2011 Year in Review

Contents

Corporate Information

Directors

Mr William Panford Bray	- Chairman
Mr Edward Effah	- Managing Director
Mr Jim Baiden	- Deputy Managing Director
Mr Kwamina Duker	- Non-Executive Director
Mrs Johanna Svanikier	- Non-Executive Director
Mr Paul Victor Obeng	- Non-Executive Director

Company Secretary

H. Essie Humphrey-Ackumey
Fidelity Bank Limited
Ridge Tower
10 Ambassadorial Enclave,
West Ridge, Accra.
Ghana

Registered Office

Fidelity Bank Limited
Ridge Tower
10 Ambassadorial Enclave,
West Ridge, Accra.
Ghana

Solicitors

Bari & Co.
Suite # 1, 5th Floor
Trust Towers, Adabraka
P. O. Box CT 1466
Cantonments, Accra

Auditors

Deloitte & Touche
Chartered Accountants
4 Liberation Road
P. O. Box GP 453
Accra
Ghana

Financial Highlights

> Our 2011 results indicate strong performance on the wings of high growth.

FINANCIAL HIGHLIGHTS		OPERATIONAL HIGHLIGHTS
Operating Income GH¢80.8m 2010:GH¢46.9m / 2009: GH¢25.9m	Operating profit GH¢14.6m 2010:GH¢7m / 2009: GH¢3.2m	Delivered record income and operating Profits, FBL has now entered the first quartile (Tier 1 category) of banks in Ghana with over GH¢1 billion in Total Assets and on track to join the Top Five. Diversified sources of income in Consumer and Wholesale banking across multiple product lines
Total assets GH¢1,030.8m 2010:GH¢650.9m / 2009: GH¢362.4m	Earnings per share GH¢0.62 2010:GH¢0.31 / 2009: GH¢0.14	Leveraged technology to increase efficiency A successful Preference Shares issue to strengthen the capital adequacy
Return on equity 21% 2010:14.4% / 2009: 10.6%	Dividend per share GH¢0.25 2010:GH¢0.10 / 2009: GH¢0.05	A continued disciplined and proactive approach to risk management Adjudged the Best Bank in Customer Care by CIG Banking Awards

NON - FINANCIAL HIGHLIGHTS

Employees	Customers	Branches	ATMs
1330	250,000	40	49
2010:961 / 2009: 539	2010: 150,000 / 2009: 50,000	2010: 25 / 2009: 15	2010: 25 / 2009: 15

Chairman's Statement

Distinguished Shareholders,

It is my privilege to present to you the sterling performance of your Bank for the year ended 2011. This year marked our fifth year of our operation and I am happy to report that we strengthened our capital and liquidity position, deepened relationships with our customers and expanded our business network considerably.

I am immensely proud of the hard work and commitment exhibited by the Management and staff of the Bank in achieving these milestones.

Operating Environment

We achieved this against a backdrop of relative political stability, a relatively unpredictable global economy with significant financial instability in some European countries as well as the US battling with economic recession. The Asian markets although relatively insulated from the crisis also experienced diminishing growth figures. The relative political stability in Ghana has however served as a solid foundation for the private sector to successfully absorb the other challenges in the banking industry.

The currency depreciated rapidly especially in the last two quarters of 2011 as a result of the increased importation of agricultural produce. This took a heavy toll on businesses and presented a challenge in the mobilization of foreign exchange and general economic activity.

The Bank of Ghana continued its inflation target policy leading to a consistent reduction in its policy rate as well as other money market rates. This declining trend has begun to level off and we expect to experience increases this year as the Government increases its spending in line with the elections later in the year.

Competition in the banking industry as always was very keen, and especially in the midst of the capitalization requirement we have began to see some mergers. Access to credit remained relatively tight but that is expected to change later in the year as well.

2011 Financial Performance

Our focus is to create, deliver and grow shareholder value. Your Bank had an excellent year making significant strides in the market, increasing profitability and growing its size to an appreciable level in spite of the stiff competition and tough market conditions. Within five years, we are now well into the growth phase of our journey and are making wonderful progress in our aim to "become a Top 5 bank by 2013".

Total Assets of the Bank increased significantly from GH¢ 650 million in 2010 to GH¢ 1.031 billion in 2011, representing a 59% growth. Total income grew by 72%, from GH¢ 46 million in 2010 to GH¢ 79 million in 2011.

The Bank increased its customer base from 120,000 to 250,000. This was due largely to our extensive branch expansion and customer loyalty programs and we are grateful for the patronage. This increase in customers facilitated the banks mobilization of deposits to the tune of GH¢ 896 million, a 64% increase from 2010's figure of GH¢ 548million.

The Bank's profit before tax also grew by over 106% to GH¢14.6 million from GH¢ 6.8 million from the previous year.

Dividends

The Board of Directors is recommending a dividend of GH¢0.25 per ordinary share to shareholders, an increase of 150% over the previous year and representing a payout ratio of over 40% of profit after tax for 2011. This is in line with our mission of delivering value to our shareholders. The dividend will be paid on 16th April 2012 to shareholders on the Register at the close of business on 12th April 2012.

Strategy

In 2011, the strategy of the Board and Management remained unchanged. We continued to consolidate and build on the strong foundations we put in place in previous years, and aggressively grew our retail base, developed the Bank's infrastructure and implemented risk management procedures. We are committed to staying on course, striving to maintain a strong balance sheet to position the Bank better for the future. We will continue to emphasize operational excellence and customer service in our pursuit of sustainable growth.

Capital

As you are aware, Fidelity needs to raise its stated capital to GH¢60 million by the end of this year, as part of Bank of Ghana's minimum capitalization requirement. Based on prevailing market conditions, the Board recommends the issuance of additional Preference Shares this year and an IPO next year since we believe the bank should raise much more than is statutorily required. In this regard you will find a resolution to increase our equity/capital substantially and I urge you to support this resolution fully.

May I also take this opportunity to invite all shareholders who have warrants outstanding, to exercise them by the

Chairman's Statement

November 24, 2012 deadline, after which warrants not redeemed will be forfeited by their holders.

Corporate Governance

The Bank continued to exhibit exemplary corporate governance standards consistent with the mandatory legal provisions. The Board, through its Audit and Credit sub-committees, ensured good internal control processes as well as compliance with regulatory requirements and provisions. With the help of these Committees and other management committees the Board continues to work to ensure that sound business ethics are practiced in every area in the Bank.

Through regular review of procedures, the Board is satisfied that the systems in place are adequate to manage the risk inherent in the business which continues to be a viable concern.

Directors

We maintained the full complement of the Board's membership throughout the year. We thank all of them for their commitment and input towards the development and growth of the Bank and look forward to their continued support during the upcoming financial year.

Your Chairman (Mr. William Panford Bray) has offered himself for re-election in accordance with the Regulations of the Company and the Companies Act.

Conclusion and Outlook for 2012

We expect the economy to grow as Government spending and payments increase in view of the upcoming elections. This will undoubtedly have its benefits in the Banking industry and Fidelity Bank will be poised to take advantage of these. The opportunities available as a result of the production of oil will also serve as good prospects for the Bank to leverage on.

On behalf of the Board, I wish to acknowledge the shareholders, stakeholders, directors, management and the entire staff for their diverse contributions towards the growth and success of Fidelity Bank.

I am proud to declare that the Bank is on schedule to becoming a World Class bank in a few years and we ask for your continued support and commitment to achieve this goal.

Thank you.

Managing Director's Report

Distinguished Shareholders,

I am pleased to announce another successful year for Fidelity Bank. Your Bank continued its impressive and rapid growth trajectory in the midst of several challenges such as the continuing global economic crisis and high rate of lowering interest rates locally.

Introduction

I am pleased to announce another successful year for Fidelity Bank. Our results tell a compelling story; we produced record profits on the back of record operating income of GH¢80 million. We have an ever stronger balance sheet and a broader, deeper client and customer franchise.

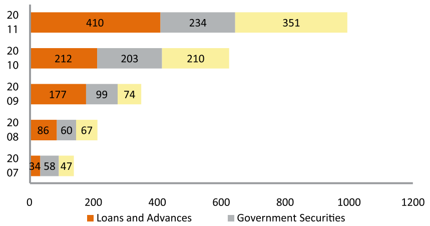
Despite the increased competitiveness of the financial sector in 2011, Fidelity Bank delivered superior financial performance without compromising its standards of service, risk management and its disciplined approach to doing business.

I am especially honoured that 2011 marked your Bank's fifth year of existence. In these five years, it has been a long and difficult, but also rewarding and satisfying journey so far. We prudently and diligently steered the affairs of the bank to deliver a profitable business that has touched several people.

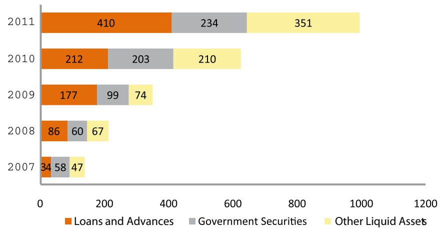
I am immensely grateful for the hard work and commitment that we have received from the Board, Management and entire staff to achieve these goals. More importantly, it is an opportunity for us to celebrate and thank our Customers and our Shareholders all of whom have kept faith with us and given us a reason to go on. The goodwill we have enjoyed from these stakeholders, indeed from the wider Ghanaian society has been phenomenal, and it is our intention to continue to justify the confidence reposed in us by all well-meaning Ghanaians.

