

GCB BANK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2014

GCB BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

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GCB BANK LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Daniel Owiredu ó Chairman (*Appointed 9/10/14*)
Dr. Fritz Augustine Gockel ó Chairman (*Retired 26/5/14*)
Mr. Simon Dornoo (*Managing*)
Mr. Samuel Sarpong
Mr. Elliot Gordor
Mr. John Awuah
Mr. Moses Aduku Asaga
Ms. Faustina Nelson
Dr. Abdul Baasit Aziz Bamba
Mr. Kofi Worlanyo
Mr. Ernest Kwasi Okoh
Hon. Mrs. Mona Quartey (*Appointed 9/10/14*)
Ms. Ama Bawuah (*Appointed 25/11/14*)
Mrs. Adelaide Mary Benneh (*Retired 26/5/14*)
Hon. Kweku Ricketts-Hagan (*Resigned 8/10/14*)

SECRETARY

Mrs. Helen Addo
GCB Bank Building
Thorpe Road, High Street
P. O. Box 134
Accra

AUDITORS

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

REGISTERED OFFICE

GCB Bank Building
Thorpe Road, High Street
P. O. Box 134
Accra

REGISTRARS

Share Registry
GCB Bank Limited
Head Office, High Street
Accra

GCB BANK LIMITED
FINANCIAL HIGHLIGHTS

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 31 December				
Total assets	4,259,102	3,404,826	4,232,819	3,391,100
Loans and advances to customers	1,240,577	960,707	1,240,577	960,707
Customer deposits	3,074,821	2,624,975	3,078,071	2,630,283
Shareholders' equity	689,371	466,065	659,896	447,156
Government securities	1,862,336	1,711,957	1,857,337	1,711,948
For the year ended 31 December				
Profit before tax	394,981	317,059	382,436	311,223
Profit after tax	282,148	229,199	270,057	223,508
Dividend per share (Ghana pesewas):	32	25	32	25
Earnings per share (Ghana pesewas):				
- Basic	106	86	102	84
- Diluted	106	86	102	84
Return on equity (%)	41	49	41	50
Return on assets (%)	7	7	6	7
At 31 December				
Number of staff	1,944	2,083	1,944	2,083
Number of branches	157	157	157	157

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
GCB BANK LIMITED**

The Directors present their report and the financial statements of the Bank and its subsidiary (the Group) for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

PRINCIPAL ACTIVITIES

The Group's principal activities comprise consumer and corporate banking and treasury activities. It also engages in equity investments through its subsidiary. There was no change in the nature of the Group's business during the year.

SHAREHOLDING STRUCTURE

The Bank's shareholding structure at the end of the year was as follows:

Shareholder	Percentage Holding
Social Security and National Insurance Trust (SSNIT)	29.81%
The Government of Ghana	21.36%
Institutions and individuals	48.83%

SUBSIDIARY AND ASSOCIATES

Development Finance & Holdings Limited, a company incorporated in Ghana to engage in investment activities, is a wholly owned subsidiary of the Bank.

The Bank holds 40% interest in Activity Venture Finance Company, a company incorporated in Ghana, which provides credit and equity financing to eligible small and medium scale enterprises (SMEs).

The Bank holds 20% interest in Ghana International Bank Plc, a company incorporated in the United Kingdom to provide universal banking services.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
GCB BANK LIMITED (CONT'D)**

FINANCIAL STATEMENTS AND DIVIDEND

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

	2014 GH¢'000	2013 GH¢'000
Profit for the year (attributable to equity holders) was	270,057	223,508
to which is added the balance brought forward		
on retained earnings of	197,280	101,602
	-----	-----
	467,337	325,110
out of which is transferred to the statutory reserve		
fund, in accordance with the Banking Act, an amount of	(33,757)	(55,877)
and transfers from credit risk reserve of	1,211	4,885
transfer to stated capital of	-	(29,138)
and prior year dividend paid of	(55,650)	(47,700)
	-----	-----
	(88,196)	(127,830)
	-----	-----
leaving a balance to be carried		
forward on retained earnings of	379,141	197,280
	=====	=====

In accordance with section 29 (b) of the Banking Act, 2004 Act 673 as amended, an amount of GH¢33,757,000 (2013: GH¢55,877,000) was transferred to the statutory reserve fund from retained earnings bringing the cumulative balance on the statutory reserve fund at the year end to GH¢179,505,000 (2013: GH¢145,748,000).

The Directors recommend the payment of dividend of GHp32 (2013: GHp25) per share amounting to GH¢84,800,000 (2013: GH¢66,250,000).

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with applicable laws and the Bank's financial reporting framework, give a true and fair view of the Bank's financial position, performance and cash flows; and
- the state of the Group's affairs is satisfactory.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
GCB BANK LIMITED (CONT'D)**

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27 February 2015 and signed on their behalf by:

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Mr. Daniel Owiredu
Chairman

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Mr. Simon Dornoo
Managing Director

GCB BANK LIMITED

CORPORATE GOVERNANCE

The Bank is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and Executive Management to provide for effective oversight and management of the Bank in a manner that enhances shareholder value.

The Bank's corporate governance principles are contained in a number of corporate documents including the Bank's Regulations, the Board of Directors Charter, Staff Service Rules and other policies issued from time to time.

The Board of Directors

The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Executive Management, approval of business strategies, evaluation of performance and assessment of major risks facing the Bank.

In discharging its obligations, the Board exercises judgment in the best interest of the Bank and relies on the Bank's Executive Management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's Executive Management subject to clear instructions in relation to such delegation of authority and the circumstances in which Executive Management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank.

The Board is a unitary Board which is made up of a majority of Non-Executive Directors.

At 31 December 2014, the Board had its full complement of twelve (12) members, made up of nine (9) Non-Executive Directors and three (3) Executive Directors with Mr. Daniel Owiredu, a Non-Executive Director as Chairman of the Board. The Board has delegated various aspects of its work to the Audit and Compliance Committee, Large Credit Exposures/Non-Executive Committee, Nomination Committee, Human Resource and Remuneration Committee and Risk and Capital Management Committee.

Board committee members are appointed by the Board. Each Board committee has its own written terms of reference, duties and authorities as determined by the Board.

Audit and Compliance Committee

The Audit and Compliance Committee is chaired by Mr. Kwasi Okoh, a Non-Executive Director and made up of four (4) other Non-Executive Directors.

The Committee carries out the duties set out below for the Bank, giving full consideration to relevant laws, regulations and best practices in discharging its responsibilities:

- Monitoring and reviewing the integrity of the financial statements including annual and quarterly reports;
- Approving Internal Audit plans, monitoring and reviewing the effectiveness of the Bank's internal controls and Internal Audit function;
- Recommending the appointment of External Auditors and overseeing the external audit process;
- Reviewing the expertise, resources and experience of the Bank's finance function;
- Overseeing the compliance function to ensure adherence to applicable laws and operating standards, including Anti-Money Laundering regulations.
- Reviewing the adequacy and security of the Bank's arrangements for its employees and contractors to raise concerns, in confidence about possible wrongdoing in financial reporting or other matters.

Large Credit Exposures/Non-Executive Committee

This Committee is chaired by Mr. Daniel Owiredu, a Non-Executive Director. This committee also has Four (4) other Non-Executive Directors as members. The roles of the Committee include:

- Approving new lending in excess of delegated limits of the Executive Credit Committee of management.
- Reviewing sector, single name and product/asset class concentration exposure reports
- Determining if additional management action is required to manage or mitigate large credit exposure risks
- Reviewing and where necessary, update at least annually, the Large Credit Exposure Policy, for recommendation to the Board for approval.

Human Resource & Remuneration Committee

The Human Resource and Remuneration Committee is chaired by Dr. A. B. Aziz Bamba, a Non-Executive Director and has four (4) other Non-Executive Directors as members. The purpose of the Human Resources Committee is to ensure statutory compliance with employment laws and oversee compliance with Board-approved employment policies and practices.

Key duties include:

- Establishing employment policies to support the Board's approved HR strategy;
- Overseeing the establishment of remuneration policies that promote the achievement of strategic objectives and encourage individual performance.
- Advising on the remuneration of non-executive Directors.
- Overseeing the development and maintenance of the Code of Professional Conduct, and monitoring compliance therewith.

Risk and Capital Management Committee

This Committee is made up of five (5) Non-Executive Directors and is chaired by Mr. Moses Asaga, a Non-Executive Director. The Committee provides independent oversight into key areas of the Bank including but not limited to advising the Board on Risk and Capital Management related issues. The scope of risks covered by this Committee includes Credit Risk, Market Risk, Liquidity & Funding Risks, and Operational Risk.

Key duties include:

- Establishing, reviewing and recommending the Bank's risk appetite to the Board as well as assessing the appropriateness of the strategy in the context of risk appetites.
- Reviewing and maintaining an adequate Risk Management Framework including Risk Policies in the Bank;
- Monitoring the Bank's risk exposures through reviews of risk reports;
- Providing oversight of risk management activities;
- Monitoring the adequacy of Asset and Liability Management, and Capital Management processes;
- Establishing and maintaining an Internal Capital Adequacy Assessment Process (ICAAP) and an Internal Liquidity Adequacy Assessment (ILAA) process for effective Capital and Liquidity management.

Nominations Committee

This Committee is made up of five (5) Non-Executive Directors including the chairman, Mr. Elliot Gordor. Its responsibilities include:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board compared to its current position and make recommendations to the Board with regard to desirable changes.
- Give full consideration to succession planning for Directors and other senior executives in the course of its work.
- Exercise responsibility for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Evaluate the balance of skills, knowledge, experience and diversity on the Board and where considered relevant, prepare descriptions of roles and capabilities required for particular appointments.
- Propose recommendations to the Board concerning appointments to committees.

Systems of Internal Control

The Bank generally has systems of internal control through which risks are identified, managed and monitored. These controls are designed to provide reasonable assurance of the appropriateness of controls to adequately address risks faced by the Bank.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GCB BANK LIMITED**

Report on the Financial Statements

We have audited the financial statements of GCB Bank Limited, which comprise the statements of financial position at 31 December 2014, statements of comprehensive income, changes in equity, and cash flows for the year then ended and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 12 to 93.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of GCB Bank Limited at 31 December 2014 and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 Act 673 as amended by the Banking (Amendment) Act, 2007 Act 738.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GCB BANK LIMITED (CONT'D)**

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 78 of the Banking Act, 2004 Act 673 as amended by the Banking (Amendment) Act, 2007 Act 738

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

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

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

SIGNED BY: NII AMANOR DODOO (ICAG/P/1055)
FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2014/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELINKPE
P O BOX GP 242
ACCRA

27 FEBRUARY 2015

GCB BANK LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	The Group		The Bank	
		2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Interest income	9	690,708	552,063	690,708	552,063
Interest expense	10	(92,982)	(92,104)	(92,982)	(92,204)
Net interest income		597,726	459,959	597,726	459,859
Fee and commission income	11	114,392	88,566	114,392	88,566
Fee and commission expense	12	(22,422)	(11,419)	(22,422)	(11,419)
Net fee and commission income		91,970	77,147	91,970	77,147
Net trading income	13	37,758	26,842	37,758	26,842
Other revenue	14	3,739	3,297	7,792	5,989
Revenue		731,193	567,245	735,246	569,837
Other income	15	100,058	944	99,210	1,181
Impairment (charge)/release on loans and advances	16	(23,832)	10,569	(23,832)	10,569
Operating expenses	17	(428,230)	(270,394)	(428,188)	(270,364)
Operating profit		379,189	308,364	382,436	311,223
Share of profit of associates, net of tax	27	15,792	8,695	-	-
Profit before tax		394,981	317,059	382,436	311,223
Income tax expense	18	(112,833)	(87,860)	(112,379)	(87,715)
Profit for the year		282,148	229,199	270,057	223,508

GCB BANK LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Note	The Group		The Bank	
		2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Profit for the year		282,148	229,199	270,057	223,508
<i>Other comprehensive income</i>					
Items that may be reclassified to profit or loss					
Available-for-sale financial assets ó net changes in fair value	38	1,898	1,464	1,911	1,618
Related tax	38	(475)	(366)	(478)	(404)
Share of associate OCI	38	(1,515)	-	-	-
Items that will never be reclassified to profit or loss					
Actuarial loss on defined benefit liability	41	(4,134)	(15,033)	(4,134)	(15,033)
Related tax	41	1,034	3,758	1,034	3,758
Other comprehensive income, net of tax		<u>(3,192)</u>	<u>(10,177)</u>	<u>(1,667)</u>	<u>(10,061)</u>
Total comprehensive income		<u>278,956</u>	<u>219,022</u>	<u>268,390</u>	<u>213,447</u>
Basic and diluted earnings per share (in GH¢)	20	1.06	0.86	1.02	0.84

