



## Independent Auditors' Report to the Members of HFC Bank Group

### Report on the Financial Statements

We have audited the accompanying financial statements of HFC Bank Ghana Limited, (the Bank) and its subsidiaries (together, the Group) which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Bank; together with the consolidated statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group; and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 2 to 3 and 8 to 79.

### Directors' Responsibility for the Financial Statements

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

### Auditors' 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 about whether the financial statements are free from material misstatement.

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

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



## Opinion

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

## Report on other legal requirements

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

- × 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;
- × in our opinion proper books of account have been kept by the Group, so far as appear from our examination of those books, and proper returns adequate for the purpose of our audit have been received from branches not visited by us; and
- × the (balance sheet) statement of financial position and the (profit and loss account) income statement portion statements of the statement of comprehensive income are in agreement with the books of account.

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

- i. The accounts give a true and fair view of the state of affairs of the bank and its results for the period.
- ii. The bank's transactions were within the powers of the bank and
- iii. We were able to obtain all relevant information and explanations required for the efficient performance of our functions.
- iv. The bank has generally complied with the provisions of the Banking Act, 2004 (Act 673), as amended.



Signed by Victor Gborglah (ICAG\P\1151)  
For and on behalf of Ernst & Young (ICAG\F\029)  
Chartered Accountants  
Accra, Ghana

Date:



# 2012 **Financial** Statements

# Consolidated Statements of Comprehensive Income

## 31 December

(All amounts are expressed in Ghana cedis unless otherwise stated)

## TWELVE MONTHS ENDED 31 DECEMBER

	Note	The Bank 2012	The Bank 2011	The Group 2012	The Group 2011
Interest income	4	66,121,784	55,716,602	68,768,032	58,995,338
Interest expense	5	(23,336,427)	(19,166,078)	(23,304,605)	(19,255,982)
Net interest income		42,785,357	36,550,524	45,463,427	39,739,356
Fee and commission income	6	12,603,162	7,408,930	17,218,865	10,530,682
Fee and commission expense	7	(284,399)	(92,085)	(284,399)	(92,085)
Net fee and commission income		12,318,763	7,316,845	16,934,466	10,438,597
Other operating income	8a	812,155	1,096,955	3,960,090	2,264,215
Trading Income	8b	4,951,139	1,800,313	4,951,139	1,800,313
Operating income		60,867,414	46,764,637	71,309,122	54,242,481
Operating expenses	9	(40,584,921)	(34,140,411)	(47,942,821)	(40,708,046)
Impairment charge for credit losses	17	(5,565,880)	(2,108,758)	(5,565,880)	(2,216,779)
Operating profit		14,716,613	10,515,468	17,800,421	11,317,656
Other income	10	998,958	2,670,815	1,016,393	3,156,567
Profit for the year		15,715,571	13,186,283	18,816,814	14,474,223
National Stabilisation Levy	49	-	(659,314)	-	(700,521)
Tax expense	11	(2,690,224)	(2,636,714)	(3,392,858)	(2,920,286)
Profit after tax		13,025,347	9,890,257	15,423,956	10,853,416
Attributable to:					
Equity holders of the parent		13,025,347	9,890,257	15,423,956	10,853,416
Non controlling interest	40	-	-	(151,957)	(226,416)
		13,025,347	9,890,257	15,271,999	10,627,000
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		13,025,347	9,890,257	15,271,999	10,627,000
Basic earnings per share (Ghana pesewa)	49	6.75	5.40	7.90	5.92
Diluted earnings per share (Ghana pesewas)	49	6.43	5.25	7.52	5.64

The attached notes 1 to 53 form an integral part of these financial statements.