2011 Financial Performance

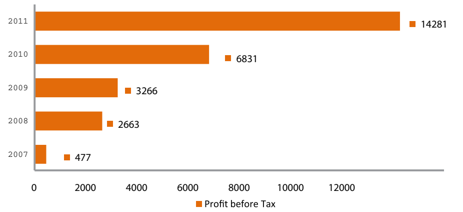
The Bank increased its total trading assets from GH¢ 650 million to GH¢ 1.03 billion representing a 58% growth in 2011. This was made up of 93% increase in loans and advances from an amount of GH¢ 212 million to GH¢ 410 million and a 15% increase in Government bills and bonds to GH¢ 234 million.



The loan book has also grown by 142% due to the bank's focus on growing strategic high-yielding assets. Customer deposits increased to GH¢ 897million from GH¢ 548million the previous year representing a growth of 64%. This significant deposits increases were achieved on account of wholesale deposit promotion, trade linked deposit mobilization, rolling out of 15 branches and the continued use of FSAs.



Total operating income grew from GH¢ 46 million in 2010 to GH¢ 80 million in 2011 indicating a growth of 74%. We achieved a Profit before Tax of GH¢ 14.6 million, a 106% increase from GH¢ 7.1 million in 2010.



While operating expenses increased by 60% from GH¢ 33.4 million to GH¢53.6 million, driven largely by branch expansion costs, cost income ratio continued to drop from 72% to 67%. Cost management measures have been put in place to reduce the ratio to 60% this year. Going forward, we will continue to leverage technology to increase efficiency; in addition a number of strategies including centralisation of branch operations, automation of process etc. will also be implemented to control cost.

Given the significant growth in the loan book as well as the rapid branch rollout, we experienced increased impairments, representing a non-performing loan ratio of 6.17%. Though this is below the industry's ratio, we will continue to actively engage in the evaluation and analysis of the environment viz-a viz the available and emerging credit opportunities to ensure that we

Managing Director's Report

continue to improve on and maintain one of the lowest NPL ratios in the industry.

Notable Transactions and Awards

The Bank deepened its relationship with the development financial institutions (FDIs) during the year by raising USS$18 million in long-term capital from DEG, the German Development Finance Company and Proparco, to support our growth and SME strategy. This substantial injection of capital is a strong indication of continued investor confidence in the Bank.

Expansion in Distribution Outlets

The Bank is now active in all aspects of banking – Retail Banking, Wholesale Banking, Treasury, Mortgages, Wealth Management, E-Banking as well as a wide array of products ranging from Microfinance to some of the biggest syndicated facilities driving the economy of Ghana today in Health, Energy and Defense.

With a Balance Sheet size in excess of GH¢ 1 billion, we now have a branch network of 40 branches and 49 ATMs in nine out of ten regions of Ghana. We expect to end this year 2012 with a total of 60 branches in all regions. We envisage a bright future in which we will remain ahead of market trends by delighting our customers with innovative products and world-class services in all spheres of our banking relationships.

Members of Staff

The Bank's continued growth was evidenced in its staff strength as well. The number for permanent and contract staff increased from 492 to 728. Additionally, our sales ambassadors were augmented from 469 to 600 to extend our reach further.

In December last year, we launched our Service Charter in which we renewed our pledge and commitment of quality service, loyalty, devotion and passion to serve the Customer.

Corporate Social Responsibility

Your Bank maintained its commitment to educational and social advancement during the year 2011. Charitable donations were made by your Bank by contributing a total of GH¢ 100,000.

Conclusion

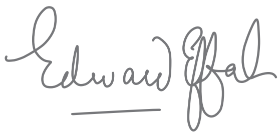
Fidelity has been a success story so far and we have many people to thank for the achievements over the past five years. The support and input of the Board and Shareholders have been crucial; the direction of Management has been exceptional; and most importantly, the growing employee base for their tireless dedication, passion and enthusiasm towards implementing the strategies and vision of Management has been brilliant. Their work has been a vital component of the achievements of Fidelity Bank.

2012 will bring new challenges but most importantly opportunities that Fidelity is poised to face and take advantage of. Being an election year, we expect the economy to expand slightly. Our strategy is clearly defined and our Management team is positioned and equipped to achieve positive results with the help of the staff.

We will continue to work with our guiding principles that have defined your Bank over the past five years. Our laurels over this period have laid the foundation for our rapid growth to becoming a world-class Bank.

I look forward to addressing you next year, when your Bank will have grown bigger, more profitable, more meaningful and will be the true definition of the "New Standard" in Banking.

Thank you



Directors' Report

In accordance with the requirements of Section 132 of the Companies Code, 1963 (Act 179), the Directors have the pleasure in presenting the annual report for the twelve months ended 31 December 2011.

Principal activities

The company carries on the business of financiers, bankers and banking. The company operates as a bank under the Banking Act, 2004, Act 673. The Bank is regulated by the Central Bank.

Nature of business

The bank is permitted by its regulations to carry on inter alia, the business of banking in all aspects and other businesses and agencies incidental thereto. There have been no changes in the nature of business of the Bank during the year under review. The main activities are as follows:

- To carry on the business of banking
- To undertake loan syndications, securities portfolio management and corporate finance operations;
- To carry on the business of acceptance of bills of exchange and export trade financing and development; and
- To engage in the business of high -purchase financing and the business of financing the operations of leasing companies.

Associate business

Fidelity Capital Partners Limited (FCPL), an associate company of the Bank, in the year under review, maintained its licensed business as Investment Advisors and Managers of Venture Capital Funds. The nature of the business of FCPL did not change.

Fidelity Securities Ltd (FSL), a fully owned subsidiary of the bank, is the investment banking arm of the group. Formerly known as Fidelity Assets Management Limited, FSL's business involves providing advisory services, issuance of securities, publishing analysis and reports concerning securities and undertaking portfolio investment management for clients.

Review of the business

The bank traded well during the year and the directors are satisfied that the underlying quality of the business is sound and that profitable returns can be earned within the foreseeable future as planned.

Financial performance

The financial results for the year ended 31 December 2011, were generally impressive inspite of the unstable economic environment in which we operated. An operating profit before tax of GH¢14.6 million was achieved in 2011 as against an operating profit of GH¢7.1 million in 2010 which represents 106% growth. Net interest income accounted for 59% of operating income while fees, commissions and other incomes provided the remaining 41%.

The group's net worth position improved significantly to GH¢ 56.3 million as at 31 December 2011 compared to GH¢ 37.5 million at 31 December 2010 largely due to the proceeds from the preference shares issued of GH¢ 12 million and profit for the year. The focused drive to stabilise the business and to improve on our balance sheet resulted in a significant increase in total assets from GH¢ 650 million at 31 December 2010 to GH¢ 1.031 billion as at 31 December 2011. The assets were supported with total deposit liabilities of GH¢ 897 million as against GH¢ 548 million at the last comparative period.

Income statement 2011	GH¢
The net profit for the year ended	
31 December, 2011 before taxation	14,637,928
From which is deducted taxation of	(4,681,432)
Thus leaving a balance transferred to	
income surplus account of	9,956,496
Statutory reserves	(4,849,676)
Regulatory capital reserve	154,193
	5,261,014
Income surplus as at 1 January, 2011	2,726,429
Dividend paid	(1,592,507)
Income surplus as at 31 December, 2011	6,394,936

Dividend

The directors recommend the payment of dividend of GH¢ 0.25 per share for the year (2010: GH¢0.10 per share) for declaration by shareholders.

Auditors

In accordance with Section 134(5) of the Companies Code, 1963, the auditors, Messrs. Deloitte & Touche, will continue as auditors of the bank.

On behalf of the board

William Panford Bray
Chairman

Edward Effah
Managing Director

FIDELITY BANK

Statement of Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the bank at the end of the financial year and of the profit and loss of the bank for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether the applicable accounting standards have been followed and
- To ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

The directors are responsible for ensuring that the bank keeps accounting records which disclose with reasonable accuracy the financial position of the bank and which enables them to ensure that the financial statements comply with the Companies Code 1963 (Act 179) and the Banking Act, 2004 (Act 673) and the Banking (Amendment) Act 2007 (Act 738) and International Financial Reporting Standards. They are responsible for safeguarding the assets of the bank and hence for taking steps for the prevention and detection of fraud and other irregularities.

The above statement, which should be read in conjunction with the statement of the auditors' responsibilities on page 9, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors, in relation to the financial statements.

Independent Auditors' Report

To the members of Fidelity Bank Limited

We have audited the accompanying financial statements of Fidelity Bank Limited on pages 10 to 40 which comprise the statement of financial position as at 31 December, 2011, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Directors' responsibility for the financial statement

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

Auditors' responsibilities

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

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

ii. i. in our opinion proper books of accounts have been kept by the Bank and its subsidiaries, so far as appears from our examination of those books; and

iii. the statement of financial position and comprehensive income statement of the Bank are in agreement with the books of accounts.

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

- The accounts give a true and fair view of the state of affairs of the bank and its results for the year under review;

- We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;

- The bank's transactions are within its powers; and

- The company has complied with the provisions in the Banking Act 2004(Act 673) and the Banking(Amendment) Act 2007 (Act 738).

