BANK OF AFRICA – GHANA

ANNUAL REPORT

2011

BANK OF AFRICA GHANA

GROUPE BANK OF AFRICA

Pour l’essor de notre continent.
Developing our continent.

Table of contents

BANK OF AFRICA – NIGER

8 Branches in Niamey.
8 Regional Branches.

BANK OF AFRICA – MALI

15 Branches in Bamako.
8 Regional Branches and 2 Local Branches.

BANK OF AFRICA – SÉNÉGAL

18 Branches in Dakar.
7 Regional Branches.

BANK OF AFRICA – BURKINA FASO

14 Branches in Ouagadougou.
11 Regional Branches.

BANK OF AFRICA – CÔTE D'IVOIRE

12 Branches in Abidjan.
8 Regional Branches and 1 Local Branch.

BANK OF AFRICA – GHANA

14 Branches in Accra.
5 Regional Branches.

BANK OF AFRICA – BÉNIN

23 Branches in Cotonou.
19 Regional Branches.

BANQUE DE L'HABITAT DU BÉNIN

1 Branch in Cotonou.

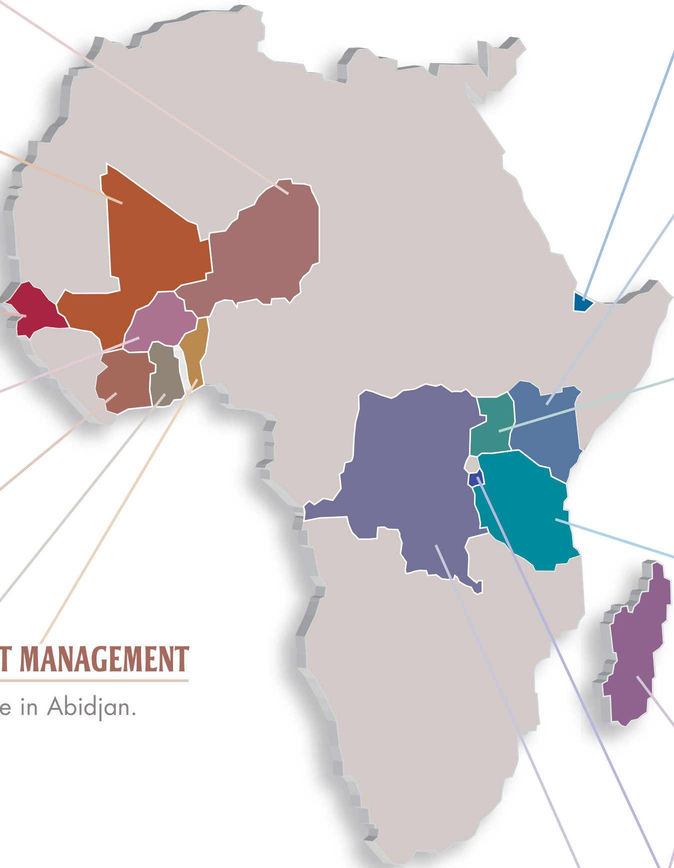
Group Banks and Subsidiaries

BOA-FRANCE

4 Branches in Paris.
1 Branch in Marseille.

BOA GROUP REPRESENTATIVE OFFICE

Head Office in Paris, France.



BANK OF AFRICA – MER ROUGE

3 Branches in Djibouti.

BANK OF AFRICA – KENYA

10 Branches in Nairobi.
12 Regional Branches.

BANK OF AFRICA – UGANDA

19 Branches in Kampala.
11 Regional Branches.

BANK OF AFRICA – TANZANIA

10 Branches in Dar es Salaam.
6 Regional Branches.

BANK OF AFRICA – MADAGASCAR

20 Branches in Antananarivo.
47 Regional Branches.

BANQUE DE CRÉDIT DE BUJUMBURA

(BCB) Integrated into BOA network in 2008.

7 Branches and 3 Counters in Bujumbura.
11 Branches and 2 Counters in Provinces.

BANK OF AFRICA – RDC

7 Branches in Kinshasa.
1 Regional Branch.

AGORA

BOA-ASSET MANAGEMENT

Head Office in Abidjan.

ÉQUIPBAIL – MADAGASCAR

ACTIBOURSE

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

BANK OF AFRICA FOUNDATION

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

AÏSSA

ATTICA

BANK OF AFRICA Group strong points

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

GROUP TURNOVER 2011

± 385 M€

1,200,000 bank accounts

A strong network

More than 4,500 people at your service.

About 340 dedicated operating and service support offices in 15 countries.

A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, numbering around 450 at 30 June 2012.

Close to one million two hundred thousand 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.

Main products of the Bank

BOA-GHANA

Accounts	Current Account
	Individual Current Account
	Kids and Teen Account
	Pearl Account
	Premium Thrift Account
	Student Account
Investment Products	Call Deposits Account
	Easy Save Account
	Executive Savings Account
	Fixed Deposit Account
	Individual Savings Account
	Quality Education Plan
	Savings Account
Electronic Banking	SESAME Card
	Internet Banking
	SMS Banking
M-Payment	MTN Mobile Money
Loans	Overdraft
	Personal Loans
	Project Financing
	Salary Advance
	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 2011

Comments from the Managing Director

INTRODUCTION

It is my pleasure to present the 2011 annual report of BANK OF AFRICA – GHANA Ltd. It was a challenging year with solid foundations being built to serve as the base for developing a strong and resilient bank.

BANKING INDUSTRY

The Ghanaian financial services market offers significant opportunities with the recent oil production, trends in global commodity prices, influx of Foreign Direct Investments and growth in Private Sector activities within the local market. The stable environment has provided substantial impetus for economic activity. The Bank of Ghana's real sector surveys and confidence indices have, on the average, indicated increased confidence in the economy from both consumers and businesses. The implications for the Ghanaian banking industry are bright despite the perennial challenges like high cost of borrowing and dwindling interest margins.

Interest continues to constitute the most significant component of banking income derived from operations. In recent years, interest margins have been gradually shrinking as competition becomes intense. With reductions in Government borrowing, Treasury rate pricing trended downwards, reducing base and borrowing rates. A greater focus on a transaction-based revenue portfolio, which is often unfunded and less prone to default, has become attractive.

RECAPITALISATION AND ENTRY OF BANK OF AFRICA GROUP
TO THE GHANAIAN BANKING SCENE

Following Bank of Ghana's directive to all banks to recapitalize, BANK OF AFRICA Group approached the Board and Shareholders of the then Amalgamated Bank Limited about the possibility of acquiring a majority stake in the Bank. Agreement was subsequently reached and the acquisition took place on 2nd February 2011.

The Bank started operating under the brand name BANK OF AFRICA – GHANA LIMITED in September 2011. BOA GROUP has so far invested GH¢ 53.26 million being convinced that the Ghanaian market offers significant opportunities for working with customers in retail, corporate and SME segments of the banking industry.

FINANCIALS

The Bank registered a net loss of GH¢ 13.5 million, improving by 20% over the previous year's loss of GH¢ 16.7 million.

Our impaired loan book, called for sanitization of the loan portfolio as well as the adoption of more stringent approval procedures. During the year, GH¢ 17.4 million was charged as provision for bad debts and GH¢ 7.62 million of interest on non-performing loans was suspended. The combined impact was an increase in total provision to NPL ratio from 43% to 58% as at December 2011. The rigorous recovery policy put in place is yielding good results. Recoveries made during the year were beyond expectations of the due diligence exercise carried out by the BANK OF AFRICA Group, with total cash recoveries from NPLs totaling of GH¢ 31 million. A portion of impaired facilities have been restructured and are performing in line with the settlement terms reached.

We are very optimistic that this sterling performance will continue in 2012, with the various strategies to reduce the risks in the credit portfolio being implemented. These measures, together with the alignment of credit approval processes to that of the Group, have positioned the Bank for superior credit performance in the coming years.