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Note	The Group		The Bank	
		2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Assets					
Cash and cash equivalents	21	758,081	338,797	758,081	338,797
Government securities	22	1,862,336	1,711,957	1,857,337	1,711,948
Advances to Banks	23	107,407	170,321	107,407	170,321
Loans and advances to customers	24	1,240,577	960,707	1,240,577	960,707
Investment securities: available- for-sale	25	8,611	6,660	6,811	4,900
Investment in subsidiary	26	-	-	-	-
Investment in associates	27	49,468	41,013	30,126	30,126
Investment in other equity securities	28	247	247	113	113
Deferred tax asset	18	26,838	15,453	26,890	15,495
Property and equipment	29	123,936	81,399	123,936	81,399
Intangible assets	30	12,162	3,954	12,162	3,954
Other assets	31	64,021	74,318	63,601	73,340
Income tax asset	18	5,418	-	5,778	-
Total assets		4,259,102	3,404,826	4,232,819	3,391,100
Liabilities					
Deposits from customers	31	3,074,821	2,624,975	3,078,071	2,630,283
Other liabilities	32	263,805	132,702	263,747	132,674
Borrowings	33	163,028	108,149	163,028	108,149
Income tax liabilities	18	-	11,258	-	11,161
Employee benefit obligations	34	68,077	61,677	68,077	61,677
Total liabilities		3,569,731	2,938,761	3,572,923	2,943,944
Equity					
Stated capital	36	100,000	100,000	100,000	100,000
Retained earnings	37	409,176	215,224	379,141	197,280
Fair value reserve	38	1,990	2,082	2,550	1,117
Statutory reserve	39	179,505	145,748	179,505	145,748
Credit risk reserve	40	21,173	22,384	21,173	22,384
Other reserves	41	(22,473)	(19,373)	(22,473)	(19,373)
Total equity		689,371	466,065	659,896	447,156
Total liabilities and equity		4,259,102	3,404,826	4,232,819	3,391,100

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CHAIRMAN

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DIRECTOR

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

The Group	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
Balance at 1 January 2013	72,000	113,855	984	89,871	27,269	(8,098)	295,881
Total comprehensive income							
Profit for the year	-	229,199	-	-	-	-	229,199
Other comprehensive income, net of tax							
Available-for-sale - net change in fair value	-	-	1,098	-	-	-	1,098
Actuarial loss on defined benefit liability	-	-	-	-	-	(11,275)	(11,275)
Total comprehensive income	-	229,199	1,098	-	-	(11,275)	219,022
Transactions with equity holders							
Dividends paid		(47,700)	-	-	-	-	(47,700)
Transfer to stated capital	28,000	(28,000)	-	-	-	-	-
Tax on transfer to stated capital	-	(1,138)	-	-	-	-	(1,138)
Total contributions to equity holders	28,000	(76,838)	-	-	-	-	(48,838)
Regulatory and other reserves							
Transfer to statutory reserve	-	(55,877)	-	55,877	-	-	-
Transfer from credit risk reserve	-	4,885	-	-	(4,885)	-	-
Net transfer to reserves	-	(50,992)	-	55,877	(4,885)	-	-
Balance at 31 December 2013	100,000	215,224	2,082	145,748	22,384	(19,373)	466,065

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

The Group (cont'd)

	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
Balance at 1 January 2014	100,000	215,224	2,082	145,748	22,384	(19,373)	466,065
Total comprehensive income							
Profit for the year	-	282,148	-	-	-	-	282,148
Other comprehensive income, net of tax							
Available-for-sale - net change in fair value	-	-	1,423	-	-	-	1,423
Share of associate OCI	-	-	(1,515)	-	-	-	(1,515)
Actuarial loss on defined benefit liability	-	-	-	-	-	(3,100)	(3,100)
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income	-	282,148	(92)	-	-	(3,100)	278,956
	-----	-----	-----	-----	-----	-----	-----
Transactions with equity holders							
Dividends paid	-	(55,650)	-	-	-	-	(55,650)
	-----	-----	-----	-----	-----	-----	-----
Total contributions to equity holders	-	(55,650)	-	-	-	-	(55,650)
	-----	-----	-----	-----	-----	-----	-----
Regulatory and other reserves							
Transfer to statutory reserve	-	(33,757)	-	33,757	-	-	-
Transfer from credit risk reserve	-	1,211	-	-	(1,211)	-	-
	-----	-----	-----	-----	-----	-----	-----
Net transfer to reserves	-	(32,546)	-	33,757	(1,211)	-	-
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 December 2014	100,000	409,176	1,990	179,505	21,173	(22,473)	689,371
	=====	=====	=====	=====	=====	=====	=====

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

The Bank	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
Balance at 1 January 2013	72,000	101,602	(97)	89,871	27,269	(8,098)	282,547
Total comprehensive income							
Profit for the year	-	223,508	-	-	-	-	223,508
Other comprehensive income, net of tax							
Available-for-sale - net change in fair value	-	-	1,214	-	-	-	1,214
Actuarial loss on defined benefit liability	-	-	-	-	-	(11,275)	(11,275)
Total comprehensive income	-	223,508	1,214	-	-	(11,275)	213,447
Transactions with equity holders							
Dividends paid	-	(47,700)	-	-	-	-	(47,700)
Transfer to stated capital	28,000	(28,000)	-	-	-	-	-
Tax on transfer to stated capital	-	(1,138)	-	-	-	-	(1,138)
Total contributions to equity holders	28,000	(76,838)	-	-	-	-	(48,838)
Regulatory and other reserves							
Transfer to statutory reserve	-	(55,877)	-	55,877	-	-	-
Transfer from credit risk reserve	-	4,885	-	-	(4,885)	-	-
Net transfer to reserves	-	(50,992)	-	55,877	(4,885)	-	-
Balance at 31 December 2013	100,000	197,280	1,117	145,748	22,384	(19,373)	447,156

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

The Bank (cont'd)

	Stated capital GH¢'000	Retained earnings GH¢'000	Fair value reserve GH¢'000	Statutory reserve GH¢'000	Credit risk reserve GH¢'000	Other reserves GH¢'000	Total GH¢'000
Balance at 1 January 2014	100,000	197,280	1,117	145,748	22,384	(19,373)	447,156
Total comprehensive income							
Profit for the year	-	270,057	-	-	-	-	270,057
Other comprehensive income, net of tax							
Available-for-sale - net change in fair value	-	-	1,433	-	-	-	1,433
Actuarial loss on defined benefit liability	-	-	-	-	-	(3,100)	(3,100)
Total comprehensive income	-	270,057	1,433	-	-	(3,100)	268,390
Transactions with equity holders							
Dividends paid	-	(55,650)	-	-	-	-	(55,650)
Total contributions to equity holders	-	(55,650)	-	-	-	-	(55,650)
Regulatory and other reserves							
Transfer to statutory reserve	-	(33,757)	-	33,757	-	-	-
Transfer from credit risk reserve	-	1,211	-	-	(1,211)	-	-
Net transfer to reserves	-	(32,546)	-	33,757	(1,211)	-	-
Balance at 31 December 2014	100,000	379,141	2,550	179,505	21,173	(22,473)	659,896

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	The Group		The Bank	
		2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Cash flows from operating activities					
Profit for the year		282,148	229,199	270,057	223,508
<i>Adjustments for:</i>					
Depreciation and amortization	29, 30	24,091	17,994	24,091	17,994
Impairment charge on loans and advances	16	23,832	(10,569)	23,832	(10,569)
Gain on derecognition of renegotiated loans	15	(93,346)	-	(93,346)	-
Allowance for employee benefit obligations	35	11,027	8,930	11,027	8,930
Share of profit of associates	27	(15,792)	(8,695)	-	-
Net interest income	10, 11	(597,726)	(459,959)	(597,726)	(459,859)
Dividend income	14	(1,834)	(2,455)	(5,887)	(5,147)
Assets written off	29, 30	-	(1,350)	-	(1,350)
Profit on sale of property and equipment	29	(42)	(121)	(42)	(121)
Unrealised exchange differences		(49,435)	(4,797)	(49,435)	(4,797)
Tax expense	18	112,833	87,860	112,379	87,715
		-----	-----	-----	-----
		(304,244)	(143,963)	(305,050)	(143,696)
<i>Change in:</i>					
Loans and advances to customers	24	(210,356)	(102,266)	(210,356)	(102,266)
Advances to banks	23	73,555	(132,343)	73,555	(132,343)
Other assets	31	9,232	(24,126)	9,739	(23,128)
Deposits from customers	32	448,308	294,675	446,250	295,675
Borrowings	34	-	(80,000)	-	(80,000)
Other liabilities	33	131,103	18,905	131,073	18,876
Employee benefits paid	35	(8,761)	(8,436)	(8,761)	(8,436)
Government securities	22	(129,509)	(97,630)	(124,519)	(97,630)
		-----	-----	-----	-----
		9,328	(275,184)	11,931	(272,948)
Interest received		669,838	491,037	669,838	491,037
Dividend received	14, 27	8,686	7,379	5,887	5,147
Interest paid		(88,422)	(90,474)	(88,422)	(90,574)
Income tax paid	18	(140,348)	(94,233)	(140,157)	(94,137)
		-----	-----	-----	-----
Net cash flow from operating activities		459,082	38,525	459,077	38,525
		-----	-----	-----	-----
Cash flows from investing activities					
Acquisition of property and equipment	29	(63,672)	(24,006)	(63,672)	(24,006)
Proceeds from sale of property and equipment	29	42	121	42	121
Acquisition of intangible assets	30	(11,164)	(3,225)	(11,164)	(3,225)
		-----	-----	-----	-----
Net cash used in investing activities		(74,794)	(27,110)	(74,794)	(27,110)
		-----	-----	-----	-----

GCB BANK LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Note	The Group		The Bank	
		2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Cash flow from financing activities					
Dividend paid	37	(55,650)	(47,700)	(55,650)	(47,700)
Stamp duty on additional capital		(5)	-	-	-
		-----	-----	-----	-----
Net cash used in financing activities		(55,655)	(47,700)	(55,650)	(47,700)
		-----	-----	-----	-----
Net increase/(decrease) in cash and cash equivalents		328,633	(36,285)	328,633	(36,285)
Cash and cash equivalents at 1 January	21	338,797	360,023	338,797	360,023
Effect of exchange rate fluctuations on cash held		90,651	15,059	90,651	15,059
		-----	-----	-----	-----
Cash and cash equivalents at 31 December	21	758,081	338,797	758,081	338,797
		=====	=====	=====	=====

The notes on pages 21 to 93 form an integral part of these financial statements.

GCB BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

GCB Bank Limited is a limited liability company incorporated and domiciled in Ghana. The financial statements of the Bank as at and for the year ended 31 December 2014 comprise the Bank and its subsidiary, (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

The Bank is listed on the Ghana Stock Exchange.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

- available-for-sale financial assets, measured at fair value
- Defined benefit obligations measured at the present value of future benefit to employees, net of the fair value of fund assets.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2.4.1 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is set out below. These relate to the impairment of financial instruments and the measurement of defined benefit obligations.

(i) *Impairment of financial instruments*

Assets accounted for at amortized cost are evaluated for impairment on the basis described in Note 3.9.

The individual components of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy. Estimates of cash flows considered recoverable are independently approved by the Credit Risk Function.

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired (loss incurred but not reported or IBNR)

The collective allowance for groups of homogeneous loans is established using a formula approach based on historical loss rate experience.

IBNR allowance covers credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

(ii) *Impairment of available for-sale equity investments*

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

(iii) *Defined Benefit obligation*

Key actuarial assumptions used in the measurement of defined benefit obligations are described under Note 34.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Business combinations

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

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

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

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

(ii) Non-controlling interests

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

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

(iii) Subsidiaries

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

Investment in subsidiaries are measured at cost in the separate financial statements of the Bank.

(iv) Associates

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

Investment in associate are measured at cost in the separate financial statements of the Bank.

(v) Loss of control

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

3.1 Basis of consolidation (cont'd)

(vi) Transactions eliminated on consolidation

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

3.2 Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group entities using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at exchange rates ruling at that date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss.

Foreign exchange gains and losses arising from the translation of items recognized in other comprehensive income are presented in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Ghana Cedis at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Ghana Cedis at the average exchange rates for the period.

Foreign currency differences arising on the translation of assets and liabilities of foreign operations are recognised in other comprehensive income and presented within equity.

When a foreign operation is disposed of, the related amount is transferred to profit or loss.