Chartered Accountants
Accra, Ghana

Deloitte & Touche

March 2012

Comprehensive Income Statement

For the year ended 31 December, 2011

	Note	CONSOLIDATED 2011 GH¢	CONSOLIDATED 2010 GH¢	THE BANK 2011 GH¢	THE BANK 2010 GH¢
Interest income	4	103,400,583	74,383,839	103,265,106	74,262,993
Interest expense	5	(55,426,383)	(45,231,091)	(55,426,383)	(45,231,091)
Net interest income		47,974,200	29,152,748	47,838,723	29,031,902
Fees and commissions	6	18,724,931	10,413,067	17,823,436	10,079,119
Other operating income	7	14,113,129	7,337,420	13,920,898	7,111,790
Operating income		80,812,260	46,903,235	79,583,057	46,222,811
Operating expenses	8	(54,583,678)	(33,940,693)	(53,674,196)	(33,486,905)
Impairment	10	(11,634,256)	(5,904,261)	(11,634,256)	(5,904,261)
Operating profit		14,594,326	7,058,281	14,274,605	6,831,645
Share of profit of associate		43,602	40,356	-	-
Profit before taxation		14,637,928	7,098,637	14,274,605	6,831,645
Income tax expense	11	(3,957,946)	(1,719,753)	(3,862,029)	(1,643,548)
National stabilization levy	11	(713,225)	(370,236)	(713,225)	(354,996)
Share of income tax expense of associate		(10,261)	(9,766)	-	-
Profit after taxation		9,956,496	4,998,882	9,699,351	4,833,101

Income Surplus Account

For the year ended 31 December, 2011

	CONSOLIDATED 2011 GH¢	CONSOLIDATED 2010 GH¢	THE BANK 2011 GH¢	THE BANK 2010 GH¢
At 1 January	2,726,429	1,242,515	2,234,293	901,418
Dividend paid	(1,592,507)	(800,000)	(1,592,507)	(800,000)
Share of associate dividend paid	-	(14,742)	-	-
Profit after taxation	9,956,496	4,998,882	9,699,351	4,833,101
Transfer to statutory reserves	(4,849,676)	(2,426,784)	(4,849,676)	(2,426,784)
Transfer from/(to) regulatory capital reserve	154,193	(273,442)	154,193	(273,442)
At 31 December	6,394,936	2,726,429	5,645,655	2,234,293

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 December, 2011

	Note	CONSOLIDATED 2011 GH¢	CONSOLIDATED 2010 GH¢	THE BANK 2011 GH¢	THE BANK 2010 GH¢
Assets					
Cash and balances with Bank of Ghana	12	103,078,651	58,633,994	102,913,598	58,633,994
Financial investments	13	235,551,572	203,051,545	234,433,717	203,051,545
Due from other banks and financial institutions	14	247,653,385	151,651,899	247,653,385	151,498,273
Loans and advances to customers	15	409,578,026	212,046,833	409,578,026	212,046,833
Other assets	17	14,635,095	14,903,386	14,443,239	14,154,637
Amounts due from associated companies	18	47,141	47,141	637,158	322,691
Investment in associate	19	176,053	142,713	161,000	161,000
Deferred tax asset	11	1,266,083	-	1,266,083	-
Property and equipment	20	16,536,342	10,084,789	16,526,295	10,063,080
Intangible assets		2,314,485	386,174	2,314,485	386,174
Total assets		1,030,836,833	650,948,474	1,029,926,986	650,318,227
Liabilities					
Customer deposits	21	896,644,132	548,029,272	896,644,132	548,029,272
Due to other banks		5,569,750	28,766,970	5,569,750	28,766,970
Term borrowings	22	45,598,354	14,532,000	45,598,354	14,532,000
Interest payable and other liabilities	23	26,396,030	19,996,722	26,284,406	19,941,344
Current tax liability	11	310,838	136,692	261,896	53,959
Deferred tax liability	11	-	12,503	-	12,503
Subordinated shareholders' loan	24	-	2,000,000	-	2,000,000
Total liabilities		974,519,104	613,474,159	974,358,538	613,336,048
Shareholders' fund					
Stated capital	25	26,189,513	25,990,088	26,189,513	25,990,088
Preference Shares	25	11,994,903	-	11,994,903	-
Statutory reserves		9,283,881	4,434,205	9,283,881	4,434,205
Available for sale reserves		1,818,922	3,533,825	1,818,922	3,533,825
Regulatory credit risk reserve		635,575	789,768	635,575	789,768
Income surplus		6,394,936	2,726,429	5,645,655	2,234,293
Shareholders' fund		56,317,729	37,474,315	55,568,448	36,982,179
Total liabilities and shareholders' fund		1,030,836,833	650,948,474	1,029,926,986	650,318,227

The accompanying notes form an integral part of these financial statements.

Approved by the Board on 20th March, 2012 and signed on its behalf as follows:

William Panford Bray
Chairman

Edward Effah
Managing Director

Statement of Changes in Shareholders' Fund

For the year ended 31 December, 2011

Consolidated	Stated Capital GH¢	Statutory reserves GH¢	Available for Sale Reserves GH¢	Regulatory credit risk reserve GH¢	Income surplus account GH¢	Total Shareholders' Funds GH¢
Balance at 1 January 2010	25,990,088	2,007,421	2,434,916	516,326	1,242,515	32,191,266
Net profit for 2010	-	-	-	-	4,998,882	4,998,882
Transfer to Statutory reserve	-	2,426,784	-	-	(2,426,784)	-
Transfer from regulatory risk reserve credit	-	-	-	273,442	(273,442)	-
Net unrealised loss on AFS investments	-	-	1,465,212	-	-	1,465,212
Tax effect of net unrealised loss on AFS investments	-	-	(366,303)	-	-	(366,303)
Dividend paid					(800,000)	(800,000)
Share of associate dividend					(14,742)	(14,742)
Balance at 31 December 2010	25,990,088	4,434,205	3,533,825	789,768	2,726,429	37,474,315
Balance at 1 January 2011	25,990,088	4,434,205	3,533,825	789,768	2,726,429	37,474,315
Net profit for 2011			-	-	9,956,496	9,956,496
Transfer to Statutory reserve	-	4,849,676	-	-	(4,849,676)	-
Transfer from regulatory risk reserve credit	-	-	-	(154,193)	154,193	-
Net unrealised gain on AFS investments	-	-	(2,286,537)	-	-	(2,286,537)
Tax effect of net unrealised loss on			571,634			571,634
Proceeds from Preference Share issue	11,994,903					11,994,903
Proceeds from Ordinary Share warrants	199,425					199,425
Dividend paid	-	-	-	-	(1,592,507)	(1,592,507)
Balance at 31 December 2011	38,184,416	9,283,881	1,818,922	635,575	6,394,936	56,317,729

The Bank	Stated Capital GH¢	Statutory reserves GH¢	Available for Sale Reserves GH¢	Regulatory credit risk reserve GH¢	Income surplus account GH¢	Total Shareholders Funds GH¢
Balance at 1 January 2010	25,990,088	2,007,421	2,434,916	516,326	901,418	31,850,169
Net profit for 2010	-	-	-	-	4,833,101	4,833,101
Transfer to Statutory reserve	-	2,426,784	-	-	(2,426,784)	-
Transfer from regulatory risk reserve credit	-	-	-	273,442	(273,442)	-
Net unrealised loss on AFS investments	-	-	1,465,212	-	-	1,465,212
Tax effect of net unrealised loss on AFS invest.	-	-	(366,303)	-	-	(366,303)
Dividend paid	-	-	-	-	(800,000)	(800,000)
Balance at 31 December 2010	25,990,088	4,434,205	3,533,825	789,768	2,234,293	36,982,179
Balance at 1 January 2011	25,990,088	4,434,205	3,533,825	789,768	2,234,293	36,982,179
Net profit for 2011	-	-	-	-	9,699,351	9,699,351
Transfer to Statutory reserve	-	4,849,676	-		(4,849,676)	-
Transfer from regulatory risk reserve credit	-	-	-	(154,193)	154,193	-
Net unrealised gain on AFS investments	-	-	(2,286,537)	-	-	(2,286,537)
Tax effect of net unrealised loss on	-	-	571,634	-	-	571,634
Proceeds from Preference Share issue	11,994,903	-	-	-	-	11,994,903
Proceeds from Ordinary Share warrants	199,425	-	-	-	-	199,425
Dividend paid	-	-	-	-	(1,592,507)	(1,592,507)
Balance at 31 December 2011	38,184,416	9,283,881	1,818,922	635,575	5,645,655	55,568,448

The transfer to statutory reserve fund represent 50% of the Bank's net profit after tax. This is in compliance with section 29 (1)(a) of the Banking Act, 2004 (Act 673).