Even with the suspension of interest, the Net Interest income improved from GH¢ 20.16 million in 2010 to GH¢ 23.01 million in 2011, a growth of 14%. Interest income from lending decreased as a result of a deliberate policy to slow advances to mitigate the effects of the NPA book. This enabled management to focus on recoveries, ring fence the asset book, streamline the credit process, and introduce new governance structures for availing credit and management of the Bank in line with best practices and BOA Group standards.

We kept operating expenses in check and recorded an improved total operating cost to net operating income ratio. Total operating expenses increased by only 12.35% inspite of a significant expenditure on re-branding and staff restructuring.

Although the Bank's balance sheet shrunk by 6% in 2011 from GH¢ 415 million to GH¢ 389 million, it was relatively more efficient than the previous year. The reduction in the size of the balance sheet was driven by the decline in customers' deposits from GH¢ 371 million to GH¢ 296 million. This was the outcome of a deliberate strategy to de-emphasize the sourcing of expensive term deposits. This saw the percentage of terms funds to total deposits dropped from 57% to 48% over the year.

Net loans grew by a marginal 4.4% to GH¢ 196 million.

GOING FORWARD

The Bank aims to grow all aspects of the Bank's activities. Our focus for the coming year will be on further improving credit asset quality, service excellence, achieving sustainable profitability, consolidating structures for improved efficiency, corporate governance and business growth.

There are increasingly valuable business opportunities emerging in the economy for financing large scale projects in oil and gas, telecommunications, mining, real estate, hospitality sectors as well as the non-traditional export sectors. The Bank is planning to tap into these sectors significantly.

In 2012, we will create the right momentum for future growth and institutionalizing the changes that started in 2011.

Kobby ANDAH

Managing Director

Highlights

2011 BOA Meetings for Group Directors, in Marrakesh.

FEBRUARY

Board members and Shareholders passed Shareholder and Subscription Agreement to enable BOA GROUP acquire majority stake in the Bank.

Initial capital investment of USD 19,169,822.25 received from BOA GROUP.

MAY

Participation in the BANK OF AFRICA Group network management meetings, in Dakar, Senegal.

JUNE

Received EURO 11,460,207.31 as second batch of investment from BOA GROUP.
This made the Bank meet the stated capital requirements for foreign banks.

AUGUST

Rebranding of the Bank started touching on changing signages, applying for and receiving the necessary licenses.

SEPTEMBER

New brand launched at Movenpick Hotel. The occasion was graced by attendance of the Vice President of Ghana, who was the guest of honour.

OCTOBER

Equinox, the previous banking software was changed to IGOR.

Participation in the BANK OF AFRICA Group Directors meetings, in Marrakesh, Morocco, which was also attended by one hundred BOA customers.

Key figures

2011 BOA Meetings for senior officers of the Group in Dakar.

Total Assets

388.60

GHS' million

ACTIVITY	on 31/12/2011
Deposits*	295.63
Loans*	196.21

INCOME	on 31/12/2011
Net interest income*	23.01
Operating income*	35.04
Operating expenses*	31.14
Profit before tax*	(13.52)
Profit after tax*	(13.52)

STRUCTURE	on 31/12/2011
Total Assets*	388.60
Number of Employees	394

(*) In GHS' millions (1 Euro = 2.050 GHS as at 31st December 2011)

Corporate Social Responsibility Initiatives

BANK OF AFRICA – GHANA LTD (BOA-GHANA) believes that the four broad arguments for corporate social responsibility (moral obligation, sustainability, license to operate, and reputation) apply in varying measure to the Bank.

We focused on aligning our CSR activities to that of the Group. Most activities were Health related.

HEALTH

Staff donate to Richard KUSI YEBOAH

Following staff donation made into the Haiti Account, GHS 2,500 was withdrawn and made available to Gladys KUSI YEBOAH, mother of Richard by Head, Marketing and Communication and Head, Retail Banking. Richard has been diagnosed with a kidney disorder and requires 3 dialysis treatments in a week at a cost of $100. He does only two a week for cost reasons. Staff of the Bank were touched by his plight and donated various sums of money for his upkeep.

Matthew 25 Christmas Soup Kitchen at Koforidua

Every year, Matthew 25, a foster home for destitute and HIV children at Koforidua in the Eastern Region of Ghana, holds a year end party for their inmates. Last year, BOA-GHANA donated GHS 2,000 to cover the cost of the party.

The party was patronized by others in the community as well as religious groups and government officials.

After going for one of his weekly dialysis treatments, Richard KUSI YEBOAH and his mother passed our office to receive the cheque covering donations from staff. Richard will be able to receive several treatments from the donation received. Donations are still coming in for him.

Social groups
came in their outfits
to grace the occasion.
They used the occasion
to show their support
for the disadvantaged
in the community.

Members of the community
joined the inmates
to dance to secular
and popular music.
There was high participation
from all ages and sexes.

The occasion
was graced by the priest
of the local parish.
Government officials
from the Ministries of Health
and Social Welfare,
passed by to wish inmates,
season's greetings.

Board of Directors

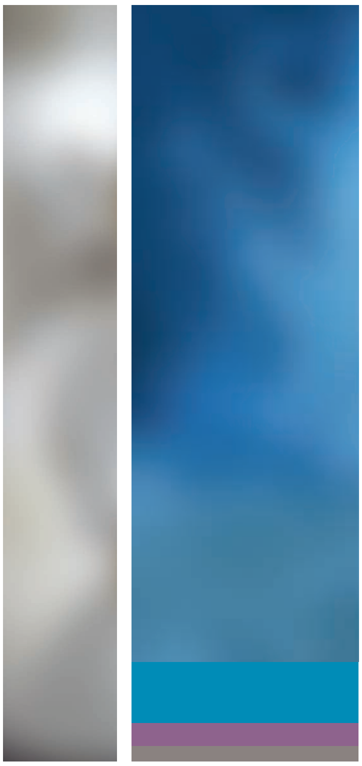
The Directors who held office during the year and to the date of 1st March 2012 were:

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

Capital

The Bank has 50,000,000 authorized ordinary shares with a cumulative nominal value of GHS 60.46 million. The following is the Bank's shareholding structure as at 1st March 2012.

Shareholding position based on number of shares (%):



86.82%	BOA WEST AFRICA S.A.
8.09%	ESTATE OF DR. H.O.K. ATA
3.05%	NANA OWUSU-AFARI
0.66%	CHRIS ADOM
0.29%	ESTATE OF ALEX AWUKU
0.31%	W. ABRA-APPIAH
0.29%	E. OSEI BONSU
0.27%	JOHN KLINOGO
0.23%	MIGUEL RIBEIRO

Report and Financial Statements

for the year ended 31 December 2011

Report and Financial Statements

Corporate Information

REGISTERED OFFICE:

C 131/3 FARRAR AVENUE
P.O. BOX C 1541
CANTONMENTS - ACCRA

DIRECTORS:

STEPHAN ATA	CHAIRMAN	
NANA OWUSU-AFARI	MEMBER	
DR. PATRICK ATA	MEMBER	
JOHN KLINOGO	MEMBER	
KWAME AHADZI	MEMBER	APPT. 20/06/11
KOBBY ANDAH	MEMBER	APPT. 20/06/11
MOHAMED BENNANI	MEMBER	APPT. 20/06/11
PAUL DERREUMAUX	MEMBER	APPT. 20/06/11
VINCENT DE BROUWER	MEMBER	APPT. 20/06/11
ABDELKABIR BENNANI	MEMBER	APPT. 20/06/11
MENSON TORKORNOO	MEMBER	RETIRED 30/06/11
OBODEN IBRU	MEMBER	RESIGNED 2/02/11

COMPANY SECRETARY:

GODWYLL ANSAH
P.O. BOX C 1541
CANTONMENTS - ACCRA

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
FRANCISCA AWUKU (MRS)	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

AUDITORS:

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS
P.O. BOX GP 453
ACCRA

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
OCEANIC BANK	NIGERIA
DEUTSCHE BANK	NEW YORK
FBN UK	LONDON
STANDARD CHARTERED BANK GHANA LIMITED	GHANA
BANK OF BEIRUT	LONDON
SWISS FINANCE CORPORATION	LONDON

Report and Financial Statements

Report of the Directors

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 - 2011

The results of operations for the year ended 31 December 2011 are set out in the income statement and balance sheet and the notes to the Financial Statements from pages 22 to 61.