3.3 Interest income and expense

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

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

3.4 Fee and commission

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

3.5 Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities and foreign exchange differences.

3.6 Dividend income

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

3.7 Tax expense

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

3.8 Financial assets and liabilities

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

3.8 Financial assets and liabilities (cont'd)

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

3.8.1 Financial assets

The Group classifies its financial assets in the following categories: held to maturity, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition.

(a) *Held-to-maturity*

The Group classifies investments in Government securities as held-to-maturity.

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

Held to maturity assets are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method.

Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Differences between the carrying amount (amortized cost) and the fair value on the date of the reclassification are recognized in other comprehensive income.

(b) *Loans and receivables*

Loans and receivables comprises cash and cash equivalents, advances to Banks, loans and advances to customers and other assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method less any impairment losses.

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

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

Available-for-sale financial assets comprise investment in equity securities.

Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale financial assets are measured at fair value after initial recognition.

(c) *Available-for-sale financial assets (cont'd)*

Interest income is recognized in profit or loss using the effective interest method. Dividends on available-for-sale equity instruments are recognized in profit or loss in dividend income when the Group's right to receive payment is established.

Other fair value changes, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

3.8.2 Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost include deposits from customers, other liabilities and borrowings for which the fair value option is not applied.

3.8.3 Derecognition

Financial asset

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Group is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

3.8.4 Offsetting

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

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

3.8.5 Fair value measurement

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

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

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

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

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

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

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

3.8.6 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with Bank of Ghana, other bank balances and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.9 Impairment of financial assets

(a) *Assets carried at amortized cost*

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

(a) *Assets carried at amortized cost (cont'd)*

The criteria used to determine whether there is objective evidence of an impairment loss include:

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

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

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

(a) *Assets carried at amortized cost (cont'd)*

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

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

(b) *Assets classified as available-for-sale*

The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. In general, the Group considers a decline of 20% to be significant and a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can objectively be related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through other comprehensive income.

(c) *Renegotiated loans*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3.10 Leases

(i) Lease payments - Lessee

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Lease assets - Lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

(iii) Lease assets - Lessor

Where significant portions of the risks and rewards of ownership or leases are retained by the lessor, such leases are classified as operating leases.

Lease income from operating leases are recognized in other income on a straight-line basis over the period of the lease.

3.11 Property and equipment

(i) Recognition and measurement

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

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

The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and the useful life of the asset.

The estimated useful lives for the current and comparative periods are as follows:

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

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

(iv) Capital work in progress

Property and equipment under construction is stated at initial cost and depreciated from the date the asset is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate category of property and equipment when commissioned and ready for its intended use.

(v) Dual-use property

Properties that are part used for own-use activities and part for rental activities are considered dual-use properties. This would result in the property being considered to be classified as part property and equipment and the other part as investment property. If a significant portion of the property is used for own-use and the portion rented out cannot be sold or leased out separately under a finance lease, then the entire property is classified as property and equipment. The Group considers an own-use portion above 95% of the measure as significant.

3.12 Intangible assets

Computer software

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

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

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

Computer software (cont'd)

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

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

3.13 Impairment of non-financial assets

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

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

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3.14 Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially recognized at fair value and amortized over the life of the guarantee or commitment. The liability is subsequently carried at the higher of the amortized amount and the present value of any expected payments to settle the liability, when payment becomes probable. Financial guarantees and commitments to provide a loan at below-market rates are included within other liabilities.

3.15 Employment benefits

(i) Defined contribution plans

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

*(i) Defined contribution plans (cont'd)*Social Security and National Insurance Trust

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

Provident Fund

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

(ii) Defined benefit plans

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

The calculation of defined benefit obligations is performed annually by a Qualified Actuary using the projected unit credit method. Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses is recognised immediately in other comprehensive income.

The Group determines the net interest expense (income) on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability at the period end, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relate to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Group has the following defined benefit plans:

Long service award

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

Post Retirement Medical Care

The Group pays for post retirement medical care of the Bank's staff.

Pension Benefits

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

(iii) Termination benefits

The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iv) Short-term Employment benefits

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

3.16 Stated capital and reserves

Share capital

The Group classifies capital and equity instruments in accordance with the contractual terms of the instrument. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

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

Statutory reserves

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

- (i) Where the reserve fund is less than fifty percent of the stated capital then an amount not less than 50% of net profit for the year is transferred to the reserve fund.
- (ii) Where the reserve fund is more than 50% but less than 100% of the stated capital, then an amount not less than 25% of net profit is transferred to the reserve fund.
- (iii) Where the reserve is equal to 100% of the stated capital, then an amount not less than 12.5% of the net profit for the year is transferred to the reserve fund.

Credit risk reserves

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRS and the Central Bank's prudential guidelines (see Note 5.1).

3.17 Fiduciary activities

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

3.18 Earnings per share

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

3.19 Segment reporting

Segment results that are reported to the Group's Managing Director (being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's property and equipment), head office expenses and tax assets and liabilities.

The Group has three reportable segments: consumer banking, corporate banking and treasury which are the Group's strategic operations. For each reportable segment, the Group's Managing Director reviews internal management reports on the performance of each segment.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the group has not applied these new or amended standards in preparing these financial statements. Those which may be relevant to the Group are set out below. The company does not plan to adopt these standards early.

- **IFRS 9 Financial Instruments**

IFRS 9 published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15, therefore the impact is currently unknown.

The following new or amended standards are not expected to have a significant impact on the Group's financial statements.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010 ó 2012 Cycle.
- Annual Improvements to IFRSs 2011 ó 2013 Cycle.
- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012 ó 2014 Cycle ó various standards.

5. FINANCIAL RISK MANAGEMENT

Effective risk management is of critical importance and key to the delivery of sustainable returns for shareholders. Risk taking is an inherent part of the Bank's business activities and is defined as the possibility of losing some or all of an original investment. Risk management systems and governance structures are designed to reduce earnings volatility and achieve an appropriate balance between risk and reward and increased profitability.

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

Risk Management Framework

The risk management framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposure in a consistent and effective manner across the Bank. Through the framework, risk is managed at enterprise-wide level, with the objective of maximizing risk-adjusted returns within the context of the Bank's risk appetite.

Risk Management Framework (cont'd)

The most important types of risk are credit risk, liquidity risk, market risk and operational risk.

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

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

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

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

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

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

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

Risk Management Framework (cont'd)

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

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

Functions are organized in accordance with the "Three Lines of Defense" governance model. The three lines of defense are constituted as follows:

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

Risk Appetite

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

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

5.1 Credit Risk Management

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

Concentration Risk

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

Credit Mitigation

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

Collateral

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

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

Credit Related Commitments

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

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

Impairment and Provisioning Policies

Impairment

The identification and assessment of impairment is as described under Note 3.9. The estimated period between a loss and its identification in general, vary between three months and twelve months and in exceptional cases, longer periods. In any decision relating to the raising of impairment charges, the Bank attempts to balance economic conditions, local knowledge and experience. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment charge has been raised, then that amount is written off after obtaining approval from the Board as well as the relevant regulatory authorities.

Early Alerts

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

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

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

Provisioning

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

The Bank of Ghana Guideline is as set out below:

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

(i) *Analysis of credit quality*

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

Maximum exposure to credit risk (cont'd)

	Loans & advances to customers		Loans & advances to banks		Government securities		Cash equivalents		Lending commitments & financial guarantees	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Loans with renegotiated terms										
Gross carrying amount	110,903	9,972	-	-	-	-	-	-	-	-
Allowance for impairment	(9,434)	(3,699)	-	-	-	-	-	-	-	-
Net carrying amount	101,469	6,273	-	-	-	-	-	-	-	-
Impaired amount after renegotiation	12,110	4,546	-	-	-	-	-	-	-	-
Off balance sheet Maximum exposure										
Lending commitments										
Grade 1-3: low-fair risk	-	-	-	-	-	-	-	-	22,190	20,448
Financial guarantees										
Grade 1-3: low-fair risk	-	-	-	-	-	-	-	-	336,800	335,667
Loss	-	-	-	-	-	-	-	-	-	1,390
Total exposure	-	-	-	-	-	-	-	-	358,990	357,505

Maximum exposure to credit risk (cont'd)

	Loans & advances to customers		Advances to banks		Government securities		Cash equivalents		Lending commitments & financial guarantees	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Neither past due nor impaired										
Grade 1-3: Low-fair risk	992,234	902,494	107,407	170,321	1,862,336	1,711,957	560,640	242,993	358,990	356,115
*Past due but not impaired										
Grade 465: Watch list	220,257	31,416	-	-	-	-	-	-	-	-
Grade 6: Substandard	1,055	1,299	-	-	-	-	-	-	-	-
Grade 7: Doubtful	949	20	-	-	-	-	-	-	-	-
Grade 8: Loss	4,997	4,487	-	-	-	-	-	-	-	-
	-----	-----	----	----	----	----	----	----	----	----
	227,258	37,222	-	-	-	-	-	-	-	-
	=====	=====	====	====	====	====	====	====	====	====
Individually impaired										
Grade 163: Low fair risk	191	912	-	-	-	-	-	-	-	-
Grade 465: Watch list	9,187	25,275	-	-	-	-	-	-	-	-
Grade 6: Substandard	40,761	7,265	-	-	-	-	-	-	-	-
Grade 7: Doubtful	2,516	3,354	-	-	-	-	-	-	-	-
Grade 8: Loss	86,800	119,180	-	-	-	-	-	-	-	1,390
	-----	-----	----	----	----	----	----	----	----	-----
	139,455	155,986	-	-	-	-	-	-	-	1,390
	=====	=====	====	====	====	====	====	====	====	=====
Allowance for impairment										
Individual	103,189	123,007	-	-	-	-	-	-	-	655
Collective	15,181	11,988	-	-	-	-	-	-	-	630
	-----	-----	----	----	----	----	----	----	----	-----
Total allowance for impairment	118,370	134,995	-	-	-	-	-	-	-	1,285
	=====	=====	====	====	====	====	====	====	====	=====

**Past due but not impaired*

These are loans and advances that are past due and have been assessed for impairment. However, these loans and advances are supported by significant collaterals and cashflows from agreed repayment terms. The present value of these estimated cashflows exceed the carrying amounts of the loans and advances.

Maximum exposure to credit risk (cont'd)

The above represents the maximum exposure to credit risk at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on the gross carrying amounts reported.

As shown above, 48% of the total maximum exposure is derived from loans and advances to customers and banks (2013: 42%) while investments held in investment securities represents 44% (2013: 48%).

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

(a) *Financial assets neither past due nor impaired*

Loans and advances to customers

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

Cash and cash equivalents

Included in the Group's cash and cash equivalents are balances held with the central bank and other financial institutions. None of these balances were impaired at the year end and at 31 December 2013.

Investment securities

The Group's investments comprise investment in government securities as well as equity securities. None of these investments were impaired at the year end and at 31 December 2013.

Advances to Banks

These are the Group's overnight placements with other Banks and financial institutions. None of these placements were impaired at the year end and at 31 December 2013.

(b) *Loans and advances past due but not impaired*

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Loans that are aged more than 90 days are tested individually for impairment but may be determined as not impaired due to the values of collaterals held. Such loans are also considered as past due but not impaired.

(c) *Loans and advances renegotiated*

The contractual terms of a loan may be modified for a number of reasons including market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out under Note 3.9.

(c) *Loans and advances renegotiated (cont'd)*

The Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default and there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments, modifying and extending payment arrangements and approving external management plans. Corporate loans are subject to forbearance activities.

For the purposes of disclosures in these financial statements, loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early payment or write-off.