Cash Flow Statement

For the year ended 31 December, 2011

Reconciliation of operating profit/(loss) to operating cash flows	Note	CONSOLIDATED 2011 GH¢	CONSOLIDATED 2010 GH¢	THE BANK 2011 GH¢	THE BANK 2010 GH¢
Operating profit		14,594,326	7,058,281	14,274,605	6,831,645
Adjustments for:					
Depreciation and amortisation	20	3,441,290	2,438,046	3,429,628	2,429,773
Impairment charge	10	11,634,256	5,904,261	11,634,256	5,904,261
Financial guarantee contracts		(16,758)	64,405	(16,758)	64,405
Operating cash flow before investment in working capital		29,653,114	15,464,993	29,321,731	15,230,084
Increase in loans and advances to customers	15	(209,165,449)	(41,427,297)	(209,165,449)	(41,427,297)
Decrease/(increase) in other assets	17 &18	268,292	(8,326,282)	(603,069)	(7,894,324)
Increase in customer deposits	21	348,614,860	252,880,615	348,614,860	252,880,615
Decrease /(increase) in balances due to other banks		(23,197,220)	8,757,425	(23,197,220)	8,757,425
Increase in interest payable and other liabilities	23	6,397,116	7,935,167	6,359,820	7,904,740
Corporate tax payments	11	(5,185,028)	(3,437,728)	(5,074,270)	(3,416,364)
Increase in operating assets and liabilities		117,732,571	216,381,900	116,934,672	216,804,795
Net inflows from operating activities		147,385,685	231,846,893	146,256,403	232,034,879
Investing activities					
Addition to property, plant and equipment	20	(11,821,154)	(6,936,568)	(11,821,154)	(6,928,271)
Increase in investment in Government securities	13	(34,798,667)	(102,421,904)	(33,680,812)	(102,421,904)
Proceeds from distribution from financial investments	13	12,104	-	12,104	-
Payment of Subordinated Shareholder loan		(2,000,000)		(2,000,000)	
Net outflow due to investing activities		(48,607,717)	(109,358,472)	(47,489,862)	(109,350,175)
Financing activities					
New capital contributions	25	199,425	-	199,425	-
Proceeds from Preference Shares issued		11,994,903	-	11,994,903	-
Dividends paid		(1,592,507)	(800,000)	(1,592,507)	(800,000)
Proceeds from term borrowing	22	31,066,354	14,532,000	31,066,354	14,532,000
		-	-	-	-
Net inflow from financing activities		41,668,175	13,732,000	41,668,175	13,732,000
Increase in cash and cash equivalents		140,446,143	136,220,421	140,434,716	136,416,704
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at 1 January		210,285,893	74,065,472	210,132,267	73,715,563
Increase in cash and cash equivalents		140,446,143	136,220,421	140,434,716	136,416,704
Cash and cash equivalents at 31 December	26	350,732,036	210,285,893	350,566,983	210,132,267

Notes to the Financial Statements

For the year ended 31 December, 2011

1. Reporting Entity
Fidelity Bank Limited (FBL) is a banking institution registered and domiciled in Ghana. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. FBL operates under the Banking Act, 2004 (Act 673). The financial statements of FBL for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 20 March 2012.

2.1 Basis of preparation
These consolidated financial statements have been prepared under the historical cost convention, except available for sale investments, financial assets and financial liabilities held at fair value through profit and loss that have been measured at fair value. The financial statements have been presented in Ghana cedis.

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

2.3 Basis of consolidation
The consolidated financial statements comprise the financial statements of Fidelity Bank Limited and its subsidiary as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.
with International Financial Reporting Standards (IFRS).

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

(a) Fair value of financial instruments
The fair value of a financial asset is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded on the balance sheet cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(b) Impairment losses on loans and advances
The bank reviews its problem loans to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

(c) Impairment of equity investments
The bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exits. The bank treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months. In addition, the bank evaluates other factors such as the share price volatility.

(d) Deferred tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

• IAS 24 Related Party Disclosures (amendment) effective 1 January 2011.

• IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010.
• IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011.

• Improvements to IFRSs (May 2010).

IAS 24 Related Party Transactions (Amendment)

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

IAS 32 Financial Instruments: Presentation (Amendment)

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

"IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

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

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position of the bank.

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

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

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

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)

- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

2.6 Summary of significant accounting policies

(a) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated in cedis at the exchange rate ruling at the bank's year end. Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. All translation differences are dealt with in arriving at the operating result.

(b) Recognition of income and expenses

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

(ii) Fee and commission income

The bank earns fee and commission income from services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or the other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income
Revenue is recognized when the bank's right to receive the payment is established.

(iv) Net trading income
This comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(c) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition
Purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date i.e. the date that the bank commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments
The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

(iii) Financial assets and liabilities held for trading
Financial assets or financial liabilities comprising financial instruments held for trading other than derivatives are recorded in the balance sheet at fair value. Changes in fair value are recognized in Net trading income according to the terms of the contract or when the right to the payment has been established.

Included in this classification are debt securities, equities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the future.

(iv) Financial assets and liabilities designated at fair value through profit or loss
Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

· the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognized gains or losses on them on a different basis; or

· the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management or investment strategy; or

· the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.
Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in Net gains or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in other operating income when the right to the payment has been established.

(v) Held to maturity financial investments
Held to maturity financial investments are those which carry fixed determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'interest income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line Impairment losses on financial investments.

(vi) Due from banks and loans and advances to customers
'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost is calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortization

is included in 'Interest income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Charge for bad and doubtful debt'.

(vii) Available for sale financial investments
Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. It includes equity investments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in 'Other operating income' or 'Other operating expenses'. Where the bank holds more than one investment in the same security it is deemed to be disposed off on a first-in first-out basis. Interest earned, whilst holding available-for-sale financial investments, is recognized in the income statement as 'Interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(viii) Borrowed funds
After initial measurement, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(d) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or

- the bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

- either (a) the bank has transferred substantially all the risks and rewards of the asset, or (b) the bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

(ii) Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(e) Repurchase and reverse repurchase agreements
Securities may be lent or subject to a commitment to repurchase it at specified date ('a repo'). Such securities are not derecognized but retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Bank. Any cash received, including accrued interest, is recognized on the balance sheet reflecting its economic substance as a loan to the Bank.

Conversely, securities borrowed or purchased securities subject to a commitment to resell it at a specified date (a 'reverse repo') is not recognized on the balance sheet as the transactions are treated as collateralised loans. However where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

(f) Impairment of financial assets
The Bank assesses at each balance sheet whether objective evidence of impairment exists for any financial asset. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers
For amounts due from banks and loans and advances to customers carried at amortised cost, the Bank first 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 (identified impairment). If the Bank 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 (unidentified impairment). Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the 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 the loss is recognised in the income statement.

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure 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 risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the 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 based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of a new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate.

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) Available for sale financial instruments

For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of Interest Income. Reversals of impairment of debt securities are recognised in the income statement if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(g) Collateral and netting

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting, where financial assets and liabilities are offset and the net amount reported in the balance sheet, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

(h) Leasing

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

(i) The Bank as a lessor

Finance leases

Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Operating leases

Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. The leased assets are included within property, plant and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight line basis over the period of the lease unless another systematic basis is more appropriate.

(ii) The Bank as a Lessee

Finance leases which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with corresponding liability to the lessor included in 'Other liability'. Lease payments are apportioned between the finance charges and reduction on the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expense'.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Operating lease payments are not recognised in the balance sheet. Rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate, and included in 'Other operating expenses'.

(i) Cash and cash equivalents

Cash and cash equivalents are recorded in the balance sheet at cost. For the purpose of the cash flow statement cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana, treasury bills and other eligible bills, amounts due from other banks and dealing securities.

(j) Investment in associate

The Bank's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Bank has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Bank's share of net assets of the associate. Losses in excesses of the cost of the investment in an associate are recognised when the Bank has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

The income statement reflects the Bank's share of the results of the operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Bank recognises it's share of such change and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Bank are identical and the associate's accounting policies conform to those used by the Bank for like transactions and event in similar circumstances.

(k) Property and equipment

Property and equipment owned by the Group are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is computed using the straight-line method so as to write off the cost over the estimated useful lives. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimate.

Property and equipment are depreciated as follows:

· Leasehold buildings and improvements	over the unexpired lease period
· Motor vehicles	25%
· Computers : hardware : software	 25% 25% - 50%
· Furniture and equipment	25%
· Machinery	25%

(l) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Such financial guarantees are given to banks, other financial institutions and bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and payment of import duties.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in 'Other liabilities', being the fee income received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the unamortised fee income and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increases in the liability relating to financial guarantees are taken to the income statement in 'Charge for bad and doubtful debt'. The fee income received is recognized in the income statement in 'Fees and commission income' on a straight line basis over the life of the guarantee.

(m) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Taxes

Current tax

Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Internal Revenue Service. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except;

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except;

- where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Deferred and current tax assets and liabilities are only off set when they arise in the same tax reporting entity and the same taxation authority, and where there is both the legal right to set off current tax assets against current tax liabilities and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The primary segment reporting format is aligned to business units based on the Bank's management and internal reporting structure. The segment information presented is in respect of the Bank's business.

The bank's business units are as outlined below:

Wholesale banking	Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to corporate and institutional customers.
Treasury	Undertakes the bank's funding and centralised risk management activities through borrowings, and investing in liquid assets such as short-term placements and government debt securities.
Consumer banking	Provides loans and overdrafts, as well as handles the deposits and other transactions of individual customers such as funds transfers, standing orders and ATM card services.

For the purpose of segmental reporting, interest is allocated to the business units based on a pool rate determined by Treasury using the bank's cost of funds.