# Statements of Financial Position as at 31 December 2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

Assets	Note	At 31 December			
		The Bank 2012	The Bank 2011	The Group 2012	The Group 2011
Cash and balances with Bank of Ghana	13	71,930,479	67,675,824	71,930,479	68,771,645
Due from other banks	14	60,104,578	40,632,338	60,104,578	40,632,338
Government securities	15	65,097,445	67,110,271	67,715,838	70,048,762
Pledged assets (Repos)	16	6,500,000	6,500,000	6,500,000	6,500,000
Loans and advances to customers	17	335,814,761	210,361,885	330,164,156	206,357,978
Loans and advances to banks and financial institutions	18	3,560,780	3,460,262	3,560,780	3,460,262
Investment securities	19	1,471,137	1,000,000	2,562,436	1,000,000
Other investments	20	6,298,433	5,555,905	7,298,433	5,555,905
Other assets	21	12,383,269	10,583,518	24,059,259	18,135,348
Derivative Asset	22	4,561,425	-	4,561,425	-
Investment in subsidiaries	23a	4,031,222	3,891,617	-	-
Investment in venture capital trust	23b	1,804,381	1,061,990	1,804,381	1,061,990
Property and equipment	24	13,280,265	12,467,193	14,361,896	13,372,497
Current income tax assets	26	948,817	624,386	602,045	404,015
<b>Total assets</b>		<b>587,786,992</b>	<b>430,925,189</b>	<b>595,225,706</b>	<b>435,300,740</b>
Liabilities and equity					
Deposits from customers	27	312,963,215	230,709,943	312,379,704	230,302,585
Deposits from banks and financial institutions	28	44,844,818	39,557,016	44,844,818	39,557,016
Due to other banks	29	-	10,000,000	-	10,000,000
Other liabilities	30	18,642,450	13,665,187	21,076,365	15,258,395
Derivative Liability	31	4,410,695	-	4,410,695	-
Bonds	32	58,128,268	56,234,410	58,128,268	56,234,410
Borrowings	33	20,901,374	5,637,305	20,901,374	5,637,305
Deferred tax	25	540,484	1,111,994	538,878	1,110,388
<b>Total liabilities</b>		<b>460,431,304</b>	<b>356,915,855</b>	<b>462,280,102</b>	<b>358,100,099</b>
Equity					
Stated capital	34	95,126,624	45,000,624	95,126,624	45,000,624
Income surplus account	45	1,067,248	9,237,074	5,669,364	11,592,538
Statutory reserve fund	35	19,325,453	12,812,779	19,715,074	13,202,400
Capital surplus account	36	4,618,495	4,618,495	4,634,139	4,634,139
Housing development assistance reserve	37	743,680	743,680	743,680	743,680
Regulatory credit risk reserve	38	6,280,394	1,402,888	6,280,394	1,402,888
Other reserve	40	193,794	193,794	193,794	193,794
<b>Total equity before non controlling interest</b>		<b>127,355,688</b>	<b>74,009,334</b>	<b>132,363,069</b>	<b>76,770,063</b>
Non controlling interest	41	-	-	582,535	430,578
<b>Total equity</b>		<b>127,355,688</b>	<b>74,009,334</b>	<b>132,945,604</b>	<b>77,200,641</b>
<b>Total liabilities and equity</b>		<b>587,786,992</b>	<b>430,925,189</b>	<b>595,225,706</b>	<b>435,300,740</b>

The financial statements on pages 1 to 79 were approved by the Board of directors on .....Feb 2013 and signed on its behalf by:

Chairman:

Date:

Managing Director:

Date:



(All amounts are expressed in Ghana cedis unless otherwise stated)

<b>The Bank-2012</b>	<b>Stated Capital (note 34)</b>	<b>Income surplus account (note 45)</b>	<b>Statutory reserve (note 35)</b>	<b>Capital surplus account (note 36)</b>	<b>Share deals account (note 39)</b>	<b>Housing dev't assistance reserve (note 37)</b>	<b>Regulatory credit risk reserve (note 38)</b>	<b>Other reserves (note 40)</b>	<b>Total Equity</b>
Balance at 1 January 2012	45,000,624	9,237,074	12,812,779	4,618,495		743,680	1,402,888	193,794	74,009,334
Profit for the year	-	13,025,347	-	-	-	-	-	-	13,025,347
Proceeds from Executive Share Option Plan (ESOP)	126,000	-	-	-	-	-	-	-	126,000
Proceeds from Share Issue	50,000,000	-	-	-	-	-	-	-	50,000,000
Dividend	-	(9,146,302)	-	-	-	-	-	-	(9,146,302)
Transfer to statutory reserve	-	(6,512,674)	6,512,674	-	-	-	-	-	-
Transfer to housing development assistance reserve	-	-	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	(658,691)	-	-	-	(658,691)
Transfer to share deals	-	(658,691)	-	-	658,691	-	-	-	-
Transfer to regulatory credit risk reserve	-	(4,877,506)	-	-	-	-	4,877,506	-	-
<b>At 31 December</b>	<b>95,126,624</b>	<b>1,067,248</b>	<b>19,325,453</b>	<b>4,618,495</b>	<b>-</b>	<b>743,680</b>	<b>6,280,394</b>	<b>193,794</b>	<b>127,355,688</b>