Irrespective of whether loans with renegotiated terms have been derecognized, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

(ii) Concentrations of credit risk – Group

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

	Loans & advances to customers		Advances to banks		Government securities		Cash equivalents		Commitments & financial guarantees	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Carrying amount	1,358,947	1,095,702	107,407	170,321	1,862,336	1,711,957	560,640	242,993	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	-	-	358,990	357,505
Concentration by sector:										
• Construction	8,800	8,253	-	-	-	-	-	-	-	-
• Agriculture, forestry and fishing	12,799	9,589	-	-	-	-	-	-	-	-
• Mining and quarrying	3,723	28,747	-	-	-	-	-	-	-	-
• Manufacturing	41,735	26,454	-	-	-	-	-	-	-	-
• Electricity, gas and water	7,468	-	-	-	-	-	-	-	-	-
• Commerce and finance	428,565	296,201	107,407	170,321	-	-	76,852	23,250	358,990	357,505
• Transport, storage and communication	26,720	28,363	-	-	-	-	-	-	-	-
• Services	123,807	120,463	-	-	-	-	-	-	-	-
• Miscellaneous	705,330	577,632	-	-	-	-	172,655	113,984	-	-
• Government	-	-	-	-	1,862,336	1,711,957	311,133	105,759	-	-
	1,358,947	1,095,702	107,407	170,321	1,862,336	1,711,957	560,640	242,993	358,990	357,505
Concentration by Product:										
Term loans	1,145,594	776,233	-	-	-	-	-	-	-	-
Overdraft	174,058	284,515	-	-	-	-	-	-	-	-
Staff loans	39,295	34,954	-	-	-	-	-	-	-	-
Bonds and guarantees	-	-	-	-	-	-	-	-	285,424	282,853
Letters of credit	-	-	-	-	-	-	-	-	51,376	54,204
Loan commitments	-	-	-	-	-	-	-	-	22,190	20,448
	1,358,947	1,095,702	-	-	-	-	-	-	358,990	357,505

(ii) Concentrations of credit risk (cont'd)

	Loans & advances to customers		Advances to banks		Government securities		Cash equivalents		Commitments & financial guarantees	
	2014 ¢'000	2013 ¢'000	2014 ¢'000	2013 ¢'000	2014 ¢'000	2013 ¢'000	2014 ¢'000	2013 ¢'000	2014 ¢'000	2013 ¢'000
Concentration by location										
Within Ghana	1,358,947	1,095,702	77,982	151,641	1,862,336	1,711,957	483,788	219,743	358,990	357,505
Outside Ghana	-	-	29,425	18,680	-	-	76,852	23,250	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	1,358,947	1,095,702	107,407	170,321	1,862,336	1,711,957	560,640	242,993	358,990	357,505
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Key ratio for loans and advances are as follows:

The total impairment charge for the year represents 2% of gross loans at the year end (2013: -1%)

The total amount of allowance for impairment represents 9% of gross loans at the year end (2013: 12%).

Gross non-performing loan ratio was 10% at year end (2013: 14%).

The maximum amount due from staff during the year amounted to GH¢39,358,791.29 (2013: GH¢36,316,654).

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

The Bank holds collateral and other credit enhancements against certain types of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of exposure – Group and Bank

	Percentage of exposure that is subject to collateral requirement		Principal type of collateral held
	December 2014	December 2013	
Loans and advances to customers			
Corporate term loans and overdraft	100%	100%	Legal mortgages over commercial and residential properties; debentures
Personal loans	0%	0%	
Staff loans	64%	63%	

Loans and advances to customers

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

Because of the Group's focus on customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans and advances to customers. Valuation of collateral is updated in a three year cycle for loans whose credit risk has deteriorated significantly and are being monitored more closely. For impaired loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement. At 31 December 2014, the net carrying amount of impaired loans and advances to customers amounted to GH¢36,270,000 (2013: GH¢32,980,000) and the value of identifiable collaterals held against those loans and advances amounted to GH¢34,630,000 (2013: GH¢30,990,000).

Other types of collateral and credit enhancements

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

Assets obtained by taking possession of collateral

Repossessed items are expected to be sold within one year of repossession. Repossessed items are not recognized in the Group's books. Proceeds from their sale are used to reduce related outstanding indebtedness.

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

(iv) Offsetting financial assets and financial liabilities

The Group did not hold any financial assets and financial liabilities that are off-set in the statement of financial position at the reporting date.

(v) Impaired loans and advances

See Note 3.9 for the definition of impaired financial asset.

See Notes 16 and 24 for details of impairment allowances for loans and advances to customers.

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

Loans and Advances to Customers – Group and Bank

	Gross GH¢'000	Impairment Allowance GH¢'000	Net GH¢'000
December 2014			
Grade 163: Low fair risk	191	139	52
Grade 465: Watch list	9,187	6,226	2,961
Grade 6: Substandard	40,761	17,714	23,047
Grade 7: Doubtful	2,516	1,997	519
Grade 8: Loss	86,800	77,113	9,687
	-----	-----	-----
	139,455	103,189	36,266
	-----	-----	-----
December 2013			
Grade 163: Low fair risk	912	906	6
Grade 465: Watch list	25,275	6,685	18,590
Grade 6: Substandard	7,265	7,044	221
Grade 7: Doubtful	3,354	2,670	684
Grade 8: Loss	119,180	105,702	13,478
	-----	-----	-----
	155,986	123,007	32,979
	-----	-----	-----

5.2 Liquidity Risk Management

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

5.2 Liquidity Risk Management (cont'd)

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

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

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

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

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

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets includes cash and cash equivalents and investment 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 from customers at the reporting date and during the reporting period were as follows.

	2014	2013
	%	%
At 31 December	86.03	80.58
Average for the period	78.91	80.16
Maximum for the period	86.03	84.01
Minimum for the period	73.94	76.79

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

Maturity analysis for financial assets and liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows which include estimated interest payment, whereas the Group manages liquidity risk taking into account the behavioral characteristics of deposits.

The Group

At 31 December 2014	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
Financial liabilities by type					
<i>Non-derivative liabilities</i>					
Deposits from customers	2,957,557	46,100	71,164	-	3,074,821
Borrowings	-	-	-	163,028	163,028
Other liabilities	-	60,906	-	-	60,906
Financial guarantee contracts	44,435	7,505	253,952	30,908	336,800
Unrecognised loan commitments	22,190	-	-	-	22,190
	-----	-----	-----	-----	-----
	3,024,182	114,511	325,116	193,936	3,657,745
	-----	-----	-----	-----	-----
Financial assets by type					
<i>Non-derivative assets</i>					
Cash and cash equivalents	758,081	-	-	-	758,081
Advances to Banks	80,542	3,304	23,561	-	107,407
Government securities	292,207	461,991	395,304	712,834	1,862,336
Loans and advances to customers	1,257	9,150	202,213	1,027,957	1,240,577
Investment securities ó AFS	8,611	-	-	-	8,611
Investments in other equity securities	247	-	-	-	247
Other assets	-	54,313	-	-	54,313
	-----	-----	-----	-----	-----
Assets held for managing liquidity risk	1,140,945	528,758	621,078	1,740,791	4,031,572
	-----	-----	-----	-----	-----
Liquidity gap	(1,883,237)	414,247	295,962	1,546,855	373,827
	=====	=====	=====	=====	=====

At 31 December 2013

Financial liabilities by type					
<i>Non-derivative liabilities</i>					
Deposits from customers	2,536,288	45,855	42,832	-	2,624,975
Borrowings	-	-	-	108,149	108,149
Other liabilities	-	108,355	-	-	108,355
Financial guarantee contracts	44,739	3,952	267,574	20,792	337,057
Unrecognised loan commitments	20,448	-	-	-	20,448
	-----	-----	-----	-----	-----
	2,601,475	158,162	310,406	128,941	3,198,984
	-----	-----	-----	-----	-----

Maturity analysis for financial assets and liabilities (cont'd)**The Group**

	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2013					
Financial assets by type					
<i>Non-derivative assets</i>					
Cash and cash equivalents	338,797	-	-	-	338,797
Advances to Banks	163,498	2,515	-	4,308	170,321
Government securities	194,752	761,141	392,325	363,739	1,711,957
Loans and advances to customers	208,265	103,594	129,208	519,640	960,707
Investment securities ó AFS	6,660	-	-	-	6,660
Investments in other equity securities	-	-	-	247	247
Other Assets	-	63,898	-	-	63,898
	-----	-----	-----	-----	-----
Assets held for managing liquidity risk	911,972	931,148	521,533	887,934	3,252,587
	-----	-----	-----	-----	-----
Liquidity gap	(1,689,503)	772,986	211,127	758,993	53,603
	=====	=====	=====	=====	=====

The Bank**At 31 December 2014****Financial liabilities by type**

<i>Non-derivative liabilities</i>					
Deposits from customers	2,960,807	46,100	71,164	-	3,078,071
Borrowings	-	-	-	163,028	163,028
Other liabilities	-	60,848	-	-	60,848
Financial guarantee contracts	44,435	7,505	253,952	30,908	336,800
Unrecognised loan commitments	22,190	-	-	-	22,190
	-----	-----	-----	-----	-----
	3,027,432	114,453	325,116	193,936	3,660,937
	-----	-----	-----	-----	-----

Financial assets by type

<i>Non-derivative assets</i>					
Cash and cash equivalents	758,081	-	-	-	758,081
Advances to Banks	80,542	3,304	23,561	-	107,407
Government securities	292,207	461,981	390,315	712,834	1,857,337
Loans and advances to customers	1,257	9,150	202,213	1,027,957	1,240,577
Investment securities ó AFS	6,811	-	-	-	6,811
Investments in other equity securities	113	-	-	-	113
Other assets	-	53,893	-	-	53,893
	-----	-----	-----	-----	-----
Assets held for managing liquidity risk	1,139,011	528,328	616,089	1,740,791	4,024,219
	-----	-----	-----	-----	-----
Liquidity gap	(1,888,421)	413,875	290,973	1,546,855	363,282
	=====	=====	=====	=====	=====

Maturity analysis for financial assets and liabilities (cont'd)

The Bank

	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2013					
Financial liabilities by type					
<i>Non-derivative liabilities</i>					
Deposits from customers	2,541,596	45,855	42,832	-	2,630,283
Borrowings	-	-	-	108,149	108,149
Other liabilities	-	108,327	-	-	108,327
Financial guarantee contracts	44,739	3,952	267,574	20,792	337,057
Unrecognised loan commitments	20,448	-	-	-	20,448
	-----	-----	-----	-----	-----
	2,606,783	158,134	310,406	128,941	3,204,264
	-----	-----	-----	-----	-----
Financial assets by type					
<i>Non-derivative assets</i>					
Cash and cash equivalents	338,797	-	-	-	338,797
Advances to Banks	163,498	2,515	-	4,308	170,321
Government securities	194,752	761,132	392,325	363,739	1,711,948
Loans and advances to customers	208,265	103,594	129,208	519,640	960,707
Investment securities ó AFS	4,900	-	-	-	4,900
Investments in other equity securities	-	-	-	113	113
Other assets	-	62,920	-	-	62,920
	-----	-----	-----	-----	-----
Assets held for managing liquidity risk	910,212	930,161	521,533	887,800	3,249,706
	-----	-----	-----	-----	-----
Liquidity gap	(1,696,571)	772,027	211,127	758,859	45,442
	=====	=====	=====	=====	=====

Financial assets pledged as collateral

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

		Unencumbered		
	Note	Available as collateral GH¢'000	Other* GH¢'000	Total GH¢'000
31 December 2014				
Cash and cash equivalents	21	758,081	-	758,081
Loans and advances to customers	24	-	1,240,577	1,240,577
Advances to Banks	23	107,407	-	107,407
Government securities	22	1,862,336	-	1,862,336
Listed equity investments	25	8,611	-	8,611
Other equity investments	27	-	247	247
Non-financial assets		-	136,098	136,098
		-----	-----	-----
Total assets		2,736,435	1,376,922	4,113,357
		=====	=====	=====
31 December 2013				
Cash and cash equivalents	21	338,797	-	338,797
Loans and advances to customers	24	-	960,707	960,707
Advances to Banks	23	170,321	-	170,321
Government securities	22	1,711,957	-	1,711,957
Listed equity investments	25	6,660	-	6,660
Other equity investments	27	-	247	247
Non-financial assets		-	85,353	85,353
		-----	-----	-----
Total assets		2,227,735	1,046,307	3,274,042
		=====	=====	=====

* Represents assets that are not restricted for use as collateral, but the Group would not consider them as readily available to secure funding in the normal course of business.

In addition, the group has not received collateral that it is permitted to sell or repledge in the absence of default.

5.3 Market Risk

Management of Market Risk

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

Foreign Exchange Exposure

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

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

The Group and Bank

	EUR '000	USD '000	GBP '000
At 31 December 2014			
Assets			
Cash and cash equivalents	2,927	20,788	3,788
Advances to Banks	760	6,285	1,275
Loans and advances to customers	3,638	67,504	-
	-----	-----	-----
Total	7,325	94,577	5,063
	=====	=====	=====
Liabilities			
Deposits due to customers	5,831	70,435	4,468
Borrowings	-	50,000	-
	-----	-----	-----
Total	5,831	120,435	4,468
	=====	=====	=====
Net on balance sheet position	1,494	(25,858)	595
	=====	=====	=====
Credit commitments	2,600	15,567	3,246
	=====	=====	=====

Foreign Exchange Exposure (cont'd)**The Group and Bank**

	EUR	USD	GBP
	'000	'000	'000
At 31 December 2013			
Assets			
Cash and cash equivalents	3,050	4,814	5,892
Advances to Banks	760	5,485	1,275
Loans and advances to customers	3,738	31,685	-
	-----	-----	-----
Total	7,548	41,984	7,167
	=====	=====	=====
Liabilities			
Deposits due to customers	5,619	60,019	4,874
Borrowings	-	50,000	-
	-----	-----	-----
Total	5,619	110,019	4,874
	=====	=====	=====
Net on balance sheet position	1,929	(68,035)	2,293
	=====	=====	=====
Credit commitments	5,073	45,994	7,650
	=====	=====	=====

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

GH¢ to	Average Rate		Reporting Rate	
	2014	2013	2014	2013
USD 1	2.9773	1.9984	3.2001	2.1616
EUR 1	4.0121	2.6416	3.8959	2.9861
GBP 1	4.9698	3.1145	4.9791	3.5726

Foreign Exchange Sensitivity

The following table shows the effect of a strengthening or weakening of GH¢ against all other currencies on profit or loss. This sensitivity analysis indicates the potential impact on profit or loss based on foreign currency exposures recorded at 31 December. (See currency riskö above).

