIFTH YEAR INCLUSIVE	7,686,597	13,076,446
TOTAL	11,037,576	14,319,106

i. The loan from SSNIT is a five (5) Year facility with one (1) year moratorium on repayment of Interest and Principal, and subsequent quarterly repayment of Principal and Interest.

ii. The Oikocredit facility is for four years with eight (8) equal half-yearly repayment of interest and Principal every half Year.

iii. The EDIF loan is a facility granted for onward lending to the private sector.

30. Stated capital

2012		
AUTHORISED	NUMBER OF SHARES	NUMBER OF SHARES
NUMBER OF ORDINARY SHARES OF NO PAR VALUE	100,000,000	50,000,000

ISSUED AND FULLY PAID	NUMBER OF SHARES	GH¢
AT 1 JANUARY 2011	48,182,142	60,460,828
ISSUED FOR CASH	29,331,889	17,000,000
AT 31 DECEMBER 2012	77,514,031	77,460,828

2011		
AUTHORISED	NUMBER OF SHARES	NUMBER OF SHARES
ISSUED FOR CASH	48,065,715	60,314,731
ISSUED FOR CONSIDERATION OTHER THAN CASH	116,427	146,097
AT 31 DECEMBER 2012	48,182,142	60,460,828

BOA WEST AFRICA acquired 86.6% of former AMALGAMATED BANK Limited bringing the stated capital to GH¢ 60,460,828 in 2011.

31. Regulatory credit risk reserve

Regulatory credit risk reserve represents cumulative amounts required to meet the Bank of Ghana guidelines for loan impairment allowances. The Bank's regulator (Bank of Ghana) requires a transfer from income surplus to regulatory credit risk reserve account when the impairment allowance per IFRS is lesser than the impairment allowance per Bank of Ghana' guideless.

	2012	2011
	GH¢	GH¢
1 JANUARY	6,268,000	4,068,773
TRANSFER FROM INCOME SURPLUS	4,363,087	2,199,227
31 DECEMBER	10,631,087	6,268,000

32. Statutory reserve

This is an accumulation of transfers from profit for the year in accordance with section 29 of the Banking Act.

	2012	2011
	GH¢	GH¢
1 JANUARY	7,817,701	7,817,701
TRANSFER FROM INCOME SURPLUS	1,040,691	-
31 DECEMBER	8,858,392	7,817,701

33. Notes to the cash flow statement

	2012	2011
	GH¢	GH¢
(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
PROFIT/(LOSS) BEFORE TAXATION	2,363,914	(13,523,825)
ADJUSTMENTS FOR:		
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	1,720,437	2,146,806
AMORTISATION OF INTANGIBLE ASSET	479,924	66,571
AMORTISATION OF LEASE HOLD LAND	33,255	28,045
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	(210,055)	(159,002)
PROFIT BEFORE WORKING CAPITAL CHANGES	4,387,475	(11,441,405)
INCREASE IN LOANS AND ADVANCES	(108,881,652)	(8,329,059)
(INCREASE)/DECREASE IN OTHER ASSETS	(8,085,721)	9,802,192
DECREASE IN OTHER INVESTMENTS	-	6,253,663
(INCREASE)/DECREASE IN GOVERNMENT SECURITIES INVESTMENTS	(78,691,392)	28,074,382
INCREASE/(DECREASE) IN CUSTOMER DEPOSITS	68,418,356	(75,107,924)
INCREASE IN BALANCES DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	91,957,200	6,340,999
INCREASE IN OTHER LIABILITIES	2,773,218	2,639,344
TAX PAID	(1,289,841)	(490,500)
REFUND OF TAX OVER PAYMENT	-	522,306
CASH GENERATED FROM OPERATIONS	**29,412,357**	**(41,736,002)**
(b) ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH ON HAND	51,069,089	41,222,393
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	24,193,967	53,884,030
TOTAL	**75,263,056**	**95,106,423**

For the purposes of the cash flow statement, cash equivalents include short term liquid investments with maturities less than three months.

31. Contingencies and commitments including off balance sheet items

Contingent liabilities

In common with other banks, the Bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2012	2011
	GH¢	GH¢
LETTERS OF CREDIT	60,887,758	18,064,485
OTHER COMMITMENTS	20,786,338	20,419,163
TOTAL	**81,674,096**	**38,483,648**

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Pending legal claims

As at the year end, there were some cases pending against the Bank. The Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these financial statements. Should judgement go in favour of the plaintiffs, the likely claims against the bank have been estimated at GH¢ 753,130.

Capital expenditure

Capital expenditure not provided for in the financial statements as at 31 December 2012 was nil (2011: nil).

35. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Advances to customers at 31 December 2012 included advances and loans to companies associated to Directors. All transactions with related parties are done at arm's length in the normal course of business, and on terms and conditions similar to those applicable to other customers.

(a) Details of related party balances are as follows:

Below is the total volume of services purchased from the Bank's related parties during the year.