Analysed below is the net income, profit of the business segments of the bank for the year ended 31 December 2011

	Wholesale GH¢	Treasury GH¢	Consumer GH¢	Total GH¢
Net interest income	24,123,491	1,080,580	22,634,652	47,838,723
Net fee and commission income	16,038,568	5,602,624	10,103,143	31,744,335
Total income	40,162,059	6,683,203	32,737,795	79,583,057
Operating expenses	(24,567,973)	(6,564,942)	(34,175,537)	(65,308,452)
Operating profit	15,594,086	118,261	(1,437,742)	14,274,605
Income tax expense				(4,575,254)
Profit for the year				9,699,351

Analysed below is the net income, profit of the business segments of the bank for the year ended 31 December 2010

	Wholesale GH¢	Treasury GH¢	Consumer GH¢	Total GH¢
Net interest income	10,938,125	4,214,080	13,879,697	29,031,902
Net fee and commission income	6,605,322	5,670,194	4,915,393	17,190,909
Total income	17,543,447	9,884,274	18,795,090	46,222,811
Operating expenses	(13,809,845)	(3,002,339)	(22,578,982)	(39,391,166)
Operating profit	3,733,602	6,881,935	(3,783,892)	6,831,645
Income tax expense				(1,998,544)
Profit for the year				4,833,101

4. Interest income

	CONSOLIDATED 2011 GH¢	CONSOLIDATED 2010 GH¢	THE BANK 2011 GH¢	THE BANK 2010 GH¢
Cash and short term funds	6,654,253	1,546,593	6,518,776	1,546,593
Investments securities	28,233,588	31,300,841	28,233,588	31,179,995
Loans and advances	68,512,742	41,536,405	68,512,742	41,536,405
	103,400,583	74,383,839	103,265,106	74,262,993

5. Interest expense

	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
Savings accounts	4,716,021	2,171,828	4,716,021	2,171,828
Time and other deposits	38,208,835	36,113,079	38,208,835	36,113,079
Overnight and call accounts	8,278,652	5,395,116	8,278,652	5,395,116
Interest on shareholders loan	595,596	340,708	595,596	340,708
Interest on current account	2,064,690	860,104	2,064,690	860,104
Interest Term Borrowings	1,562,589	350,256	1,562,589	350,256
	55,426,383	45,231,091	55,426,383	45,231,091

6. Fees and commissions

	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
Arrangement, facility & brokerage fees	7,086,406	2,804,390	6,208,069	2,804,390
Commissions	11,638,525	7,608,677	11,615,367	7,274,729
	18,724,931	10,413,067	17,823,436	10,079,119

7. Other operating income

	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
Gains on foreign exchange transactions	12,103,844	6,667,204	12,103,844	6,667,204
Exchange gain on translations	1,131,406	337,200	1,131,406	337,200
Sundry income	877,879	333,016	685,648	107,386
	14,113,129	7,337,420	13,920,898	7,111,790

		CONSOLIDATED		THE BANK	
8.	**Operating expenses**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Staff cost (note 9)	19,685,975	13,326,930	19,025,355	13,122,863
	Depreciation	3,441,290	2,438,046	3,429,628	2,429,773
	Advertising and marketing	6,154,962	3,491,197	6,125,359	3,491,197
	Audit fees	92,550	66,360	82,200	55,940
	Directors' remuneration	328,258	272,710	328,258	272,710
	Other operating expenses	21,416,788	12,995,645	21,270,806	12,814,583
	Legal and consultancy fees	1,941,830	566,926	1,890,715	535,200
	Training	1,446,871	751,845	1,446,721	733,605
	Donations and sponsorship	75,154	31,034	75,154	31,034
		54,583,678	33,940,693	53,674,196	33,486,905

9.	**Staff costs**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Wages, salaries, bonus and allowances	17,172,449	9,267,150	16,511,830	9,063,083
	Social Security Fund Contribution	1,027,853	989,051	1,027,853	989,051
	Provident fund contribution	1,485,673	602,670	1,485,673	602,670
	Other employee cost	-	2,468,059	-	2,468,059
		19,685,975	13,326,930	19,025,356	13,122,863

The average number of persons employed by the bank during the year was 586 (2010: 561)

10.	**Charge for bad and doubtful debts**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Identified impairment	11,595,777	5,951,639	11,595,777	5,951,639
	Unidentified impairment	38,479	(47,378)	38,479	(47,378)
		11,634,256	5,904,261	11,634,256	5,904,261

11. Taxation

The components for income tax for 2011 and 2010 are as follows;	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
Current tax				
Current income tax	4,664,899	2,584,251	4,568,982	2,508,046
Deferred tax				
Origination and reversal of temporary differences	(706,953)	(864,498)	(706,953)	(864,498)
Total income tax expense	3,957,946	1,719,753	3,862,029	1,643,548

The Group Year of assessment	At 1 Jan GH¢	Paid during the year GH¢	Charge for the year GH¢	At 31 Dec GH¢
1999 - 2005	27,913	-	-	27,913
2006	(6,964)	-	-	(6,964)
2007	(318)	-	-	(318)
2008	21,635	-	-	21,635
2009	1,008	-	-	1,008
2010	12,257		-	12,257
2011	-	(4,538,370)	4,664,899	126,529
	-	-	-	-
	55,531	(4,538,370)	4,664,899	182,060
	-	-	-	-
National stabilization levy				
2009	(4,657)			(4,657)
2010	85,818	-	-	85,818
2011	-	(665,608)	713,225	47,617
	81,161	(665,608)	713,225	128,778
	136,692	(5,203,978)	5,378,124	310,838

The Bank Year of assessment	At 1 Jan GH¢	Paid during the year GH¢	Charge for the year GH¢	At 31 Dec GH¢
1999 - 2005	28,035	-	-	28,035
2006	(2,070)	-	-	(2,070)
2009	-	-	-	-
2010	(42,584)	-	-	(42,584)
2011	-	(4,408,662)	4,568,982	160,320
	(16,619)	(4,408,662)	4,568,982	143,701
National stabilization levy				
2010	70,578	-	-	70,578
2011	-	(665,608)	713,225	47,617
	70,578	(665,608)	713,225	118,195
	53,959	(5,074,270)	5,282,207	261,896

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	2011			2010		
	Assets GH¢	Liabilities GH¢	Net GH¢	Assets GH¢	Liabilities GH¢	Net GH¢
Property and equipment	-	1,561,135	1,561,135	-	601,490	601,490
Impairment allowances for loan losses	(3,433,526)	-	(3,433,526)	(1,766,929)	-	(1,766,929)
Gains / losses on AFS investments	-	606,308	606,308	-	1,177,942	1,177,942
Net tax (assets)/liabilities	(3,433,526)	2,167,443	(1,266,083)	(1,766,929)	1,779,432	12,503

	BANK					
	2011			2010		
	Assets GH¢	Liabilities GH¢	Net GH¢	Assets GH¢	Liabilities GH¢	Net GH¢
Property and equipment	-	1,561,135	1,561,135	-	601,490	601,490
Impairment allowances for loan losses	(3,433,526)	-	(3,433,526)	(1,766,929)	-	(1,766,929)
Gains / losses on AFS investments	-	606,308	606,308	-	1,177,942	1,177,942
Net tax (assets)/liabilities	(3,433,526)	2,167,443	(1,266,083)	(1,766,929)	1,779,432	12,503

A reconciliation between tax expense and accounting profit for the years ended 31 December 2011 and 2010 is as follows:

	CONSOLIDATED		THE BANK	
	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
Accounting profit	14,637,928	6,831,645	14,274,605	6,831,645
Non taxable item	8,563,231	7,538,776	8,542,887	7,233,956
	23,201,159	14,370,421	22,817,492	14,065,601
Capital allowance	4,541,563	4,013,347	4,541,563	4,013,347
Chargeable income	18,659,596	10,357,074	18,275,929	10,052,254
Income at different tax rate	-	-20,072	-	-20,072
Tax thereon - 25%	4,664,899	2,584,251	4,568,982	2,508,046

		CONSOLIDATED		THE BANK	
12.	**Cash and balances with Bank of Ghana**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Cash in till	27,702,658	13,114,688	27,537,605	13,114,688
	Balance with Bank of Ghana	75,375,993	45,519,306	75,375,993	45,519,306
		103,078,651	58,633,994	102,913,598	58,633,994

13.	**Financial investment**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Short-term government securities				
	Treasury Bills	55,727,423	48,118,376	55,727,423	48,118,376
	Discounted bills	4,399,633	1,211,406	3,281,778	1,211,406
		60,127,056	49,329,782	59,009,201	49,329,782
	Medium-term government securities				
	Government bond: 1 - 3 years	175,328,965	153,614,108	175,328,965	153,614,108
	Non quoted equity investment	95,551	107,655	95,551	107,655
	Total	235,551,572	203,051,545	234,433,717	203,051,545

Financial investments are financial assets classified as Available-for-sale, and are carried at fair value.

Non quoted equity investment relates to 2.06% preference shares in Fidelity Equity Fund I, a venture capital fund incorporated in Ghana. It is recorded at cost less distributions received from liquidation of investments by the fund. This is because the fair value cannot be reliably estimated since there is no market for this investment.