Foreign Exchange Sensitivity (cont'd)

It does not represent actual or future gains or losses. The sensitivity analysis is based on the percentage difference between the highest daily exchange rate and the average exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the GH¢, by the rates shown in the table, against the following currencies at 31 December would have impacted equity and profit or loss by the amounts shown below:

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

As of 31 Dec in GH¢000	2014			2013		
	% Change	Profit or loss impact: Strengthening	Equity impact: Strengthening	% Change	Profit or loss impact: Strengthening	Equity impact: Strengthening
US\$	±1	828	828	±1	(154)	(154)
EUR	±1	(58)	(58)	±1	58	58
GBP	±1	(30)	(30)	±1	82	82

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

Interest Rate Risk

Interest Rate Exposure

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

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

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

*Interest Rate Exposure (cont'd)***The Group**

	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2014					
Assets					
Government securities	292,207	461,991	395,304	712,834	1,862,336
Advances to Banks	80,542	3,304	23,561	-	107,407
Loans and advances to customers	1,257	9,150	202,213	1,027,957	1,240,577
	-----	-----	-----	-----	-----
Total financial assets	374,006	474,445	621,078	1,740,791	3,210,320
	=====	=====	=====	=====	=====
Liabilities					
Interest bearing deposits	1,468,933	46,100	71,163	-	1,586,196
Borrowings	-	-	-	163,028	163,028
	-----	-----	-----	-----	-----
Total financial liabilities	1,468,933	46,100	71,163	163,028	1,749,224
	=====	=====	=====	=====	=====
Total interest rate gap	(1,094,927)	428,345	549,915	1,577,763	1,461,096
	=====	=====	=====	=====	=====
At 31 December 2013					
Assets					
Government securities	194,752	761,141	392,325	363,739	1,711,957
Advances to Banks	163,498	2,515	-	4,308	170,321
Loans and advances to customers	208,265	103,594	129,208	519,640	960,707
	-----	-----	-----	-----	-----
Total financial assets	566,515	867,250	521,533	887,687	2,842,985
	=====	=====	=====	=====	=====
Liabilities					
Interest bearing deposits	1,364,404	45,855	42,832	-	1,453,091
Borrowings	-	-	-	108,149	108,149
	-----	-----	-----	-----	-----
Total financial liabilities	1,364,404	45,855	42,832	108,149	1,561,240
	=====	=====	=====	=====	=====
Total interest rate gap	(797,889)	821,395	478,701	779,538	1,281,745
	=====	=====	=====	=====	=====

*Interest Rate Exposure (cont'd)***The Bank**

	Up to 1 month GH¢'000	1-3 months GH¢'000	3-12 months GH¢'000	Over 1 year GH¢'000	Total GH¢'000
At 31 December 2014					
Assets					
Government securities	292,207	461,981	390,315	712,834	1,857,337
Advances to Banks	80,542	3,304	23,561	-	107,407
Loans and advances to customers	1,257	9,150	202,213	1,027,957	1,240,577
	-----	-----	-----	-----	-----
Total financial assets	374,006	474,435	616,089	1,740,791	3,205,321
	=====	=====	=====	=====	=====
Liabilities					
Interest bearing deposits	1,468,933	46,100	71,163	-	1,586,196
Borrowings	-	-	-	163,028	163,028
	-----	-----	-----	-----	-----
Total financial liabilities	1,468,933	46,100	71,163	163,028	1,749,224
	=====	=====	=====	=====	=====
Total interest rate gap	(1,094,927)	428,335	544,926	1,577,763	1,456,097
	=====	=====	=====	=====	=====
At 31 December 2013					
Assets					
Government securities	194,752	761,132	392,325	363,739	1,711,948
Advances to Banks	163,498	2,515	-	4,308	170,321
Loans and advances to customers	208,265	103,594	129,208	519,640	960,707
	-----	-----	-----	-----	-----
Total financial assets	566,515	867,241	521,533	887,687	2,842,976
	=====	=====	=====	=====	=====
Liabilities					
Interest bearing deposits	1,365,383	45,855	42,832	-	1,454,070
Borrowings	-	-	-	108,149	108,149
	-----	-----	-----	-----	-----
Total financial liabilities	1,365,383	45,855	42,832	108,149	1,562,219
	=====	=====	=====	=====	=====
Total interest rate gap	(798,868)	821,386	478,701	779,538	1,280,757
	=====	=====	=====	=====	=====

Analysis of Group's sensitivity to market interest

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

Group and Bank

	2014		2013	
	Increase 200bp GH¢'000	Decrease 200bp GH¢'000	Increase 200bp GH¢'000	Decrease 200bp GH¢'000
Interest income impact	13,814	(13,814)	11,041	(11,041)
Interest expense impact	(1,860)	1,860	(1,842)	1,842
	-----	-----	-----	-----
Net impact	11,954	11,954	9,199	(9,199)
	=====	=====	=====	=====

Market Risk Monitoring and Control

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

5.4 Operational Risk

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

Operational Risk Framework

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

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

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

5.5 Compliance and Regulatory Risk

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

5.6 Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence and sustain future development of the business. The impact of the level of capital on shareholders' return is also taken into consideration in addition to security afforded by sound capital positions. The Bank complied with the statutory capital requirements throughout the period under review. The subsidiary is not subject to externally imposed capital requirements.

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

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

The Bank generally complied with all externally imposed capital requirements.

The Bank's capital is divided into two tiers:

Tier 1 capital includes ordinary paid up capital and disclosed reserves, excluding the value of assets such as investment in other banks and financial institutions.

Tier 2 capital is made up of reserves such as unrealized gains on equity instruments classified as available for sale.

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

The table below summarizes the composition of regulatory capital and ratios of the Bank.

Bank	2014	2013
	GH¢'000	GH¢'000
Tier 1 Capital		
Share capital	100,000	100,000
Statutory reserve	179,505	145,748
Retained earnings	379,141	197,280
Credit risk reserve	21,173	22,384
Other reserve	(22,473)	(19,373)
Intangibles/other assets	(9,709)	(18,731)
Investments in capital of other Banks and financial/other institutions	(37,049)	(35,138)
Losses not provided for	(24,276)	(25,537)
	-----	-----
Total qualifying tier 1 capital	586,312	366,633
	-----	-----

5.6 Capital Management (cont'd)

Bank	2014	2013
	GH¢'000	GH¢'000
Tier 2 Capital		
Other reserves	2,550	1,117
	-----	-----
Total qualifying tier 2 capital	2,550	1,117
	-----	-----
 Total regulatory capital	 588,862	 367,750
	=====	=====
 Risk weighted assets		
On balance sheet	1,574,908	1,108,591
Off balance sheet	336,800	337,057
50% of net open position	30,165	79,805
100% of previous 3 years average annual gross income	667,953	498,339
	-----	-----
Total risk weighted assets	2,609,826	2,023,792
	=====	=====
 Capital adequacy ratio	 22.56%	 18.17%

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Valuation models

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

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

(a) Valuation models (cont'd)

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

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

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

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

(b) Valuation framework

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

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

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

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

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

(b) Valuation framework (cont'd)

This includes:

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

Significant valuation issues are reported to the Board Audit Committee.

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

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

	The Group		The Bank	
	Level 1		Level 1	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Investment securities ó AFS	8,611	6,660	6,811	4,900
	=====	=====	=====	=====

(d) Level 3 fair value measurements

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

(e) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value in the statement of financial position, analysed by reference to levels in the fair value hierarchy into which each fair value measurement is categorised:

Group	Level 1	Level 2	Level 3	Total	Total
	GH¢'000	GH¢'000	GH¢'000	fair value	carrying
				GH¢'000	amount
					GH¢'000
December 2014					
Assets					
Cash and cash equivalents	-	758,081	-	758,081	758,081
Advances to banks	-	107,407	-	107,407	107,407
Loans and advances to customers	-	1,215,540	-	1,215,540	1,240,577
Government securities	-	1,828,755	-	1,828,755	1,857,337
Other assets	-	-	54,313	54,313	54,313
	-----	-----	-----	-----	-----
	-	3,909,783	54,313	3,964,096	4,017,715
	=====	=====	=====	=====	=====

(e) Financial instruments not measured at fair value

Group	Level 1 GH¢'000	Level 2 GH¢'000	Level 3 GH¢'000	Total fair value GH¢'000	Total carrying amount GH¢'000
December 2014					
Liabilities					
Customer deposits	-	3,065,805	-	3,065,805	3,074,821
Other liabilities	-	-	60,906	60,906	60,906
Borrowings	-	163,028	-	163,028	163,028
	-----	-----	-----	-----	-----
	-	3,228,833	60,906	3,289,739	3,013,915
	=====	=====	=====	=====	=====
December 2013					
Assets					
Cash and cash equivalents	-	338,797	-	338,797	338,797
Advances to banks	-	170,321	-	170,321	170,321
Loans and advances to customers	-	969,266	-	969,266	960,707
Government securities	-	1,784,097	-	1,784,097	1,711,957
Other assets	-	-	63,898	63,898	63,898
	-----	-----	-----	-----	-----
	-	3,262,481	63,898	3,326,379	3,245,680
	=====	=====	=====	=====	=====
Liabilities					
Customer deposits	-	2,610,821	-	2,610,821	2,624,975
Other liabilities	-	-	108,355	108,355	108,355
Borrowings	-	108,149	-	108,149	108,149
	-----	-----	-----	-----	-----
	-	2,718,970	108,355	2,827,325	2,841,479
	=====	=====	=====	=====	=====
Bank					
December 2014					
Assets					
Cash and cash equivalents	-	758,081	-	758,081	758,081
Advances to banks	-	107,407	-	107,407	107,407
Loans and advances to customers	-	1,215,540	-	1,215,540	1,240,577
Government securities	-	1,828,755	-	1,828,755	1,857,337
Other assets	-	-	54,313	54,313	54,313
	-----	-----	-----	-----	-----
	-	3,909,783	54,313	3,964,096	4,017,715
	=====	=====	=====	=====	=====
Liabilities					
Customer deposits	-	3,065,805	-	3,065,805	3,074,821
Other liabilities	-	-	60,906	60,906	60,906
Borrowings	-	163,028	-	163,028	163,028
	-----	-----	-----	-----	-----
	-	3,228,833	60,906	3,289,739	3,013,915
	=====	=====	=====	=====	=====

(e) Financial instruments not measured at fair value

Bank	Level 1 GH¢'000	Level 2 GH¢'000	Level 3 GH¢'000	Total fair value GH¢'000	Total carrying amount GH¢'000
December 2013					
Assets					
Cash and cash equivalents	-	338,797	-	338,797	338,797
Advances to banks	-	170,321	-	170,321	170,321
Loans and advances to customers	-	969,266	-	969,266	960,707
Government securities	-	1,784,097	-	1,784,097	1,711,948
Other assets	-	-	62,920	62,920	62,920
	-----	-----	-----	-----	-----
	-	3,262,481	62,920	3,325,401	3,244,693
	=====	=====	=====	=====	=====
Liabilities					
Customer deposits	-	2,610,821	-	2,610,821	2,630,283
Other liabilities	-	-	108,327	108,327	108,327
Borrowings	-	108,149	-	108,149	108,149
	-----	-----	-----	-----	-----
	-	2,718,970	108,327	2,827,297	2,846,759
	=====	=====	=====	=====	=====

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

Where applicable, the fair value of loans and advances to customers is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques which represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