	2012	2011
	GH¢	GH¢
AFRICAN FINANCIAL HOLDING'S SERVICES	1,514,465	-
ATLANTIC CLIMATE CONTROL	2,125,228	-
TOTAL	3,639,693	-

(b) Details of related party balances are as follows:

	2012	2011
	GH¢	GH¢
ADVANCES TO CUSTOMERS:		
ATLANTIC CLIMATE CONTROL LIMITED	249,814	1,574,099
ATLANTIC WORKS LIMITED	-	164,069
ATLANTIC INTERNATIONAL HOLDINGS	4,530,653	1,508,037
ATLANTIC COMPUTERS AND ELECTRONICS	169,993	-
CRESTAR PAINT INDUSTRIES LIMITED	-	75,752
THE OFFICE FURNITURE	27,770	-
BOA-TANZANIA	155,207	-
BOA-KENYA	124,611	-
BOA-FRANCE	(82,989)	-
BOA-MALI	232,727	-
BOA-BENIN	146,622	-
BOA-CÔTE D'IVOIRE	37,209	-
BOA-NIGER	13,383	-
TOTAL	5,605,000	3,321,957

The above facilities were granted in the normal course of business of the Bank.

35. Related party transactions (continued)

(c) Key management compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2012	2011
	GH¢	GH¢
SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS	1,104,275	1,014,807
DEFINE CONTRIBUTION	61,910	28,004
TOTAL	**1,166,185**	**1,042,811**

Key management staff constitutes staff with grades from Assistant General Manager.

(d) Directors' remuneration

	2012	2011
	GH¢	GH¢
FEES FOR SERVICES AS A DIRECTOR	340,000	194,500
OTHER EMOLUMENTS	120,666	58,798
TOTAL	**460,666**	**253,298**

36. Employees benefits

The Bank makes contributions to a statutory pension scheme and a defined contribution to a provident fund for eligible employees. Contributions by the Bank to the mandatory pension scheme are determined by law. Total contributions to the scheme in the year 2012 were GH¢ 796,658. A total contribution towards employees provident fund was GH¢ 527,144. The Bank's liability in both schemes is limited to its unpaid contributions to the scheme. The staffs Provident Fund is currently managed by treasury department in collaboration with the human resources.

	2012	2011
	GH¢	GH¢
CONTRIBUTIONS TO THE STATUTORY DEFINED PENSION SCHEME (SSNIT)	796,658	727,508
CONTRIBUTIONS TO STAFF PROVIDENT FUND	527,144	521,637
TOTAL	**1,323,802**	**1,249,145**

37. Government related transactions

Government advances

The movement in Government related advances is as follows:

	2012	2011
	GH¢	GH¢
AT 1 JANUARY	76,039,100	104,113,483
NET ACQUISITIONS IN 2012	78,691,392	(28,074,383)
AT 31 DECEMBER 2012	154,730,492	76,039,100

The balance due from Government is categorised under Available for Sale Government Securities.

38. Assets pledged as security

As at 31 December 2012, a total of GH¢ 74,369,574 of the Bank's investment in Government of Ghana securities were pledged as security for liabilities from other financial institutions.

39. Fair values

The carrying values of financial assets and liabilities are not significantly different from their fair values.

40. Currency

These financial statements are presented in Ghana Cedis (GH¢).

41. Capital adequacy ratio

The capital adequacy ratio as at 31 December 2012 was 10.73% (2011: 10.46%).

	2012	2011
	GH¢	GH¢
PAID-UP CAPITAL	77,461	60,461
DISCLOSED RESERVES	(15,688)	(23,266)
TIER 1 CAPITAL (1+2+3)	61,773	37,195
LESS		
GOODWILL/INTANGIBLES	16,095	8,803
ADJUSTED CAPITAL BASE	45,678	28,392
TOTAL ASSETS (LESS CONTRA ITEMS)	567,586	388,625
LESS		
CASH AT BANK OF GHANA	203,491	137,182
CLAIMS OF FINANCIAL AND GUARANTEED LOANS	51,069	38,473
ADJUSTED TOTAL ASSETS	313,026	212,970
ADD		-
NET CONTINGENT LIABILITIES	78,513	27,299
50% OF NOP	1,039	767
100% OF 3YRS AVERAGE ANNUAL GROSS INCOME	33,197	30,470
ADJUSTED ASSET BASE	425,775	271,506
CAPITAL ADEQUACY RATIO (%)	10.73	10.46
CAPITAL SURPLUS/DEFICIT	3,101	1,241

42. Breaches in statutory liquidity

The Bank breached its reporting of daily NOP in the month of April 2012. It also breached the single obligor limit in October 2012 contrary to Section 42(1) of the Banking Act 2004 (Act 673). These have since been rectified.

	NUMBER OF SHARES	PERCENTAGE
BOA WEST AFRICA	71,906,053	92.77%
ERIC OSEI BONSU	122,091	0.16%
WELBECK ABRA-APPIAH	130,448	0.17%
MIGUEL RIBEIRO	97,162	0.13%
JOHN A.Y. KLINOGO	112,874	0.15%
ESTATE OF ALEX AWUKU	124,228	0.16%
CHRISTOPHER ADOM	281,858	0.36%
NANA OWUSU-AFARI	1,298,165	1.67%
ESTATE OF DR. H.O.K. ATA	3,441,134	4.44%
TOTAL	**77,514,013**	**100%**

Personal notes

Personal notes

BANK OF AFRICA – GHANA

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