ACTIVITIES

OPERATIONAL RESULTS - 2011	GH¢
LOSS BEFORE TAXATION	(13,523,825)
TAX CHARGED	-
NATIONAL STABILIZATION LEVY	-
LOSS AFTER TAX FOR THE YEAR	**(13,523,825)**

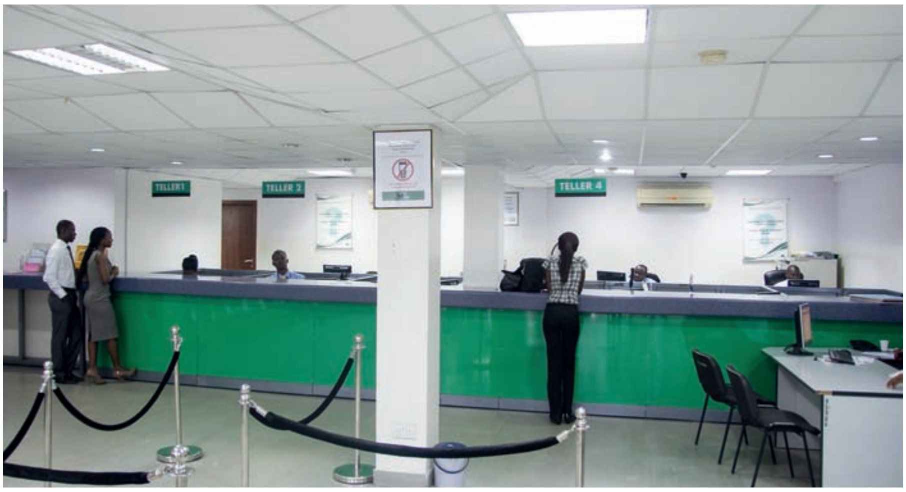
The Bank incurred a loss after tax of GH¢ 13,523,825 relative to a loss position of GH¢ 16,732,258 in 2010. The total assets of the Bank declined from GH¢ 414,603,808 in 2010 to GH¢ 388,596,796 in 2011, a reduction in size by 6% as at December 31, 2011.

REBRANDING OF THE BANK

During the year under review, the Bank was rebranded as BANK OF AFRICA – GHANA Limited (BOA-GHANA). This was after the BANK OF AFRICA Group acquired the stake of MEEKY Enterprise and also injected additional capital of about GH¢ 53.26 million. The BOA Group currently has over 86% stake in the Bank. The Bank was rebranded as BOA-GHANA on September 29, 2011 when it was integrated into the Group.

BREACHES OF THE BANKING ACT

Section 23(1) of the Banking act requires all banks to keep a minimum capital adequacy ratio of 10% at all times. The Bank breached this provision in January and February 2011. Same was reported to the Bank of Ghana with reasons for the breach. The Bank’s capital adequacy ratio as at 31 December 2011 was 10.99%.



Main Branch banking hall, Farrar Avenue, Accra.

DIVIDEND

The Directors do not recommend the payment of dividends.

AUDITORS

The Directors recommend that, Messrs ERNST & YOUNG are appointed as the Bank's external auditors in accordance with Section 134 (5) of the Companies Code, 1963 (Act 179).

DIRECTORS

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

On behalf of the Board

Nana OWUSU-AFARI
Director

Kobby ANDAH
Director

20 March 2012

Report and Financial Statements

Statement of Director's Responsibilities

Head Office Building, in Accra.

The Companies Code requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the bank as at the end of the financial year and of the operating results of the bank for that year.

It also requires the Directors to ensure that the bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank. They are also responsible for safeguarding the assets of the bank.

The Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards.This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Code. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

Apart from the issues noted in note 7, nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the Board of Directors by;

Nana OWUSU-AFARI
Director

Kobby ANDAH
Director

20 March 2012

Independent Auditors Report

To the members of BANK OF AFRICA – GHANA LIMITED (formerly Amalgamated Bank Limited)

We have audited the accompanying Financial Statements of BANK OF AFRICA GHANA LIMITED (formerly Amalgamated Bank Limited) on pages 22 to 61 which comprise the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Directors' responsibility for the financial statements

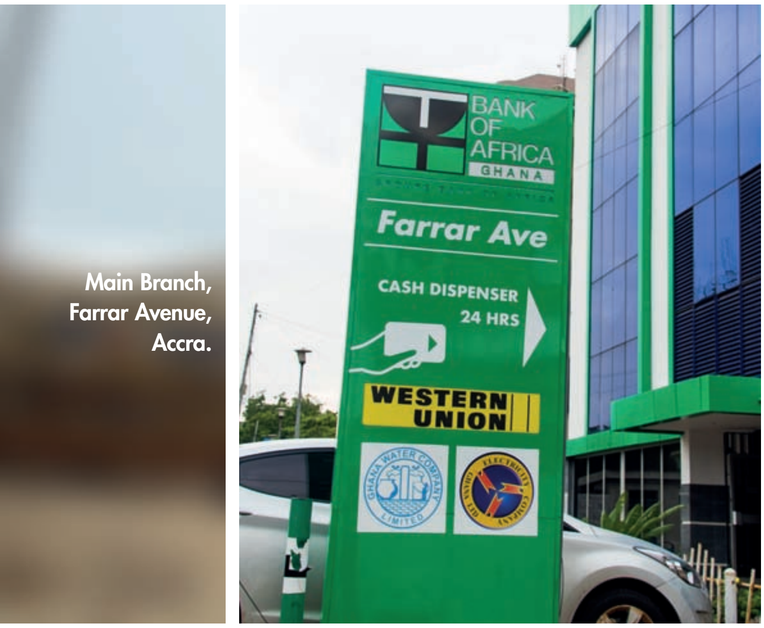
The Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with the Companies Code 1963, (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the Financial Statements are free from material misstatement.

Farrar Avenue ATM.

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



Main Branch, Farrar Avenue, Accra.

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 Bank has kept proper accounting records and the Financial Statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies Code 1963, (Act 179) and the Banking Act, 2004 (Act 673) of Ghana as amended by the Banking Act, 2007 (Act 738). The Financial Statements give a true and fair view of the financial position of the company as at 31 December 2011, and of its financial performance and cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards.

Report on other legal and regulatory requirements

The Ghana Companies Code, 1963 (Act 179) requires that in carrying out our audit work 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 accounts have been kept by the Bank so far as appears from our examination of those books; and

iii) the balance sheet and income statement of the Bank is in agreement with the books of accounts.

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 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 40.