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

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

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

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

7. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Group		Held-to-maturity GH¢'000	Loans and receivables GH¢'000	Available- for-sale GH¢'000	Other Financial liabilities GH¢'000	Total carrying amount GH¢'000
31 December 2014	Note					
Cash and cash equivalents	21	-	758,081	-	-	758,081
Government securities	22	1,862,336	-	-	-	1,862,336
Advances to banks	23	-	107,407	-	-	107,407
Loans and advances to customers	24	-	1,240,577	-	-	1,240,577
Investment securities ó AFS	25	-	-	8,611	-	8,611
Other equity investments	27	-	-	247	-	247
Other assets	30	-	54,313	-	-	54,313
		-----	-----	-----	-----	-----
Total assets		1,862,336	2,160,378	8,858	-	4,031,572
		=====	=====	=====	=====	=====
Deposits from customers	31	-	-	-	3,074,821	3,074,821
Other liabilities	32	-	-	-	60,906	60,906
Borrowings	33	-	-	-	163,028	163,028
		-----	-----	-----	-----	-----
Total liabilities		-	-	-	3,298,755	3,298,755
		=====	=====	=====	=====	=====
31 December 2013						
Cash and cash equivalents	21	-	338,797	-	-	338,797
Government securities	22	1,711,957	-	-	-	1,711,957
Loans and advances to banks	23	-	170,321	-	-	170,321
Loans and advances to customers	24	-	960,707	-	-	960,707
Investment securities ó AFS	25	-	-	6,660	-	6,660
Other equity investments	27	-	-	247	-	247
Other assets	30	-	63,898	-	-	63,898
		-----	-----	-----	-----	-----
Total assets		1,711,957	1,533,723	6,907	-	3,252,587
		=====	=====	=====	=====	=====
Deposits from customers	31	-	-	-	2,624,975	2,624,975
Other liabilities	32	-	-	-	108,355	108,355
Borrowings	33	-	-	-	108,149	108,149
		-----	-----	-----	-----	-----
Total liabilities		-	-	-	2,841,479	2,841,479
		=====	=====	=====	=====	=====

7. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Bank		Held-to-maturity GH¢'000	Loans and receivables GH¢'000	Available- for-sale GH¢'000	Other Financial liabilities GH¢'000	Total carrying amount GH¢'000
31 December 2014	Note					
Cash and cash equivalents	21	-	758,081	-	-	758,081
Government securities	22	1,857,337	-	-	-	1,857,337
Advances to banks	23	-	107,407	-	-	107,407
Loans and advances to customers	24	-	1,240,577	-	-	1,240,577
Investment securities ó AFS	25	-	-	6,811	-	6,811
Other equity investments	27	-	-	113	-	113
Other assets	30	-	53,893	-	-	53,893
Total assets		1,857,337	2,159,958	6,924	-	4,024,219
Deposits from customers	31	-	-	-	3,078,071	3,078,071
Other liabilities	32	-	-	-	60,848	60,906
Borrowings	33	-	-	-	163,028	163,028
Total liabilities		-	-	-	3,301,947	3,301,947
31 December 2013						
Cash and cash equivalents	21	-	338,797	-	-	338,797
Government securities	22	1,711,948	-	-	-	1,711,948
Loans and advances to banks	23	-	170,321	-	-	170,321
Loans and advances to customers	24	-	960,707	-	-	960,707
Investment securities ó AFS	25	-	-	4,900	-	4,900
Other equity investments	27	-	-	113	-	113
Other assets	30	-	62,920	-	-	62,920
Total assets		1,711,948	1,532,745	5,013	-	3,249,706
Deposits from customers	31	-	-	-	2,630,283	2,630,283
Other liabilities	32	-	-	-	108,327	108,327
Borrowings	33	-	-	-	108,149	108,149
Total liabilities		-	-	-	2,846,759	2,846,759

8. OPERATING SEGMENTS

a. Segment information

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

- Consumer Banking
- Corporate Banking and
- Treasury

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

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

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

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

b. Information about reportable segments

December 2014

	Consumer GH¢'000	Corporate GH¢'000	Treasury GH¢'000	Total GH¢'000
<i>External Revenue</i>				
Net interest income	124,067	73,026	400,633	597,726
Inter-segment revenue	156,190	74,128	(230,318)	-
Net fees and commission income	41,718	49,320	932	91,970
Net trading income	-	9,214	28,544	37,758
Other income	2,313	97,564	7,125	107,002
	-----	-----	-----	-----
Total segment revenue	324,288	303,252	206,916	834,456
	-----	-----	-----	-----
Operating expenses	(261,311)	(118,582)	(48,295)	(428,188)
	-----	-----	-----	-----

b. Information about reportable segments (cont'd)

December 2014

	Consumer GH¢'000	Corporate GH¢'000	Treasury GH¢'000	Total GH¢'000
<i>Other material non-cash items:</i>				
Impairment loss on loans and advances	(2,321)	(21,511)	-	23,832
	=====	=====	=====	=====
Reportable segmental profit before tax	60,656	163,159	158,621	382,436
	=====	=====	=====	=====
Reportable segment assets	677,048	563,529	2,041,597	3,282,174
	=====	=====	=====	=====
Reportable segment liabilities	1,738,044	1,340,027	163,028	3,241,099
	=====	=====	=====	=====

December 2013

<i>External Revenue</i>				
Net interest income	74,457	67,731	317,671	459,859
Inter-segment revenue	138,871	40,534	(179,405)	-
Net fees and commission income	45,707	30,820	620	77,147
Net trading income	-	-	26,842	26,842
Other income	184	2,728	4,258	7,170
	-----	-----	-----	-----
Total segment revenue	259,219	141,813	169,986	571,018
	-----	-----	-----	-----
Operating expenses	(162,300)	(76,523)	(31,541)	(270,364)
	-----	-----	-----	-----
<i>Other material non-cash items:</i>				
Impairment loss on loans and advances	(8,559)	19,128	-	10,569
	=====	=====	=====	=====
Reportable segmental profit before tax	88,360	84,418	138,445	311,223
	=====	=====	=====	=====
Reportable segment assets	533,248	427,459	1,855,419	2,816,126
	=====	=====	=====	=====
Reportable segment liabilities	1,514,513	1,115,770	108,149	2,738,432
	=====	=====	=====	=====

c. Reconciliations of information on reportable segment

December 2014

i. Assets

	GH¢'000
Total assets for reportable entities	3,282,174
Unallocated amounts	950,645

Consolidated total assets	4,232,819

c. Reconciliations of information on reportable segment (cont'd)

December 2014

ii. Liabilities

	GH¢'000
Total liabilities for reportable entities	3,241,099
Unallocated amounts	331,824

Consolidated total liabilities	3,572,923

d. Geographic information

GH¢'000	In Ghana	Outside Ghana	Total
Revenues	834,457	-	834,457

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

9. INTEREST INCOME

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
<i>Financial assets measured at amortised cost</i>				
Cash and short term funds	28,053	11,778	28,053	11,778
Investment securities	380,368	315,946	380,368	315,946
Loans and advances	282,287	224,339	282,287	224,339
	-----	-----	-----	-----
	690,708	552,063	690,708	552,063
	=====	=====	=====	=====

10. INTEREST EXPENSE

<i>Financial liabilities measured at amortised cost</i>				
Current and savings accounts	47,612	42,971	47,612	42,971
Time and other deposits	38,420	40,014	38,420	40,114
Borrowings	6,950	9,119	6,950	9,119
	-----	-----	-----	-----
	92,982	92,104	92,982	92,204
	=====	=====	=====	=====

11. FEE AND COMMISSION INCOME

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
<i>Financial assets measured at amortised cost</i>				
Commission on letters				
of credit and guarantees	4,885	2,925	4,885	2,925
Commission on foreign services	5,516	3,435	5,516	3,435
Commission on turnover	47,224	38,136	47,224	38,136
Processing and facility fees	10,728	6,776	10,728	6,776
Other fees and commissions	46,039	37,294	46,039	37,294
	-----	-----	-----	-----
	114,392	88,566	114,392	88,566
	=====	=====	=====	=====

12. FEE AND COMMISSION EXPENSE

<i>Financial liabilities measured at amortised cost</i>				
Fees and commission expense	22,422	11,419	22,422	11,419
	=====	=====	=====	=====

13. NET TRADING INCOME

Foreign currency trading	37,758	26,842	37,758	26,842
	=====	=====	=====	=====

14. OTHER REVENUE

Dividend income	1,834	2,455	5,887	5,147
Bad debt recoveries	1,905	842	1,905	842
	-----	-----	-----	-----
	3,739	3,297	7,792	5,989
	=====	=====	=====	=====

15. OTHER INCOME

Profit on sale of property and equipment	42	121	42	121
Rental income	824	416	824	416
Gain on derecognition of renegotiated loans	93,346	-	93,346	-
Other income	5,846	407	4,998	644
	-----	-----	-----	-----
	100,058	944	99,210	1,181
	=====	=====	=====	=====

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

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Impairment charge/ (release) on loans and advances	23,832	(10,569)	23,832	(10,569)
	=====	=====	=====	=====
<i>Analysis of impairment charge/ (release)</i>				
Specific impairment	20,639	(9,622)	20,639	(9,622)
Collective impairment	3,193	(947)	3,193	(947)
	-----	-----	-----	-----
	23,832	(10,569)	23,832	(10,569)
	=====	=====	=====	=====

17. OPERATING EXPENSES

Staff expenses (Note 17(a))	259,868	169,996	259,868	169,996
Technology and communication	32,496	21,771	32,496	21,771
Advertising and marketing	8,681	1,510	8,681	1,510
Training	4,353	1,495	4,353	1,495
Audit fees	602	579	571	551
Directors fees	1,891	1,301	1,891	1,299
Depreciation of property and equipment	21,135	15,971	21,135	15,971
Amortization of software	2,956	2,023	2,956	2,023
Donations (Note 45)	1,384	644	1,384	644
Other administrative expenses	94,864	55,104	94,853	55,104
	-----	-----	-----	-----
	428,230	270,394	428,188	270,364
	=====	=====	=====	=====

(a) Staff expenses

Staff expenses comprise:				
Wages and salaries	76,416	71,239	76,416	71,239
Staff allowances	48,329	43,298	48,329	43,298
Performance award	17,948	13,747	17,948	13,747
Social security fund contributions	9,664	9,141	9,664	9,141
Provident fund contributions	9,263	8,727	9,263	8,727
Retirement benefit obligations	11,027	8,930	11,027	8,930
Restructuring costs	76,041	6,966	76,041	6,966
Other staff costs	11,180	7,948	11,180	7,948
	-----	-----	-----	-----
	259,868	169,996	259,868	169,996
	=====	=====	=====	=====

The number of persons employed by the Bank at the year-end was 1,944 (2013: 2,083).

18. INCOME TAX

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Current income tax	104,598	80,466	104,096	80,370
National fiscal stabilization levy	19,074	7,830	19,122	7,781
Deferred tax	(10,839)	(436)	(10,839)	(436)
	-----	-----	-----	-----
	112,833	87,860	112,379	87,715
	=====	=====	=====	=====

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

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Profit before tax	394,981	317,059	382,436	311,223
	=====	=====	=====	=====
Corporate tax rate at 25% (2013: 25%)				
Tax calculated at corporate tax rate	98,745	79,265	95,609	77,806
Non-deductible expense	1,764	8,617	1,687	8,617
Tax exempt income	(6,846)	(5,216)	(3,994)	(3,579)
Tax incentive	(45)	(5,106)	(45)	(5,106)
Income subject to tax at different rate	141	590	-	412
National fiscal stabilization levy	19,074	7,926	19,122	7,781
Recognition of previously unrecognised tax losses	-	1,784	-	1,784
	-----	-----	-----	-----
Income tax expense	112,833	87,860	112,379	87,715
	=====	=====	=====	=====
Effective tax rates	29%	28%	29%	28%

The movement on the income tax account was as follows:

The Group	Balance at 1 January GH¢'000	Charge for the year GH¢'000	Payment GH¢'000	Balance at 31 December GH¢'000
Year of assessment				
Up to 2012	(79)	-	-	(79)
2013	10,289	-	(10,211)	78
2014	-	104,598	(107,768)	(3,170)
	-----	-----	-----	-----
	10,210	104,598	(117,979)	(3,171)
National stabilization levy	1,048	19,074	(22,369)	(2,247)
	-----	-----	-----	-----
	11,258	123,672	(140,348)	(5,418)
	=====	=====	=====	=====

Deferred tax (cont'd)

2013	<u>The Group</u>			<u>The Bank</u>		
	Balance at 1/1 GH¢	Movement during the year GH¢	Balance at 31/12 GH¢	Balance at 1/1 GH¢	Movement during the year GH¢	Balance at 31/12 GH¢
Recognised in profit and loss						
Accelerated depreciation	5,689	(392)	5,297	5,689	(392)	5,297
Provision for loan impairment	(3,234)	79	(3,155)	(3,234)	79	(3,155)
Employee benefit obligations	(11,537)	(124)	(11,661)	(11,537)	(124)	(11,661)
	-----	----	-----	-----	----	-----
	(9,082)	(436)	(9,519)	(9,082)	(437)	(9,519)
	-----	----	-----	-----	----	-----
Recognised in OCI						
Employee benefit obligations	(2,701)	(3,758)	(6,459)	(2,701)	(3,758)	(6,459)
Fair value gains on available for sale investments	159	366	525	79	404	483
	-----	-----	-----	-----	-----	-----
	(2,542)	(3,392)	(5,934)	(2,622)	(3,354)	(5,976)
	-----	-----	-----	-----	-----	-----
Net asset	(11,624)	(3,829)	(15,453)	(11,704)	(3,791)	(15,495)
	=====	=====	=====	=====	=====	=====

19. NATIONAL FISCAL STABILISATION LEVY

The National Fiscal Stabilisation Levy Act, 2013 (862) was introduced in 2013 and is effective prospectively from July 2013 with an eighteen (18) months tenure. On 31 December 2014, Act (862) was amended by Act (882) to extend the date of expiration of the national fiscal stabilization levy and to provide for related matters. Under the amendment Act, the levy is payable in respect of profit before tax for the 2013, 2014, 2015, 2016 and 2017 years of assessment.