14.	**Due from other banks and financial institutions**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Nostro account balances	84,836,191	38,898,764	84,836,191	38,898,764
	Items in course of collection	13,840,785	9,903,209	13,840,785	9,903,209
	Placement with other banks	148,976,409	102,849,926	148,976,409	102,696,300
		247,653,385	151,651,899	247,653,385	151,498,273

		CONSOLIDATED		THE BANK	
15.	**Loans and advances to customers**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
(a)	Analysis by type:				
	Term loans	368,997,744	192,102,385	368,997,744	192,102,385
	Overdrafts	46,471,986	22,075,797	46,471,986	22,075,797
	Staff	7,842,401	4,936,366	7,842,401	4,936,366
					-
	Gross loans and advances	423,312,131	219,114,548	423,312,131	219,114,548
	Provision for bad and doubtful debts (note 16)	(13,734,105)	(7,067,715)	(13,734,105)	(7,067,715)
					-
	Net loans and advances	409,578,026	212,046,833	409,578,026	212,046,833
(b)	Analysis by type of customer:				
	Individuals	139,251,713	97,693,827	139,251,713	97,693,827
	Private enterprises	226,063,218	98,437,071	226,063,218	98,437,071
	State enterprise and public institutions	50,249,908	18,047,284	50,249,908	18,047,284
	Staff	7,842,401	4,936,365	7,842,401	4,936,365
		423,407,240	219,114,547	423,407,240	219,114,547
	Provision for bad and doubtful debts (note 16)	(13,734,105)	(7,067,715)	(13,734,105)	(7,067,715)
	Net loans and advances	409,673,135	212,046,832	409,673,135	212,046,832
(c)	Analysis by business segment:				
	Agriculture, forestry and fishing	-	640,174	-	640,174
	Manufacturing	28,649,964	13,805,005	28,649,964	13,805,005
	Construction	10,551,550	1,175,823	10,551,550	1,175,823
	Electricity, gas and water	17,543,834	5,082,473	17,543,834	5,082,473
	Commerce and finance	142,149,595	46,170,392	142,149,595	46,170,392
	Transport, storage and communication	5,547,340	2,358,353	5,547,340	2,358,353
	Services	214,816,233	139,237,709	214,816,233	139,237,709
	Miscellaneous	4,148,724	10,644,618	4,148,724	10,644,618
		423,407,240	219,114,547	423,407,240	219,114,547
	Provision for bad and doubtful debts (note 16)	(13,734,105)	(7,067,715)	(13,734,105)	(7,067,715)
	Net loans and advances	409,673,135	212,046,832	409,673,135	212,046,832
(d)	Key ratios on loans and advances	2011	2010	2011	2010
	(i) Loan loss provision ratio	3.24%	3.23%	3.24%	3.23%
	(ii) 50 largest exposures to total exposures	41%	42%	41%	42%

		CONSOLIDATED		THE BANK	
16.	**Movement in provision for bad and doubtful debts and interest in suspense**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	At 1 January	7,067,715	2,251,410	7,067,715	2,251,410
	Charge for the year	11,634,256	5,904,261	11,634,256	5,904,261
	Bad debt written off	(4,967,866)	(1,087,956)	(4,967,866)	(1,087,956)
	At 31 December	13,734,105	7,067,715	13,734,105	7,067,715

		2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
17.	**Other assets**				
	Prepayments	6,152,627	4,361,574	6,152,627	4,361,574
	Interest earned not collected	6,530,493	6,114,998	6,530,493	6,114,998
	Sundry assets	1,951,975	4,426,814	1,760,119	3,678,065
		14,635,095	14,903,386	14,443,239	14,154,637

		2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
18.	**Amounts due from associated companies**				
	Fidelity Capital Partners Limited	47,141	47,141	47,141	47,141
	Fidelity Securities Limited	-	-	590,017	275,550
		47,141	47,141	637,158	322,691

		2011 GH¢	2010 GH¢
19.	**Investment in associated companies**		
	The Bank has investments in the following entities:		
	Shares in Fidelity Securities Limited	101,000	101,000
	Shares in Fidelity Capital Partners Limited	60,000	60,000
		161,000	161,000

Name	Nature of business	Country of incorporatn.	Type of shares	Percentage Interest
Fidelity Securities Limited	Fund management	Ghana	Ordinary shares	100%
Fidelity Capital Partners Limited	Investment advisory services and private equity funds management	Ghana	Ordinary shares	31%

The summarised financial information in respect of Fidelity Capital Partners Limited is as follows:

	2011 GH¢	2010 GH¢
Share of associate's balance sheet		
Assets	731,938	540,990
Liabilities	-167,535	-127,543
Net assets	564,403	413,447
Carrying amount of investment	176,053	142,713
Share of associate's revenue and profit		
Revenue	1,170,495	1,217,388
Profit for the year	107,551	98,680

20. Property and equipment

Consolidated	At 1 Jan GH¢	Additions GH¢	At 31 Dec GH¢
Cost			
Motor vehicles	1,364,143	1,351,493	2,715,636
Computers - Hardware	4,290,043	2,409,459	6,699,502
Equipment	2,574,542	2,046,276	4,620,818
Furniture and fittings	1,364,459	642,067	2,006,526
Leasehold improvement	3,237,149	2,510,899	5,748,048
Capital work-in-progress	2,042,759	487,471	2,530,230
	14,873,095	9,447,665	24,320,760

Depreciation	At 1 Jan GH¢	Charge for the year GH¢	At 31 Dec GH¢
Motor vehicles	647,262	475,685	1,122,947
Computers - Hardware	1,727,148	1,083,687	2,810,835
Equipment	1,131,322	731,733	1,863,055
Furniture and fittings	754,079	303,129	1,057,208
Leasehold improvement	528,495	401,878	930,373
	4,788,306	2,996,112	7,784,418
Carrying value:			
At 31 December, 2011			16,536,342
At 31 December, 2010			10,084,789

Bank	At 1 Jan GH¢	Additions GH¢	At 31 Dec GH¢
Cost			
Motor vehicles	1,337,915	1,351,493	2,689,408
Computers - Hardware	4,270,193	2,409,459	6,679,652
Equipment	2,574,542	2,046,276	4,620,818
Furniture and fittings	1,363,891	642,067	2,005,958
Leasehold improvement	3,237,149	2,510,899	5,748,048
Capital work-in-progress	2,042,759	487,471	2,530,230
	14,826,449	9,447,665	24,274,114

Depreciation	At 1 Jan GH¢	Charge for the year GH¢	At 31 Dec GH¢
Motor vehicles	628,074	469,128	1,097,202
Computers - Hardware	1,721,825	1,078,724	2,800,549
Equipment	1,131,322	731,733	1,863,055
Furniture and fittings	753,653	302,987	1,056,640
Leasehold improvement	528,495	401,878	930,373
	4,763,369	2,984,450	7,747,819
Carrying value:			
At 31 December, 2010			16,526,295
At 31 December, 2009			10,063,080

Consolidated

Intangible Assets

Cost	At 1 Jan GH¢	Additions GH¢	At 31 Dec GH¢
Computer Software	1,859,041	2,373,489	4,232,530

Depreciation	At 1 Jan GH¢	Charge for the year GH¢	At 31 Dec GH¢
Computer Software	1,472,867	445,178	1,918,045
Carrying value:			
At 31 December, 2011			2,314,485
At 31 December, 2010			386,174

Bank

Cost	At 1 Jan 2010 GH¢	Additions GH¢	At 31 Dec GH¢
Computer Software	1,859,041	2,373,489	4,232,530

Depreciation	At 1 Jan GH¢	Charge for the year GH¢	At 31 Dec GH¢
	1,472,867	445,178	1,918,045
Carrying value:			
At 31 December, 2011			2,314,485
At 31 December, 2010			386,174

		CONSOLIDATED		THE BANK	
21.	**Customer deposits**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Current accounts	281,907,757	203,386,990	281,907,757	203,386,990
	Call accounts	33,258,444	49,753,153	33,258,444	49,753,153
	Savings accounts	62,993,580	42,199,589	62,993,580	42,199,589
	Time deposits	461,036,280	238,489,540	461,036,280	238,489,540
	Sundry deposits	57,448,071	14,200,000	57,448,071	14,200,000
		896,644,132	548,029,272	896,644,132	548,029,272
	(a) Analysis by type of depositor:				
	Individuals & other private enterprises	784,679,497	409,224,302	784,679,497	409,224,302
	Government departments & agencies	111,964,635	138,804,970	111,964,635	138,804,970
		896,644,132	548,029,272	896,644,132	548,029,272
	(b) 20 largest depositors to total deposit ratio	41%	45%	41%	45%

22	**Term Borrowings**	2011	2010	2011	2010
	The bank raised $18 million five-year term loan facility from DEG (US$10m), Propaco (US$8m) in addition to FMO's US$10m in 2010.	45,598,354	14,532,000	45,598,354	14,532,000

(a) FMO's US$10 million loan to Fidelity Bank is repayable over five (5) years in sixteen (16) equal quaterly installments from 2011-2016. Interest rate is based on 3 month LIBOR rate plus margin of 4.5% payable quaterly.

(b) PROPARCO'S US$8 million loan to fidelity bank was a 5-year term facility maturing in 2016 with a rate of 6-months LIBOR + 4.35%

(c) In 2011, Fidelity Bank took a 5-year US$10 million from DEG for on-lending to SMEs with a rate of 3-month LIBOR + 4.5%
These financial liabilities are classified as term borrowings and are carried at amortized cost

23	**Interest payable and other liabilities**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Accrued interest payable	11,724,255	9,864,139	11,724,255	9,864,139
	Financial guarantees	61,509	78,267	61,509	78,267
	Other creditors and accruals	14,610,266	10,054,316	14,498,642	9,998,938
		26,396,030	19,996,722	26,284,406	19,941,344

24.	**Subordinated shareholders loans**	2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
	Social Security and National Insurance Trust (SSNIT)	-	2,000,000	-	2,000,000
		-	2,000,000	-	2,000,000

The subordinated shareholder loan of GH¢2m was paid in 2011

This financial liability is classified as borrowings and is carried at amortised cost.