DELOITTE
Chartered Accountants
Accra, Ghana

Financial Statements

for the year ended 31 December 2011

Financial Statements

for the year ended 31 December 2011

Statement of Comprehensive Income

	NOTES	2011	2010
		GH¢	GH¢
INTEREST INCOME	8	52,752,796	65,912,443
INTEREST EXPENSE	9	(29,739,432)	(45,749,125)
NET INTEREST INCOME		**23,013,364**	**20,163,318**
NET FEE AND COMMISSION INCOME	10	7,686,039	10,072,609
OTHER INCOME	12	4,336,793	1,253,309
OPERATING INCOME		**35,036,196**	**31,489,236**
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	21(c)	(17,420,756)	(20,039,810)
OPERATING EXPENSES	13	(31,139,265)	(27,715,896)
(LOSS)/PROFIT BEFORE TAXATION		**(13,523,825)**	**(16,266,470)**
NATIONAL STABILIZATION LEVY	23(b)	-	(132,171)
TAXATION	23(b)	-	(333,617)
(LOSS)/PROFIT FOR THE YEAR		**(13,523,825)**	**(16,732,258)**
BASIC EARNINGS PER SHARE	16	(0.28)	(1.49)

Statement of Financial Position

	NOTES	2011	2010
		GH¢	GH¢
ASSETS			
CASH AND BALANCES WITH BANK OF GHANA	17	41,222,393	52,255,343
GOVERNMENT SECURITIES - (AVAILABLE FOR SALE INVESTMENTS)	18	76,039,100	104,113,482
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	19	53,884,030	31,611,411
OTHER INVESTMENTS	20	-	6,253,663
LOANS AND ADVANCES TO CUSTOMERS (NET)	21	196,217,569	187,888,510
OTHER ASSETS	22	13,638,857	23,441,049
TAXATION	23(a)	490,500	522,306
PROPERTY AND EQUIPMENT	24	7,104,320	8,518,044
TOTAL ASSETS		**388,596,769**	**414,603,808**
LIABILITIES			
CUSTOMER DEPOSITS	25	295,625,250	370,733,174
DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	26	20,841,000	14,500,000
INTEREST PAYABLE & OTHER LIABILITIES	27	14,376,608	11,737,264
LONG TERM BORROWINGS	28	14,319,106	13,935,568
TOTAL LIABILITIES		**345,161,964**	**410,906,006**
CAPITAL RESOURCES			
STATED CAPITAL	29	60,460,828	7,200,000
INCOME SURPLUS		(31,111,724)	(15,388,672)
CREDIT RISK RESERVE		6,268,000	4,068,773
STATUTORY RESERVE		7,817,701	7,817,701
SHAREHOLDERS' FUNDS		**43,434,805**	**3,697,802**
TOTAL LIABILITIES AND SHAREHOLDERS FUNDS		**388,596,769**	**414,603,808**

The Financial Statements on pages 22 to 61 were approved by the Board of Directors on 20 March 2012 and were signed on its behalf by:

Nana OWUSU-AFARI
Director

Kobby ANDAH
Director

Financial Statements

for the year ended 31 December 2011

Statement of Changes in Equity

	STATED CAPITAL	DEPOSIT FOR SHARES	INCOME SURPLUS	CREDIT RISK RESERVE	STATUTORY RESERVE	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
AT 1 JANUARY 2010	7,200,000	6,421,553	1,911,662	3,500,697	7,817,701	26,851,613
REVERSAL OF DEPOSIT FOR SHARES	-	(6,421,553)	-	-	-	(6,421,553)
TRANSFER TO CREDIT RESERVE	-	-	(568,076)	568,076	-	-
LOSS FOR THE YEAR	-	-	(16,732,258)	-	-	(16,732,258)
AT 31 DECEMBER 2010	**7,200,000**	**-**	**(15,388,672)**	**4,068,773**	**7,817,701**	**3,697,802**
AT 1 JANUARY 2011	7,200,000	-	(15,388,672)	4,068,773	7,817,701	3,697,802
ADDITIONAL CAPITAL INVESTED	53,260,828	-	-	-	-	53,260,828
TRANSFER TO CREDIT RESERVE	-	-	(2,199,227)	2,199,227	-	-
LOSS FOR THE YEAR	-	-	(13,523,825)	-	-	(13,523,825)
AT 31 DECEMBER 2011	**60,460,828**	**-**	**(31,111,724)**	**6,268,000**	**7,817,701**	**43,434,805**

Statement of Cash Flow

	NOTES	2011 GH¢	2010 GH¢
OPERATING ACTIVITIES			
CASH GENERATED FROM OPERATIONS	30	(69,810,384)	39,312,485
INVESTING ACTIVITIES			
PURCHASE OF PROPERTY AND EQUIPMENT	24	(867,463)	(2,874,123)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT		198,767	33,710
NET CASH USED IN INVESTING ACTIVITIES		**(668,696)**	**(2,840,413)**
FINANCING ACTIVITIES			
DEPOSIT FOR SHARES		-	(6,421,553)
PAYMENT FOR SHARES		53,260,828	-
LONG TERM LOANS CONTRACTED		383,539	9,168,986
NET CASH GENERATED FROM FINANCING ACTIVITIES		**53,644,367**	**2,747,433**
INCREASE IN CASH AND CASH EQUIVALENTS		(16,834,713)	39,219,505
CASH AND CASH EQUIVALENTS AT 1 JANUARY		187,980,236	148,760,731
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	**171,145,523**	**187,980,236**

Notes to the Financial Statements

1. REPORTING ENTITY

BANK OF AFRICA – GHANA Limited (formerly AMALGAMATED BANK Limited) (ABL) is a financial institution incorporated in Ghana. The registered office of BANK OF AFRICA – GHANA Limited is located at C131/3, Farrar Avenue, Accra. BANK OF AFRICA – GHANA Limited operates under the Banking Act, 2004 (Act 673) and the Banking (Amendment) Act, 2007 (Act 738).

2. BASIS OF PREPARATION

A. STATEMENT OF COMPLIANCE

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

B. BASIS OF MEASUREMENT

The financial statements are presented in Ghana Cedis which is BOA functional currency. They are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: financial instruments that are fair valued through profit and loss and financial instruments classified as available-for-sale.

C. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimating uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note three (3).

D. SEGMENT REPORTING

The Bank has elected not to provide segmental information in the financial statements.

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 recognized within interest income and interest expense in the income statement 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 COMMISSIONS

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.

Other fees and commission income are recognised as the related services are performed.

GOVERNMENT SECURITIES

Government securities comprise treasury bills and treasury bonds which are debt securities issued by the Government of Ghana. These are classified as held to maturity and are stated at amortised cost.

UNQUOTED INVESTMENTS

Unquoted investments are stated at cost less impairment loss where applicable.

ASSETS HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the assets previous carrying amount and fair value less costs to sell.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.
The Bank's policy is to professionally revalue property at least once every five years.

DEPRECIATION

Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other property and equipment is calculated to write off their cost or valuation in equal annual installments over their estimated useful lives. The annual rates in use are:

BUILDINGS ON LONG LEASEHOLD	3%
BUILDINGS ON SHORT LEASEHOLD LAND	OVER THE UNEXPIRED PERIOD OF THE LEASE
COMPUTERS	33.33%
MOTOR VEHICLES	25%
EQUIPMENT, FURNITURE AND FITTINGS	20%

Short leasehold land refers to leases whose lease period does not exceed 50 years. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

LEASEHOLD LAND

Payments to acquire leasehold interest in land are treated as operating lease prepayments and amortised over the period of the lease.

COMPUTER SOFTWARE DEVELOPMENT COSTS

Generally, costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that are 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 3 years.

TAXATION

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Ghana Cedis 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 income statement.

OFFSETTING

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

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.

RETIREMENT BENEFIT COSTS

The Bank operates both a defined contribution and defined retirement benefit scheme 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 & National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Social Security Act. 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 income statement in the year to which they relate.

PROVISION FOR EMPLOYEE ENTITLEMENTS

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.

FINANCIAL INSTRUMENTS

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument.

Financial assets

The Bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances are recognized when cash is advanced to borrowers. They are categorized as originated loans and carried at amortised cost.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through income statement, (b) loans, advances and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of “financial assets at fair value through profit or loss” are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank’s right to receive payment is established.
Fair values of quoted investments in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

At each balance sheet date, all financial assets are subject to review for impairment.

If it is probable that the Bank will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is included in income statement for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the income statement for the period even though the financial asset has not been derecognised.