<b>The Bank-2011</b>	<b>Attributable to equity holders of the Bank</b>								<b>Total Equity</b>
	<b>Stated Capital (note 34)</b>	<b>Income surplus account (note 45)</b>	<b>Statutory reserve (note 35)</b>	<b>Capital surplus account (note 36)</b>	<b>Share deals account (note 39)</b>	<b>Housing dev't assistance reserve (note 37)</b>	<b>Regulatory credit risk reserve (note 38)</b>	<b>Other Reserve (note 40)</b>	
1 January	44,798,124	3,561,797	11,529,172	4,618,495	24,855	743,680	4,096,614	402,869	69,775,606
Profit for the year	-	9,890,257	-	-	-	-	-	-	9,890,257
Proceeds from Executive Share Option Plan (ESOP)	202,500	-	-	-	-	-	-	-	202,500
Convertible Bonds	-	-	-	-	-	-	-	(290,075)	(290,075)
Dividend	-	(2,931,373)	-	-	-	-	-	-	(2,931,373)
Transfer to statutory reserve	-	(1,283,607)	1,283,607	-	-	-	-	-	-
Transfer Share deals	-	-	-	-	(24,855)	-	-	-	(24,855)
Transfers from credit risk reserve	-	-	-	-	-	-	(2,693,726)	-	(2,693,726)
<b>At 31 December</b>	<b>45,000,624</b>	<b>9,237,074</b>	<b>12,812,779</b>	<b>4,618,495</b>	<b>-</b>	<b>743,680</b>	<b>1,402,888</b>	<b>193,794</b>	<b>74,009,334</b>



## The Group-2012

(All amounts are expressed in Ghana cedis unless otherwise stated)

The Group 2012	Stated capital (note 34)	Income surplus account (note 45)	Statutory Reserve (note 35)	Capital surplus account (note 36)	Housing development assistance Reserve (note 37)	Regulatory credit risk reserve (note 38)	Share deals account (note 39)	Other reserves (note 40)	Non controlling interest (note 41)	Total Equity
<b>Balance at 1 January</b>	45,000,624	11,592,538	13,202,400	4,634,139	743,680	1,402,888		193,794	430,578	77,200,641
Profit for the year	-	15,271,999	-	-	-	-	-	-	151,957	15,423,956
Proceeds from ESOP	126,000	-	-	-	-	-	-	-	-	126,000
Proceeds from Share Issue	50,000,000	-	-	-	-	-	-	-	-	50,000,000
Convertible bonds	-	-	-	-	-	-	-	-	-	-
Dividend	-	(9,146,302)	-	-	-	-	-	-	-	(9,146,302)
Transfer to statutory reserve	-	(6,512,674)	6,512,674	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	-	-	(658,691)	-	-	(658,691)
Transfer to share deals	-	(658,691)	-	-	-	-	658,691	-	-	-
Movement	-	(4,877,506)	-	-	-	4,877,506	-	-	-	-
<b>At 31 December</b>	<b>95,126,624</b>	<b>5,669,364</b>	<b>19,715,074</b>	<b>4,634,139</b>	<b>743,680</b>	<b>6,280,394</b>		<b>193,794</b>	<b>582,535</b>	<b>132,945,605</b>

## Consolidated Statement of Changes in Equity for the year ended 31 December

(All amounts are expressed in Ghana cedis unless otherwise stated)