Under the Act, an additional 5% levy, which is payable quarterly, is charged on profit before tax of selected entities, including Banks.

20. EARNINGS PER SHARE

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

	<u>The Group</u>		<u>The Bank</u>	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Profit attributable to equity holders	282,148	229,199	270,057	223,508
	=====	=====	=====	=====
Weighted average number of ordinary shares	265,000	265,000	265,000	265,000
Basic earnings per share (expressed in Ghana pesewas per share)	106	86	102	84
Diluted earnings per share (expressed in Ghana pesewas per share)	106	86	102	84

21. CASH AND CASH EQUIVALENTS

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash on hand	197,441	95,804	197,441	95,804
Balance with Bank of Ghana	311,133	105,759	311,133	105,759
Items in the course of collection	172,655	113,984	172,655	113,984
Accounts with other Banks	76,852	23,250	76,852	23,250
	-----	-----	-----	-----
	758,081	338,797	758,081	338,797
	=====	=====	=====	=====

Cash and cash equivalents include cash reserves of GH¢44,000,000 (2013: GH¢106,000,000) maintained as part of the cash reserve requirements of the Central Bank.

22. GOVERNMENT SECURITIES

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	1,711,957	1,553,301	1,711,948	1,553,292
Additions	1,809,827	1,680,051	1,804,799	1,680,014
Redeemed on maturity	(1,741,344)	(1,582,421)	(1,741,306)	(1,582,384)
Accrued income	81,896	61,026	81,896	61,026
	-----	-----	-----	-----
At 31 December	1,862,336	1,711,957	1,857,337	1,711,948
	=====	=====	=====	=====
Maturing within 90 days of acquisition	79,075	59,784	79,065	59,775
Maturing after 90 days but within 182 days	229,403	229,403	439,966	229,403
Maturing after 182 days of acquisition	69,216	124,602	69,216	124,602
Maturing after 1 year of acquisition	1,484,642	1,298,168	1,269,090	1,298,168
	-----	-----	-----	-----
	1,862,336	1,711,957	1,857,337	1,711,948
	=====	=====	=====	=====

There was no indication of impairment of government securities held at the year end.

23. ADVANCES TO BANKS

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Placements with Bank of Ghana	-	50,000	-	50,000
Placements with other Banks	107,407	120,321	107,407	120,321
	-----	-----	-----	-----
	107,407	170,321	107,407	170,321
	=====	=====	=====	=====
Current	107,407	120,321	107,407	120,321
	=====	=====	=====	=====
Non-current	-	50,000	-	50,000
	=====	=====	=====	=====

24. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Term Loans	1,145,594	776,233	1,145,594	776,233
Overdraft	174,058	284,515	174,058	284,515
Staff loans	39,295	34,954	39,295	34,954
Gross loans and advances to customers	1,358,947	1,095,702	1,358,947	1,095,702
Allowance for impairment	(118,370)	(134,995)	(118,370)	(134,995)
Net loans and advances to customers	1,240,577	960,707	1,240,577	960,707
Current	212,620	433,004	212,620	433,004
Non-current	1,027,957	527,703	1,027,957	527,703
Analysis of allowance for impairment				
Loan impairment	118,370	134,995	118,370	134,995
<i>Analysis of impairment allowance</i>				
Specific impairment	103,189	123,007	103,189	123,007
Collective impairment	15,181	11,988	15,181	11,988
	118,370	134,995	118,370	134,995
Specific allowance for impairment				
Balance at 1 January	123,007	132,629	123,007	132,629
Charge/(release) for the year (Note 16)	20,639	(9,622)	20,639	(9,622)
Reversals on derecognition	(40,457)	-	(40,457)	-
Balance at 31 December	103,189	123,007	103,189	123,007
Collective allowance for impairment				
Balance at 1 January	11,988	12,935	11,988	12,935
Charge/(release) for the year (Note 16)	3,193	(947)	3,193	(947)
Balance at 31 December	15,181	11,988	15,181	11,988
Total allowance for impairment	118,370	134,995	118,370	134,995

25. INVESTMENT SECURITIES – AVAILABLE FOR SALE

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	6,660	5,196	4,900	3,282
Changes in fair value (Note 38)	1,898	1,464	1,911	1,618
Change in fair value (prior year adjustment)	53	-	-	-
	-----	-----	-----	-----
At 31 December	8,611	6,660	6,811	4,900
	=====	=====	=====	=====

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

26. INVESTMENT IN SUBSIDIARY**a. Significant subsidiaries**

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

The Bank's holding in this entity is as set out below:

	% Ordinary shares	The Bank	
		2014	2013
		GH¢'000	GH¢'000
Development Finance & Holdings Limited	100	0.02	0.02
		====	====

b. Significant restrictions

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

27. INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	41,013	37,242	30,126	30,126
Share of associate profit	15,792	8,695	-	-
Share of associate OCI	(1,515)	-	-	-
Dividend received	(5,822)	(4,924)	-	-
	-----	-----	-----	-----
At 31 December	49,468	41,013	30,126	30,126
	=====	=====	=====	=====

27. INVESTMENT IN ASSOCIATES (CONT'D)

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

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

Financial Statements Extract of Associates

	G I B		A V F		Total	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Revenue	139,318 =====	54,522 =====	86 ====	128 ====	139,404 =====	54,650 =====
Profit from continuing operations	79,960	43,032	(500)	(518)	79,460	42,514
Other comprehensive income	(7,577)	1,480	-	-	(7,577)	1,480
Total comprehensive income	72,383 =====	44,512 =====	(500) ====	(518) ====	71,883 =====	43,994 =====
Attributable to investee's shareholders	72,383 =====	44,512 =====	(500) ====	(518) ====	71,883 =====	43,994 =====
Total assets	3,506,909	2,444,805	3,226	3,927	3,510,135	2,448,732
Total liabilities	(2,786,742)	(2,026,462)	(18)	(214)	(2,786,760)	(2,026,676)
Net assets	720,167 =====	418,343 =====	3,208 =====	3,713 =====	723,375 =====	422,056 =====
Attributable to investee's shareholders	720,167 =====	418,343 =====	(3,208) =====	3,713 =====	723,375 =====	422,056 =====
Group's interest in net assets at 1 January	39,563	35,585	1,450	1,657	41,013	37,242
Total comprehensive income to the Group	14,477	8,902	(200)	(207)	14,277	8,695
Dividends received during the year	(5,822)	(4,924)	-	-	(5,822)	(4,924)
Group's interest at 31 December	48,218 =====	39,563 =====	1,250 =====	1,450 =====	49,468 =====	41,013 =====

28. INVESTMENT IN OTHER EQUITY SECURITIES

	Ordinary shares %	The Group		Ordinary shares %	The Bank	
		2014 GH¢'000	2013 GH¢'000		2014 GH¢'000	2013 GH¢'000
National Investment Bank	2.5	29	29	2.5	29	29
CDH Financial Holdings	7.1	6	6	7.1	6	6
Securities Discount Company	1.1	16	16	1.1	16	16
Fidelity Bank	0.6	62	62	0.6	62	62
Vacuum Salt Project Limited	10	1	1	-	-	-
Accra Markets Limited	25	25	25	-	-	-
Ghana Community Network	10	108	108	-	-	-
		----	----		----	----
		247	247		113	113
		===	===		==	==

29. PROPERTY AND EQUIPMENT (CONT'D)

There was no indication of impairment of property and equipment held by the Group at 31 December 2014 (2013: nil). None of the property and equipment of the Group had been pledged as securities for liabilities and there were no restrictions on the title of any of the Group's property and equipment at the reporting date and at the end of the previous year.

Contractual commitment for the acquisition of property and equipment

Contractual commitments for the acquisition of property and equipment not provided for in the financial statements as at 31 December 2014 was GH¢710,385 (2013: GH¢376,742).

Disposal of property and equipment

	2014 GH¢'000	2013 GH¢'000
Cost	143	189
Accumulated depreciation	(143)	(189)
	-----	-----
Net book value	-	-
Sales proceeds	42	121
	-----	-----
Profit on disposal	42	121
	====	====

30. INTANGIBLE ASSETS

The Group and The Bank

Cost		
At 1 January	13,077	11,239
Acquisitions	11,164	3,225
Write-off	-	(1,387)
	-----	-----
At 31 December	24,241	13,077
	=====	=====
Accumulated amortisation		
At 1 January	9,123	7,177
Charge for the year	2,956	2,023
Release on write-off	-	(77)
	-----	-----
At 31 December	12,079	9,123
	=====	=====
Net book value	12,162	3,954
	=====	=====

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

31. OTHER ASSETS

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Account receivables	54,313	63,898	53,893	62,920
Prepayments	9,708	10,420	9,708	10,420
	-----	-----	-----	-----
	64,021	74,318	63,601	73,340
	=====	=====	=====	=====
Current	27,828	43,556	27,408	42,578
Non-current	36,193	30,762	36,193	30,762
	=====	=====	=====	=====

32. DEPOSITS FROM CUSTOMERS

Current accounts	1,488,625	1,171,884	1,491,875	1,176,213
Savings accounts	1,321,929	1,170,726	1,321,929	1,170,726
Time deposits	264,267	282,365	264,267	283,344
	-----	-----	-----	-----
	3,074,821	2,624,975	3,078,071	2,630,283
	=====	=====	=====	=====
Current	3,074,821	2,624,975	3,078,071	2,630,283
	=====	=====	=====	=====

The twenty largest depositors made up 14% of total deposits at the year end (2013: 24%).

33. OTHER LIABILITIES

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Creditors	45,139	91,304	45,139	91,304
Accruals	15,767	17,051	15,709	17,023
Other liabilities	202,899	24,347	202,899	24,347
	-----	-----	-----	-----
	263,805	132,702	263,747	132,674
	=====	=====	=====	=====
Current	184,229	127,590	184,171	127,562
Non-current	79,576	5,112	79,576	5,112
	=====	=====	=====	=====

Included in other liabilities is a provision of GH¢69,184,733 made in respect of staff rationalisation. The Board and management had approved and commenced the process for staff rationalization programme as at 31 December 2014.

34. BORROWINGS

	At 1/1/14 GH¢'000	Repayment of Principal GH¢'000	Exchange differences GH¢'000	Accrued interest GH¢'000	At 31/12/14 GH¢'000
Government of Ghana	108,149	-	51,857	3,022	163,028
	=====	=====	=====	=====	=====

A loan of US\$50 million was made available to the Bank by Bank of Ghana (BOG) on 19 February 2009. This loan was advanced by BOG to enable the Bank meet maturing obligations in respect of letters of credit established on behalf of Tema Oil Refinery (TOR). The loan attracts interest at a rate of 2.234% per annum, which is payable quarterly. In 2013, the amount due to Bank of Ghana was taken over by the Government of Ghana through the Ministry of Finance and Economic Planning, therefore the Bank is no longer indebted to Bank of Ghana at 31 December 2014.

35. EMPLOYEE BENEFIT OBLIGATIONS

Post-employment and long-term benefit plan

Apart from the legally required social security scheme, the Bank contributes to the following post-employment defined benefit plans.