25. Stated capital

i) The number of shares authorized, issued and in treasury are as follows:-

	2011	2010
Ordinary:		
Authorized	100,000,000	100,000,000
Issued	16,128,750	16,000,000
In treasury	Nil	Nil
Preference:		
Authorized	10,000,000	10,000,000
Issued	2,400,000	-
In treasury	Nil	Nil

ii) Proceeds from the issued shares are as follows:-

	2011 GH¢	2010 GH¢
Ordinary shares:		
Issued for cash	25,392,921	25,193,496
Issued for consideration other than cash	22,723	22,723
Transfer from income surplus account	773,869	773,869
Total	26,189,513	25,990,088

iii) Proceeds from the issued shares are as follows:-

Preference shares:	2011 GH¢	2010 GH¢
Issued for cash	11,994,903	-

During the year the bank issued 2.4m preference shares which were fully subscribed and paid for by institutional investors. The preference shares are irredeemable and non-cumulative with respect to dividend payments

(b) Income surplus
This represents the accumulated profits over the years after appropriations. The balance is available for distributions to shareholders.

(c) Statutory reserve
This is a non-distributable reserve. It is an accumulation of amounts set-aside in accordance with Section 29 of the Banking Act, 2004 (Act 673) as amemdended by the Banking Act, 2007 (Act 738).

(d) Regulatory credit reserve
This is an accumulation of transfers from the income surplus account to meet the minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances.

(e) Available for sale reserve
This is used to report the fair value gains/(losses) on available for sale investments.

		2011 GH¢	2010 GH¢	2011 GH¢	2010 GH¢
26.	**Cash and cash equivalents**				
	Cash and balances with Bank of Ghana (note 12)	103,078,651	58,633,994	102,913,598	58,633,994
	Due from banks and other financial institutions (Note 14)	247,653,385	151,651,899	247,653,385	151,498,273
		350,732,036	210,285,893	350,566,983	210,132,267
27.	**Related party transactions**				
	This relates to loan balances due from the following related parties:				
	Executive directors	737,133	90,492	737,133	90,492
	Officers and other employees	5,887,732	4,845,874	5,887,732	4,845,874
	Non executive directors	1,654,859	538,744	1,654,859	538,744
		8,279,724	5,475,110	8,279,724	5,475,110

28. Contingencies and commitments

(a) Guarantees and indemnities
The bank had outstanding guarantees and indemnities of GH¢ 24,603,398.30 as at the end of the year. (2010: GH¢ 26,629,297).

(b) Contingent liability
There are no other contingent liabilities at the end of the year (2010: Nil)

(c) Commitments
There no commitments outstanding at the end of the year (2010: Nil)

29. Financial risk management

(a) Introduction and overview
There is risk in every transaction the Bank undertakes and in every service it provides. It is therefore a fundamental responsibility of management to ensure that all the risks associated with each class of business, each product and each type of transaction are identified as well as manage the risks associated with the conduct of the bank's affairs. Most transactions of the Bank are subject to one or more of the following risks,

- credit risk;
- liquidity risk;
- interest rate risk;
- currency risk;
- market risk;
- operational risk;

These inherent risks are managed through a process of on-going identification, measurement and monitoring, subject to risk limits and controls. This process is critical to the Bank's continued profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibility.

Outlined in this note is information about the bank's exposure to each of the above risks, the bank's objectives, policies and processes for measuring and managing these risks, and the bank's management of capital.

(b) Risk management structure
The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (CC), Risk Management Department, Asset and Liability Committee (ALCO), which are responsible for developing and monitoring the bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(c) Risk measurement and reporting systems
The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the actual loss. These models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the bank is willing to accept. In addition, the bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.
Information and data on risk measures across the business are generated periodically and processed in order to analyse, control and identify early risks. This information is made available to the Board, as well to the key management risk control functions of the bank. The reports include aggregate credit exposure analysed into industry and customer as well as liquidity ratios.

(d) Credit risk management
Credit risk is the risk of the bank incurring a loss because its customers, clients or counterparties are not able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk is the bank's largest risk and considerable resources, expertise and controls are devoted to managing it.

The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring such limits. The Board sub-committee reviews the quality of the Credit Book, past due credits and all new credits approved by the CC. In all cases the Board reviews at its meetings all extensions of credit that are in place.

Types of credit risk assets

Credit facilities extended to customers may be short term (up to one year) medium term (one to three years) or long term (over three years) in tenor. Additionally, facilities may be of a direct or indirect nature. They may be contractual (where the borrower has the contractual right to draw) or advised (where the Bank can cancel the credit at its discretion)

Direct facilities are those where the Bank actually disburses funds to a borrower, in the form of a loan or other advance, or creates an arrangement whereby the customer may himself draw funds on credit at his volition up to an agreed limit. Such direct facilities include:

- Overdrafts i.e. Advances on Current Accounts mainly to finance current assets
- Demand Loans
- Term Loans
- Bill discounting
- Advances under Letters of Credit
- Acceptances, Guarantees and Indemnities etc.

Indirect (or contingent) obligations are created when the Bank enters into a contractual obligation to pay a third party at a future date, or upon the occurrence of a certain event, against the indemnity of a customer (who is the direct obligor). Such indirect facilities include:

- Opening and/or confirmation of letters of credit

- Issuance of guarantees and indemnities (e.g. to customs, immigration)

- Issuance of bid/performance/ advance payment bonds

- Issuance of standby letters of credits.

This can also consist of operational risk such as non delivery, facilities for FX and other dealing lines.

Credit Application (CA) Process
Prior to extension of any credit facility, whether direct or contingent, it must be recommended and approved by means of a CA. Such CA will incorporate analysis and evaluation of all risk inherent in the transaction. These reviews are both quantitative, ie balance sheet spreading, cash flow analysis as well as subjective, nature of the business, quality of management, suitability of loan to business.

Credit approval authority is delegated to Management by the Board of Directors of Fidelity Bank. Any extension of credit exceeding authority delegated is subject to approval by the Board Sub-committee, following recommendation to the Board by Management.

Authority for approval of credit within limits is delegated by the Board of Directors. There is a Credit Sub Committee of the Board that may exercise the authority of the Board pending full sittings of the Board. The Credit Sub-Committee comprises a minimum of two Ghanaian resident non-executive directors of the Board.

The Board may delegate authority down the line to an in-house Credit Committee (CC) who may in turn delegate authority (but not the ultimate responsibility) to the Director of Credit Risk Management and/or to other Credit Officers as may be required under the policy approved by the Board. All decisions of the Credit Sub-Committee must be unanimous.

All Credit granted by the Bank are subject to the laws and regulations contained in the Banking Act 2004. No single party facility shall exceed 25% of the net worth of the bank on secured basis or 10% of net worth on unsecured basis. No unsecured facilities to directors are permitted without the approval of the Bank of Ghana.

Credit Risk Mitigation

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 advances, which is common practice. The bank reviews the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

(a) Mortgages over residential properties.
(b) Charges over business assets such as premises, inventory and accounts receivable.
(c) Charges over financial instruments such as debt securities and equities.

At 31 December 2011, the bank's credit exposure were categorised as follows:

- Exposures that are neither past due nor impaired
- Exposures that are past due but not impaired and
- Individually impaired facilities

The balances for each category have been analysed below;

	2011		2010	
	Loans & advances to customers GH¢	Due from banks & financial inst. GH¢	Loans & advances to customers GH¢	Due from banks & financial inst. GH¢
Neither past due nor impaired	395,128,177	148,976,409	200,061,126	102,849,926
Past due but not impaired	14,091,977	-	8,978,797	-
Individually impaired	14,091,977	-	10,074,625	-
Gross	423,312,131	148,976,409	219,114,548	102,849,926
Less Allowance for impairment	13,734,105	-	7,067,715	-
Net amount	409,578,026	148,976,409	212,046,833	102,849,926

Loans and advances to customers in Ghana analysed by industry sector, as well as by customer type is shown in note 15(b) & 15(c) above.

Liquidity risk management

Liquidity risk is defined as the likely event of a negative impact on the value or volume of liquid assets as a result of changes in any of the following variables that impact on liquidity: interest and exchange rates, inflation, customer actions, changing economic conditions and the action(s) of competitors.

To limit this risk, management adopts a number of measures including monitoring the day-to-day funding requirements to ensure that future cash flows can be met. This requires that the bank maintains an active presence in the local money markets to enable that to happen. The Bank also maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the Bank is statutorily required to maintain a reserve of 9% of foreign currency customer deposits held as well as 9% of local currency customer deposits in separate accounts with the Bank of Ghana. These balances are used to support all inter-bank transactions.

Liquidity risk measurement

The bank prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralized with a Treasury Bill or Bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

In addition to the above, the bank also ensures compliance to the regulatory requirements set by the Bank of Ghana such as effective volatile liability dependency ratio which is the measured as (volatile funds – liquid assets) / long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. The bank targets a negative ratio to be in compliance with BoG. (Volatile funds is short term wholesale funds e. g call accounts).

The table below summarises the maturity analysis of liabilities showing the contractual undiscounted cash flows.