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
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

a. Assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

b. Assets carried at fair value

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to income statement. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through income statement.
However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

c. Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms 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.

FINANCIAL LIABILITIES

Debt and equity instruments are classified, as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

After initial recognition, the Bank measures all financial liabilities including customer deposits and borrowings other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

REPURCHASE AGREEMENT TRANSACTIONS

Securities purchased from the BANK OF GHANA under agreements to resell (reverse repos), are disclosed as balances with the CENTRAL BANK OF GHANA as they are held to maturity after which they are repurchased and are not negotiable/discounted during the tenure. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease terms.

The Bank as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

CONTINGENT LIABILITIES

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

FIDUCIARY ACTIVITIES

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known 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.

DIVIDENDS

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been approved at the Annual General Meeting.

SEGMENTAL REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Standards, amendments and interpretations effective in 2011

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011.
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2011.
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011.
- Improvements to IFRSs (May 2011).

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Bank.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Bank because the Bank does not have these types of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Bank is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Bank.

Improvements to IFRSs

In May 2011, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position of the Bank.

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3)
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011. The amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.

4 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 degree of risk management taken on by the Bank is meant to be within what it can comfortable manage. 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.

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.

Management of Credit Risk

The Board Risk and Compliance Committee manage the risk of the Bank with the assistance of two management committees namely the Management Credit Approval Committee and the Management Risk and Compliance Committee. Whiles the Management Approval Committee management 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 Group and outlines the scope of the risk management function.

• 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 decisions of the Management Credit Approval Committee and Asset-Liability Management Committee (ALCO) on a quarterly basis.

• Assists the Board 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 ban exercise due care in the use of credit authority

• Approve/decline credit applications above country limit of the Management Credit Approval Committee

• Set and determine the Group's credit policy and general risk climate of the Bank

• Review on quarterly basis the monitoring of policy compliance, compliance of portfolio against standards and recommend for appropriate remedial 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.

i) Credit risk (continued)

	2011	2010
ON-BALANCE SHEET ITEMS	GH¢	GH¢
A) GOVERNMENT SECURITIES	**76,039,100**	**104,113,483**
B) DEPOSITS DUE FROM FINANCIAL INSTITUTIONS		
- LOCAL	13,304,409	17,679,977
- FOREIGN	26,685,840	4,047,841
TOTAL	**39,990,249**	**21,727,818**
C) LOANS AND ADVANCES TO CUSTOMERS		
INDIVIDUALS:		
- OVERDRAFT	1,014,155	5,588,113
- TERM LOAN	8,141,570	30,957,668
TOTAL	**9,155,725**	**36,545,781**
CORPORATE ENTITIES:		
- OVERDRAFT	85,930,667	88,574,799
- TERM LOAN	145,804,221	84,082,940
TOTAL	**231,734,888**	**172,657,739**
GROSS LOANS AND ADVANCES (INCLUDING SUSPENDED INTEREST)	**240,890,613**	**209,203,520**
D) OTHER ASSETS		
- INTER BANK CLEARING ITEMS	13,893,781	10,811,595
- OTHERS	13,638,857	23,903,583
TOTAL	**27,532,638**	**34,715,178**
OFF-BALANCE SHEET ITEMS		
LETTERS OF CREDIT	18,064,485	14,960,909
LETTERS OF GUARANTEE	20,419,163	4,144,139
TOTAL	**38,483,648**	**19,105,048**

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 2011, and after taking into account provision for impairment.

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%
PAST DUE BUT NOT IMPAIRED	42,258,146	18,727,332	23,530,814	18%
NEITHER PAST DUE NOR IMPAIRED	164,617,085	-	164,617,085	68%
TOTAL	**240,890,613**	**44,673,043**	**196,217,570**	**100%**

Each business unit is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Banks Risk Management Division. Each business unit has a Credit Risk officer who reports on all credit related matters to Risk Management Division.

The NPL ratio at the end of year 2011 was 14%.

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 2011.

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

	2011	2010
LOANS AND ADVANCES TO CUSTOMERS	GH¢	GH¢
AGAINST INDIVIDUALLY IMPAIRED	27,736,474	46,293,722
AGAINST NEITHER PAST DUE NOR IMPAIRED	284,135,619	323,010,896
TOTAL	311,872,093	369,304,618

Concentrations of risk

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

A) ADVANCES TO CUSTOMERS - GROSS

	2011		2010	
	GH¢	%	GH¢	%
AGRICULTURE	10,480,154	4.35%	9,308,797	4.45%
MANUFACTURING	13,161,847	5.46%	17,355,851	8.30%
COMMERCE & FINANCE	45,338,189	18.82%	39,511,832	18.89%
TRANSPORT & COMMUNICATIONS	17,714,041	7.35%	7,423,173	3.55%
MINING AND QUARRYING	20,979,540	8.71%	10,913,902	5.22%
BUILDING & CONSTRUCTION	76,070,923	31.58%	72,855,221	34.83%
SERVICES	31,321,658	13.00%	19,850,778	9.49%
ELECTRICITY, OIL, GAS, ENERGY AND WATER	8,001,073	3.32%	5,504,480	2.63%
OTHERS	17,823,188	7.40%	26,479,486	12.66%
TOTAL	240,890,613	100%	209,203,520	100%

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

	2011		2010	
	GH¢	%	GH¢	%
SOCIAL COMM. & PERSONAL SERV.	1,931,879	5.02%	804,378	4.21%
BUSINESS SERVICES	6,884,724	17.89%	3,471,824	18.17%
WHOLESALE AND RETAIL	5,795,638	15.06%	2,955,774	15.47%
TRANSPORT & COMMUNICATION	4,510,284	11.72%	1,909,636	10.00%
OTHER	13,861,809	36.02%	6,731,267	35.23%
MANUFACTURING	5,499,313	14.29%	3,232,169	16.92%
TOTAL	**38,483,647**	**100%**	**19,105,048**	**100%**

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 from its financial assets.

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

Treasury department 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.

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	2011	2010
AVERAGE FOR THE PERIOD	9.55%	9.41%
MAXIMUM FOR THE PERIOD	10.57%	10.09%
MINIMUM FOR THE PERIOD	8.98%	8.88%
STATUTORY MINIMUM REQUIREMENT	9.00%	9.00%

ii) Liquidity risk (continued)

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.

	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	295,625,250	184,537,441	53,373,094	57,714,715	-	295,625,250
DEPOSITS AND BAL. DUE TO BANKING INST.	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 INSTITUTIONS	53,884,030	51,884,030	-	2,000,000	-	53,884,030
LOANS AND ADVANCES TO CUSTOMERS (NET)	196,217,569	83,568,028	19,928,537	30,210,003	62,511,001	196,217,569
INTER-BANK PLACEMENTS	7,000,000	7,000,000	-	-	-	7,000,000
OTHER ASSETS	13,638,857	-	6,755,698	6,883,159	-	13,638,857
TOTAL FINANCIAL ASSETS	**388,001,949**	**200,059,101**	**26,691,328**	**93,417,125**	**67,834,395**	**388,001,949**
NET LIQUIDITY GAP	**42,839,985**	**(6,335,365)**	**(36,945,788)**	**32,605,849**	**53,515,289**	**42,839,985**
AS AT 31 DECEMBER 2011						
TOTAL FINANCIAL LIABILITIES	**345,161,964**	**206,394,466**	**63,637,116**	**60,811,276**	**14,319,106**	**345,161,964**
TOTAL FINANCIAL ASSETS	**388,001,949**	**200,059,101**	**26,691,328**	**93,417,125**	**67,834,395**	**388,001,949**
NET LIQUIDITY GAP	**42,839,985**	**(6,335,365)**	**(36,945,788)**	**32,605,849**	**53,515,289**	**42,839,985**

The Bank's cash flow however vary 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.