- Plan A - long service awards accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Employees leaving the service of the Bank after twenty (20) years through retirement (both voluntary and compulsory) or resignation become eligible for cash payments equivalent to their current entitlement at the time of retirement or resignation based on their length of service.
- Plan B - The Bank pays monthly pension benefits to retired employees, under a closed defined benefit pension scheme. Under this scheme, beneficiaries are paid pensions equal to 60% of the net basic salaries of their serving counterparts.
- Plan C - The Bank also pays post retirement medical care of its staff.

These defined benefit plans expose the Bank to Actuarial risks, such as longevity risk, interest rate risk and market (investment risk).

Movement in defined benefit liability

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

	2014 GH¢'000	2013 GH¢'000
Balance at 1 January	61,677	46,150
	-----	-----
Included in profit and loss		
Current service costs	443	453
Interest costs	10,584	8,477
	-----	-----
	11,027	8,930
	-----	-----
Included in other comprehensive income		
Re-measurement of loss (gain)		
- Actuarial loss (gain) arising from:		
- Financial assumptions	3,631	7,953
- Experience	503	7,080
	-----	-----
	4,134	15,033
	-----	-----
Other		
Benefit paid	(8,761)	(8,436)
	-----	-----
Balance at 31 December	68,077	61,677
	=====	=====
Represented by:		
Net defined benefit liability (Plan A)	1,073	1,293
Net defined benefit liability (Plan B)	52,636	47,320
Net defined benefit liability (Plan C)	14,368	13,064
	-----	-----
	68,077	61,677
	=====	=====

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2014 %	2013 %
Discount rate	21.00	18.33
Future salary growth	13.00	15.00
Future pension growth	10.00	10.00
Medical inflation	10.00	10.00

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions shown below, holding other assumptions constant, would have affected the defined benefit obligation by the following amounts shown below.

	31 December 2014		31 December 2013	
	Increase GH¢'000	Decrease GH¢'000	Increase GH¢'000	Decrease GH¢'000
Discount rate (2% movement)	(7,732)	10,349	(5,908)	11,257
Future pension growth (2% movement)	5,869	(5,869)	5,470	(5,470)
Medical inflation (2% movement)	9,209	(9,209)	13,337	(13,337)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

36. STATED CAPITAL

	No. of shares		Proceeds	
	2014 '000	2013 '000	2014 GH¢'000	2013 GH¢'000
Bank				
<i>Authorized:</i>				
Ordinary shares of no par value	1,500,000	1,500,000	-	-
<i>Issued:</i>				
Issued for cash	115,000	115,000	60,030	60,030
Transfer from retained earnings	86,500	86,500	343	343
Transfer from retained earnings	-	-	10,000	10,000
Capitalization of reserves	1,000	1,000	2	2
Transfer from capital surplus	62,500	62,500	1,625	1,625
Transfer from retained earnings	-	-	28,000	28,000
At 31 December	265,000	265,000	100,000	100,000

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

37. RETAINED EARNINGS

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
At 1 January	215,224	113,855	197,280	101,602
Profit for the year	282,148	229,199	270,057	223,508
Dividend paid	(55,650)	(47,700)	(55,650)	(47,700)
Transfer to statutory reserve (Note 39)	(33,757)	(55,877)	(33,757)	(55,877)
Transfer from credit risk reserve (Note 40)	1,211	4,885	1,211	4,885
Transfer to stated capital	-	(28,000)	-	(28,000)
Tax on transfer to stated capital	-	(1,138)	-	(1,138)
At 31 December	409,176	215,224	379,141	197,280

38. FAIR VALUE RESERVE*Available for sale instruments*

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	2,082	984	1,117	(97)
Changes in fair value of investment securities (Note 25)	1,898	1,464	1,911	1,618
Share of associate OCI	(1,515)	-	-	-
Deferred tax	(475)	(366)	(478)	(404)
	-----	-----	-----	-----
At 31 December	1,990	2,082	2,550	1,117
	=====	=====	=====	=====

39. STATUTORY RESERVE

Statutory reserve represents cumulative amounts set aside from annual profits after tax required under the Banking Act. The proportion of net profits transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the relationship that the balance on statutory reserves bears to paid up capital.

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	145,748	89,871	145,748	89,871
Transfer from retained earnings	33,757	55,877	33,757	55,877
	-----	-----	-----	-----
At 31 December	179,505	145,748	179,505	145,748
	=====	=====	=====	=====

40. CREDIT RISK RESERVE

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

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	22,384	27,269	22,384	27,269
Transfer to retained earnings	(1,211)	(4,885)	(1,211)	(4,885)
	-----	-----	-----	-----
At 31 December	21,173	22,384	21,173	22,384
	=====	=====	=====	=====

41. OTHER RESERVES

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

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
At 1 January	(19,373)	(8,098)	(19,373)	(8,098)
Actuarial loss	(4,134)	(15,033)	(4,134)	(15,033)
Deferred tax	1,034	3,758	1,034	3,758
	-----	-----	-----	-----
At 31 December	(22,473)	(19,373)	(22,473)	(19,373)
	=====	=====	=====	=====

42. CONTINGENT LIABILITIES AND COMMITMENTS

Off balance sheet items

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

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Other contingent liabilities include transaction related customs and performance bonds and are generally short-term commitments to third parties.

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

Nature of instruments

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

	The Group		The Bank	
	2014 GH¢'000	2013 GH¢'000	2014 GH¢'000	2013 GH¢'000
Contingent liabilities				
Guarantees and indemnities	285,424	282,853	285,424	282,853
Documentary and commercial letters of credit	51,376	54,204	51,376	54,204
	-----	-----	-----	-----
	336,800	337,057	336,800	337,057

The following summarize the nominal principal amounts of contingent liabilities and commitments with off-balance sheet risks. (cont'd)

	The Group		The Bank	
	2014	2013	2014	2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Commitments				
Loan commitments	22,190	20,448	22,190	20,448
	-----	-----	-----	-----
	358,990	357,505	358,990	357,505
	=====	=====	=====	=====

Legal proceedings

There were a number of legal proceedings pending against the Bank at 31 December 2014 and 2013. Some of these cases have been brought against the Bank by former employees, customers and others. Potential liabilities have been estimated at GH¢3,102,744 (2013: GH¢3,152,990).

The Bank made a payment of GH¢20,126,873 in a legal settlement, the final outcome of which is yet to be established in the law courts of Ghana. When final judgment is determined and the Bank is successful, the charge to Profit & Loss in 2014 shall be released in the period of the determination and made receivable from the other parties to the suit together with all other reliefs the Bank is pursuing in the said legal suit.

43. SOCIAL RESPONSIBILITY COST

A total of GH¢1,384,000 (2013: GH¢644,327) was spent under the Group's social responsibility programme.

44. RELATED PARTY TRANSACTIONS

a. Transactions with executive directors and key management personnel

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

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

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

Remuneration of Executive Directors and other key management personnel.

	2014	2013
	GH¢'000	GH¢'000
Salaries and other short-term benefits	4,936	4,021
Post-employment benefits	46	-
	-----	-----
	4,982	4,021
	=====	=====

Details of transactions and balances between the Bank and Executive Directors and other key management personnel are as follows:

	2014	2013
	GH¢'000	GH¢'000
Loans		
Loans outstanding at 1 January	581	533
Net movement	(69)	48
	-----	-----
Loans outstanding at 31 December	512	581
	====	====
Interest income	11	33
	==	==
Deposits		
Deposits at 1 January	225	374
Net movement during the year	39	(149)
	-----	-----
Deposits at 31 December	264	225
	====	====
Interest expense	37	23
	==	==

Loans to Executive Directors and key management personnel include housing, car and other personal loans which are given under terms that are no more favourable than those given to other staff. No impairment has been recognized in respect of loans granted to Executive Directors and key management personnel at 31 December 2014 and 2013. The housing and car loans are secured by the underlying assets. All other loans are unsecured.

b. Transactions with non-executive directors

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

Fees and allowances paid to non-executive Directors during the year amounted to GH¢958,568 (2013: GH¢282,350).

c. Transactions and balances with subsidiary

Development Finance & Holdings Limited

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

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

	2014	2013
	GH¢'000	GH¢'000
<i>Other Assets</i>		
Amounts due from subsidiary in respect of unpaid expenses	28	20

Balances due to/from the subsidiary at the year end were as follows: (cont'd)

	2014	2013
	GH¢'000	GH¢'000
<i>Other Liabilities</i>		
Interest payable on investments placed	-	60

The Bank entered into the following transactions with the subsidiary:

Interest paid on investments	63	39
Investments redeemed during the year	919	-
	===	===

d. Transactions and balances with associates

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

Overnight placements (Foreign)	26,866	18,680
Current account balances (Foreign)	70,801	24,826
Current account balances (Local)	89	89
	===	===

The Group entered into the following transactions with its associates:

Dividend received	5,822	4,924
Interest received on current account balances (foreign)	15	61
	===	==

e. Government of Ghana

The Government of Ghana directly holds 21.36% shares in GCB Bank Limited and 51.17% indirectly through its shareholding in SSNIT.

In 2013, the amount due to Bank of Ghana of GH¢163,028,000 was taken over by the Government of Ghana through the Ministry of Finance and Economic Planning, therefore the Bank is no longer indebted to Bank of Ghana.

45. DIVIDEND PER SHARE

The Directors wish to propose a final dividend of GHp32 (2013: GHp25) per share amounting to GH¢84,800,000 (2013: GH¢66,250,000) at the forthcoming annual general meeting.

46. SUBSEQUENT EVENTS

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

Shareholders' Information**Number of shareholders**

The Bank had 94,241 ordinary shareholders at 31 December 2014 distributed as follows:

Category	No. of holders	No of shares	% of shares held
1-1,000	86,787	19,137,578	7.22
1,001-5,000	6,460	14,185,105	5.35
5,001-10,000	585	4,358,803	1.65
Above 10,000	409	227,318,514	85.78
	-----	-----	-----
Total	94,241	265,000,000	100
	=====	=====	=====

Directors' Shareholders

The Directors named below held the following number of shares in the Bank at 31 December 2014:

	No. of shares	% Holding
Simon Dornoo	100,164	0.0378
Daniel Owiredu	3,000	0.0011
John Awuah	6,000	0.0023
Samuel Sarpong	1,000	0.0003
Moses Asaga	400	0.0002
Ernest K. Okoh	4,000	0.0015
	-----	-----
	114,564	0.0432
	=====	=====

20 Largest Shareholders

	Share Holding	Percentage Holding
Social Security and National Insurance Trust	79,000,000	29.81
GH/GV Act. By Ministry of Finance & Economic Planning	56,608,613	21.36
SCBN/Northern Trust Global Services Limited	18,001,604	6.79
Daniel Ofori	10,095,736	3.81
SCBN/PICTET Africa Non Tax 6275J	5,566,090	2.10
SCBN/SSB& TAS Custodian Re SQM Frontier Africa		
Master FD, Limited FD-SQM1	3,983,878	1.50
SCBN/Northern Trust co AVFC 6314B	3,725,949	1.41
GCB Staff Provident Fund	2,996,695	1.13
SCGN/JPMC Re Duet Africa Opportunities Master Fund c/o SCB GH. Ltd	2,008,867	0.76
Ghana Reinsurance Company Limited	1,799,651	0.68
SCBN/SSB Teacher Retirement Systems of Texas FD	1,790,000	0.68
SCGN/CITIBANK London OP- Africa Fund (Non-UCITS)	1,657,174	0.63

Appendix 1 (cont'd)

20 Largest Shareholders (cont'd)

	Share Holding	Percentage Holding
Ghana Cocoa Board	1,600,000	0.60
SCBN/SSB Eaton Vance Structure Emerging Mkt. Fund	1,554,441	0.59
SCBN/Epact Investment Fund Limited - Transaction Account	1,521,000	0.57
SCBN/SSB Eaton Vance Tax-Managed Emerging Mkt. Fund	1,384,370	0.52
SCBN/CITIBank NY Eaton Vance International (Ireland) FDS Plc- Eaton Vance Int (IRE) PPA Emer Mkts EQT FD	1,245,700	0.47
SCGN/DZ Private Bank S.A Re Silk-African Lions Fund C/O Standard Chartered Bank Ghana Limited	1,242,317	0.47
STD NOMS (TVL) Pty/BNYM SANV/Advanced Series Trust- AST Parametrics emerging markets equity portfolio	1,190,800	0.45
SCGN/SSB and Trust AS Custodian for Wasatch Frontier Emerging Small Countries Fund	1,126,700	0.43
	-----	-----
	198,099,585	74.76
Others	66,900,415	25.24
	-----	-----
	265,000,000	100.00
	=====	=====

Control rights: Each share is entitled to the same voting rights.

Changes in shareholding: For the financial year ended 31 December 2014, there were no material changes to the shareholding structure of the Bank.