Maturities of assets and liabilities	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 mths GH¢	Total GH¢
Assets					
Cash and balances with Bank of Ghana	102,913,598	-	-	-	102,913,598
Financial investments	34,956,377	35,538,403	116,208,157	47,730,780	234,433,717
Due from other banks and financial institutions	247,653,385	-	-	-	247,653,385
Loans and advances to customers	78,982,255	35,912,935	59,055,336	235,722,609	409,673,135
Other assets	-	14,443,239	-	-	14,443,239
Amounts due from associated companies	-	-	-	637,158	637,158
Investment in associate	-	-	-	161,000	161,000
Current tax asset	-	-	-	1,266,083	1,266,083
Property and equipment	-	-	-	16,526,295	16,526,295
Intangible assets	-	-	-	2,314,485	2,314,485
Total assets	464,505,615	85,894,577	175,263,493	304,358,410	1,030,022,095
Liabilities					
Customer deposits					
Due to other banks					
Term Borrowing	476,269,304	188,820,846	198,553,982	-	863,644,132
Interest payable and other liabilities	5,569,750	-	-	-	5,569,750
Current tax liability	-	-	-	45,598,354	45,598,354
Deferred tax liability	-	26,284,406	-	-	26,284,406
	-	-	-	261,896	261,896
Total liabilities	481,839,054	215,105,252	198,553,982	45,860,250	941,358,538
Net liquidity gap	(17,333,439)	(129,210,675)	(23,290,489)	258,498,160	88,663,557

Liquidity Crises Management

Liquidity crisis is defined as a condition where the bank is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the Bank resulting in substantial withdrawal of funds by depositors.

This is deemed to have occurred when any of the following conditions exist:

- Liquidity guidelines/ratios have been breached for four consecutive weeks.

- BoG support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

Market risk management

Market risks arise from interest rate products and open positions in currency, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The bank has adopted the Bank of Ghana requirement that banks maintain a total open position which is equal to 30% of their net worth. Within this limit, banks are also required to maintain single currency open positions equal to 15% of net worth.

At 31 December, 2011	EUR GH¢	GBP GH¢	USD GH¢	GHC GH¢	Total GH¢
Assets					
Cash and balances with Bank of Ghana	669,831	2,115,490	18,464,846	81,663,431	102,913,598
Financial investments	-	-	-	234,433,717	234,433,717
Due from other banks and financial institutions	3,792,430	3,681,509	104,438,574	135,740,871	247,653,384
Loans and advances to customers	2,231	1,279,999	100,167,905	308,127,891	409,578,026
Other assets	-	-	-	14,443,239	14,443,239
Amounts due from associated companies	-	-	-	637,158	637,158
Investment in associate	-	-	-	161,000	161,000
Current tax asset	-	-	-	1,266,083	1,266,083
Property and equipment	-	-	-	16,526,295	16,526,295
Intangible assets	-	-	-	2,314,485	2,314,485
Total assets	4,464,492	7,076,998	223,071,325	795,314,170	1,029,926,985
Liabilities					
Customer deposits	6,377,828	10,582,804	168,629,215	711,054,285	896,644,132
Due to other banks	-	-	3,960,250	1,609,500	5,569,750
Term borrowing	-	-	45,598,354	-	45,598,354
Interest payable and other liabilities	-	-	-	26,284,406	26,284,406
Current tax liability	-	-	-	261,897	261,897
Deferred tax liability	-	-	-	-	-
Subordinated shareholders' loan	-	-	-	-	-
Total liabilities	6,377,828	10,582,804	218,187,819	739,210,088	974,358,539
Net on balance sheet position	(1,913,336)	(3,505,806)	4,883,506	56,104,082	55,568,446
Net off balance sheet position		103,324	7,490,137	17,009,937	24,603,398

The amount of total assets and total liabilities held inside and outside Ghana is analysed below:

At 31 December, 2010	EUR GH¢	GBP GH¢	USD GH¢	GHC GH¢	Total GH¢
Assets					
Cash and balances with Bank of Ghana	1,361,586	2,431,956	12,943,904	41,896,548	58,633,994
Financial investments	-	-	-	203,051,545	203,051,545
Due from other banks and financial institutions	2,691,017	(287,987)	86,080,919	63,014,324	151,498,273
Loans and advances to customers	3,123	1,682,606	66,873,625	143,487,479	212,046,833
Other assets	123,707	-	-	14,030,930	14,154,637
Amounts due from associated companies	-	-	-	322,691	322,691
Investment in associate	-	-	-	161,000	161,000
Deferred tax asset	-	-	-	10,063,080	10,063,080
Property and equipment	-	-	-	386,174	386,174
Total assets	4,179,433	3,826,575	165,898,448	476,413,771	650,318,227
Liabilities					
Customer deposits	4,013,008	4,150,383	137,509,179	402,356,702	548,029,272
Due to other banks	-	-	13,157,470	15,609,500	28,766,970
Lon-term borrowing			14,532,000		14,532,000
Interest payable and other liabilities	3,406	1,463	384,034	19,552,441	19,941,344
Current tax liability	-	-	-	53,959	53,959
Deferred tax liability	-	-	-	12,503	12,503
Subordinated shareholders' loan	-	-	-	2,000,000	2,000,000
Total liabilities	4,016,414	4,151,846	165,582,683	439,585,105	613,336,048
Net on balance sheet position	163,019	(325,271)	315,765	36,828,666	36,982,179
Net off balance sheet position	1,680,976	-	12,374,268	12,574,053	26,629,297

The amount of total assets and total liabilities held inside and outside Ghana is analysed below:

	2011		2010	
Foreign currency exposure	Ghana GH¢	Outside GH¢	Ghana GH¢	Outside GH¢
Assets				
Cash and balances with Bank of Ghana	21,250,167	-	16,737,446	-
Due from other banks and financial institutions	27,071,410	84,841,104	21,969,642	66,514,307
Loans and advances to customers	101,450,135	-	68,559,354	-
	149,771,712	84,841,104	107,266,442	66,514,307
Liabilities				
Customer deposits	185,589,847	-	145,672,570	-
Due to other banks	3,960,250	-	13,157,470	-
Interest payable and other liabilities	-	-	388,903	-
	-	-	-	-
	189,550,097	-	159,218,943	-

Capital management

The bank's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Ghana, (ii) to safeguard the bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximize shareholder value. Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Finance Director.

Under the current capital requirements set by the Bank of Ghana, banks have to maintain a ratio of regulatory capital to weighted risk assets ("capital adequacy ratio") above 10%.

Regulatory capital as defined by the Bank of Ghana has two (2) components;

Tier 1 capital: share capital arising on permanent shareholders' equity, retained earnings and reserves created; and

Tier 2 capital: qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to quality as subordinated loan capital, it should possess the following attributes:

- should be unsecured

- repayment is subordinated to other debt instruments

- should have a minimum original fixed term to maturity of over 5 years

- not available to absorb the losses of a bank which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier I capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the years ended 31 December 2011 and 2010.

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the years ended 31 December 2011 and 2010.

	2011 GH¢	2010 GH¢
Paid-up Capital	38,184,416	25,990,088
Disclosed Reserves	17,384,032	10,202,323
Other adjustments*	(5,570,077)	(503,121)
Tier 1 Capital	49,998,371	35,689,290
Total Capital	49,998,371	35,689,290
Risk weighted assets	468,778,941	268,358,994
Tier 1 capital adequacy ratio	10.7%	13.3%
Total capital adequacy ratio	10.7%	13.3%

During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

Shareholding Structure

20 LARGEST SHAREHOLDERS AS AT 31st DECEMBER 2011

	Shareholder	No. of Shares	Percentage
1	Africa Capital LLC	6,616,250	41.02%
2	Social Security & National Insurance Trust	2,400,000	14.88%
3	ENO International LLC	1,860,000	11.53%
4	SIC Life Company Limited	1,065,818	6.61%
5	Kwamina Duker	800,000	4.96%
6	J&S Associates/ Lifeforms Limited	640,000	3.97%
7	Mr. Edward Effah	380,000	2.36%
8	Fidelity Trust	243,394	1.51%
9	Bernard Lind	237,500	1.47%
10	Mrs. Johanna Svanikier	197,000	1.22%
11	Mr. Jim Baiden	185,000	1.15%
12	Mr. Philip Addison	150,000	0.93%
13	Mr. Jonathan Adjetey	100,000	0.62%
14	Mr. David Boatin	100,000	0.62%
15	Business Development Consultancy	100,000	0.62%
16	Ghana Commercial Bank	100,000	0.62%
17	Mr. Alex Dodoo	82,424	0.51%
18	Mr. Victor & Mrs. Doris Attafua	60,000	0.37%
19	Prof. John & Dr.(Mrs.) Magaret Gyapong	60,000	0.37%
20	Mr. William Panford Bray	52,424	0.33%
	TOTAL	15,429,810	95.67%
	OTHERS	698,940	4.33%
	GRAND TOTAL	16,128,750	100.00%

ANALYSIS OF SHAREHOLDINGS AS AT 31ST DECEMBER 2011

Category	Number of Shareholders	Number of Shares	% Holding
1 - 50,000	18	348,940	2.16%
50,001 - 500,000	18	2,397,742	14.87%
500,001 - 1,000,000	2	1,440,000	8.93%
over 1,000,000	4	11,942,068	74.04%
	42	16,128,750	100.00%

DIRECTORS SHAREHOLDINGS AS AT 31ST DECEMBER 2011

Directors	Number of Shares	% Holding
William Panford Bray	52,424	0.33%
Edward Effah	380,000	2.36%
Kwamina Duker	800,000	4.96%
Johanna Svanikier	197,000	1.22%
Jim Baiden	185,000	1.15%
	1,614,424	10.02%