	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
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						
AS AT 31 DECEMBER 2010						
TOTAL FINANCIAL ASSETS	**137,942,927**	**19,935,630**	**68,576,825**	**17,957,140**	**67,834,396**	**312,246,918**
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**

These are non diluted values.

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).

	USD	GBP	EUR	OTHER	TOTAL GH¢
A) ASSETS					
CASH & BAL. WITH CENTRAL BANK OF GHANA	5,022,002	1,385,478	1,356,150	-	7,763,630
GOVERNMENT SECURITIES	-	-	-	-	-
DEPOSITS AND BAL. DUE FROM BANKING INST.	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 BAL. SHEET POSITION	**351,092**	**42,964**	**447,991**	**692,853**	**1,534,900**
AS AT 31 DECEMBER 2011					
A) TOTAL FINANCIAL ASSETS	**61,687,259**	**1,276,928**	**9,951,704**	**719,820**	**73,635,711**
B) 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.

Interest rate risks - Increase/decrease of 5 % in Net Interest Margin.

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.

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.

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 stiplated 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:

	2011	2010
	GH¢	GH¢
US DOLLAR	1.5841	1.4461
GB POUND	2.4457	2.2594
EURO	2.0501	1.9221
NGN	0.0088	0.0087

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

• Foreign exchange exposures represent net currency positions of all currencies other than Ghana Cedis (GH¢).

• 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¢).

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.

This is a major risk to the Bank because it has the potential of running the whole Bank down if not managed. 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 has invested more into managing this risk and saving the assets of the company.
The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

• requirements for appropriate segregation of duties, including the independent 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 identified

• 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 of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Sub-Audit Committee.

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.

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.

5. 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 GH¢ 25 million by end of December 2011. The Bank of Ghana has mandated all banks to increase their stated capital to a minimum of GH¢ 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 Reserves; 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 development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital allocation

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE BANK'S ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These are dealt with below:

a. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

b. Impairment losses on loans and advances – basis for computation

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

c. Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Property and equipment

Critical estimates are made by the Directors in determining depreciation rates for property and equipment.

7. GOING CONCERN

As at 31 December 2011, the Bank had an accumulated revenue deficit of GH¢ 31,111,724, that of year 2010 was a deficit of GH¢ 15,388,672.

A Board resolution has been passed to inject additional capital of USD10.0 million (GH¢17.1million) within the first quarter of year 2012.

The Directors have put in place enhanced measures to avoid and or mitigate risk that may lead to an erosion of the Bank's equity.

8. INTEREST INCOME

	2011	2010
	GH¢	GH¢
GOVERNMENT SECURITIES - (AVAILABLE FOR SALE INVESTMENTS)	11,536,148	17,647,165
UNQUOTED INVESTMENTS - (HELD-TO-MATURITY INVESTMENTS)	2,113,985	2,589,783
LOANS AND ADVANCES	39,102,663	45,675,495
TOTAL	**52,752,796**	**65,912,443**

9. INTEREST EXPENSE

	2011	2010
	GH¢	GH¢
A) ON DEPOSITS		
FIXED/TIME DEPOSITS	24,705,981	39,496,125
SAVINGS DEPOSITS	1,541,590	332,003
DEMAND & CALL DEPOSITS	1,218,936	4,098,173
TOTAL	**27,466,507**	**43,926,301**
B) ON BORROWED FUNDS		
INTER-BANK BORROWING	351,473	943,105
LONG-TERM BORROWING	1,921,452	879,719
TOTAL	**2,272,925**	**1,822,824**
TOTAL INTEREST EXENSES	**29,739,432**	**45,749,125**

10. NET FEES AND COMMISSION INCOME

	2011	2010
	GH¢	GH¢
A) INCOME		
COMMISSION ON TURNOVER	1,345,972	717,687
FEES AND CHARGES	2,656,385	6,730,698
FOREIGN TRADE INCOME	2,312,977	434,282
LOAN FEE INCOMES	702,840	1,631,414
GUARANTEES CHARGES & COMMISSION	847,484	679,228
TOTAL	**7,865,658**	**10,193,309**
B) EXPENSES		
FEES AND COMMISSIONS EXPENSES	(179,619)	(120,700)
TOTAL	**7,686,039**	**10,072,609**

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

	2011	2010
	GH¢	GH¢
BAD DEBTS RECOVERED	517,590	394,559
FOREIGN EXCHANGE DEALINGS	3,660,201	838,401
GAIN/(LOSS) ON DISPOSAL OF FIXED ASSETS	159,002	20,349
TOTAL	**4,336,793**	**1,253,309**

13. OPERATING EXPENSES

	2011	2010
	GH¢	GH¢
STAFF COSTS (NOTE 14)	16,502,305	13,003,189
DIRECTORS' FEES	194,500	186,000
DIRECTORS EMOLUMENT	58,798	280,737
DEPRECIATION	2,241,422	1,853,667
OCCUPANCY COST	3,570,579	3,074,937
AUDITORS REMUNERATION	45,000	30,000
DONATIONS AND SOCIAL RESPONSIBILITY	45,140	148,215
MOTOR VEHICLE RUNNING	640,933	575,215
GENERAL & ADMINISTRATIVE	4,789,697	6,678,744
REPAIRS AND MAINTENANCE	414,532	90,966
INSURANCE	172,843	137,977
LEGAL AND OTHER PROFESSIONAL FEES	834,958	702,040
SOFTWARE FEES	654,275	269,115
TRAINING & RESEARCH	133,301	123,622
SECURITY	442,296	286,926
TELEPHONE AND POSTAGE	398,686	274,546
TOTAL	**31,139,265**	**27,715,896**

14. STAFF COSTS

	2011	2010
	GH¢	GH¢
SALARIES AND WAGES	11,559,397	7,910,720
PENSION COSTS	727,508	696,230
OTHER STAFF RELATED COSTS	4,215,400	4,396,239
TOTAL	**16,502,305**	**13,003,189**

15. TAXATION

	2011	2010
	GH¢	GH¢
A) TAXATION CHARGE		
CURRENT TAXATION BASED ON THE CHARGEABLE PROFIT FOR THE YEAR	-	139,854
DEFERRED TAXATION		
B) RECONCILIATION OF TAX CHARGE TO THE EXPECTED TAX BASED ON ACCOUNTING PROFIT		
ACCOUNTING LOSS BEFORE TAXATION	(13,523,825)	(16,266,470)
TAX AT THE APPLICABLE RATE OF 25%	-	-
TAX EFFECT OF EXPENSES NOT DEDUCTIBLE FOR TAX	-	139,854
C) NATIONAL STABILIZATION LEVY		
NATIONAL STABILIZATION LEVY PAID IN 2011	-	132,171

16. EARNING PER SHARE

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

	2011	2010
EARNINGS (GH¢)		
EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	(13,523,825)	(16,732,258)
NUMBER OF SHARES		
NUMBER OF ORDINARY SHARES ISSUED	48,182,142	11,230,051
EARNING PER SHARE - BASIC (GH¢)	(0.281)	(1.490)

There were no potentially dilutive instruments outstanding at balance sheet date.