The Group 2011 Year	Attributable to equity holders of the parent company									Total Equity
	Stated capital (note 34)	Income surplus account (note 45)	Statutory reserve (note 35)	Capital surplus account (note 36)	Housing development assistance reserve (note 37)	Share deals account (note 39)	Regulatory credit risk reserve (note 38)	Other Reserves (note 40)	Non controlling interest (note 41)	
<b>Balance at 1 January</b>	44,798,124	5,570,139	11,529,172	4,634,139	743,680	24,855	4,096,614	402,869	204,162	72,003,754
Profit for the year	-	10,627,000	-	-	-	-	-	-	226,416	10,853,416
Proceeds from ESOP	202,500	-	-	-	-	-	-	-	-	202,500
Convertible bonds	-	-	-	-	-	-	-	(209,075)	-	(209,075)
Dividend	-	(2,931,373)	-	-	-	-	-	-	-	(2,931,373)
Transfer to statutory reserve	-	(1,673,228)	1,673,228	-	-	-	-	-	-	-
Transfer Share deals	-	-	-	-	-	(24,855)	-	-	-	(24,855)
Movement	-	-	-	-	-	-	(2,693,726)	-	-	(2,693,726)
<b>At 31 December</b>	<b>45,000,624</b>	<b>11,592,538</b>	<b>13,202,400</b>	<b>4,634,139</b>	<b>743,680</b>	<b>-</b>	<b>1,402,888</b>	<b>193,794</b>	<b>430,578</b>	<b>77,200,641</b>



(All amounts are expressed in Ghana cedis unless otherwise stated)

	Note	Twelve Months ended 31 December			
		The Bank 2012	The Group 2011	The Group 2012	The Group 2011
<b>Cash flows from Operating activities</b>					
Cash generated from operations	43	8,673,211	74,240,804	14,298,240	76,131,084
Interest paid on long term bonds	32	(1,287,369)	(1,536,623)	(1,287,369)	(1,536,623)
Tax paid	26	(3,586,165)	(3,142,934)	(4,162,398)	(3,287,331)
<b>Net cash generated from operating activities</b>		<u>3,799,677</u>	<u>69,561,247</u>	<u>8,848,473</u>	<u>71,307,130</u>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	24	(2,760,792)	(2,160,828)	(3,314,004)	(2,637,024)
Proceeds from sale of property and equipment	24	31,834	49,500	75,930	49,500
Sale/(purchase)of government securities		14,710,487	(15,982,862)	10,706,582	(17,315,825)
Purchase of other investments		(742,528)	(472,748)	(1,742,528)	(472,748)
Sale of investment securities		-	65,112	-	65,112
Investment in associate and subsidiary (Purchase)/ Redemption of debt securities	23a)	(881,996)	-	(742,391)	(1,061,990)
		<u>(471,137)</u>	<u>(1,000,000)</u>	<u>(1,562,436)</u>	<u>(1,000,000)</u>
<b>Net cash used in investing activities</b>		<u>9,885,868</u>	<u>(22,975,44)</u>	<u>3,421,153</u>	<u>(22,372,975)</u>
<b>Cash flows from financing activities</b>					
Dividend paid	12	(9,146,302)	(2,931,371)	(9,146,302)	(2,931,371)
Redemption of bonds	32	(8,184,204)	-	(8,184,204)	-
Loans repaid	33	(3,581,431)	(2,721,366)	(3,581,431)	(2,721,366)
Proceeds from Loan	33	18,845,500	-	18,845,500	-
Proceeds from ESOP issue	34	63,000	205,500	63,000	202,500
Proceeds from share issue	34	50,000,000	-	50,000,000	-
<b>Net cash generated from financing activities</b>		<u>47,996,563</u>	<u>(5,450,237)</u>	<u>47,996,563</u>	<u>(5,450,237)</u>
<b>Increase in cash and cash equivalents</b>		<u>61,682,108</u>	<u>41,135,566</u>	<u>60,266,189</u>	<u>43,483,917</u>
<b>Net foreign exchange difference</b>		<u>6,236,590</u>	<u>1,060,973</u>	<u>6,236,590</u>	<u>1,060,973</u>
At 1 January		<u>85,678,222</u>	<u>43,481,683</u>	<u>89,712,534</u>	<u>45,167,644</u>
<b>At 31 December</b>	<b>43</b>	<u><b>153,596,920</b></u>	<u><b>85,678,222</b></u>	<u><b>156,215,313</b></u>	<u><b>89,712,534</b></u>