17. CASH ON HAND BALANCES WITH BANK OF GHANA

	2011	2010
	GH¢	GH¢
CASH ON HAND	10,706,064	6,158,926
BALANCES WITH BANK OF GHANA	30,516,329	46,096,417
TOTAL	**41,222,393**	**52,255,343**

18. GOVERNMENT SECURITIES

	2011	2010
	GH¢	GH¢
AVAILABLE FOR SALE INVESTMENTS		
91-DAY TREASURY BILL	58,332	61,462,075
182-DAY TREASURY BILL	70,655,663	42,646,076
1-YEAR TREASURY NOTES	3,867	4,065
2-YEAR FIXED RATE NOTE	2,641,222	1,266
5-YEAR TREASURY BONDS - AFS	2,680,016	-
TOTAL	**76,039,100**	**104,113,482**
MATURING WITHIN 90 DAYS OF THE DATE OF ACQUISITION	70,713,995	104,112,216
TREASURY BONDS - (LONG TERM NEGOTIABLE BONDS)	5,321,238	-
MATURITY BETWEEN 1 - 3 YEARS OF THE DATE OF ACQUISITION	3,867	1,266
TOTAL	**76,039,100**	**104,113,482**

19. DEPOSITS AND BALANCES DUE

	2011	2010
	GH¢	GH¢
FROM BANKING INSTITUTIONS		
LOCAL CURRENCY	14,198,190	10,035,512
FOREIGN CURRENCY	26,685,840	17,575,899
INTERBANK PLACEMENT	13,000,000	4,000,000
TOTAL	**53,884,030**	**31,611,411**

20. INVESTMENTS

	2011	2010
	GH¢	GH¢
OTHER INVESTMENTS	-	6,253,663
TOTAL	-	6,253,663

AT 1 JANUARY 2011	6,253,663	6,303,946
IMPAIRMENT LOSS	-	-
RECLASSIFICATION	(6,253,663)	(50,283)
AT 31 DECEMBER 2011	-	6,253,663

This relates to a commercial paper that has been reclassified into loans.

21. LOANS AND ADVANCES TO CUSTOMERS

	2011	2010
	GH¢	GH¢
A) OVERDRAFTS	86,944,821	94,162,912
MORTGAGES	161,918	220,992
LOANS	153,783,874	114,819,616
GROSS LOANS AND ADVANCES	240,890,613	209,203,520
PROVISION FOR IMPAIRED LOANS AND ADVANCES:		
PROVISION FOR BAD DEBT	(32,883,061)	(17,140,868)
INTEREST IN SUSPENSE	(11,789,983)	(4,174,142)
TOTAL	196,217,569	187,888,510

Included in net advances of GH¢ 196,217,569 are loans and advances amounting to GH¢ 12,654,551 net of specific provisions, which have been classified as non-performing (impaired).
Included in loans and advances to customers are staff loans amounting to GH¢ 2,507,184 (2010 - GH¢ 1,855,793).
The effective interest rate on loans and advances at 31 December 2011 was 19.93% (2010 - 31.5%).

	2011	2010
	GH¢	GH¢
B) BY MATURITY		
MATURING:		
WITHIN ONE YEAR	133,706,567	147,695,937
ONE TO THREE YEARS	62,511,002	40,192,573
TOTAL	**196,217,569**	**187,888,510**
C) LOANS AND ADVANCES TO CUSTOMERS		
PROVISION FOR LOANS AND ADVANCES		
AT 1 JANUARY		
PROVISIONS DURING THE YEAR	7,522,916	16,313,069
SPECIFIC PROVISIONS FOR BAD DEBTS	8,219,277	-
SPECIFIC BAD DEBTS WRITTEN OFF DURING THE YEAR	1,678,563	3,726,741
AT 31 DECEMBER	**17,420,756**	**20,039,810**

22. OTHER ASSETS

	2011	2010
	GH¢	GH¢
INTEREST RECEIVABLE	4,077,921	13,437,767
PREPAYMENTS	7,872,811	8,106,910
STATIONERY STOCK	189,521	261,178
OTHERS	1,498,604	1,635,194
TOTAL	**13,638,857**	**23,441,049**

23(a). TAXATION PAYABLE/(RECOVERABLE)

	2011	2010
	GH¢	GH¢
AT 1 JANUARY	(522,306)	11,923
ADJUSTMENTS	522,306	139,854
PAID IN THE YEAR	(490,500)	(674,083)
AT 31 DECEMBER	**(490,500)**	**(522,306)**

23(b). TAXATION (PAYABLE)/RECOVERABLE

CORPORATE TAX & NATIONAL STABILISATION LEVY

	1/1/2011	PAID DURING THE YEAR	CHARGED DURING THE YEAR	ADJUSTMENT	31/12/2011
	GH¢	GH¢	GH¢	GH¢	GH¢
CORPORATE TAX					
2010	(522,306)	-	-	522,306	-
2011	-	(490,500)	-	-	(490,500)
TOTAL	**(522,306)**	**(490,500)**	**-**	**522,306**	**(490,500)**
NATIONAL STAB. LEVY	-	-	-	-	-

24. PROPERTY & EQUIPMENT

	LEASEHOLD LAND	BUILDINGS ON SHORT LEASEHOLD LANDS	OFFICE EQUIPMENT	FURNITURE & FITTINGS	MOTOR VEHICLES	COMPUTERS	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
A) COST/VALUATION							
AT JANUARY 2011	1,242,382	2,002,083	4,116,553	981,021	2,942,834	2,211,879	13,496,752
ADDITIONS	-	12,604	706,562	54,354	-	93,943	867,463
DISPOSAL	-	-	(46,811)	(21,972)	(462,042)	-	(530,825)
AT 31 DECEMBER 2011	**1,242,382**	**2,014,687**	**4,776,304**	**1,013,403**	**2,480,792**	**2,305,822**	**13,833,390**
DEPRECIATION							
AT JANUARY 2011	-	177,202	1,752,596	580,806	1,435,123	1,032,981	4,978,708
CHARGE FOR THE YEAR	28,044	93,400	831,849	171,228	585,269	531,631	2,241,421
RELEASED ON DISP./REVAL.	-	-	(43,131)	(14,425)	(433,503)	-	(491,059)
AT 31 DECEMBER 2011	**28,044**	**270,602**	**2,541,314**	**737,609**	**1,586,889**	**1,564,612**	**6,729,070**
NET BOOK VALUE							
AT 31 DECEMBER 2011	**1,214,338**	**1,744,085**	**2,234,990**	**275,794**	**893,903**	**741,210**	**7,104,320**
AT 31 DECEMBER 2010	1,242,382	1,824,881	2,363,957	400,215	1,507,711	1,178,898	8,518,044

B) DISPOSAL SCHEDULE	COST GH¢	ACCUM. DEPRN. GH¢	NBV GH¢	DISPOSAL VALUE GH¢	PROFIT/ LOSS GH¢
MOTOR VEHICLE	462,042	(433,503)	28,539	188,781	160,242
FURNITURE & 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

25. CUSTOMER DEPOSITS

	2011	2010
	GH¢	GH¢
SAVINGS DEPOSITS	36,374,593	28,490,095
DEMAND AND CALL DEPOSITS	117,459,532	131,838,654
FIXED/TIME DEPOSITS	141,791,125	210,404,425
TOTAL	295,625,250	370,733,174

CUSTOMER DEPOSITS
MATURITY ANALYSIS OF CUSTOMER DEPOSITS

	2011	2010
	GH¢	GH¢
FROM GOVERNMENT AND PARASTATALS		
PAYABLE WITHIN 90 DAYS	51,779,810	28,947,421
PAYABLE AFTER 90 DAYS AND WITHIN ONE YEAR	22,658,393	107,289,861
TOTAL	74,438,203	136,237,282
FROM PRIVATE SECTOR AND INDIVIDUALS		
PAYABLE WITHIN 90 DAYS	181,983,161	165,127,515
PAYABLE AFTER 90 DAYS AND WITHIN ONE YEAR	39,203,886	69,368,377
TOTAL	221,187,047	234,495,892
AT 31 DECEMBER	295,625,250	370,733,174

The effective interest rate on interest bearing customer deposits was 9.6% (2010: 13.54%).

26. DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

	2011	2010
	GH¢	GH¢
DEPOSITS DUE TO BANKING AND FINANCIAL INSTITUTIONS	20,841,000	14,500,000

27. INTEREST PAYABLE & OTHER LIABILITIES

	2011	2010
	GH¢	GH¢
INTEREST PAYABLE	4,450,868	6,485,836
ACCRUALS	3,966,232	673,309
OTHER LIABILITIES	5,959,508	4,578,119
TOTAL	**14,376,608**	**11,737,264**

28. LONG TERM BORROWINGS

	2011	2010
	GH¢	GH¢
LOANS		
SOCIAL SECURITY & NATIONAL INSURANCE TRUST (SSNIT)	11,784,779	10,076,024
OIKOCREDIT	79,205	1,073,708
EDIF	1,791,667	2,250,000
TOTAL	**13,655,651**	**13,399,732**
INTEREST PAYABLE	663,455	535,836
TOTAL	**14,319,106**	**13,935,568**
MATURITY ANALYSIS PAYABLE		
WITHIN ONE YEAR	1,242,660	536,854
IN THE SECOND TO FIFTH YEAR INCLUSIVE	13,076,446	13,398,714
TOTAL	**14,319,106**	**13,935,568**

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.

29. STATED CAPITAL

	2011	2010
AUTHORISED		
NUMBER OF ORDINARY SHARES OF NO PAR VALUE	50,000,000	50,000,000
ISSUED AND FULLY PAID	48,182,142	11,230,051

	GH¢	GH¢
ISSUED AND FULLY PAID FOR CASH	60,314,731	7,053,903
ISSUED FOR CONSIDERATION OTHER THAN CASH	146,097	146,097
TOTAL	**60,460,828**	**7,200,000**

BANK OF AFRICA Group acquired 86.6% of former AMALGAMATED BANK Limited bringing the stated capital to GH¢60,460,828.

30. NOTES TO THE CASH FLOW STATEMENT

	2011	2010
	GH¢	GH¢
A) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
PROFIT BEFORE TAXATION	(13,523,825)	(16,266,470)
ADJUSTMENTS FOR		
DEPRECIATION	2,241,421	1,853,668
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	(159,002)	(20,349)
PROFIT BEFORE WORKING CAPITAL CHANGES	(11,441,406)	(14,433,151)
(INCREASE)/DECREASE IN LOANS & ADVANCES	(8,329,059)	(25,233,276)
(INCREASE)/DECREASE IN OTHER ASSETS	9,802,192	(1,812,992)
DECREASE IN OTHER INVESTMENTS	6,253,663	50,283
INCREASE/(DECREASE) IN CUSTOMER DEPOSITS	(75,107,924)	69,753,043
BALANCES DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	6,341,000	14,500,000
(DECREASE)/INCREASE IN INTEREST PAYABLE & OTHER LIABILITIES	2,639,344	(2,511,405)
TAX PAID	(490,500)	(867,846)
NATIONAL STABILIZATION LEVY	-	(132,171)
REFUND OF TAX OVER PAYMENT	522,306	-
CASH GENERATED FROM OPERATIONS	(69,810,384)	39,312,485
B) ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH ON HAND	41,222,393	52,255,342
GOVERNMENT SECURITIES	76,039,100	104,113,483
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	53,884,030	31,611,411
TOTAL	**171,145,523**	**187,980,236**

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.

	2011	2010
	GH¢	GH¢
LETTERS OF CREDIT	20,419,163	14,960,909
GUARANTEES AND INDEMNITIES	18,064,485	4,144,139
TOTAL	**38,483,648**	**19,105,048**

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

Concentrations of contingent liabilities are covered under note 2.

Pending legal claims

As at the year end, there were some cases pending against the Bank. Should judgement go in favour of the plaintiffs, the likely claims against the Bank have been estimated at GH¢ 753,130. No provisions have been made in the financial statements in respect of these amounts.

Capital expenditure

Capital expenditure not provided for in the financial statements as at 31 December 2011 was nil (2010: nil).

32. 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 2011 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:

	2011	2010
	GH¢	GH¢
ADVANCES TO CUSTOMERS		
ATLANTIC CLIMATE CONTROL LIMITED	1,574,099	1,219,195
ATLANTIC WORKS LIMITED	164,069	26,171
ATLANTIC INTERNATIONAL HOLDINGS	1,508,037	1,510,430
CRESTAR PAINT INDUSTRIES LIMITED	75,752	-
AFARIWA FARMS AND LIVE STOCKS	-	116,144
TOTAL	**3,321,957**	**2,871,940**

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

b. Key management compensation

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

	2011	2010
	GH¢	GH¢
SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS	1,014,807	677,458
PENSION AND GRATUITY	28,004	50,683
TOTAL	**1,042,811**	**728,141**

Key management staff constitutes staff with grades above General Manager.

Directors' remuneration

	2011	2010
	GH¢	GH¢
FEES FOR SERVICES AS A DIRECTOR	194,500	186,000
OTHER EMOLUMENTS (INCLUDED IN KEY MGT. COMPENSATION ABOVE)	58,798	280,737
TOTAL	**253,298**	**466,737**

33. RETIREMENT BENEFIT OBLIGATIONS

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 Year 2011 was GH¢ 696,230. Total contributions towards employees Provident Fund was GH¢ 476,703. The Bank's liability in both schemes is limited to its unpaid contributions to the scheme. The staff Provident Fund is currently managed by the Treasury Department in collaboration with the Human Capital Department.

	2011	2010
	GH¢	GH¢
CONTRIBUTIONS TO THE STATUTORY DEFINED PENSION SCHEME (SSNIT)	727,508	696,230
CONTRIBUTIONS TO STAFF PROVIDENT FUND	521,637	476,703
TOTAL	**1,249,145**	**1,172,933**

34. GOVERNMENT RELATED TRANSACTIONS

Government advances

The movement in Government related advances is as follows:

	2011	2010
	GH¢	GH¢
AT JANUARY	104,113,483	73,716,629
REPAID IN THE YEAR- TREASURY BONDS ISSUED	(28,074,383)	30,396,853
AT 31 DECEMBER 2011	**76,039,100**	**104,113,482**

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

35. ASSETS PLEDGED AS SECURITY

As at 31 December 2011, a total of GH¢ 33,567,000 of the Bank's investment in Government of Ghana securities were pledged as security for liabilities from other financial institutions.

36. FAIR VALUES

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

37. INCORPORATION

The bank is incorporated in Ghana under the Companies Code, Act 179 and the Banking Act, Act 673 and the Banking (Amendment) Act, 2008 (Act 738).

38. CURRENCY

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

39. CAPITAL ADEQUACY RATIO

The capital adequacy ratio as at 31 December 2011 was 10.46%.

	2011
	GH¢'000
PAID-UP CAPITAL	60,461
DISCLOSED RESERVES	(23,266)
TIER 1 CAPITAL	**37,195**
LESS	
GOODWILL/INTANGIBLES	8,803
ADJUSTED CAPITAL BASE	28,392
TOTAL ASSETS (LESS CONTRA ITEMS)	**388,625**
LESS	
CASH AT BANK OF GHANA	137,182
CLAIMS OF FINANCIAL & GUARANTEED LOANS	38,473
ADJUSTED TOTAL ASSETS	212,970
ADD	**-**
NET CONTINGENT LIABILITIES	27,299
50% OF NET OPEN POSITION	767
100% OF 3 YEARS AVERAGE ANNUAL GROSS INCOME	30,470
	-
ADJUSTED ASSET BASE	**271,506**
CAPITAL ADEQUACY RATIO (%)	10.46
CAPITAL SURPLUS/DEFICIT	1,241

40. BREACHES IN STATUTORY LIQUIDITY

The Bank breached the statutory Reserve Requirement in the week ending 21 September 2011. This has since been rectified.

41. DISCLOSURE OF COMPARATIVE FIGURES

Deposits and balances due from Banking Institutions and other assets have been re-instated as a result of reclassification of cheques in clearing of GH¢ 9,883,593 from other assets to deposit and balances due from Banking Institutions for 2010.

BANK OF AFRICA – GHANA www.boaghana.com

BANK OF AFRICA GHANA
GROUPE BANK OF AFRICA

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